Stock Code: 3189

KINSUS INTERCONNECT TECHNOLOGY CORP.
2018 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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Annual Report is available at: **http://www.kinsus.com.tw**

The inside cover of annual report

1. **The name, title, telephone number, and e-mail address of the spokesman or acting spokesman**
   (1) The Spokesman
   Name: Mu, Xian Jue
   Title: Senior Project Director of Chairman Office
   Telephone number: 886-3-487-1919 EXT 26660
   E-mail: jackmu@kinsus.com.tw
   (2) The Acting Spokesperson
   Name: Liu, Su Zhen
   Title: Senior Director of Finance Department
   Telephone number: 886-3-487-1919 EXT 25005
   E-mail: suejaneliu@kinsus.com.tw

2. **The address and telephone number of the Company's headquarters, branch offices, and factories**
   Headquarter (Shilei Factory): No.1245, Zhonghua Rd., Xinwu Dist., Taoyuan City 327, Taiwan, R.O.C.
   Telephone number: 886-3-487-1919
   Qinghua Factory: No.810, Zhonghua Rd., Xinwu Dist., Taoyuan City 327, Taiwan, R.O.C.
   Telephone number: 886-3-487-1988
   Xinfeng Factory: No.526, Sec. 2, Jianxing Rd., Xinfeng Township, Hsinchu County 304, Taiwan, R.O.C.
   Telephone number: 886-3-557-1799

3. **The name, address, e-mail address, and telephone number of the agency handling shares transfer**
   Name: Shareholder Services Department, KGI Securities
   Address: 5th Fl., No. 2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan, R.O.C.
   Website: https://www.kgieworld.com.tw
   Telephone number: 886-2-2389-2999

4. **The name of the certified public accountant who duly audited the annual financial report for the most recent fiscal year, and the name, address and telephone number of said person's accounting firm**
   Names of certified public accountant: Hong, Mao Yi and Huang, Yi Hui
   Name of accounting firm: Ernst & Young
   Address: 9th Fl., No. 333, Sec. 1, Keelung Rd., Songshan Dist., Taipei City 105, Taiwan, R.O.C.
   Website: http://www.ey.com.tw
   Telephone number: 886-2-2757-8888

5. **The name of any exchanges where the Company’s securities are traded offshore, and the method by which to access information on said offshore securities**
   NA

6. **The address of the Company’s website**
   http://www.kinsus.com.tw

The contents of annual report

1. A report to the shareholders

Dear Shareholders,

(1)2018 Business Report

In 2018, new stimulating power from electronic products and semi-conductors market was weak. The virtual currency upsurge did not last too long in beginning of the year. The trend of electronic products development of smart phones transferred from personal computers in recent becomes to a stable and flat stage or even has begun to decline. Before the advancement of electronic products to artificial intelligence AIoT, the semi-conductors industry seems getting into a slowdown stage in the development of terminal products.

In addition to the slow industrial technology development process, the factors that have plagued the global economy in 2018 are the US-China trade war and technology competition. The United States has two major influences by curbing China’s growing trade war by raising customs duty. Electronic products industry, especially computer and mobile phone related industry chains, worry that high customs duty will cause sales of products in the United States to decrease and, therefore, adjust product and component inventory levels in advance. The overall supply chain performance tends to become very conservative. production costs are also increased, on the other hand, because many processing and assembling companies who originally were in China have turned their operations to southeast Asia and Europe. The longer-term development for the electronics supply chain will be recast and the global supply chain can be clearly divided into two or three supply systems.

The evolution of electronic products and the obstruct of the US-China trade war ultimately affected of semi-conductor and substrate. Negative impacts included falling iOS phone sales and slumping Android phones demand. Though many new wearable devices are trying to stimulate market growth, the overall scale is too small to restore the weakness of mobile phone market. Such an impact occurred in 2018 and will extend to 2019. Positive development is in 5G communication. The base station system component suppliers are trying their best to accelerate product development. 5G communication pilots of various operators, the scale and speed are accelerating. Competition is more intense. 5G communication to get into commercial operation stage in 2020 becomes feasible. The 5G communication not only drives the Company's turnover in the second half of 2018 but also will enhance 2019 performance. Subsequently it will accelerate the business opportunities for AIOT including the cloud and the application. These applications are the ABF FC-BGA substrates that the Company is best at.

The Company's revenue in parent-company-only basis totaled to NT$17,228,031 thousand in 2018, increased by 5.78% compared to NT$16,286,034 thousand in 2017. Net income in parent-company-only basis was NT$349,485 thousand in 2018, decreased by 28.92% compared to NT$491,676 thousand in 2017. The Company's consolidated revenue totaled to NT$23,727,929 thousand in 2018, increased by 6.23% compared to NT$22,335,486 thousand in 2017. The consolidated net income was NT$411,040 thousand in 2018, increased by 22.58% compared to NT$335,322 thousand in 2017.

The increase in operating profit was mainly due to the improvement of product mix and the high proportion of high gross profit margin products while the decline in operating profit was mainly due to the higher operating expenses of Xinfeng Factory resulted from market lost by unexpected slow growth of new products market and price competition.

(2)Summary of 2019 business plan

(A) Business Policy

Since the Company's establishment, we have been upholding the principle of "Satisfying Customers and Pursuing for Excellence" as our business policy, developing leadership in technique to meet market demand, mastering new generation product demands, investing engineering resources to stay ahead, and striving for better profit to benefit our shareholders under the intense competition.

The IC substrates industry has entered a highly complex product portfolio and structure. Competitive technologies such as Fan-Out WLP have grown rapidly. The Company's R&D department is developing higher-accumulation packaging/assembly substrates, such as SiP modules, integrate antenna modules, CPU/memory multi-chip Wafer substrates, or even soft board modules, and expand the technology capabilities of the substrate industry for many years to create higher value for customers.

(B) 2019 Expected Sales and Its Sources

Several foreign-funded and international research advisory agencies predict that global economic growth will slow down in 2019 compared to 2018. In addition to regional geopolitical conflicts and the impact of US-China trade and technology competition, there is also a lack of innovative products in the market. Most electronic products follow 2018 of existing specifications and functions. The products with more obvious growth trends include 5G base station related chips and AI related High Bandwidth Memory. Automotive electronic products, including applications such as assisted autopilot ADAS, autonomous driving environment sensing components, and autopilot learning algorithm processors, are still highly growing. The fastest-growing smartphone-related Wafer components slight decline in 2019.

(C) Significant Production and Marketing Policy

A. Continue investing in R&D resources, developing both micro-wire and slim-film processes, providing customers with solutions for 7nm wafer process and multi-chip package modules.

B. Expanding the capacity of ABF FC-BGA substrate to match the long-term needs of 5G and AIoT.

C. Adjust the production capacity and production equipment of each plant to achieve the 2019 operating plan.

(3)Company development strategy

We will aim at application of slim substrates of ABF-FCBGA and memory and the techniques and products of SiP module and Wafer module in short-term, keeping up with the elemental global semiconductor developing trend of continuously miniature line width, aperture, and thickness in medium term, and developing complicated structural technique of active/passive components and direct wafer bonding in long term. By these development strategies, we are confident that the Company will sustain our competitiveness in product market as well as in the technique.

Sincerely Yours,

The Chairman and CEO
Guo, Ming-Dong

2. A Company Profile

(1) Date of Incorporation: 9/11/ 2000

(2) A brief history of the Company

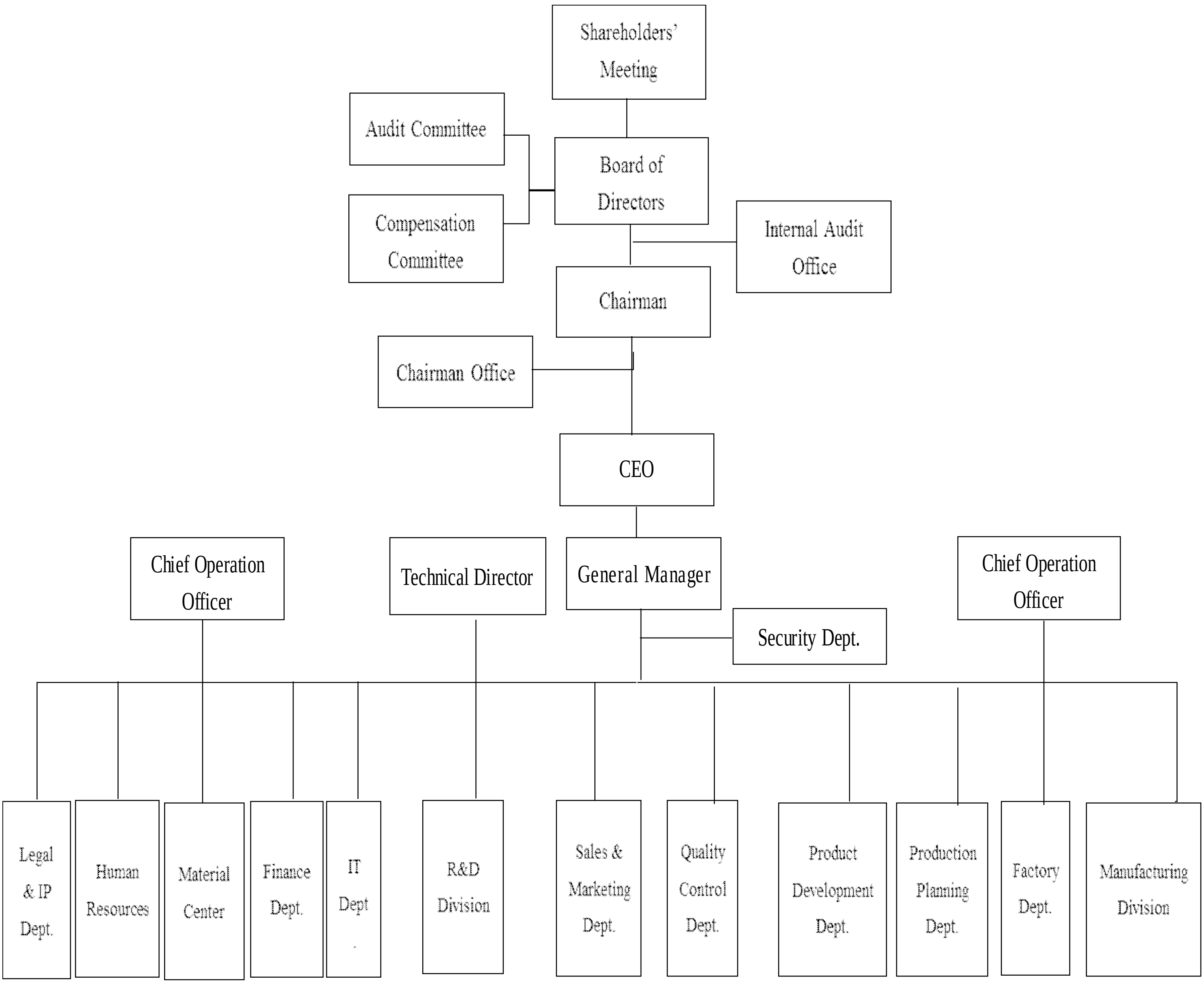
Year	Milestones
2000/09	Founded with NT$2.5 billion capital and NT$12 billion paid-up capital. Manufacturing mainly in BGA related products.
2000/12	Cash capital increased by issuing new shares of NT$100 million with NT$1.3 billion paid-up capital after increase in total.
2001/04	Cash capital increased by issuing new shares of NT$600 million with NT$1.9 billion paid-up capital after increase in total.
2001/05	Started operations.
2001/07	Be certified to QS 9000.
2001/12	Be certified to ISO 14000 - Environmental management.
2002/06	Corporation went public.
2002/11	Cash capital increased by issuing new shares of NT$100 million with NT$2 billion paid-up capital after increase in total.
2003/03	Plant expansion to the 3rd floor and the 4th floor.
2003/09	Listed for trading in emerging markets.
2003/12	Acquired the review by Industrial Science and Technology Committee on the submissions of "Science and technology product or technology successful development and marketing".
2004/06	Surplus capital increased by issuing new shares of NT$220 million with NT$2.22 billion paid-up capital after increase in total.
2004/11	Listed on Taiwan Stock Exchange.
2004/11	Plant built in Qinghua: No.810, Zhonghua Rd., Xinwu Dist., Taoyuan City.
2005/05	Operating performance ranked the 2nd, return on assets ranked 15th, return on equity ratio ranked 31st, growth drive ranked 33rd, profitability ranked 38th, and business revenue ranked 355th among top 1000 manufacturing companies by Commonwealth Magazine.
2005/07	Surplus capital increased by issuing new shares of NT$378 million with NT$2.598 billion paid-up capital after increase in total.
2005/08	Cash capital increased by issuing new shares of NT$300 million with NT$2.898 billion paid-up capital after increase in total.
2005/10	Plant bought at No.8, Qingnian Rd., Yangmei Dist., Taoyuan City 32661, Taiwan (R.O.C.).
2006/05	Cash capital increased by issuing new shares of NT$500 million with NT$3.398 billion paid-up capital after increase in total.
2006/05	Ranked 19th as Taiwan's most profitable companies by Commonwealth Magazine.
2006/07	Ranked 89th as Taiwan's most profitable companies by Digital Time Business among top 100 Taiwan Technology.
2006/08	Surplus capital increased by issuing new shares of NT$492 million with NT$3.89 billion paid-up capital after increase in total.

2006/11	Ranked 131st among Asia's top 150 with 14 Taiwan Enterprises listed by Business Week Asia.
2007/03	Be certified to ISO 14001 - Environmental management and OHSAS 18001.
2007/05	Ranked No. 212 on business revenue by Commonwealth Magazine.
2007/08	Surplus capital increased by issuing new shares of NT$464 million with NT$4.354 billion paid-up capital after increase in total.
2008/05	Ranked 52nd on return on assets, 146th on equity ratio, 22nd on profitability, and 595th on business revenue among top 1000 manufacturing companies by Commonwealth Magazine.
2008/08	Surplus capital increased by issuing new shares of NT$106 million with NT$4.46 billion paid-up capital after increase in total.
2009/05	Ranked 35th on profitability and 229th on business revenue among top 1000 manufacturing companies by Commonwealth Magazine.
2010/05	Ranked 48th on profitability and 234th on business revenue among top 1000 manufacturing companies by Commonwealth Magazine.
2010/08	Invested PIOTEK COMPUTER (SUZHOU) CO., LTD.
2011/05	Ranked 115th on profitability and 192nd on business revenue among top 1000 manufacturing companies by Commonwealth Magazine.
2012/05	Ranked 108th on profitability and 162nd on business revenue among top 1000 manufacturing companies by Commonwealth Magazine.
2013/03	Bought plant at Xinfeng: No.526, Sec. 2, Jianxing Rd., Xinfeng Township, Hsinchu County 304, Taiwan.
2013/04	Being selected as 2012 Deloitte Asia Pacific top 500 high tech, high growth enterprises.
2013/05	Ranked 116th on profitability and 158th on business revenue among top 1000 manufacturing companies by Commonwealth Magazine.
2014/04	Kick-off for building Xinfeng Factory.
2014/05	Ranked 720th on market capitalization among top 1000 enterprise in China, Taiwan, Hong Kong, and Macau by Business Today.
2015/05	Ranked 139th on profitability and 56th on net profit by Commonwealth Magazine.
2016/05	Invest in FuYang Technology Corp.
2018/08	The issuance of 4,841 thousand restricted shares for employees resulted in paid-in capital to be NT$4,508,410 thousand
2019/03	The cancelation of restricted shares for employees of 78,640 shares and issuance of 598,500 shares resulted in paid-in capital to be NT$4,513,609 thousand.

3. A Corporate Governance Report

(1) Organizational system

(A) The Company's structure



(B) The tasks of its principal divisions

Dept.	Job Description
Chief Executive Officer (CEO)	1. Business planning and strategic planning. 2. Company long-term development policy planning. 3. Business monitoring, promoting and implementation.
Audit Office	Identify deficiencies in internal control system, assess the effectiveness and efficiency of operations, and provide appropriate improvement suggestions.
General Manager	Responsible for business plan development, business performance management and analysis, investment analysis and benefit assessment, cost reduction and control, business process automation and improvement, annual budgeting, overseas business management, promotion and performance evaluation in other important projects, manufacturing capacity and standard work hours, rationalization of personnel standards.
Technical Director	Advanced product and technology research and development, equipment automation, and building new plants.
Chief Operation Officer	Responsible for coordinating the Company's finance, accounting and tax. Responsible for the planning and execution of human resource, general affairs, environmental and purchasing. Responsible for the planning and execution of web information. Responsible for the integration of manufacturing quality and operational resources of the overall planning and management.
Safety & Health Dept.	Responsible for safety & health management and regulations of engineering safety.
Human Resources	Responsible for human resource planning, recruiting & staffing, payroll management, training development, services for employee and employee relations.
Material Center	Responsible for production scheduling, shipping schedule, the material management, transportation, warehousing and import/export and customs bonded business.
Finance Dept.	Responsible for finance, accounting and stocks services.
IT Dept.	Responsible for setting up and maintaining various software and hardware of information system.
R&D Division	Responsible for coordinating the product, design, development, and facility services.
Sales & Marketing Dept.	Responsible for the Company's product sales and marketing.
Quality Control Dept.	Responsible for the quality policy, objectives and systems developed and implemented in order to meet customers' needs.

Dept.	Job Description
Product development Dept.	Responsible for the Company's product design and integration.
Production Planning Dept.	Responsible for production plan and operation performance management.
Factory Service Dept.	Responsible for maintenance of factory facilities and management of plant security.
Manufacturing Division	Responsible for substrates related products manufacturing and work objectives and effectiveness management, manufacturing cost control analysis and improvement and production planning. Responsible for assessing process operations, and developing the most appropriate manufacturing process, and improving production technology and yield analysis, and new product process import stability and optimization testing.
Legal & IP Dept.	Responsible for reviewing contracts, dealing with lawsuit and regulation compliance, and managing patents, including intellectual property rights.

(2) Information on the Company’s directors, general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the Company's divisions and branch units.

(a) Directors as of March 31, 2019

Title	Nationality/Country of Origin	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	Guo, Ming-Dong	Male	2018.5.29	3	2000.9.1	1,069,795	0.24%	1,069,795	0.24%	–	–	–	–	National Taipei Institute of Technology President/UNICAP ELECTRONICS	Note 1	–	–	–
Director	R.O.C	Tong,Zi-Xian	Male	2018.5.29	3	2000.9.1	200,000	0.04%	200,000	0.04%	-	–	–	–	Computer and Communication Engineering /Taipei Tech Chairman/PEGATRON Corp.	Note 2	–	–	–
Director	R.O.C	Chen, Ho-Shu	Male	2018.5.29	3	2017.5.26	361,002	0.08%	361,002	0.08%	–	–	–	–	Master of Physics/National Tsing Hua University General Maneger / Kinsus Interconnect Technology Corp.. Manufacturing Maneger/ Motorola	Note 3	–	–	–
Director	R.O.C	Hua Xu Investment Corp. Rep. : Su, Yan-Xue		2018.5.29	3	2000.9.1	58,233,091	13.06%	58,233,091	12.90%	–	–	–	–	Master of Industrial Engineering/Carnegie MellonUniv. Chief Investment Officer/ASUSTEK ComputerIncorp. Chief Investment Officer/PEGATRON Corp.	Note 4	–	–	–
Director	R.O.C	Su,Yan-Xue	Female	2018.5.29	3	2009.6.16	–	–	–	–	–	–	–	–	as above	as above	–	–	–
Director	R.O.C	Hua Xu Investment Rep : Wu, Xiang-Xiang		2018.5.29	3	2000.9.1	55,556,221	12.46%	55,556,221	12.31%	–	–	–	–	International Trade/Providence Univ. M.B.A./Univ. of St.Thomas Vice President/kun jian Consulting Co., Chief Investment Officer/PEGATRON Corp.	Note 5	–	–	–
Director	R.O.C	Wu,Xiang-Xiang	Female	2018.5.29	3	2003.9.1	–	–	–	–	–	–	–	–	as above	as above	–	–	–
Director	R.O.C	Zbeng,Zhong-Ren	Male	2018.5.29	3	2003.9.1	–	–	–	–	–	–	–	–	School of Law/Soochow Univ. PhD./Stanford University Dean&Professor/Law School of Shih Hsin Univ.	Note 6	–	–	–
Independent Director	R.O.C	Chen, Jin-Cai	Male	2018.5.29	3	2003.9.1	–	–	–	–	–	–	–	–	Graduate School/Tamkang Univ. M.P.A/Univ. of San Francisco President/Namchow Group	Note 7	–	–	–
Independent Director	R.O.C	Huang, Chun-Bao	Male	2018.5.29	3	2003.9.1	–	–	–	–	–	–	–	–	Electrical Engineering/National Taipei Institute of President& GM/HAVIX ELECTRONICS CO., LTD.	Note 8	–	–	–
Independent Director	R.O.C	Wu, Hui-Huang	Male	2018.5.29	3	2010.6.18	–	–	–	–	–	–	–	–	Board Director& President/UNIVERSAL SCIENTIFIC INDUSTRIAL CO., LTD Director/Taiwan Electrical and Electronic Director/Taiwan Federation of Industry Director/Taiwan Province Industry Asso.	Note 9	–	–	–

Note 1	CEO	Kinsus Interconnect Technology Corp.
	Assistant Chairman	Pegavision Corp
	Director	Kinsus Corp. (USA), Kinsus Investment, Kinsus Holding (Samoa) Limited, Kinsus Holding (Cayman) Limited, Piotek Holding Ltd., Piotek Holdings Ltd. (Cayman), Piotek (HK) Trading Limited.
Note 2	Chief Strategy Officer	Kinsus Interconnect Technology Corp.
	Chairman	Pegatron Corp. (also the Executive CEO), Pegavision Corp., Kinsus Investment, Lumens Digital Optics Inc., Hua Wei Investment, Hua Yu Investment, Hua Xu Investment, Ri-Kuan Metal Corporation, and Eslite Foundation for Culture and Arts.
	Director	Asrock Inc., Hua Yuan Investment, Hua Wei Investment, Hua Wei International, AS Fly Travel Service, Azurewave Technologies, Inc., FuYang Technology Corp, Pegatron Holding Ltd., Unihan Holding Ltd., Protek Global Holdings Ltd., Magnificent Brightness Ltd., Casetek Holdings Ltd., Casetek Holdings Limited(CAYMAN), Pegatron Holland Holding B.V., Digitek Global Holdings Ltd., AMA Holdings Ltd., Kinsus Corp.(USA), Powtek Holdings Limited, Cotek Holdings Limited, Grand Upright Technology Limited, **All**iance Culture Foundation, Hanguang Education Foundation, Koo Medical Foundation, Lung Yingtai Cultural Foundation, ASLINK PRECISION CO., LTD., Huang Da-fu Medical Education Promotion Foundation, Fair Winds Foundation, Relations Across the Taiwan Straits Development Research Foundation.
	Chairman	Taipei Computer Association, Chinese Cultural And Craeative Park Association
	Vice Chairman	Monte Jade Science and Technology Association
	Supervisor	Ministry of Culture National Performing Arts Center
Note 3	General Manager	Kinsus Interconnect Technology Corp.
	Director	Pegavision Corp, FuYang Technology Corp
Note 4	Chairman	WYSE Research Inc.
	Director	Eslite Foundation for Culture and Arts, Yonyu Investment, Guang Dian Cinema
	Independent Director	TXC Corporation, JIMO Corporation
Note 5	Vice Gernal Manager	Pegatron Corp.
	Director	Eslite corp., Hua Wei Investment, Hua Xu Investment, Kinsus Investment.
	Supervisor	FuYang Technology Corp
Note 6	Director	ThroughTek Co., Ltd.
	Supervisor	Apex Material Technology Corp, OTO Photonics Inc.
Note 7	Chairman	Win Semiconductors Corp., Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd., Win-Win Venture Capital Co., Ltd.,
	Assistant Chairman	Hiwin Technologies Corp.
	Director	WIN Semi USA Inc., Win Semiconductors Cayman Island Co., Ltd., Yong Ju (Thailand), ITEQ Corp, Jiangsu Chainwin Agrotech Corp.,

		Jiangsu Chainwin Kang Yuan Agriculture and Animal Technology Co., Ltd., Jiangsu Merit/CM Agriculture Development Co., Ltd., TAIPEI 101, Mercuries Life Insurance.
	Independent Director	Tong Hsing Electronics Industries, Ltd.
	Supervisor	Inventec Solar Energy Corp.
Note 8	Chairman & G/M	HAVIX Electronics Co., Ltd.
	Independent Director	Pegatron Corp.
Note 9	Director	Taiwan Read Foundation
	Member of compensation committee & Mergers and Acquisitions committee	Merry Corp.
	Independent Director	Universal Microelectronics Co., Ltd.

Major shareholders of the institutional shareholders

Name of the Company's institutional shareholder	Major Shareholders of the Company's institutional shareholder
Hua Yu Investment	Pegatron Corp. (100.00%)
Hua Xu Investment	Pegatron Corp. (100.00%)

Major shareholders of the Company's institutional shareholders

Name of major institutional shareholders of the Company's institutional shareholder	Major Shareholders, if institutional, of major institutional shareholders of the Company's institutional shareholder
Pegatron Corp.	Asustek Computer Incorporation (17.17%)

Professional qualifications and independence analysis of directors

Qualification / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least 5 Years Work Experience			Independence Criteria (Remark 2)										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	
Guo, Ming-Dong	-	-	YES			V	V	V	V	V	V	V	V	-
Tong, Zi-Xian	-	-	YES			V	V		V	V	V	V	V	-
Chen, Ho-Shu	-	-	YES			V	V	V	V	V	V	V	V	-
Su, Yan-Xue	-	-	YES	V	V	V	V	V	V	V	V	V		2
Wu, Xiang-Xiang	-	-	YES			V	V		V	V	V	V		-
Zheng, Zhong-Ren	YES	-	YES	V	V	V	V	V	V	V	V	V	V	-
Chen, Jin-Cai	YES	-	YES	V	V	V	V	V	V	V	V	V	V	1
Hwang, Chung-Pao	-	-	YES	V	V	V	V	V	V	V	V	V	V	1
Wu, Hui-Huang	-	-	YES	V	V	V	V	V	V	V	V	V	V	1

Remark ：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's affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary elected based on Security Act or local regulations.
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.

(b) The general manager, assistant general managers, deputy assistant general managers and the chief of all the Company's divisions and branch units

As of March 31, 2019

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Title Nominee Arrangement		Experience(Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
CSO	R.O.C	Tong, Zi-Xian	Male	2014.11.01	200,000	0.04%	–	–	–	–	Computer and Communication Engineering /Taipei Tech Chairman/PEGTRON Corp.	Page 10/Note 2	–	–	–
CEO	R.O.C	Guo, Ming-Dong	Male	2000.09.11	1,069,795	0.24%	–	–	–	–	Master of Physics/National Tsing Hua University Manufacturing Maneger/ Motorola	Page 10/Note 1	–	–	–
General Manager	R.O.C	Chen, Ho-Shu	Male	2000.09.11	361,002	0.08%	–	–	–	–	Physics/Qinghua Univ. Production Manger/Motorola	Page 10/Note 3	–	–	–
CTO	R.O.C	Zhang, Qian-Wei	Male	2000.09.11	391,614	0.09%	–	–	–	–	Mechanics/National Central Univ. PCB Manager/MANZ Electronics	Director of FuYang Technology Corp.	–	–	–
COO	R.O.C	Hu, Gui-Qin	Female	2016.09.01	–	–	–	–	–	–	Chemical Engineering/Chung Yuan Christian General Manager/Tripod Technology Corporation	N/A	–	–	–
Senior Assistant GM	R.O.C	Huang, Geng-Fang	Male	2005.08.01	314,875	0.07%	–	–	–	–	Ta Hwa Univ. of Science&Technology Senior Manager/MITAC Int'l Corp.	N/A	–	–	–
Assistant GM	R.O.C	Lin, Zhi-Wei	Male	2001.03.01	24,909	0.01%	–	–	–	–	Material Science & Enginnering/Qinghua Univ. QC Manager/AU Optronics Corp	N/A	–	–	–
Assistant GM	R.O.C	Huang, Sheng-Chuan	Male	2015.02.01	–	–	–	–	–	–	Mechanical Engineering/Univ. of Cambridge Senior Manager/UNICAP Electronics	N/A	–	–	–
Assistant GM	R.O.C	Wu, Wei-Wen	Male	2016.09.01	–	–	–	–	–	–	Master of Management/Wichita State Univ. Assistant GM/Tripod Technology Corporation	N/A	–	–	–
Finance Supervisor	R.O.C	Liu, Su-Zhen	Female	2010.08.01	30,200	0.01%	–	–	–	–	M.B.A/National Central Univ. Junior Manager/EY Accounting Firm	Director of Kinsus Interconnect Technology Suzhou Corp. and Xiang-Shou(Suzhou) Trading Limited	–	–	–

(c) Remuneration paid during 2018 to directors, the general manager, and assistant general manager

Unit: NT$’000

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)(Rmk10)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)(Rmk10)		Compensation Paid to Directors from an Invested Company Other than the Company’s Subsidiar (Rmk11)
		Base Compensation (A) (Rmk.2)		Severance Pay (B)		Bonus to Directors (C)(Rmk.3)		Allowances(D)(Rmk.4)				Salary, Bonuses, and Allowances (E) (Rmk5)		Severance Pay Profit (F)		Profit Sharing- Employee Bonus (G) (Rmk6)						
		The Company	Companies in the consolidated financial statements (Rmk7)	The Company	Companies in the consolidated financial statements (Rmk7)	The Company	Companies in the consolidated financial statements (Rmk7)	The Company	Companies in the consolidated financial statements (Rmk7)	The Company	Companies in the consolidated financial statements (Rmk7)	The Company	Companies in the consolidated financial statements (Rmk7)	The Company	Companies in the consolidated financial statements (Rmk7)	The Company		Companies in the consolidated financial statements (Rmk8)		The Company	Companies in the consolidated financial statements (Rmk7)	
																Cash	Stock	Cash	Stock			
Chairman	Guo, Ming-Dong	-	-	-	-	3,352	7,884	240	240	1.03%	2.32%	13,370	13,370	108	108	2,809	-	2,809	-	5.69%	6.98%	N/A
Director	Tong, Zi-Xian																					
Director	Chen, Ho-Shu																					
Director	Hua Xu Investment Rep.: Su, Yan-Xue																					
Director	Hua Yu Investment Rep.:Wu, Xiang-Xiang																					
Director	Zheng, Zhong-Ren																					
Independent Director	Chen, Jin-Cai																					
Independent Director	Huang, Chun-Bao																					
Independent Director	Wu, Hui-Huang																					

Note:

1. Compensation to directors and employee for 2018 has been approved by a board meeting held on 2019/02/18 and will be reported in the coming shareholders’ meeting. As of now, details of the proportion can’t be decided yet while it is estimated by the actual distribution rate in prior year.
2. The Severance pay listed above is an accrual while the actual payment is zero.

*In addition to the above table, the directors who provided services for all companies in the financial report (such as consultants who are non-employees) received zero remuneration in the recent year.

Range of Remuneration

<table>
<tr><th rowspan="3">Range of Remuneration</th><th colspan="4">Name of Directors</th></tr>
<tr><th colspan="2">Total of (A+B+C+D)</th><th colspan="2">Total of (A+B+C+D+E+F+G)</th></tr>
<tr><th>The Company (Remark 8)</th><th>Companies in the consolidated financial statements (Remark 9) H</th><th>The Company (Remark 8)</th><th>Companies in the consolidated financial statements (Remark 9) I</th></tr>
<tr><td>Under NT$ 2,000,000</td><td>Guo, Ming-Dong
Tong, Zi-Xian
Chen, Ho-Shu
Hua Xu Investment
Representative:
Su, Yan-Xue
Hua Yu Investment
Representative:
Wu, Xiang-Xiang
Zheng, Zhong-Ren
Chen, Jin-Cai
Hwang, Chung-Pao
Wu, Hui-Huang</td><td>Chen, Ho-Shu
Hua Xu Investment
Representative:
Su, Yan-Xue
Hua Yu Investment
Representative:
Wu, Xiang-Xiang
Zheng, Zhong-Ren
Chen, Jin-Cai
Hwang, Chung-Pao
Wu, Hui-Huang</td><td>Hua Xu Investment
Representative:
Su, Yan-Xue
Hua Yu Investment
Representative:
Wu, Xiang-Xiang
Zheng, Zhong-Ren
Chen, Jin-Cai
Hwang, Chung-Pao
Wu, Hui-Huang</td><td>Hua Xu Investment
Representative:
Su, Yan-Xue
Hua Yu Investment
Representative:
Wu, Xiang-Xiang
Zheng, Zhong-Ren
Chen, Jin-Cai
Hwang, Chung-Pao
Wu, Hui-Huang</td></tr>
<tr><td>NT$2,000,000 ~ NT$5,000,000</td><td>—</td><td>Guo, Ming-Dong
Tong, Zi-Xian</td><td>Tong, Zi-Xian</td><td>Tong, Zi-Xian</td></tr>
<tr><td>NT$5,000,000 ~ NT$10,000,000</td><td>—</td><td>—</td><td>Guo, Ming-Dong
Chen, Ho-Shu</td><td>Guo, Ming-Dong
Chen, Ho-Shu</td></tr>
<tr><td>NT$10,000,000 ~ NT$15,000,000</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>NT$15,000,000 ~ NT$30,000,000</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>NT$30,000,000 ~ NT$50,000,000</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>NT$50,000,000 ~ NT$100,000,000</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Over NT$100,000,000</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Total</td><td>9</td><td>9</td><td>9</td><td>9</td></tr>
</table>

Remark:

1. Board directors should be disclosed separately (Corporation-stockholder and Representative should be marked), and the payment should be displayed in a consolidated amount. The board directors who also act as Chairman or GM should fill in the following Form (3-1) or (3-2).
2. Refers to the latest pay which includes basic base compensation, professional allowance, severance pay, and the other bonuses.
3. Bonus to Directors had approved in board meeting before shareholder meeting.
4. Refers to the consolidated allowances which include honorarium, special disbursement, and the other allowances. The allowances which include housing, cars, and the other vehicles should be listed the nature and the cost of asset on actual or market value. If accompanied with drivers, please remark their payment excluded from personal payment.
5. Refers to the consolidated remuneration received by directors who are also employees which include honorarium, special disbursement, and the other allowances. The allowances which include housing, cars, and the other vehicles should be listed the nature and the cost of asset on actual or market value. If accompanied with drivers, the drivers' salary shall be remarked but excluded from the persons' compensation. In addition, acquiring employee stock options, employee's restricted stocks right and the right to subscribe in cash offerings shall be taken into consideration in recognizing the compensation cost based on IFRS#2, Share-based Compensation.
6. Refers to the consolidated remuneration received by directors who are also employees (GM, assistant GM, and the other managers) which include stock bonus and cash bonus should be listed the approved number in board meeting before shareholder meeting. If unable to forecast, take reference to the last year, and fill in the Form 1-3.
7. Disposed the consolidated payment of our company and all the other companies in this report.
8. The payment to all the board directors by our company would be disclosed.in the form of range of remuneration.
9. The consolidated payment to all the board directors by our company and the other companies would be listed in the form of range of remuneration.
10. The after-tax net profit refers to the one happened in personal or individual financial statement in the latest year.
11. a. This column should dispose the remuneration to the board directors from our affiliates and the other investments.
    b. The remuneration to the board directors from our affiliates and the other investments should be including the column J and defined as other investment.
    c. The remuneration received by directors refers to the one paid by other investment other than the Company's Subsidiary in the positions of the board director, supervisor, or manager which include honorarium, special disbursement and the other allowances.

*The forms here are for information disposal, not applicable for taxation if conflicts aroused with law.

Remuneration of the general manager and assistant general managers

Unit: NT$'000

Title	Name	Base Compensation (A) (Remark 2)		Severance Pay (B)		Bonus and Special Allowance (Remark 3)		Disposition of Net Earnings (D) (Remark 4)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Remark 8)		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary (Remark 9)
		The Company	Companies in the consolidated financial statements (Remark 5)	The Company	Companies in the consolidated financial statements (Remark 5)	The Company	Companies in the consolidated financial statements (Remark 5)	The Company		Companies in the consolidated financial statements (Remark 5)		The Company	Companies in the consolidated financial statements (Remark 5)	
								Cash	Stock	Cash	Stock			
CSO	Tong, Zi-Xian	27,845	27,845	756	756	10,950	10,950	5,700	-	5,700	-	12.95%	12.95%	N/A
CEO	Guo, Ming-Dong													
General Manger	Chen, Ho-Shu													
CTO	Zhang, Qian-Wei													
COO	Hu, Gui-Qin													
Senior Assistant GM	Huang, Geng-Fang													
Assistant GM	Lin, Zhi-Wei													
Assistant GM	Huang, Sheng-Chuan													
Assistant GM	Wu, Wei-Wen													

*It is required to be disclosed for a position equivalent to the General Manager, Assistant General Manager (example: President, CEO, Executive supervisor, etc.)

Note:

1. Compensation to directors and employee for 2018 has been approved by a board meeting held on 2019/02/18 and will be reported in the coming shareholders' meeting. As of now, details of the proportion can't be decided yet while it is estimated by the actual distribution rate in prior year.
2. The retirement pay listed above is based on an accrual only while the actual payment was zero.

Range of Remuneration

Range of Remuneration	Name of the general manager and assistant general managers	
	The Company (Remark 6)	Companies in the consolidated financial statements (Remark 7)
Under NT$2,000,000	Tong, Zi-Xian	Tong, Zi-Xian
NT$2,000,000 ~ NT$5,000,000	Huang, Geng-Fang Lin, Zhi-Wei Huang, Sheng-Chuan Wu, Wei-Wen	Huang, Geng-Fang Lin, Zhi-Wei Huang, Sheng-Chuan Wu, Wei-Wen
NT$5,000,000 ~ NT$10,000,000	Guo, Ming-Dong Chen, Ho-Shu Zhang, Qian-Wei Hu, Gui-Qin	Guo, Ming-Dong Chen, Ho-Shu Zhang, Qian-Wei Hu, Gui-Qin
NT$10,000,000 ~ NT$15,000,000	-	-
NT$15,000,000 ~ NT$30,000,000	-	-
NT$30,000,000 ~ NT$50,000,000	-	-
NT$50,000,000 ~ NT$100,000,000	-	-
Over NT$100,000,000	-	-
Total	9	9

Remark:

1. GM, assistant GM should be disclosed separately, and the payment should be displayed in a consolidation. The board directors who also act as Chairman or GM should fill in this form and the following Form (1-1) or (1-2).
2. Refers to the latest pay of the GM, assistant GM which include basic base compensation, professional allowance, and severance pay.
3. Refers to the consolidated allowances of the GM, assistant GM which include honorarium, special disbursement, and the other allowances. The allowances which include housing,

cars, and the other vehicles should be listed the nature and the cost of asset on actual or market value. If accompanied with drivers, the drivers' salary shall be remarked but excluded from the persons' compensation. In addition, acquiring employee stock options, employee's restricted stocks right and the right to subscribe in cash offerings shall be taken into consideration in recognizing the compensation cost based on IFRS#2, Share-based Compensation.

4. Refers to the consolidated remuneration received by the GM, assistant GM who are which include stock bonus and cash bonus should be disposed the approved number in board meeting before shareholder meeting. If unable to forecast, take reference to the last year, and fill in the Form 1-3. The after-tax net profit refers to the one happened in personal or individual financial statement in the latest year.
5. Disposed the consolidated payment of our company and all the other companies in this report.
6. The payment to all the GM, assistant GM by our company would be disclosed.in the form of range of remuneration.
7. The payment to all the GM, assistant GM by our company and the other companies should be disclosed.in the form of range of remuneration.
8. The after-tax net profit refers to the one happened in personal or individual financial statement in the latest year.
9. a. This column should dispose the remuneration to the GM, assistant GM from our affiliates and the other investments.
   b. The remuneration to the GM, assistant GM from our affiliates and the other investments should be included in column and defined as other investment.
   c. The remuneration received by GM, assistant GM from our subsidiaries and the other investments other than the Company's in the positions of the board director, supervisor, or manager which include honorarium, special disbursement, and the other allowances.

*The forms here are for information disposal, not applicable for taxation if conflicts aroused with law.

The name of each individual and the corresponding remuneration amount

Unit: NT$’000

	Title	Name	Stock Bonus	Cash Bonus	Total	% of Net income (%)
Managers	CSO	Tong, Zi-Xian	-	5,700	5,700	1.63%
	CEO	Guo, Ming-Dong				
	General Manager	Chen, Ho-Shu				
	CTO	Zhang, Qian-Wei				
	COO	Hu, Gui-Qin				
	Senior Assistant GM	Huang, Geng-Fang				
	Assistant GM	Lin, Zhi-Wei				
	Assistant GM	Huang, Sheng-Chuan				
	Assistant GM	Wu, Wei-Wen				
	Finance Supervisor	Liu, Su-Zhen				

Note: Compensation to employees for 2018 had been approved in Board meeting on 2019/02/18 and will be reported in shareholders’ meeting. As of now, details of the proportion as proposed above hadn’t been decided yet while it is estimated by the actual distribution rate in prior year.

Remark:

1. Names and titles should be disclosed individually and the earning distribution may be disclosed in consolidation.
2. The earnings distribution for the managers approved in board meeting which include stock bonus and cash bonus will be estimated by the numbers given last year. The after-tax net profit refers to the one happened in personal or individual financial statement in the latest year.
3. Scope of application of the Manager is regulated by TWSE file No.0920001301 on March 27, 2003 and defined as：(1) President and equivalent rank (2) Vice President and equivalent rank (3) Junior President and equivalent rank (4) Financial Supervisor (5) Accounting Supervisor (6) Other signed for management services and the rights of man.
4. Board directors, GM and assistant GM who receive employee bonuses (including stock dividends and cash bonus) should fill in this form and Form1-2.

(d) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

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, presidents and vice presidents of the Company, to the net income.

Unit: NT$’000

Year / Title	2018		2017	
	Total remuneration	Total remuneration to net income (%)	Total remuneration	Total remuneration to net income (%)
Director	3,952	1.03%	5,152	1.05%
GM and Assistant GM	45,251	12.95%	45,563	9.27%

Note: Compensation to employees for 2018 had been approved in Board meeting on 2019/02/18 and will be reported in the annual shareholders’ meeting. As of now, details of the proportion as proposed above hadn’t been decided yet while it is estimated by the actual distribution rate in prior year.

b. The ratios of remuneration paid to directors, presidents and vice presidents of the Company in the last two years, and the percentage to net income, in 2018 and 2017. The policy, standards, and portfolios for the payment of remuneration have been complied with the Company’s Article of Incorporation. The compensation to management employees is measured based on the employees’ personal achievements, contribution made to the business operation, and the market averages. The compensations to directors and management employees have been reviewed by the Company’s Compensation Committee, proposed to the Board of Directors and to be reported in annual stockholders’ meeting.

(3) The state of the Company's implementation of corporate governance

(A) The state of operations of the board of directors

A total of 7 (A) meetings of the Board of Directors were held in 2017. The attendance of directors was as follows:

Title	Name (Remark 1)	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】(Remark 2)	Note
Chairman	Guo, Ming-Dong	7	0	100%	
Director	Tong, Zi-Xian	6	1	86%	
Director	Chen, Ho-Shu	7	0	100%	
Director	Hua Xu Investment Representative: Su, Yan-Xue	7	0	100%	
Director	Hua Yu Investment Representative: Wu, Xiang-Xiang	7	0	100%	
Director	Cheng, Zhong-Ren	7	0	100%	
Independent director	Chen, Jin-Cai	7	0	100%	
Independent director	Hwang, Chung-Pao	7	0	100%	
Independent director	Wu, Hui-Huang	7	0	100%	

Other mentionable items:

1.The date of board meeting, the term, the content of proposal in board meeting, the opinions of all independent directors, and the Company's response or action to the independent directors' opinions shall be specified in the meeting minutes if one of the following situations is met:

(1) The items listed in article #14-3 of Security Act. (None)

(2) In addition to Item # (1) above, those resolutions accompanying with independent directors' written objection or qualification. (None)

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date: 2018/01/29

Contents of motion: For the proposed 2017 payment on year-end bonus for managers.

The directors of conflict of interest: Tong, Zi-Xian, Guo, Ming-Dong, Chen, Ho-Shu)

Reason: According to article 15 of "Rules of Procedure for Board of Directors Meeting", Tong, Zi-Xian, Guo, Ming-Dong, and Chen, Ho-Shu are managers in the company, they may not participate in discussion or voting on that agenda and Guo, Ming-Dong appointed Wu, Xiang-Xiang to preside over the discussion or voting of the agenda.

Conclusion: 9 directors attended, and 3 persons were deducted due to conflict of interest. The voting result was 6 people favorable. The proposal was approved.

Date: 2018/05/29

Contents of motion: Appointment of the fourth member of Remuneration Committee.

The directors of conflict of interest: Chen, Jin-Cai, Hwang, Chung-Pao, Wu, Hui-Huang

Reason: Recommend Chen, Jin-Cai, Hwang, Chung-Pao, and Wu, Hui-Huang serve as members of Remuneration

Committee, and they may not participate in discussion or voting on that agenda according to article 15 of “Rules of Procedure for Board of Directors Meeting”

Conclusion: 9 directors attended, and 3 persons were deducted due to conflict of interest. The voting result was 6 people favorable. The proposal was approved.

Date: 2018/07/30

Contents of motion: For the proposed 2018 adjustment on managers’ compensations and the amounts of employee compensation for managers.

The directors of conflict of interest: Chen, Jin-Cai, Hwang, Chung-Pao, Wu, Hui-Huang

Reason: According to article 15 of “Rules of Procedure for Board of Directors Meeting”, Tong, Zi-Xian, Guo, Ming-Dong, and Chen, Ho-Shu are managers in the company, they may not participate in discussion or voting on that agenda and Guo, Ming-Dong appointed Wu, Xiang-Xiang to preside over the discussion or voting of the agenda.

Conclusion: 9 directors attended, and 3 persons were deducted due to conflict of interest. The voting result was 6 people favorable. The proposal was approved.

Date: 2018/12/24

Contents of motion: For the proposed 2018 payment on year-end bonus for managers and adjustment on managers’ compensations.

The directors of conflict of interest: Chen, Jin-Cai, Hwang, Chung-Pao, Wu, Hui-Huang

Reason: According to article 15 of “Rules of Procedure for Board of Directors Meeting”, Tong, Zi-Xian, Guo, Ming-Dong, and Chen, Ho-Shu are managers in the company, they may not participate in discussion or voting on that agenda and Guo, Ming-Dong appointed Wu, Xiang-Xiang to preside over the discussion or voting of the agenda.

Conclusion: 9 directors attended, and 3 persons were deducted due to conflict of interest. The voting result was 6 people favorable. The proposal was approved.

3. Measures taken to strengthen the functionality of the board:

(1) The Company has established the “Rules of Procedure for Board of Directors Meeting” for compliance, and entered the attendance of directors and the training situation at the Market Observation Post System.

(2) The audit committee consists of three independent directors and shall meet at least quarterly. The audit committee is responsible for the implementation of auditing the company's financial statements, the election and relieved of the certified public accountant, independence and performance, effective implementation of the company's internal control, the company's compliance with relevant laws and regulations and the company's existing or potential risks.

(3) The remuneration Committee consists of three independent directors and shall meet twice a year. The remuneration Committee is responsible for reviewing the procedures and proposing amendments, setting and reviewing the annual and long-term performance targets and salary remuneration policies, systems, standards and structures of the directors and managers of the Company and regularly assessing the individual salary remuneration.

Remark:

1. Director or supervisor, who is an institutional shareholder and its representative, should be revealed of the names.
2. (1) Supervisors resigning prior to the end of the year should be indicated in the notes column the date of resign. The actual attendance rate (%) is calculated based on the accumulation of attendance in Board meeting divided by the times of board meeting before his/her resigning.

   (2) For any re-election of director/supervisor, the old and the new one should be revealed with remarks and the actual attendance rate (%) based on the accumulation of attendance in board meeting divided by the times of board meeting after his/her election.

(B)The state of operations of the audit committee

A total of 6 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】 (Remark)	Note
Independent director	Chen, Jin-Cai	6	0	100%	
Independent director	Hwang, Chung-Pao	6	0	100%	
Independent director	Wu, Hui-Huang	6	0	100%	

Other mentionable items:

1. The date of board meeting, the term, the content of proposal in board meeting, the opinions of all independent directors, and the Company's response or action to the independent directors' opinions shall be specified in the meeting minutes if one of the following situations is met:
   (1) The items listed in article #14-5 of Security Act. (None)
   (2) In addition to Item # (1) above, those resolutions accompanying with independent directors' written objection or qualification. (None)
2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: NA
3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.) The independent directors periodically meet with the internal auditors and CPAs for reviewing operational performance, financial statements, internal control, as well as internal audit plan and execution. In addition to internal auditors' reports, the independent directors also obtained auditors' review or audit reports. The communications were recorded in audit committee meeting minutes and reported the material items or resolutions to the board of directors periodically.

Remark:

1. Independent Director resigning before the end of the year should be indicated in the notes column date of release. The actual attendance rate (%) is calculated based on the accumulation of attendance in board meeting divided by the times of board meeting before his/her resigning.
2. For any re-election of independent director, the old and the new one should be revealed with remarks and the actual attendance rate (%) based on the accumulation of attendance in board meeting divided by the times of board meeting after his/her election.

Note 1:

The date of board meeting (session)	The content of proposal	the opinions of all independent directors	the Company's response or action to the independent directors' opinions
2018/01/29	1.2017 Business report, parent-company-only financial statements, and consolidated financial statements 2. 2017 earnings distribution 3. Approve the 2017 Management's Reports on Internal Control 4. Issuance of restricted stock awards in 2018	2018/01/29 All members of the Audit Committee agreed to adopt.	All attending directors agreed to adopt.
2018/04/13	The amendment to the rule for issuing restricted stocks for employees in 2018.	2018/04/13 All members of the Audit Committee agreed to adopt.	All attending directors agreed to adopt.
2018/04/27	1. Proposed to change the CPA 2. The 1st quarter 2018 consolidated financial report	2018/04/27 All members of the Audit Committee agreed to adopt.	All attending directors agreed to adopt.
2018/07/30	1. The 2nd quarter 2018 consolidated financial report 2. The amendment to the rule for issuing restricted stocks for employees in 2018.	2018/07/30 All members of the Audit Committee agreed to adopt.	All attending directors agreed to adopt.
2018/10/29	1. The 3rd quarter 2018 consolidated financial report 2. Approve the 2019 internal audit plan	2018/10/29 All members of the Audit Committee agreed to adopt.	All attending directors agreed to adopt.
2018/12/24	1. Assess auditors' independency, approve the engagement of auditors and the audit fee	2018/12/24 All members of	All attending directors agreed to

	2. The amendment to the "Regulations Governing the Acquisition and Disposal of Assets"	the Audit Committee agreed to adopt.	adopt.

(2) The operation of the Audit Committee is to supervise the company's implementation of relevant accounting, internal control, expression of financial statements and compliance with laws and regulations, and its deliberations mainly include:

1. The amendment to internal control system and the effectiveness of the internal control system.
2. The amendment to the procedure of significant transactions, such as acquisition/ disposal of individual real estate, derivative instrument transactions or financing/endorsement/guarantee provided to others.
3. Significant asset, derivative instrument transactions, or Financing/Endorsement/ Guarantee provided to others.
4. Issuance of securities with equity nature.
5. Assess CPA's independency, approve the engagement of auditors and the audit fee.
6. Appointment and dismissal of finance, accounting or internal audit supervisor.
7. Financial Statements.
8. Business report, earnings distribution or loss make-up proposal.

(C) The state of the Company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure

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”?	Yes		“Code of practice for corporate governance” has been exposed on the Company Web site and public observatories.	No obvious deviation
2. Shareholding structure & shareholders’ rights				
(1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	Yes		(1) Spokesman system has been established according to regulations and the will handle related issues.	No obvious deviation
(2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares?	Yes		(2) The board directors and the shareholders who hold more than 10%-owned holdings will be declared in accordance with the provisions of Declaration of Directors.	No obvious deviation
(3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	Yes		(3) According to the Company “internal control system”, “internal audit system” and other related laws and regulations.	No obvious deviation
(4) Does the Company establish internal rules against insiders trading with undisclosed information?	Yes		(4) According to the Company “for possible insider trading, operating procedures”, “code of conduct” and other related laws and regulations.	No obvious deviation

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
3. Composition and Responsibilities of the Board of Directors				
(1) Does the Board develop and implement a diversified policy for the composition of its members?	Yes		(1) Article 20 of Corporate Governance Best Practice Principles has established a policy of diversity of board members. Every director has Professional knowledge including law, accounting, industry, finance, marketing, technology, professional skills, and industry experience (please refer to Note 1) to comply with member diversification.	(1) No obvious deviation
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		No	(2) Functional commissions will be created to meet the need of operating situation of the Company and other various.	(2) Will actively assessing the need of functional commissions.
(3) Does the Company establish a standard to measure the performance of the Board, and implement it annually?		No	(3) Will actively assessing relevant stipulations.	(3) Will actively assessing relevant stipulations.
(4) Does the Company regularly evaluate the independence of CPAs?	Yes		(4) Board in assessing the independence of accountants and by appointment on 2018.12.24	(4) No obvious deviation

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
4. Has a listed company assigned a specific or other department to take in-charge of detailed matters of implementing corporate governance? (including, but not limited to, furnishing directors or supervisors with information needed, preparing the data for board meeting and shareholders' meeting, executing business registration, preparing the minutes of board and shareholders' meeting.)	Yes		The Company has assigned the HR department and the finance department for taking responsibility of detailed matters of implementing corporate governance.	No obvious deviation
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, etc.), as well as handle all the issues they care for in terms of corporate social responsibilities?	Yes		Spokesman system has been established according to regulations and the will handle related issues. Aggressively assess to establish zones of the interest on website.	No obvious deviation
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	Yes		Companies entrust KGI stock agency to handle the relevant Affairs of the Department.	No obvious deviation
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	 Yes Yes		 (1) The Company has set up a Chinese/English website to disclose information regarding the Company's financials, business and corporate governance status. (2) Spokesman system has been established.	 (1) No obvious deviation (2) No obvious deviation

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</td><td></td><td></td><td></td><td></td></tr>
<tr><td>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)?</td><td>Yes</td><td></td><td>(1) The Company in accordance with the relevant statutes provide personnel regulations to protect employees’ rights.
(2) Spokesman system and company website have been established to keep good relationship with the interests.
(3) Directors decree training are held as regulated.
(4)Company crisis management policy、crisis measurement standard and relevant customer policy have been stipulated and put into practice.
(5) Company directors have been appropriated liability insurance.</td><td>No obvious deviation</td></tr>
<tr><td colspan="5">9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange.

Achievements:
The Company has disclosed in its web-side Information regarding ethical management policy, including the specific ethical management practices and</td></tr>
</table>

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
the programs to forestall unethical conduct. To be enhanced in priority: To establish a specific whistleblower system for public use in the Company's web-side.				

Note 1: Diversity of Board Members

Diversified Item / Name	Gender	Management	Accounting & Commerce	Law	Crisis management	Industry knowledge	International Market Perspective	Leadership decisions	Operational judgment
Guo, Ming-Dong	male	v	v		v	v	v	v	v
Tong, Zi-Xian	male	v	v		v	v	v	v	v
Chen, Ho-Shu	male	v	v		v	v	v	v	v
Su, Yan-Xue	female	v	v		v	v	v	v	v
Wu, Xiang-Xiang	female	v	v		v	v	v	v	v
Zheng, Zhong-Ren	male	v	v	v	v	v	v	v	v
Chen, Jin-Cai	male	v	v		v	v	v	v	v
Hwang, Chung-Pao	male	v	v		v	v	v	v	v
Wu, Hui-Huang	male	v	v		v	v	v	v	v

The directors, independent directors, and female directors that have the status of employee is 33%, 33%, 22%, respectively. Three independent directors have a high degree of professional management and management capabilities, so the term of office is more than 9 years. Directors' age distribution: four directors are over 70 years old, one director is 60-69 years old, and four directors are under 60 years old.

(D)If the Company has a compensation committee in place, the composition, duties, and operation of the compensation committee shall be disclosed

a. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Remark 1)	Criteria / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience: 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	Independence Criteria (Remark 2): 1	2	3	4	5	6	7	8	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Note
Independent Director	Chen, Jin-Cai	Yes	-	Yes	V	V	V	V	V	V	V	V	1	
Independent Director	Hwang, Chung-Pao	-	-	Yes	V	V	V	V	V	V	V	V	1	
Independent Director	Wu, Hui-Huang	-	-	Yes	V	V	V	V	V	V	V	V	2	

Remark: 1. Please fill columns for directors, independent directors, respectively, or others.

2. 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 set up as an independent director of the parent company, the Company, or any subsidiary in accordance with this Act or local regulations.

(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 ranked 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

(a)There are 3 members in the Remuneration Committee.

(b)Current member tenure: 2018/05/29-2021/05/28. A total of 3 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Note
Convener	Hwang, Chung-Pao	3	0	100%	
Committee Member	Chen, Jin-Cai	3	0	100%	
Committee Member	Wu, Hui-Huang	3	0	100%	
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 (e.g. 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): N/A 2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion 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: N/A					

Remark:

(1) Remuneration committee member resign before the end of the year should be indicated in the notes column date of release, the actual attendance rate (%) based on the accumulation of attendance in board meeting.

(2) If any Remuneration committee member re-election, the old and the new one should be revealed with remarks and the actual attendance rate (%) based on the accumulation of attendance in board meeting in the column.

(3) Scope of the official powers of Remuneration Committee

The basis for the Remuneration Committee Charter, and present its recommendations to the board of directors for discussion, scope of the official powers of Remuneration Committee are:

1. Periodically reviewing this Charter and making recommendations for amendments.
2. Establishing and periodically reviewing the annual and long-term performance goals for the directors, supervisors, and managerial officers of this Corporation and the policies, systems, standards, and structure for their compensation.
3. Periodically assessing the individual compensation to which performance goals for the directors, and managerial officers of this Corporation.

The Remuneration Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

1. Ensuring that the compensation arrangements of this Corporation comply with applicable laws and regulations and are sufficient to recruit outstanding talent.
2. Performance assessments and compensation levels of directors, and managerial officers shall consider the general pay levels in the industry, between the individual's performance and this Corporation's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of this Corporation.
3. There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of this Corporation.
4. For directors and senior managerial officers, the percentage of bonus to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of this Corporation's business.

(4) The discussion of Remuneration Committee, the result of Remuneration Committee's resolution and the company processes which expressed by the Committee members

The date of board meeting	The content of proposal	the opinions of Remuneration Committee	the Company's response or action to the Remuneration Committee' opinions
2018/01/29	1. Determine the distribution of 2017 managers' year-end bonus 2. Approve 2017 compensation to employee and directors	2018/01/29 All members of the Remuneration Committee agreed to adopt.	All attending directors agreed to adopt.
2018/07/30	1. Distribution of 2017 compensation to directors 2. For the proposed 2018 adjustment on managers' compensations 3. For the proposed 2017 amounts of employee compensation for managers 4. For the proposed to issue restricted stock 4,947 thousand shares in 2018	2018/07/30 All members of the Remuneration Committee agreed to adopt.	All attending directors agreed to adopt.
2018/12/24	1. For the proposed 2018 payment on year-end bonus for managers 2. For the proposed adjustment on managers' compensations.	2018/12/24 All members of the Remuneration Committee agreed to adopt.	All attending directors agreed to adopt.

(E)The state of the Company's performance of corporate social responsibilities

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?	Yes		(1) We have established the Corporate Social and Environmental Responsibility Regulation and examine regularly.	(1) No obvious deviation
(2) Does the Company provide educational training on	Yes		(2) Holding on-the-job training and Environmental Safety	(2) No obvious deviation

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
corporate social responsibility on a regular basis?			training regularly.	
(3) Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to oversee proposing the corporate social responsibility policies and reporting to the board?		No	(3) The Company's charity activities, including Donation to the Metropolitan Association of Police, John Tung Foundation, Bureau of Social Affairs of Tainan City Government, Public Television Service Foundation, Hualien earthquake disaster and purchase the New Year's gifts from vulnerable groups, etc., were exercised by personnel and administration department.	(3) Not submitting to the Board yet
(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?	Yes		(4) Company regularly conducts employee education and training for enhancing corporate ethics. According to the assessment results, reward or punishment will be given along with for inspire growth altogether.	(4) No obvious deviation
2.Sustainable Environment Development				
(1) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	Yes		(1) Companies are implementing garbage classification and recycling to reducing environmental impact.	(1) No obvious deviation
(2) Does the Company establish proper environmental management systems based on the characteristics of their industries?	Yes		(2) Establishing industrial characteristics of waste water and air pollution prevention and control regulations and exercise by environmental safety management Department.	(2) No obvious deviation
(3) Does the Company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies	Yes		(3) Implementing Paperless offices, advocating for energy saving in air conditioning in summer and turning off the lights. Checking greenhouse gas emissions on a regular basis, and obtaining the ISO 14064 certification.	(3) No obvious deviation

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
for energy conservation and carbon reduction?			Expanding the water resource recycle system to enhance recycle rate to 30%.	
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?	Yes		(1) The company complies with relevant labor regulations and refers to the "The UN Universal Declaration of Human Rights" and formulate relevant management procedures to safeguard labor rights, including: free choice of occupation, youth labor, working hours, wages and benefits, non-discrimination, freedom of Association and Supplier Social Responsibility, etc. Please refer to the company's Corporate Social Responsibility Report for more deta	(1) No obvious deviation
(2) Has the Company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	Yes		(2) HR suggestion boxes are available for suggestions to the Company.	(2) No obvious deviation
(3) Does the Company provide a healthy and safe			(3) In compliance with ISO14001 and OHSAS18001	(3) No obvious deviation

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
working environment and organize training on health and safety for its employees on a regular basis?	Yes		international standards. Safety management plan is developed yearly, and carried out through meetings for self-inspection and occupational safety and health education training.	
(4) Does the Company setup a communication 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?	Yes		(4) HR suggestion boxes are available for suggestions to the Company. Significant impacts on the Company's operation will be issued in public timely.	(4) No obvious deviation
(5) Does the Company provide its employees with career development and training sessions?	Yes		(5) Company regularly conducts employee education and training to enhance staff career development.	(5) No obvious deviation
(6) Does the Company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	Yes		(6) Company does not supply products or service directly to consumers. The operational staff will be responsible for follow-up services. Company products are clearly labeled.	(6) No obvious deviation
(7) Does the Company advertise and label its goods and services according to relevant regulations and international standards?	Yes		(7) Yes.	(7) No obvious deviation
(8) Does the Company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	Yes		(8) Adopting EICC Enterprise Social Responsibility System and implementing Green thinking through purchase capacity. Prohibiting polluted materials expanding purchase environment to protect products, prohibiting use of materials from conflicting regions. Requesting the suppliers to furnishing RoHS testing	(8) No obvious deviation

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
			reports and the guaranty for products not to contain REACH SVHC. The Company includes conflict-free-minerals in supplier management system to exclude the materials production nations and respects EICC ethical standards and accepting the audit from its delegated parties. Complete evaluations are completely appropriated before collaborating with suppliers.	
(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?		NO	(9) Contracts are not stipulated to terminate or cancel at any time.	(9) It's not stipulated that the contract can be suspended or terminated at any time.
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)?	Yes		(1) The corporate social responsibilities(CSR) are revealed on its website and the Market Observation Post System (MOPS).	(1) No obvious deviation
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: No obvious deviation				
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: None				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The 2017 annual CSR report was verified by BSI using the GRI standard and AA1000 AS Type1. The 2018 annual CSR report was not published as to the completion date of the annual report.				

(F)The state of the Company's performance in good faith management and the adoption of related measures

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				
(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?	Yes		(1) The "Code of conduct for Integrity" approved at board meeting are revealed on its website and the Market Observation Post System (MOPS)	(1) No obvious deviation
(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?	Yes		(2) The "Code of conduct for Integrity" prohibits any dishonest behavior and prevention programs.	(2) No obvious deviation
(3) Does the Company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	Yes		(3) The "Code of conduct for Integrity" stipulates the scope in the prohibition of any dishonest behavior and prevention programs.	(3) No obvious deviation
2.Fulfill operations integrity policy				
(1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	Yes		(1) The Company evaluates business partners' ethical records and include ethics-related clauses in business contracts	(1) No obvious deviation

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(2) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	Yes		(2) HR should implement credit management, and exercises investigation when receiving any of the acts referred to questioned, prosecutors to the Company. And the result will be published, if necessary, through legal channels to seek solutions.	(2) No obvious deviation
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	Yes		(3) The" Code of Conduct for Integrity" is made as the business standard for the employees, contractors, suppliers, and business partners.	(3) No obvious deviation
(4) Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	Yes		(4) Sound corporate accounting and internal control system, and audit plan is made and exercised by internal auditors every year.	(4) No obvious deviation
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	Yes		(5) Company regularly conducts employee education and training, including for business ethical business courses.	(5) No obvious deviation
3.Operation of the integrity channel (1) Does the Company establish both a reward or punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	Yes		(1) "Employee reporting and complaint handling procedures" is made for the protection of supplier and employee reporting and complaint rights.	(1) No obvious deviation

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>(2) Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases?
(3) Does the Company provide proper whistleblower protection?</td><td>Yes

Yes</td><td></td><td>(2) “Employee reporting and complaint handling procedures” is clearly stipulated the relevant procedure and confidentiality.
(3) “Employee reporting and complaint handling procedures” render protection to the petitioner from any possible revenge.</td><td>(2) No obvious deviation

(3) No obvious deviation</td></tr>
<tr><td>4.Strengthening information disclosure
(1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?</td><td>Yes</td><td></td><td>(1) The” Code of Conduct for Integrity” has been revealed on corporate website. (http://www.kinsus.com.tw)</td><td>(1) No obvious deviation</td></tr>
<tr><td colspan="5">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</td></tr>
<tr><td colspan="5">6.Other important information to facilitate a better understanding of the Company’s ethical corporate management policies: None</td></tr>
</table>

(G)If the Company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched.

Please refer to the Company's website at http://www.kinsus.com.tw/zh-TW/Download/other-information.

(H)Other significant information that will provide a better understanding of the state of the Company's implementation of corporate governance: None

(I)The state of implementation of the Company's internal control system

a. For a Statement on Internal Control: Please refer to page 54 of the Statement of internal control.
b. A CPA has been hired to carry out a special audit of the internal control system: None

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

(K)Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report.

a. Material resolutions of 2018 shareholders meeting (at May 29, 2018)

Item	Date	Major resolutions
Shareholders' meeting	May 29, 2018	A. Approval of the 2017 business report, financial statements and consolidated financial statements: Attending votes: 283,058,491 (Of which the exercise of the voting rights by electronic means: 106,738,928) Favorable votes: 268,247,199 (Of which the exercise of the voting rights by electronic means: 92,174,683) Unfavorable votes: 68,161(Of which the exercise of the voting rights by electronic means: 68,161) Invalid votes: 0 Abstention and Not votes: 14,743,131 (Of which the exercise of the voting rights by electronic means: 14,496,084) <u>Implementation of the situation:</u> The resolution was adopted.

B. Approval of the distribution of 2017 retained earnings: (see Table 1 below)
Attending votes: 283,058,491 (Of which the exercise of the voting rights by electronic means: 106,738,928)
Favorable votes: 268,513,704 (Of which the exercise of the voting rights by electronic means: 92,441,188)
Unfavorable votes: 325,762 (Of which the exercise of the voting rights by electronic means: 325,762)
Invalid votes: 0
Abstention and Not votes: 14,219,025 (Of which the exercise of the voting rights by electronic means: 13,971,978)

Implementation of the situation:
The resolution was adopted and the dividends have been distributed on September 11, 2018 accordingly.

C. Approval of the 2018 restricted stock for employees
Attending votes: 283,058,491 (Of which the exercise of the voting rights by electronic means: 106,738,928)
Favorable votes: 261,698,648 (Of which the exercise of the voting rights by electronic means: 85,626,132)
Unfavorable votes: 7,114,380 (Of which the exercise of the voting rights by electronic means: 7,114,380)
Invalid votes: 0
Abstention and Not votes: 14,245,463 (Of which the exercise of the voting rights by electronic means: 13,998,416)

Implementation of the situation:
The resolution was adopted and issued new 5,500,000 shares of restricted stock for employees.

D. Re-electing directors
Election results: According to the attending shareholders' votes, the chairman announced the elected director is:

Title	Account Number	Name	Election Votes
Director	9	Guo, Ming-Dong	221,146,270 Votes
Director	86726	Tong, Zi-Xian	221,084,634 Votes
Director	17	Chen, Ho-Shu	219,869,077 Votes
Director	3	Hua Xu Investment Rep.: Su, Yan-Xue	219,723,810 Votes
Director	1	Hua Yu Investment Rep.: Wu, Xiang-Xiang	219,666,810 Votes

<table>
<tr><td></td><td></td><td>
<table>
<tr><td>Director</td><td>J10051****</td><td>Zheng, Zhong-Ren</td><td>219,572,560 Votes</td></tr>
<tr><td>Independent Director</td><td>F10100****</td><td>Chen, Jin-Cai</td><td>195,639,583 Votes</td></tr>
<tr><td>Independent Director</td><td>K12110****</td><td>Hwang, Chung-Pao</td><td>195,566,004 Votes</td></tr>
<tr><td>Independent Director</td><td>P10001****</td><td>Wu, Hui-Huang</td><td>195,396,775 Votes</td></tr>
</table>

<u>Implementation of the situation:</u>
The resolution was adopted and has been change registration.
</td></tr>
<tr><td></td><td></td><td>
E. Discuss of releasing the newly by-elected director from prohibition of non-compete.
Attending votes: 283,058,491 (Of which 106,738,928 were exercised electronically.)
Favorable votes: 264,240,732 (Of which 88,168,216 were exercised electronically.)
Unfavorable votes: 216,408 (All were exercised electronically.)
Invalid votes: 0
Abstention and Not votes: 18,601,351 (Of which 18,354,304 were exercised electronically.)

<u>Implementation of the situation:</u>
The resolution was adopted and has been implemented in accordance with the revised charter.
</td></tr>
</table>

Table 1

Kinsus Interconnect Technology Corporation

2017 Earnings Distribution Table

Item	Total (in NT$)
Beginning retained earnings	13,603,036,922
Add: Other comprehensive income (loss) in 2017	
-Actuarial gain/loss of defined benefit	1,004,078
Add: Net profit after tax	491,676,522
Distributable earnings	14,095,717,522
Less: 10% Legal reserve	(49,167,652)
Special reserve	(77,064,301)
Shareholder cash dividend (NT$1.5/share)	(669,000,000)
Subtotal:	(795,231,953)
Ending unappropriated retained earnings	13,300,485,569

b. Material resolutions from the meetings of board of directors

Date of board meeting	Major resolutions
2018/01/29	1. Approve 2017 compensation to employee and directors 2. 2017 Business report, parent-company-only financial statements, and consolidated financial statements 3. 2017 earnings distribution 4. Determine the distribution of 2017 managers' year-end bonus 5. Issuance of restricted stock awards in 2018 6. Approve the 2016 Management's Reports on Internal Control 7. Re-election of all directors 8. List of candidates for nomination of directors (including independent director) 9. To release the newly by-elected director from prohibition of non-compete 10. The 2018 annual shareholders' meeting convened and related matters
2018/04/13	1. The amendment to the rule for issuing restricted stocks for employees in 2018. 2. Review of the list of candidates for directors (including independent directors). 3. Resolve the addition and continuance of bank facility.
2018/04/27	1. Proposed to change the signing CPA
2018/05/29	1. Elected as the 7th chairman 2. Appointment of the fourth member of Remuneration Committee.
2018/07.30	1. Determine the measurement date for 2017 distribution of dividend 2. Distribution of 2017 compensation to directors 3. For the proposed 2017 amounts of employee compensation for managers 4. For the proposed 2018 adjustment on managers' compensations 5. The amendment to the rule for issuing restricted stocks for employees in 2018 6. For the proposed to issue restricted stock 4,947 thousand shares in 2018 7. Resolve the addition and continuance of bank facility.
2018/10/29	1. Resolve the addition and continuance of bank facility. 2. Approve the 2019 internal audit plan
2018/12/24	1. Approve the 2019 business plan and budget 2. Assess auditors' independency, approve the engagement of auditors and the audit fee 3. Amend the "Regulations Governing the Acquisition and Disposal of Assets" 4. Amend the accounting system 5. For the proposed 2018 payment on year-end bonus for managers 6. For the proposed adjustment on managers' compensations.
2019/2/18	1. Approve 2018 compensation to employee and directors

	2. 2018 Business report, parent-company-only financial statements, and consolidated financial statements 3. 2018 earnings distribution 4. Amend the "Company's Article of Incorporation" 5. Amend the "Regulations Governing the Acquisition and Disposal of Assets" 6. The 2019 annual shareholders' meeting convened and related matters 7. Proposed to change the signing CPA 8. Cooperate with the company to cancel the registration of the restricted stock that have been issued. 9. For the proposed to Issue restricted stock 659 thousand shares in 2018 10. The Company intend to apply for derivative instrument trading quota with Mega bank and HSBC. 11. Approve the 2018 Management's Reports on Internal Control 12. Amend the Internal Control System

(L)Where, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None

(M)A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, of the Company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer: None

(4) Information on CPA professional fees

Name of Accounting Firm	Name of CPA	Audit Period	Note
Ernst & Young	Hong, Mao-Yi	2018/01/01~2018/12/31	
	Huang, Yi-Hui		

Range \ Category		Audit Fee	Non- Audit Fee	Total
1	Less than $2,000 thousand		V	
2	$2,000 thousand (inclusive) - $4,000 thousand			
3	$4,000 thousand (inclusive) - $6,000 thousand	V		V
4	$6,000 thousand (inclusive) - $8,000 thousand			
5	$8,000 thousand (inclusive) - $10,000 thousand			
6	$10,000 thousand and more			

Unit: NT$'000

Name of Accounting Firm	Name of CPA	Fees	Non-Auditing Fees					Auditing period	Note
			System Design	Industrial and commercial registration	HR	Other	Subtotal		
Ernst & Young	Hong, Mao-Yi Huang, Yi-Hui	4,250	340	57	0	120	517	2018/01/01~ 2018/12/31	

Note 1: If the company changes CPA or accounting firm this year, it should list the audit period separately, and explain the reason for the change in the remark column, and disclose the audit and non-audit fees and other information.

Note 2: Non-audit fees are listed separately according to the service items. If the "others" of the non-audit fees reach 25% of the total non-audit fees, the service contents should be listed in the remarks column.

(A)The amount of non-audit fees paid to the CPAs, their firm, and its affiliated enterprises accounting for at least one-fourth of the amount of audit fees: Non-audit fee are mainly tax advice, accounting for less than a quarter of audit fee.

(B) Change of the accounting firm with a decrease in the audit fees paid in the year of change compared to the year before the change: None

(C) The audit fees reduced by 15% or more compared to the previous year: None

(5) Information on replacement of certified public accountant:

(A) Regarding the former CPA

<table>
<tr><td>Date of Change</td><td colspan="3">2018/01/01</td></tr>
<tr><td>Reasons for the Change</td><td colspan="3">The original CPAs of the Company were Huang, Yi Hui and Zhang, Zhi Ming from EY. Due to rotation rule at EY, the CPAs of the Company were changed to Hong, Mao Yi and Huang, Yi Hui, beginning January 1, 2018.</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>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="3">None</td></tr>
</table>

<table>
<tr><td rowspan="6">Differences with the company</td><td>Yes</td><td></td><td>Accounting principles or practices</td></tr>
<tr><td></td><td></td><td>Disclosure of Financial Statements</td></tr>
<tr><td></td><td></td><td>Audit scope or steps</td></tr>
<tr><td></td><td></td><td>Others</td></tr>
<tr><td>None</td><td colspan="2">V</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	Ernst & Young
Name of CPA	Hong, Mao Yi and Huang, Yi Hui
Date of appointment	2018/04/27
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 to Article 10, paragraph 6, Item 1 and Item 2 of the Guidelines for the former CPA: None.

(6) Where the Company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held: None

(7) Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report.

(A)Changes in equity due to transfer and pledge by directors, supervisors, officers, and greater-than-10-percent shareholders

a. Changes in shareholdings of Directors, Officers, and Major Shareholders

Unit: Shares

Title	Name	2018		As of March 31, 2019	
		Increase (Decrease) in # of Shares Held	Increase (Decrease) in # of Shares Pledged	Increase (Decrease) in # of Shares Held	Increase (Decrease) in # of Shares Pledged
Chairman & CEO	Guo, Ming-Dong	—	—	—	—
Director & CSO	Tung, Tzu-Hsien	—	—	—	—
Director & GE	Chen Ho-Shu	—	30,000	—	—
Director (major shareholder)	Hua Xu Investment Co., Ltd. Corporate, rep: Su, Yan-Xue	—	—	—	—
	Su, Yan-Xue	—	—	—	—
Director (major shareholder)	Hua Yu Investment Co., Ltd. Corporate, rep.: Wu, Xiang-Xiang	—	—	—	—
	Wu, Xiang-Xiang	—	—	—	—
Director	Cheng, Zhong-Ren	—	—	—	—
Independent Director	Hwang, Chung-Pao	—	—	—	—
Independent Director	Chen, Jin-Cai	—	—	—	—
Independent Director	Wu, Hui-Huang	—	—	—	—
Major Shareholder	Hua Wei Investment Co., Ltd.	—	—	—	—
Technical Director	Chang, Chien-Wei	—	—	—	—
COO	Hu, Gui-Qin	—	—	—	—
Senior assistant GM	Huang, Geng-Fang	—	—	—	—
Assistant GM	Lin, Zhi-Wei	—	—	—	—
Assistant GM	Huang, Sheng-Chuan	—	—	—	—
Assistant GM	Wu, Wei-Wen	—	—	—	—
Chief FIN/ACC manager	Liu, Su-Zhen	10,800	—	—	—

(B) Where the counterparty in any transfer or pledge of equity is a related party, disclose the counterparty's name, its relationship with the Company as well as the Company's directors, supervisors, and greater-than-10-percent shareholders, and the number of shares acquired or pledged: None

(8) Relationship information, if among the Company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another:

Name	Shares Held		Shares Held by Spouse or Minor Children		Total Shares Held in the Name of Others		Title or Name of Its Related Party, Spouse, or Relative Within the Second Degree of Kinship That Is Among Ten Largest Shareholders and Their Relationship		Note
	# of Shares	Shareholding Percentage	# of Shares	Shareholding Percentage	# of Shares	Shareholding Percentage	Title (or Name)	Relationship	
Hua Wei Investment Co., Ltd.	60,128,417	13.32%	-	-	-	-	Hua Xu Investment Co., Ltd., Hua Yu Investment Co., Ltd.	All are 100% owned by Pegatron Corp.	-
Hua Xu Investment Co., Ltd. (Representative: Su, Yan-Xue)	58,233,091	12.90%	-	-	-	-	Hua Wei Investment Co., Ltd., Hua Yu Investment Co., Ltd.	All are 100% owned by Pegatron Corp.	-
Su, Yan-Xue	-	-	-	-	-	-	-	-	-
Hua Yu Investment Co., Ltd. (Representative: Wu, Xiang-Xiang)	55,556,221	12.31%	-	-	-	-	Hua Wei Investment Co., Ltd., Hua Xu Investment Co., Ltd.	All are 100% owned by Pegatron Corp.	-
Wu, Xiang-Xiang	-	-	-	-	-	-	-	-	-
Taiwan Bank in custody of Mars Investment Limited	29,538,000	6.50%	-	-	-	-	-	-	-
Nan Shan Life Insurance Company Ltd.	21,322,000	4.72%							
The 2nd-tier new labor pension plan	5,300,000	1.17%	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund	4,724,000	1.05%	-	-	-	-	-	-	-
Morgan Bank Taipei Branch Hosts Vatican Stock Index Account	3,876,000	0.86%	-	-	-	-	-	-	-
China Trust Commercial Bank is entrusted to hold the restricted stock account which the employees of Kinsus Technology Corp.	3,741,360	0.83%	-	-	-	-	-	-	-

have voting rights and dividend distribution rights.									
Standard Chartered Hosts iShares Emerging Markets ETF	2,626,000	0.58%	-	-	-	-	-	-	-

(9) The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the Company

Consolidated Shareholding Percentage

Measurement date: Dec. 31, 2018; Unit: Shares; %

Invested Enterprise	Investment by the Company		Investment by Directors, Supervisors, Officers, and Directly or Indirectly Controlled Companies		Consolidated Investment	
	# of Shares	Shareholding Percentage	# of Shares	Shareholding Percentage	# of Shares	Shareholding Percentage
KINSUS CORP.(USA)	500,000	100%	—	—	500,000	100%
KINSUS HOLDING (SAMOA) LIMITED	166,308,720	100%	—	—	166,308,720	100%
KINSUS HOLDING (CAYMAN) LIMITED	—	—	72,000,000	100%	72,000,000	100%
KINSUS INTERCONNECT TECHNOLOGY (SUZHOU) CORP.	—	—	—	100%	—	100%
KINSUS INVESTMENT CO., LTD.	160,000,000	100%	—	—	160,000,000	100%
PEGAVISION CORP.	—	—	36,326,909	60.54%	36,326,909	60.54%
PIOTEK HOLDINGS LTD.(CAYMAN)	—	—	187,755,000	100%	187,755,000	100%
PIOTEK HOLDING LTD.	—	—	139,840,790	100%	139,840,790	100%
PIOTEK (H.K.) TRADING LIMITED.	—	—	200,000	100%	200,000	100%
PIOTEK COMPUTER (SUZHOU) CO. LTD.	—	—	—	100%	—	100%
PEGAVISION HOLDINGS CORPORATION	—	—	2,130,000	100%	2,130,000	100%

PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	－	－	－	100%	－	100%
XIANG SHUO (SUZHOU) TRADING LIMITED	－	－	－	100%	－	100%
PEGAVISION JAPAN INC.		－	198	100%	198	100%

Kinsus Interconnect Technology Corp.
Statement on Internal Control Systems

Date: February 18th, 2019

Based on the results of self-inspection of the Company's internal control system in 2018, the Company hereby states the following:

(1)The Company is fully aware that establishing, implementing, and maintaining an internal control system are the responsibilities of its board of directors and officers. The Company has established such a system to provide reasonable assurance regarding the achievement of such objectives as effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.

(2)There are inherent limitations to every internal control system. An effective internal control system can only provide reasonable assurance regarding the achievement of the aforesaid three objectives despite how well-designed it is. Moreover, the effectiveness of an internal control system may vary with changes in environments or circumstances. Nevertheless, the internal control system of the Company comes with a self-supervision mechanism. The Company will take corrective actions immediately after a deficiency is identified.

(3)The Company determines whether the design and implementation of its internal control system are effective according to the criteria for effectiveness of internal control systems as prescribed in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as "the Regulations"). The internal control system criteria adopted in the Regulations divide an internal control system into five constituent elements based on the management and control processes: a. control environment; b. risk assessment; c. control activities; d. information and communications; and e. monitoring. Each constituent element also comprises several items. See the Regulations for the above-mentioned items.

(4)The Company has adopted the aforesaid internal control system criteria to inspect the effectiveness of the design and implementation of its internal control system.

(5)According to the results of the inspection mentioned above, the Company believes that its internal control system (the supervision and management of its subsidiaries are included) as of December 31, 2018, including the design and implementation of the internal control system regarding the perceived level of achievement of the objectives of operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, is effective, and that it can reasonably assure the achievement of the aforesaid objectives.

(6)This statement will become an essential part of the Company's annual report and prospectus and be disclosed to the public. If the Company is found to make a false statement, conceal information, or violate regulations regarding the disclosed content, it will be subject to the legal liabilities of Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

(7)This statement was adopted by the board of directors of the Company on February 18th, 2019. None of the nine attending directors objected to this statement as all of them approved the content of this statement. Thus, a pronouncement is made herein.

Kinsus Interconnect Technology Corp.

The Chairman: Guo, Ming-Dong

The General Manager: Chen, Ho-Shu

4. Information on Capital Raising Activities

(1) Capital and Shares

(A)Sources of Capital Stock

a. Types of Shares

As of March 31, 2019; Unit: Shares

Type of Shares	Authorized Capital Stock			Remark
	Outstanding Shares (Note)	Unissued Shares	Total	
Registered common stock	451,360,860	98,639,140	550,000,000	Note

Note: The Company has gone public since Nov. 1, 2004. The shares outstanding are all listed.

b. Formation of Capital Stock

As of March 31, 2018

Month & Year	Issue Price ($)	Authorized Capital Stock		Paid-Up Capital Stock		Note		
		# of Shares (Thousand Shares)	Amount (Thousand Dollars)	# of Shares (Thousand Shares)	Amount (Thousand Dollars)	Source of Capital Stock	Offsetting Payment of Shares with Properties Other Than Cash	Others
Sep. 2000	10	250,000	2,500,000	120,000	1,200,000	Startup capital 1,200,000	None	—
Dec. 2000	10	250,000	2,500,000	130,000	1,300,000	Cash addition 100,000	None	Note 1
April 2001	10	250,000	2,500,000	190,000	1,900,000	Cash addition 600,000	None	Note 2
Nov. 2002	10	250,000	2,500,000	200,000	2,000,000	Cash addition 100,000	None	Note 3
July 2004	10	288,000	2,880,000	222,000	2,220,000	Capitalization of earnings 220,000	None	Note 4
Aug. 2005	10	370,000	3,700,000	259,800	2,598,000	Capitalization of earnings 378,000	None	Note 5
Sep. 2005	10	370,000	3,700,000	289,800	2,898,000	Cash addition 300,000	None	Note 6
June 2006	10	550,000	3,700,000	339,800	3,398,000	Cash addition 500,000	None	Note 7
Sep. 2006	10	550,000	5,500,000	389,000	3,890,000	Capitalization of earnings 492,000	None	Note 8
Sep. 2007	10	550,000	5,500,000	435,400	4,354,000	Capitalization of earnings 464,000	None	Note 9
Sep. 2008	10	550,000	5,500,000	446,000	4,460,000	Capitalization of earnings 106,000	None	Note 10
Aug. 2018	10	550,000	5,500,000	450,841	4,508,410	Issuance 48,410 thousand shares of restricted stocks to	None	Note 11

						employees.		
Mar. 2019	10	550,000	5,500,000	451,361	4,513,609	Cancellation of 786 thousand shares and Issuance 5,985 thousand shares of restricted stocks to employees.	None	Note 12

Note 1: Approved by the Ministry of Economic Affairs with the Letter of Jing-(090)-Shang No. 09001013780 dated January 15, 2001

Note 2: Approved by the Ministry of Economic Affairs with the Letter of Jing-(090)-Shang No. 09001129300 dated April 17, 2001

Note 3: Letter of (91)-Tai-Cai-Zheng-(Yi)-Zi No. 0910149830 issued by the Securities and Futures Commission, Ministry of Finance on September 11, 2002

Note 4: Letter of (93)-Tai-Cai-Zheng-(Yi)-Zi No. 0930124569 issued by the Securities and Futures Commission, Ministry of Finance on June 2, 2004

Note 5: Letter of Jin-Guan-Zheng-Yi-Zi No. 0940126584 issued by the Financial Supervisory Commission, Executive Yuan on July 1, 2005

Note 6: Letter of Jin-Guan-Zheng-Yi-Zi No. 0940130374 issued by the Financial Supervisory Commission, Executive Yuan on August 2, 2005

Note 7: Letter of Jin-Guan-Zheng-Yi-Zi No. 0950108623 issued by the Financial Supervisory Commission, Executive Yuan on March 24, 2006

Note 8: Letter of Jin-Guan-Zheng-Yi-Zi No. 0950128559 issued by the Financial Supervisory Commission, Executive Yuan on July 5, 2006

Note 9: Letter of Jin-Guan-Zheng-Yi-Zi No. 0960031093 issued by the Financial Supervisory Commission, Executive Yuan on June 21, 2007

Note 10: Letter of Jin-Guan-Zheng-Yi-Zi No. 0970030373 issued by the Financial Supervisory Commission, Executive Yuan on June 18, 2008

Note 11: Approved by the Ministry of Economic Affairs with the Letter of Jing-(090)-Shang No.10701117040 dated September 10, 2018.

Note 12: Approved by the Ministry of Economic Affairs with the Letter of Jing-(090)-Shang No. 10801033770 dated March 29, 2019.

(B)Shareholder Structure

As of March 31, 2019; Unit: Shares

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Corporations	Individuals	Foreign Institutions & Foreigners	Total
# of Persons	0	4	109	32,469	158	32,740
# of Shares Held	0	23,489,000	193,101,650	163,606,735	71,163,475	451,360,860
Shareholding Percentage	0.00%	5.20%	42.78%	36.25%	15.77%	100%

Note: No shares are held by investors in Mainland China.

(C)Diffusion of Ownership

Par at NT$10 per share; As of March 31, 2019

Scale of Shareholding			# of Shareholders	# of Shares Held	Shareholding Percentage
1	to	999	3,508	434,800	0.10%
1,000	to	5,000	22,870	48,134,413	10.66%
5,001	to	10,000	3,448	27,406,796	6.07%
10,001	to	15,000	997	12,862,565	2.85%
15,001	to	20,000	638	11,921,693	2.64%
20,001	to	30,000	518	13,570,161	3.01%
30,001	to	40,000	243	8,858,679	1.96%
40,001	to	50,000	121	5,577,307	1.24%
50,001	to	100,000	221	15,841,026	3.51%
100,001	to	200,000	80	11,272,030	2.50%
200,001	to	400,000	46	12,616,381	2.79%
400,001	to	600,000	15	7,641,901	1.69%
600,001	to	800,000	4	2,781,883	0.62%
800,001	to	1,000,000	6	5,273,865	1.17%
1,000,001	to	1,000,000,000	25	267,167,360	59.19%
Total			32,740	451,360,860	100.00%

(D)List of principal shareholders

The names, numbers of owned shares, and shareholding percentages of those who own 5% or more of the total issued shares or whose shareholding percentage is among the top ten.

As of March 31, 2019; Unit: Shares

Shares / Name of Major Shareholders	# of Shares Held	Shareholding Percentage
Hua Wei Investment Co., Ltd.	60,128,417	13.32%
Hua Xu Investment Co., Ltd.	58,233,091	12.90%
Hua Yu Investment Co., Ltd.	55,556,221	12.31%
Taiwan Bank in custody of Mars Investment Limited	29,358,000	6.50%
Nan Shan Life Insurance Company Ltd.	21,322,000	4.72%
The 2nd-tier new labor pension plan	5,300,000	1.17%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund	4,724,000	1.05%
Morgan Bank Taipei Branch Hosts Vatican Stock Index Account	3,876,000	0.86%

Name of Major Shareholders \ Shares	# of Shares Held	Shareholding Percentage
China Trust Commercial Bank is entrusted to hold the restricted stock account which the employees of Kinsus Technology Corp. have voting rights and dividend distribution rights.	3,741,360	0.83%
Standard Chartered Hosts iShares Emerging Markets ETF	2,626,000	0.58%

(E)Share prices for the past 2 fiscal years, together with the Company’s net worth per share, earnings per share, dividends per share, and related information.

Unit: NT$

Item \ Year			2017	2018
Market Price per Share	Highest		87.9	61.7
	Lowest		53.5	38.65
	Average		76.97	51.72
Net Worth per Share	Before Distribution		62.78	61.62
	After Distribution		61.28	(Note)
Earnings per Share	Weighted Average # of Shares		446,000,000	446,254,650
	Earnings per Share	Before Adjustment	1.10	0.78
		After Adjustment	1.10	(Note)
Dividends per Share	Cash Dividends		1.5	(Note)
	Stock Dividends	Stock Dividends from Retained Earnings	—	(Note)
		Stock Dividends from Capital Reserves	—	(Note)
	Accumulated Unpaid Dividends		—	—
Analysis of Return on Investment	Price/Earnings Ratio		69.97	(None)
	Price/Dividend Ratio		51.31	(Note)
	Cash Dividend Yield		1.95	(Note)

Note: The distribution of earnings in 2018 has been approved by the board of directors, but has not been resolved at the shareholders’ meeting.

(F)The Company's dividend policy and implementation

a. The Company's Dividend Policy

The Company, if making profits in current year, shall distribute the earnings in the following order:

1. Payment of all taxes and dues;
2. Offset prior years' operation losses;
3. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
4. Set aside or reverse special reserve in accordance with law and regulations;
5. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, dividend policy aims for a steady balance. Cash dividends distributed each year cannot be less than 10% of the total dividends paid.

Furthermore, the Company expects to amend the Articles of Incorporation in 2019, to strengthen the company's dividend policy. The Articles of Incorporation regarding the dividend policy are as follows:

The Company, if making profits in current year, shall distribute the earnings in the following order:

1. Payment of all taxes and dues;
2. Offset prior years' operation losses;
3. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
4. Set aside or reverse special reserve in accordance with law and regulations;
5. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

To authorize the distributable dividends and bonuses in whole may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition, there to a report of such distribution shall be submitted to the shareholders' meeting.

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, dividend policy aims for a steady balance. Shareholder extra dividend each year cannot be less than 10% of distributed surplus earnings and cash dividends distributed each year cannot be less than 10% of the gross number of dividends.

b. Dividend Distributions to Be Proposed at the Shareholders' Meeting

In 2018, the Company had a distributable earning of NT$349,485,057 after taxes, and set aside 10% of the amount, that is NT$34,948,506, as legal reserve, and special reserve of NT$22,706,349. The following distribution is proposed in accordance with the Articles of Incorporation:

(a)Shareholder dividends: NT$676,261,500, all distributed in the form of cash.

(b)Unappropriated retained earnings at the end of the period: NT$12,912,742,232.

Kinsus Interconnect Technology Corp.
Earnings Distribution Schedule
2018

Unit: NT$

Item	Amount
Unappropriated retained earnings (at beginning of period)	13,300,485,569
Less: Other comprehensive income in 2018 - actuarial gains of defined benefit plans	(3,312,039)
Add: Net income in 2018	349,485,057
Distributable earnings	13,646,658,587
Less: 10% legal reserve	(34,948,506)
Special reserve	(22,706,349)
Shareholder bonuses ($1.5 per share in cash)	(676,261,500)
Subtotal	(733,916,355)
Unappropriated retained earnings (at end of period)	12,912,742,232

c. Explanation of Expected Material Changes in the Dividend Policy: None

(G)Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders’ meeting

Regarding the distribution of earnings of the Company for 2018, the board of directors approved the proposal on February 18th, 2019 to distribute shareholder bonuses totaling NT$676,261 thousand in the form of cash only. Thus, it is not applicable.

(H)Compensation of employees, directors, and supervisors

a. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the Company's articles of incorporation:

   The Company, if making profits in current year, shall provide the ratio of employee compensation to "income before tax and the employee and directors' compensation to be provided" at less than 10% and the ratio of directors' compensation to "income before tax and the employee and directors' compensation to be provided" at be more than 1%, provided that all accumulated deficits, if any, are fully offset.

   The employees' compensation can be distributed in cash or stocks. The employees receiving the stock dividends may include employees in affiliated companies who met certain conditions stipulated by the Board of Directors.

   Employee and directors' compensation is to report in the shareholders' meeting.

   The Company expects to amend the Articles of Incorporation 24 in 2019

   The Company, if making profits in current year, shall provide the ratio of employee compensation to "income before tax and the employee and directors' compensation to be provided" at less than 10% and the ratio of directors' compensation to "income before tax and the employee and directors' compensation to be provided" at be more than 1%, provided that all accumulated deficits, if any, are fully offset.

   The employees' compensation can be distributed in cash or stocks. The employees receiving the stock dividends may include employees in affiliated companies who met certain conditions stipulated by the Board of Directors.

   Employee and directors' compensation is to report in the shareholders' meeting.

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: None

c. Information on any approval by the board of directors of distribution of compensation:

   (a) Regarding the compensation to employee and directors of the Company for 2018 the board of directors approved the proposal on February 18th, 2019 to distribute NT$55,074 thousand and NT$3,352 thousand for employee and director compensation respectively.

(b) The proposed amount of employee stock bonuses to be distributed, and the size of such an amount as a percentage of the sum of the after-tax net income stated in the separate or individual financial reports for the current period and total employee bonuses: N/A

d. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (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.

The actual distribution of employee bonuses and director/supervisor compensation by the Company for 2017 is as follows:

	Earnings Distribution for 2017			
Item	Adopted at Shareholders' Meeting on May 29 2018	Actual Distribution	Discrepancy	Cause and Explanation of Discrepancy
Director/Supervisor Compensation	NT$4,912 thousand	NT$4,912 thousand	-	-
Employee Cash Bonuses	NT$80,693 thousand	NT$80,693 thousand	-	-

(I)Share repurchases: None

(2) Issuance of corporate bonds: None

(3) Issuance of preferred shares: None

(4) Issuance of global depository receipts: None

(5) Issuance of employee share subscription warrants: None

(6) New restricted employee Shares:

(a)Issuance of Employee Restricted Stocks:

As of 03/31/2019

Type of Restricted Shares	First Grant of 2018	Second Grant of 2018
Approval Date by the Authority	2018/07/10	
Grant Date	2018/08/28	2019/03/18
Restricted Stock Granted	4,841,000	598,500

<table>
<tr><td>Price of Issuance</td><td>NT$10</td><td>NT$10</td></tr>
<tr><td>Percentage of Employee Restricted Stocks to Outstanding Common Shares</td><td>1.07%</td><td>0.13%</td></tr>
<tr><td>Conditions for Exercise of Employee Restricted Stocks</td><td colspan="2">(1) A class: applicable for employee at 8^{th} level
The vesting ratios for the underlying employee who retains with the Company from the grant date (i.e. the measurement date of capital addition) to the following vesting dates are as bellows in the conditions that she/he meets the individual performance criteria and does not breach any of laws, the Company’s service agreement, commitment for integrity and confidential, the Company’s working rule, code of conducts, etc.
A. Within one month starting the granted date: 20%.
B. April 25, 2019: 20%.
C. September 25,2019: 15%.
D. April 25, 2020: 15%.
E. September 25, 2020: 15%.
F. April 25, 2021: 15%.

(2) B class：applicable for employee at 4^{th} ~ 7^{th} level
1). The vesting ratios for the underlying employee who retains with the Company from the grant date to the following vesting dates are as bellows in the conditions that she/he meets the individual performance criteria and does not breach any of laws, the Company’s service agreement, commitment for integrity and confidential, the Company’s working rule, code of conducts, etc.
A. Within one month starting the granted date: 20%.
B. April 25, 2019: 20%.
C. September 25,2019: 15%.
D. April 25, 2020: 15%.
E. September 25, 2020: 15%.
F. April 25, 2021: 15%.
2). Individual performance to be achieved
A. For employee at 1^{st} grade of 4^{th} level to 2^{nd} grade of 5^{th} level:
The most recent performance upon expiration of vesting period shall be rated at A.
B. For employee at 1^{st} grade of 6^{th} level to 2^{nd} grade of 7^{th} level:
The current vesting ratio is 100%, 75% or 50%, respectively, if the employee’s most recent performance upon expiration of vesting period is rated at A, B+, or B.</td></tr>
</table>

Limitations to the Rights of Employee Restricted Stocks	(1) The restricted stocks in the custody of trust shall not be sold, pledged, transferred, donated to others, encumbered, or any other ways of disposal before the vesting conditions are met. (2) The restricted stocks shall be in custody of a trust right upon issuance and the granted employee shall not ask the trustee to return the shares for any reasons or by any ways before the vesting conditions are met. (3) The Restricted Stocks are legitimate to participate in earing distribution or dividend (by either share or cash) during the vesting period. (4) It is the custodian institution to execute the voting right and election right in shareholders' meeting for the restricted stocks employees in accordance with related laws and regulations.	
Custody of Employee Restricted Stocks	A total of 3,741,361 shares delivered to the Trust.	(Note 1)
Procedures for Non-Compliance of the Conditions	The Company can buy back and cancel all restricted stocks from any employee whom received restricted stocks.	
Number of Employee Restricted Stocks Bought Back	131,440	0
Number of Employee Restricted Stocks Free from Custody	968,200	0
Number of Employee Restricted Stocks under Custody	3,741,360	598,500
Number of Employee Restricted Stocks under Custody to Outstanding Common Shares (%)	0.83%	0.13%
Impact on Shareholders' Equity	A. Potential expense: The Company shall evaluate at NT$51.3 of unit market price on 2018/01/15. In accordance with the conditions for exercising restricted stocks set forth in the preceding paragraph, the annually expensed amount is estimated at NT$104,042 thousands, NT$88,864 thousands, NT$30,292 thousands and NT$3,952 in 2018, 2019, 2020 and 2021 respectively. B. Potential impact to dilution of earnings per share (EPS) and other factors that may affect shareholder's equity: Potential dilution of EPS is estimated at NT$0.23, NT$0.20, NT$0.07and NT$0.01 in 2018, 2019, 2020 and 2021 respectively. Since the potential impact to EPS is limited, we do not expect any material impact to shareholders' equity.	

NOTE 1：As of March 31,2019, Restricted Stocks have not been issued and transfer to trusts.

(b) Information on Name of Managers and Top 10 Employees obtaining Employee Restricted Stocks

As of 03/31/2019

	Title	Name	Number of Employee Restricted Shares	Number of Employee Restricted Stocks to Outstanding Common Shares	Free from Trust				Under the Trust			
					Number of Employee Restricted Stocks Free from Custody	Price of Issuance	Total Amount of Issuance	Number of Employee Restricted Stocks Free From Custody To Outstanding Common Shares	Number of Employee Restricted Stocks Under Custody	Price of Issuance	Total Amount of Issuance	Number of Employee Restricted Stocks Under Custody To Outstanding Common Shares
Management	Chief Financial officer	LIU, SU-ZHEN	54,000	0.01%	10,800	10	108,000	0.00%	43,200	10	432,000	0.01%
Employee	Senior Associate Vice President	LIN, PIN-ZHONG	1,026,000	0.23%	194,400	10	1,944,000	0.04%	831,600	10	8,316,000	0.18%
	Senior Associate Vice President	MA, ZHEN-GUO										
	Senior Associate Vice President	DAI, XIAN-MING										
	Senior Associate Vice President	LI, AN-TANG										
	Senior Associate Vice President	XU, JIN-HUA										
	Senior Associate Vice President	LIN, DING-HAO										
	Senior Associate Vice President	LI, SHI-FU										
	Senior Associate Vice President	LI, BING-ZE										
	Senior Associate Vice President	LAI, YU-NAN										

	Senior Project Associate Vice President	MU, XIAN-JUE											
	Associate Vice President	PENG, DIAN-ZHONG											
	Associate Vice President	HE, QI-YE											
	Associate Vice President	WU, CHANG-LONG											
	Associate Vice President	LIU, WEI-XIN											
	Associate Vice President	ZHU, WEI-JING											
	Associate Vice President	HE, YUE-XIU											
	Associate Vice President	HONG, XIAN-FEI											
	Associate Vice President	ZHUANG, YING-CHANG											
	Associate Vice President	DING, JIN-XING											

Note: All the top 10 employees obtaining Employee Restricted Stocks, including those granted the same number of options, are disclosed here.

(7)Mergers, acquisitions, and issuance of new shares due to acquisition of shares of other companies

(A)Where the Company completed a merger, acquisition, or issuance of new shares due to acquisition of shares of other companies in the most recent year and during the current period up to the date of printing of the annual report, the following matters shall be disclosed: None

(B)Where, in the most recent year and during the current period up to the date of printing of the annual report, the board of directors adopted a resolution approving a merger, acquisition, or issuance of new shares due to acquisition of shares of other companies, the state of the plan's implementation together with the basic information of the Company (or companies) to be merged, acquired, or purchased through acquisition of shares shall be disclosed. Where a merger, acquisition, or issuance of new shares due to acquisition of shares of other companies is currently in progress, the state of the plan's implementation and its effect on shareholders' equity shall be disclosed: None

(8) Implementation of the Company's capital allocation plans

(A)Description of the plans: Each uncompleted public issue or private placement of securities, and issues or placements that were completed in the most recent three years but have not yet fully yielded the planned benefits: N/A

(B)Status of implementation: N/A

5. An Overview of Operations

(1) A description of the business

(A)Scope of Business

a. Primary Business Areas

(a)CC01080 Manufacturing of electronic components.
(b)CC01990 Manufacturing of other electrical and electronic mechanical equipment.
(c)CB01990 Manufacturing of other machinery.
(d)CQ01010 Manufacturing of dies.
(e)F401010 International trade.

b. Sale Percentages of Primary Products

Unit: NT$’000

Percentage / Primary product	2018	
	Sales	Percentage
Division of substrates	17,223,393	72.59%
Division of PCBs	3,371,865	14.21%
Division of Optics	3,132,671	13.20%
Total	23,727,929	100.00%

c. Current Products

(a) Manufacturing & sales of PBGA (Plastic Ball Grid Array) substrates.
(b) Manufacturing & sales of MCM (Multi-Chip-Module) BGA substrates.
(c) Manufacturing & sales of CSP (Chip Scale Package) mini-BGA substrates.
(d) Manufacturing & sales of High Dissipation Cavity Down substrates and TEBGA (Thermal Enhanced-BGA) substrates.
(e) Manufacturing & sales of Flip Chip substrates and Flip Chip CSP substrates.
(f) Manufacturing & sales of Flip Chip Film COF (Chip on Flex).
(g) Manufacturing & sales of Core-less substrates.
(h) Manufacturing & sales of All Layer Build Up substrates.
(i) Manufacturing & sales of Embedded Pattern substrates.
(j) Manufacturing & sales of Embedded Passive substrates.
(k) Manufacturing & sales of High Density Copper Bump substrates.
(l) Manufacturing & sales of High Band Width Package-On-Package substrates.
(m) Manufacturing & sales of Core-less Embedded Passive substrates.

d. New Products to Be Developed

Since the founding of the Company, we have always maintained the principle of “Satisfy customers; pursue excellence". Furthermore, we also positioned our R&D to achieve technology leadership and satisfy market demands. We always strive to increase the profitability of our products by entering the market early, as well as plan future investments of engineering resources by fully grasping the requirements of new generation products. Listed below are new products that we plan to develop in the future:

(a) Introduction of Ultra-low Expansion/Shrinkage, High Tg, High Young's Modulus base materials
(b) Development of Fine Pitch Copper Pillar and Solder Bump substrate technology.
(c) Development of High Layer Count Core-less substrate manufacturing technology.
(d) Development of Embedded Passive substrate technology.
(e) Cooperative project of 20~14 nanometer chip packaging.
(f) Development of automatic production technology for ultra-thin boards.
(g) Development of integration technology of Embedded Active and Embedded Passive components.
(h) Development of ultra-fine circuit (<8um), and high contact density products (<30um pitch).
(i) Development of ultra-micropore (diameter<=30um) technology.
(j) Development of low-cost fine circuit (<=20um) technology.
(k) Development of Via Filling technology.

(B)Overview of the Industry

a. Overview and Development of the Industry

According to the IMF's recent Global Economic Prospects report, global growth in 2019 was 3.5%, reduced 0.2 percentage from 3.7% from the October forecast in 2018. The IMF pointed out that international trade relations are tense, UK may have no agreement to leave EU and China's economic slowdown which growth rate slowing from 6.6% in 2018 to 6.2% in 2019 is the main risk of the global economy in 2019.

Looking at the electronics market in which PCB and Package substrate are located, the sales of PC related products are shown in Figure 1. The overall sales estimate for 2019 is 0.6% higher than that of 2018, reaching 260.8 million units. It is rare to grow in the past three years.

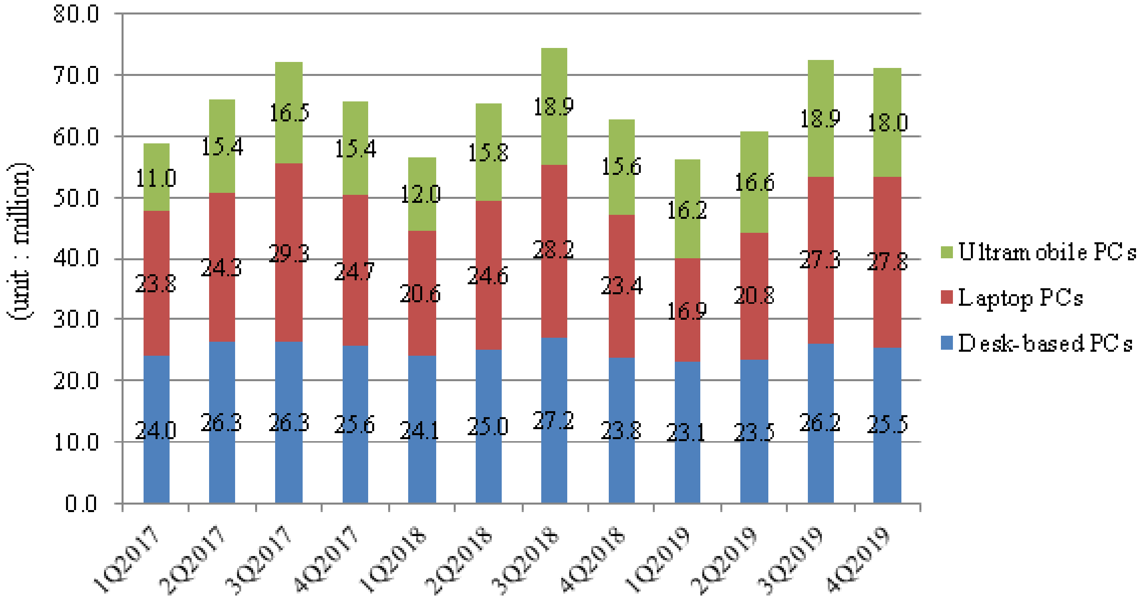


Figure 1：Global sales of PC Source：ITRI International Institute of Obstetrics (2019/02)、TPCA

Moreover, the mobile phone industry is fastest growing in recent years that show in figure 2. In 2019, the number of mobile phone sales is estimated to grow by 1.7% compared with 2018, reaching 1.9 billion. This growth rate is the highest number in recent years, especially the growth of smart phones is more obvious. The largest growth area is China that smart phone brands such as Huawei, OPPO, VIVO, etc., are actively launching cost-effective new machines and occupying market share. Although, strategy resulting in the growth of smart phone sales has caused a decline in profits. Meanwhile, the sales of US and Korean high-end smart phones have seen a decline trend which is unfavorable.

Unit: thousands	2017	2018E	2019(F)	2020(F)	2021(F)
Ordinary Smart Phone	648,016	656,918	687,058	690,316	704,621
YoY	0.4%	1.4%	4.6%	0.5%	2.1%
High-end Smart Phone	856,330	598,656	619,408	639,547	655,606
YoY	5.9%	2.1%	3.5%	3.3%	2.5%
Functional Smart Phone	675,445	664,513	647,213	643,675	618,295
YoY	-2.7%	-1.6%	-2.6%	-0.5%	-3.9%
Total	1,909,791	1,920,087	1,953,680	1,973,539	1,978,522

Figure 2：Global sales of mobile phone Source：Prismark

In the past two years, the fastest growing computer in the computing market is the server, which is driven by the AIOT and more application. The global server market shipped

3.303 million units in n the fourth quarter of 2018, a substantial increase of 9.4% compared with the same period in 2017. Growth momentum comes from the construction of hyperscale servers and the continued investment of data center by service providers. Various data streaming services, and even more and more online gaming applications, will continue to drive server opportunities in the next few years. For the Assembly house, CPU/GPU/FPGA all use ABF substrate, which makes ABF substrate continue to be supply tightly since the second half of 2018.

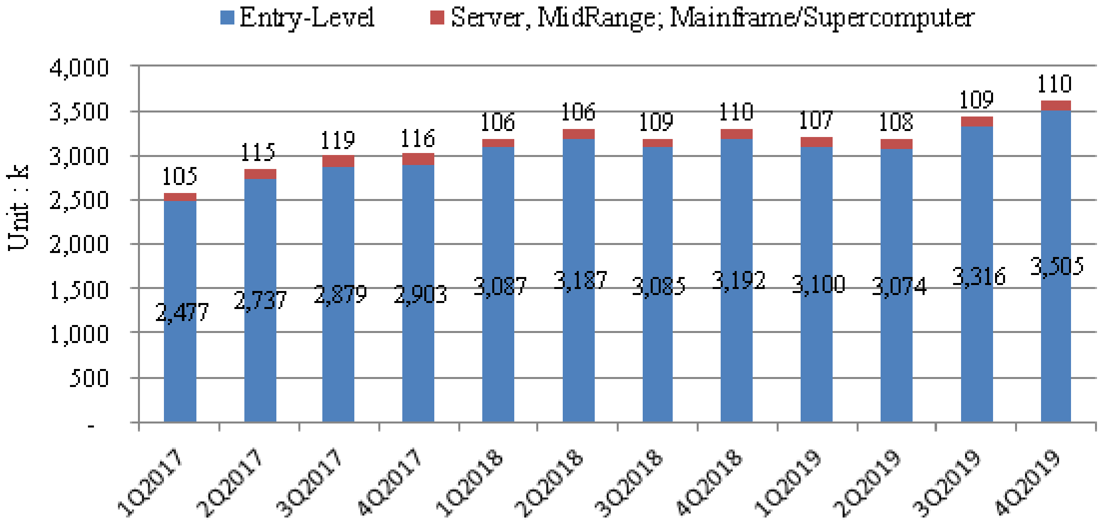


Figure 3：Global market of serve Source： ：Gartner (2019/02)

Looking at the overall PCB market size, as shown in Figure 4, in addition to the slowdown in global economic growth in 2019, also the growth of smart phones is not outstanding which is expected that the growth of PCB market demand will converge with the higher single digit growth of the previous two years. In 2019, the PCB market is expected to grow by 2.6% to reach US$64.739 billion. The PCB products with higher growth will be HDI/SLP and soft substrate for communication.

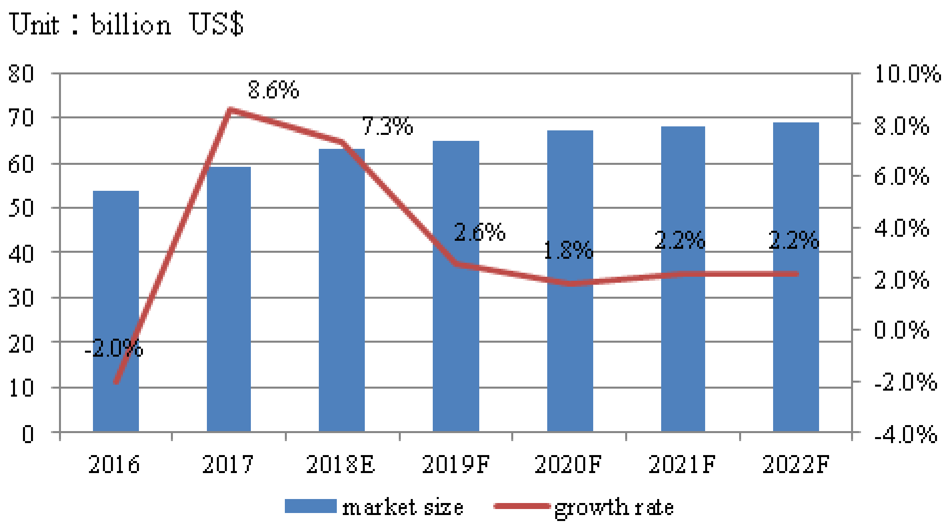


Figure 4：Global market of PCB Source: Prismark

After subdividing the PCB products, we observe the development of the IC packaging substrate market as shown in Figure 5. Looking at the changes in substrate output between Taiwan and China, we can understand that market size is basically in a recession trend. Because of the design of the substrate, especially on the application processor of the smart phone. The design is streamlined year by year, the chip size is reduced, and the number of layers is reduced. Although it meets the market demand, the turnover is declining.

Since 2017, the substrate market has new demand for ABF substrate which resulting in a 3.8% growth in the substrate market in 201.Also, high single digits Percentage of growth are expected each year in the next three to five years. This growth is driven by the rise of AI, new CPU/GPU, servers, and high-performance computing.

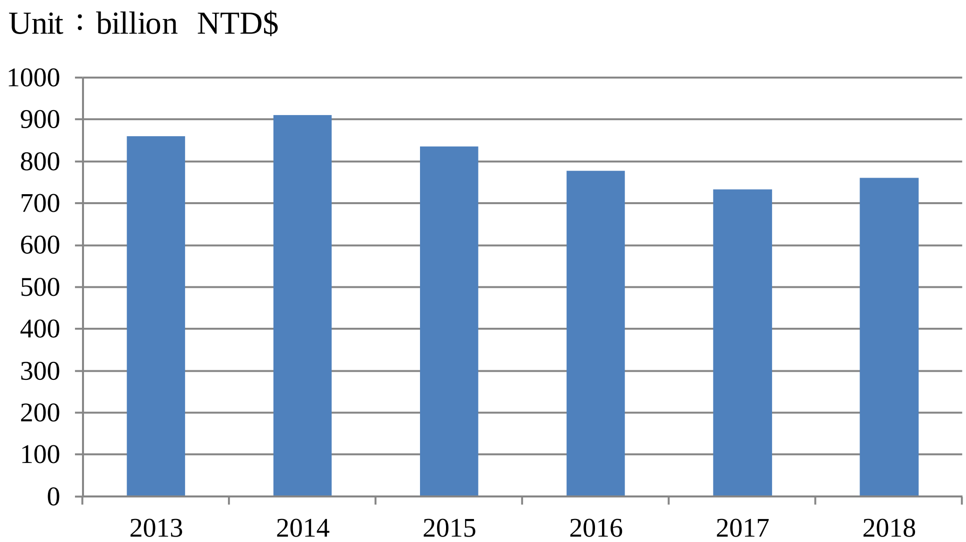
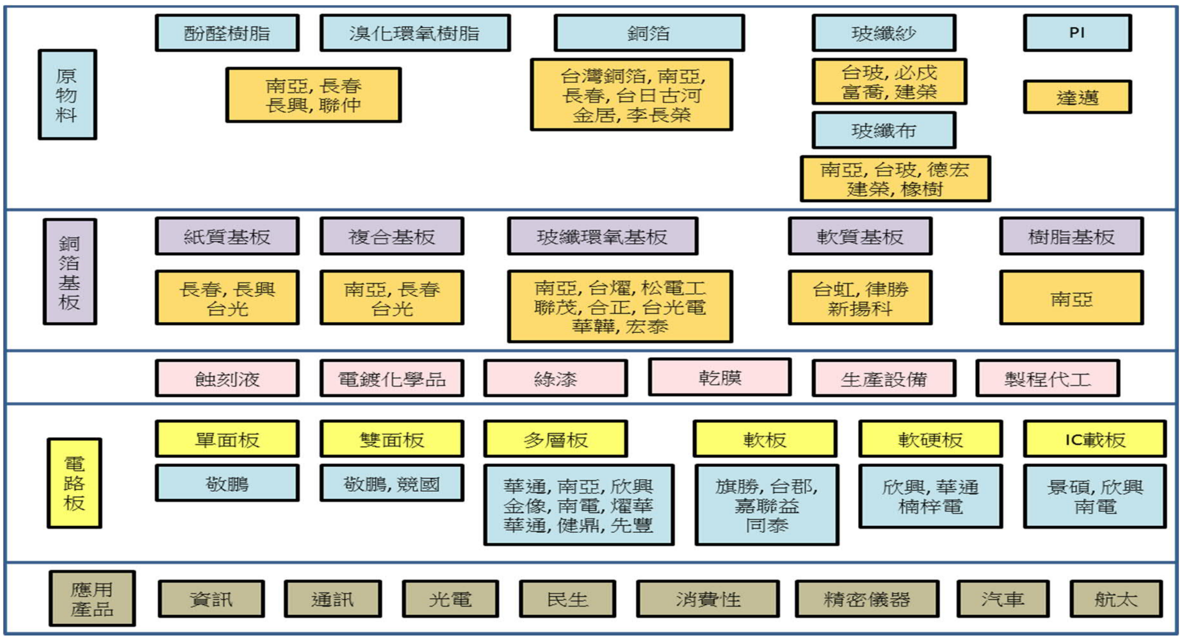


Figure 5：IC packaging substrate market between Taiwan and China source:TPCA

Looking at the development direction of the overall semiconductor market/electronics market in 2019, the opportunity for IC packaging house comes from the ABF substrate opportunities brought by AIOT and 5G base stations, and the high-bandwidth memory (HBM) brought by AIOT.

b. Interrelationships between the Upstream, Midstream and Downstream of the Industry

The relative relationships between the upstream and downstream sectors of the industrial chain of PCB and IC substrate are shown in the figure below. Our company is positioned in the sector of "Circuit board". Upstream suppliers include Epoxy CCL (Copper Clad Laminate), copper foil, and various specialty chemicals suppliers. Downstream clients include IC packaging industry, and electronic product assembly EMS companies. The biggest changes and events in the PCB and IC carrier board industry chain were raw material price increase in 2017, including copper foil, fiberglass and resin. It affects PCB manufacturers' profit to certain extent, especially on those whose product mixture is exposed in needing thicker and more copper foil, such as manufacturers of car board and server backboard. In 2018, the risk of rising raw material prices still exists PCB manufacturers still need to be cautious and keep the flexibility to adjust product mix.



Source: IEK

原物料: Raw materials	酚醛樹脂: Phenolic resin；溴化環氧樹脂: Brominated epoxy resin；銅箔: Copper foil; 玻纖紗: Fiberglass yarn；PI (Polyimide)；玻纖布: Fiberglass cloth 南亞: Nan Ya Plastics Corporation；長春: Chang Chun Group; 長興: Eternal Materials Co., Ltd.；聯仲: UPC Group；台灣銅箔: Taiwan Copper Foil Corporation, Ltd.；台日古河；FCFT (Furukawa Circuit Foil Taiwan) Corporation；金居: Co-Tech Development Corporation；李長榮: LCY Chemical

	Corporation；台玻: Taiwan Glass Group；必成: PFG Fiber Glass Corporation；富喬: Fulltech Fiber Glass Corporation；建榮: Baotek Inc.；德宏: Glotech Industrial Corp.；橡樹: Asahi-Schwebel Taiwan；達邁: Taimide Technology, Ltd.
銅箔基板: Copper clad laminate	紙質基板: Paper-based substrate；複合基板: Composite substrate；玻纖環氧基板: Fiberglass epoxy substrate；軟質基板: Flexible substrate；樹脂基板: Resin substrate 台光: Elite Material Co., Ltd.；台燿: Taiwan Union Technology Corporation；松電工: Song Dian Gong/Taiwan Song Electrical Multi-layer Materials Co., Ltd.；聯茂: ITEQ Corporation；合正: Uniplus Electronics Co., Ltd.；台光電: Elite Material Co., Ltd.；華韡: Hwa Woei Laminate Corporation；宏泰: Hong Tai Electric Industrial Co., Ltd.；台虹: Taiflex Scientific Co., Ltd.；律勝: Microcosm Technology Co., Ltd.；新揚科: ThinFlex
	蝕刻液: Etching solution；電鍍化學品: Electroplating chemicals；綠漆: Green paint；乾膜: Dry film；生產設備: Production equipment；製程代工: Process OEM
電路板: Circuit boards	單面板: Single sided boards；雙面板: Double sided boards；多層板: Multi-layer boards；軟板: Flexible boards；軟硬板: Rigid-flex boards；IC載板: IC substrates 敬鵬: Chin Poon Industrial Co., Ltd.；競國: APCB Group；華通: Compeq Manufacturing Co., Ltd.；欣興: Unimicron Technology Corporation；金像: Gold Circuit Electronics Co., Ltd.；南電: Nan Ya Printed Circuit Board Corporation；耀華: Uniteh Printed Circuit Board Corporation；健鼎: Tripod Technology Corporation；先豐: BoardTek Chemical Engineering Corporation；旗勝: Mektek Industrial Corporation, Ltd.；台郡: Flexium Interconnect, Inc.；嘉聯益: Career Technology Co., Ltd.；同泰: Uniflex Technology Inc.；楠梓電: WUS Printed Circuit Co., Ltd.； 景碩: Kinsus Interconnect Technology Corporation
應用產品: Application products	資訊: Information； 通訊: Communication；光電: Photoelectric；民生: Daily necessities；消費性: Consumer products；精密儀器: Precision instruments；汽車: Automobiles；航太: Aerospace

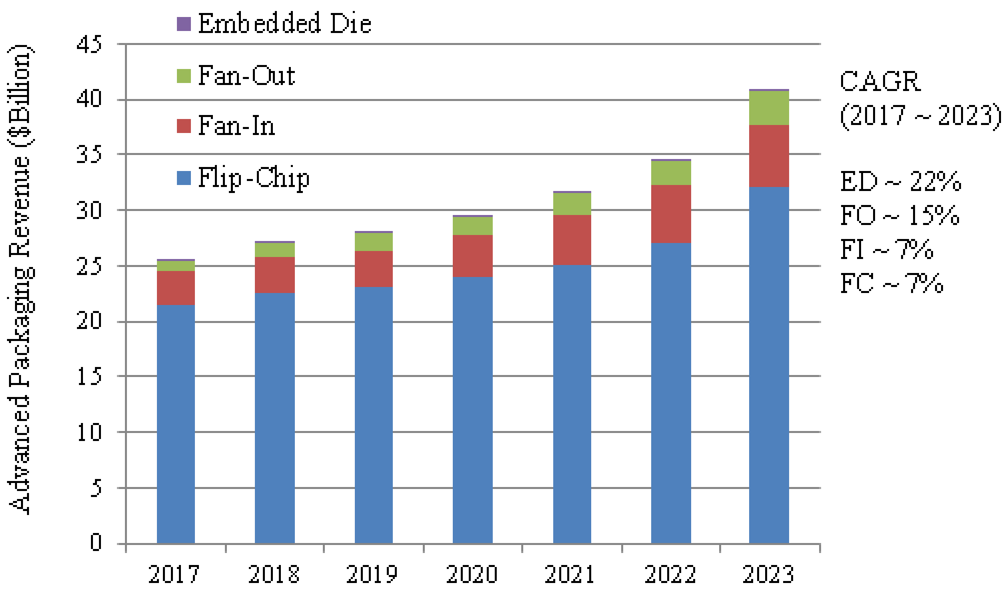
c. Various Product Development Trends

IC Substrate is still the Company’s core business, and the evolution of semiconductor wafer technology and the upgrade of packaging substrate are the most important technological evolution drivers. In this stage, the development of strategy towards from three aspects: thin lines, high-level numbers, and complex stacking structures.

The focus product is FC-BGA in this strategy, which might be on the way in 5G communications (about 2020), AI artificial intelligence, cloud networking, and automated robotics, and will be booming in the next five years.

d. Product Competitions

The most threatening technology in packaging substrate is the fan-out wafer level package (FO-WLP). Please refer the market diagram for advanced packaging technology in the picture below. While the current market share of Flip-Chip packaging is far greater than Fan-Out and Fan-In, the substrate industry needs to launch finer and thinner flip-chip substrate solutions to maintain competition which using substrate as packaging substrate. Other rises such as SiP modules have increased the sales opportunities for substrate.



Picture：market diagram for advanced packaging technology source: Olé, IEK (2018/09)

(C)Overview of Technology and R&D

arid expenses during recent years and up to the publication date of this annual report

Unit: NT$'000; %

Item / Year	2018	As of March 31, 2019
R&D expenses	2,218,438	456,133
Net income	23,727,929	4,919,071
Percentage of R&D expenses (%)	9.35%	9.27%

b. Successfully developed technology or products

(a) Manufacturing technology and products of PBGA (Plastic Ball Grid Array) substrates.
(b) Manufacturing technology and products of MCM (Multi-chip-Module) BGA substrates.
(c) Manufacturing technology and products of CSP (Chip Scale Package) substrates.
(d) Manufacturing technology and products of High Dissipation Cavity Down substrates, and TEBGA (TEBGA-Thermal Enhanced BGA) substrates.
(e) Manufacturing technology and products of Flip Chip substrates, and Flip Chip CSP substrates.
(f) Manufacturing technology and products of Flip Chip film COF (Chip on Flex).
(g) Manufacturing technology and products of Core-less substrates.
(h) Peripheral and array wire type Copper Bump Packaging substrates.
(i) Miniature Heatsink Packaging substrates.
(j) Manufacturing technology and products of Embedded Pattern substrates.

(k) Technology and design specifications of Embedded Thin capacitors.
(l) Technology of No-wiring Bump Ni/Au electroplating.
(m) Manufacturing technology of Copper Bump.
(n) Anisotropic Etching technology.
(o) Asymmetric structural board technology and odd-numbered-layer board technology.
(p) High Band Width Package-On-Package substrates technology.
(q) Electroless Nickel/Electroless Palladium/Immersion Gold (EPIG) surface treatment technology.
(r) Embedded Thermal Bar technology.

(D)Long & Short Term Business Development Plans

a. Short Term Plan

(a)Marketing Strategies

①Maintain close cooperation with key clients; stay up-to-date with the new products updates and customer needs.
②Multi-directional product development strategy; be attentive to the development of small and mid-sized clients, as well as product changes.
③Develop business opportunities in new application fields; introduce different product design concepts and achieve technology-preparedness early.
④Establish rapid prototyping unit, and enhance new product development services.
⑤Increase R&D capacity and shorten design time; provide timely introduction of new products to satisfy customer demands.
⑥Continue to promote the TS16949 quality assurance certification system; ensure product quality; establish worldwide quality reputation by receiving certifications from major international manufacturers.

(b)Production Strategy

In response to the continuously expanding business scale, we will strive to simplify the technologies, improve manufacturing processes, implement automation & unattended operations, and conduct enhancements & maintenance, to increase productivity, reduce defective ratio, and lower costs.

(c)Directions of Product Development

①Increase R&D capabilities; actively invest in product R&D, design, and improvements; shorten product development time and try to lower costs; continue to simplify and accelerate processes, as well as improve quality.
②Reinforce product development and communication with potential customers, to fully grasp the market trends and maintain technical leadership.

(d)Operation Scale and Finance

①Continue to expand facility, invest in technologies, and increase utilization rate to expand the scale of operation.

②Establish sound, complete fundraising channels; establish close cooperative and mutually beneficial relationships with financial institutions; identify long-term low-interest loans, to supply the capitals needed for expanding the operation of the Company.

b. Long Term Plan

(a)Marketing Strategies

①Train marketing professionals on a long-term basis; gather information about other companies in the same industry as well as future development trends; stay informed about the status of current and new competitors; gain insights into market opportunities and establish operational bases widely; adjust individual product strategies immediately following changes in the market; increase market share.

②Maintain partnership relations with advanced chip develop and design companies; always be in possession of first-hand information; achieve process technology and production capacity preparedness, to maintain the Company's long-term competitiveness.

(b)Production Strategies

①Continue to increase production quality, technical strength, product yield, and lower production cost.

②Actively invest in automatic production equipment; bring in professional talents and advanced production technology; and improve process efficiency, to achieve the goal of increase the Company's profitability.

③Increase flexibility in production, to be able to respond to rapid market changes and unexpected urgent demands.

(c)Directions of Product Development

①Bring together related manufacturers in the nation to form R&D alliance, to actively and collaboratively develop and integrate advanced products, to create high added-value and head-start opportunities.

②In fields of high technical difficulties, adopt the strategies of technology transfer and authorization, as well as international cooperation; or commission domestic or foreign research institutes to conduct R&D projects, to lower the risks, shorten development time, exert the combined results of R&D, and increase R&D strength.

(d)Operation Scale and Finance

①Cultivate operational strength; expand quickly the operational scale; move towards the goal of diversified product development.

②As the Company continues to expand its business, in the future, we will establish marketing and production bases around the world, and actively build worldwide operation management and R&D centers.

③Raise long/mid-term funds and build up long-term development strength, to expand the operation scale of the Company.

(2) An analysis of the market as well as the production and marketing situation

(A)Analysis of the Market

a. Sales (available) areas of primary products (services)

Unit: NT$’000

Sales area	2018 Sales Value	Percentage
Taiwan	7,532,329	31.74%
Mainland China	11,555,106	48.70%
United States	4,125,238	17.39%
Europe	277,380	1.17%
Others	237,876	1.00%
Total	23,727,929	100.00%

Our company’s primary product is the spherical array (BGA) substrates for IC. It is used as the chip carrier for semi-conductor packaging and acts as the connecting channel to external circuit. It is categorized as a raw material for the packaging industry or a carrier component. Its main sales targets are domestic and foreign IC packaging, design and system businesses.

b. Market Share

Currently, Japan remains to be the leading country of IC substrates production. It is the priority choice of the majority of packaging companies. This is mainly because of the overall strength of Japan's electronics industry, its certification numbers, excellent process capabilities, peripheral materials, and the support capability of its equipment industry. These factors enable Japan's substrates manufacturers to outperform others.

Our nation ranks as the second largest producing country. We have complete industrial chain and world's largest IC OEM manufacturing scale, which successfully drives the demands for substrates and packaging. Through technology authorization, along with their own process control technology, integrated industry environment & peripheral resources, etc., our IC substrates industry made our nation to become the second largest producer; second only to Japan, Currently, the industry has moved the production of substrates products with lower technical levels to mainland China. In the future, the local production scale will grow significantly, as the electronics industrial chain expands.

In recent years, Japan, Korea, and Taiwan's IC substrates manufacturers have been engaged in fierce competition. Looking at the numbers from recent years, Taiwan's IC substrate manufacturers grabbed a significant market share of 30%.

c. Future Demand and Supply Condition, and Growth Potential of the Market

Currently, IC substrates are used 100% in the packaging market. They are categorized as one of the high-end electronic packaging materials. In addition to the drive from the global electronics market, as the complexity of the products and the speed of signals increase, IC substrate industry has become an important factor in elevating the level of packaging. According to statistical results conducted by IC Insights, the shipments units of IC market were about 251.9 billion in 2016 and the compound growth rate could reach 6.2% for the period from 2016 to 2019. In 2016, IC substrate shipments units of were about 71.9 billion and might reach about 79.8 billion in 2021. Also, according to data released by Prismark, the production value of IC substrate was about $6.922 billion US Dollars in 2015 while it is estimated to reach $6.947 billion in 2020. Both quantity and value are of a slight growth. Among them, Module products grew strongly by a compound rate of 7.9% for the period from 2015 to 2020 driven by the speed growth of portable products, personal video & sound systems and the trend of electronic products to be miniaturized. As the functions of electronic products continuously become more complicated and the types of corresponding packaging also are made progressively, the portion of high-end packaging will continuously grow.

d. Competitive Niche

Our technical team is primarily consisted of research institutes, well-known professionals, related industries, and foreign and domestic experts. Both the quality of our products and the production capacity meet the international standards. Systems manufacturers from various countries are also gradually affirming our production technology and price competitiveness, and are starting to use substrates produced by our domestic manufacturers.

Our company is a Full Process Workshop. We are capable of providing our customers with the full manufacturing process service from circuit design, photomask manufacturing, substrates production, to automatic electric testing. Customers can access our computer system through the Internet and query relevant real-time information. This can help to maintain good and stable cooperative relations with our customers.

e. Favorable and Unfavorable Factors for Development Perspectives, and the Responding

Measures.

(a) Favorable factors

①IDM factory releases production capacity to system chipset manufacturers, which gives domestic system chipset manufacturers and packaging factories more space to grow as well as more business opportunities. Furthermore, packaging technology is moving towards the direction of high pin count and small pin pitch to achieve the goals of light, thin, short, and small; BGA substrates are certainly the right technology that is in line with such a product trend.

②Since the founding of our company eighteen years ago, our R&D and manufacturing technology teams have already accumulated rich experiences and acquired excellent skills. Their capabilities in continued innovation and rapid development have also grown to a level that allow them to compete with other nations. The packaging factories are adopting broader and diversified certification systems to allow them to work closely with domestic substrate manufacturers to lower costs and shorten delivery times. Such practice of local procurement has become a trend and can facilitate the continuous development of the industry in the future.

③Professional Full Process Workshop can provide customers with technical services and consultation in areas of circuit design, photomask manufacturing, substrate production, automatic inspection, and others. Customers can receive all the services they need at the same time, thus saving them time, effort, and money.

(b)Unfavorable factors

①Because BGA substrate and packaging technologies change as the chip design companies' products change, therefore, the life cycles of these technologies often are shorter. When the chip design companies change the specifications of their products, the substrate design of BGA and packaging technologies will have to be modified in sync with the market.

Responding measures:

To keep up with the market trends, our company actively strives to increase R&D capacity, as well as strengthen our design and manufacturing abilities in multi-layer boards and thin boards. In the future, the Company will continue to develop various types of Flip Chip substrates, ultra-thin boards, and high-density substrates needed, and at the same time extend patented technologies that we currently own to compete for market opportunities.

②Since BT base material are Mitsubishi's proprietary material, therefore, if Mitsubishi's production capacity tightens, it will affect our product delivery and consequently cause us to lose customers.

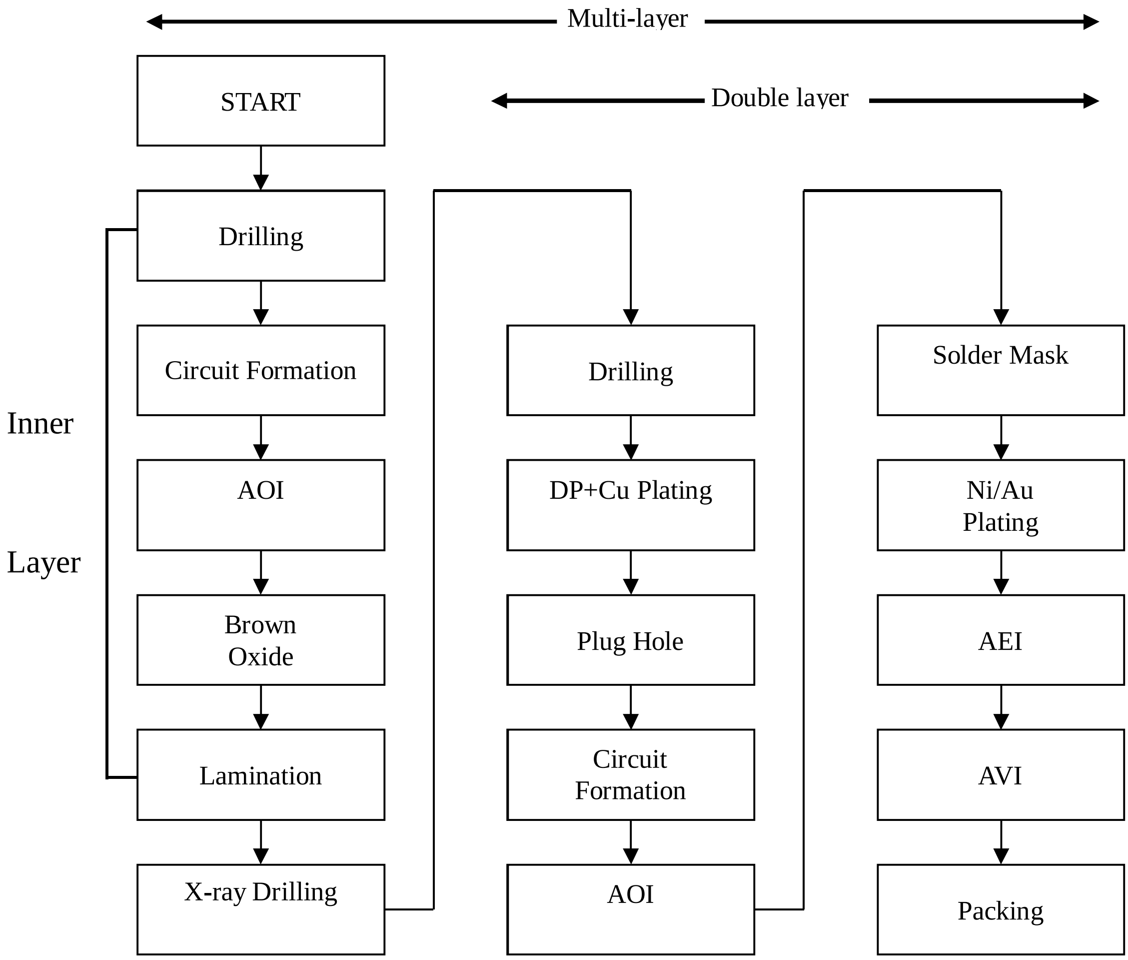
Responding measures:
In addition to maintain good relations with current BT base material manufacturer, we will conduct development testing of related substitute materials at the same time, to prevent the risk of material shortage; thus, allowing us to have multiple sources of suppliers and maintain a stable supply of the primary raw material. (For instance, material from Hitachi and others.)

(B) Major Applications and Manufacturing Processes of the Primary Products

a. Major applications of the primary products

Primary Product	Major Application
PBGA Substrates	BGA packaging; application products include chipsets and graphics chips.
MCM（Multi-chip Module）Substrates	MCM packaging; application products include IC that combines analog, digital, power control circuit, as well as memory and logical IC control.
CSP Substrates	CSP packaging; application products include Flash, high-speed DRAM, and logical chips.
Flip chip	Application products include chipsets, graphics chips, Flash memory, and logical IC.
FC CSP	High-end hand-held devices' system chips, communication chips, and chipsets.
Embedded Substrates	Embedded substrates can shorten spacing between components, in order to improve products' electrical properties.

b. Manufacturing Process of the Primary Products



(C)Supply Condition of the Primary Raw Materials

The Company's primary materials include BT substrates, gold potassium cyanide, films, copper sheets, etc. Among them, BT substrates and films are purchased from major foreign manufacturers. To ensure a stable supply of the materials and their quality, the Company does not easily change suppliers once they have been rated and gone through the trial production. In addition, we actively seek to maintain good long-term relationships with our suppliers. Through the long-term cooperative relationships, lowered costs, fast and flexible delivery schedules, we strive to increase the competitive power of our products and create the maximum profits.

Supply Areas (Manufacturers) of the Primary Raw Materials

Primary Raw material	Supply Area	Supplier
Substrates	Japan	Mitsubishi、Hitachi、Ajinomoto fine
Gold potassium	Taiwan	Hon Hai
Copper sheets	Japan	OFUNA
Films	Japan	Mitsubishi、Hitachi

(D)Major Suppliers in the Last Two Calendar Years

a. Major Clients in the Last Two Calendar Years

Unit: NT$'000

	2017				2018			
Item	Client name	Amount	% to annual net sale〔%〕	Relation with issuer	Client name	Amount	% to annual net sale〔%〕	Relation with issuer
1	C	1,532,231	6.86	None	A	1,773,028	7.47	None
2	D	1,404,392	6.29	Parent company	B	1,637,372	6.90	None
3	E	1,319,161	5.91	None	C	1,584,945	6.68	None
	Others	18,079,702	80.94		Others	18,732,584	78.95	
	Net sale	22,335,486	100		Net sale	23,727,929	100	

Due to continued upgrading product packaging from Lead Frame to BGA, even flip chip, IC substrate market demand continues. The main customers of the sales amount do not change much.

b. Major Suppliers in the Last Two Calendar Years

Unit: NT$'000

	2017				2018			
Item	Supplier	Amount	% to annual purchase〔%〕	Relation with issuer	Supplier	Amount	% to annual purchase〔%〕	Relation with issuer
1	A	1,288,708	13.47	None	A	1,204,029	12.30	None
2	D	1,097,708	11.48	None	B	1,037,461	10.60	None
3	B	898,428	9.39	None	C	785,079	8.02	None
	Others	6,281,883	65.66		Others	6,762,253	69.08	
	Net purchase	9,566,727	100		Net purchase	9,788,822	100	

The Company's principal raw materials including gold potassium cyanide, base material, film, copper sheets, drills, milling cutters, dry film and chemicals. Since established, our exposure in the market goes higher, and sales continues to grow under market demand. The cost of raw materials such as copper and gold prices go up which caused the purchasing value continues to rise too.

As to the major raw material supplier, customers require high quality control in Substrate base. Due to long attestation and short life cycles, the major material would not be easily replaced. Therefore, we only use 1 to 2 suppliers as the main supplier. The major suppliers don't change much respectively in 2017 and 2018.

(E)Production in the Last Two Years

Unit: NT$'000

Year / Output / Major Products (or by department)	2017			2018		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Support plate	7,413,948	6,806,824	20,241,273	9,243,719	8,486,756	25,236,842

(F)Sales in the Last Two Years

Unit: NT$'000

Year / Shipments & Sales / Major Products (or by departments)	2017				2018			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Support plate	1,264,389	3,897,558	5,487,052	12,388,476	1,773,496	4,845,494	6,536,048	12,382,537
Others	-	3,114,108	-	2,935,344	-	2,686,835	-	3,813,063
Total	-	7,011,666	-	15,323,820	-	7,532,329	-	16,195,600

(3) The number of employees employed for the 2 most recent fiscal years, and during the current fiscal year up to the date of printing of the annual report, their average years of service, average age, and education levels (including the percentage of employees at each level)

Year		2017	2018	Data as of in 2019/03/31
Number of Employees	Management	271	298	295
	R&D/Technician	609	670	702
	operating personnel	3,969	4,081	3,929
	Total	4,849	5,049	4,926
Average Age		33	33	33
Average Years of Service		4.8	4.6	4.9
Education	Ph.D.	0.08%	0.06%	0.06%
	Masters	7.51%	7.96%	8.36%
	Bachelor's Degree	58.12%	59.97%	60.13%
	Senior High School	31.22%	29.39%	28.89%
	Below Senior High School	3.07%	2.61%	2.56%

(4) Disbursements for environmental protection

The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report:

Lately, due to high awareness of environmental protection, requirements of environmental quality are growing continuously. Concurrently with the discharge standard of pollutants are gradually improving, we spent hundreds of millions of dollars investment in pollution prevention equipment to make every effort to prevent pollution even though we are only an 18 years old company. As of the date of annual report published, there is no pollution disputes found.

(5) Labor relations

(A)Companies of various welfare measures, further education, training, retirement systems and their implementation status, as well as the agreement between labor and employee rights protection measures.

(a)Benefits and their implementation

a. Employee Bonus
b. Group Insurance
c. Festival Prizes: the Dragon Boat Festival, Mid-Autumn Festival bonus
d. Year-End Bonus

e. SSA benefits: marriages, births, deaths, serious injuries, disasters, major accidents
f. On-the-Job Training
g. Employee benefits Committee provides:
   i) Travelling
   ii) Club
   iii) Birthday Voucher

(b)Continuing education and training and its implementation status

To enhancing staff quality and job skills, we stipulate "Administrative Measures on Education and Training" in orientation training, and for all employees to implement general training and professional training on schedule to become outstanding professionals, and improve the operating performance and effective utilization of human resources.

(c)Situation of Retirement System and Its Implementation

The Company established Retirement Oversight Committee in 2001 under the approval of House of labor of Taoyuan County Government letter of No 126197. Total monthly salaries to be made 2% of the labor pension fund to the Central Trust Bureau Accounts in the same year. Exercising Labor Pension Act on 2005/07/01. After practice, employees can either adopt in "Labor Standards Law" provisions relating to pension, or adopt new Act to the pension system and retain the application of the regulations before the length. To those who apply the Act, the employee pension contribution will be made monthly, which shall not be less than 6% of monthly salary.

(d)Agreement between labor and employee rights protection measures

We have always been treasured the spirit of labor integration, coexistence and common prosperity dealing with the labor relations. We take preciously of employee comments and employees' comments are welcomed at any time through the Company's formal and informal channels of communication to reflect their problems of life and work. Through the opportunities for two-way communication between the Company and employees, we can have greater mutual understanding and awareness to build consensus and success in the long run.

a. Labor Coordination Meeting

Labor coordination meetings held on a regular basis, pushed by the employers represented, promoted mainly focus on the Company's system of communication with employees on the Company's orders, work environment, safety and health issues for two-way communication. The communication through this consultation between employers and business owner enhances not only the mutual trust but also the mutual understanding.

b. Employee benefit Committee

Members of the Employee benefit Committee are elected by employees directly and openly who are good at communication. At the Welfare Committee meeting, both employers and employees can reach adequate communication to the Company's various welfare measures.

(B)Losses due to labor disputes, and current and future estimated amount of responses may occur as of the date of annual report published:

The Company's labor agreements are entered into based on the Labor Standards Law. Humanization is applied in operational management. There was no loss caused by labor disputes.

(6) Important contracts: None

6. An Overview of the Company's Financial Status

(1) Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years

(A)Brief Balance Sheet and Statements of Comprehensive Income

a. Brief Consolidated Balance Sheets

Unit: NT$'000

Item \ Year		2014	2015	2016	2017	2018
Current Assets		23,471,268	23,471,368	21,615,555	18,774,402	19,294,569
Property, Plant & Equipment		15,429,778	16,150,904	16,578,663	19,151,653	19,737,268
Intangible Assets		19,982	30,280	18,820	22,850	14,529
Other Assets		2,130,646	2,986,180	3,040,677	4,328,572	3,577,588
Total Assets		41,051,674	42,638,732	41,253,715	42,277,477	42,623,954
Current liabilities	Before Appropriation	10,103,181	10,318,448	8,639,797	10,537,887	10,199,199
	After Appropriation	11,887,181	11,877,523	9,976,147	11,206,887	(Note 2)
Non-Current Liabilities		895,719	1,492,483	1,599,149	1,824,592	2,676,233
Total liabilities	Before Appropriation	10,998,900	11,810,931	10,238,946	12,362,479	12,875,432
	After Appropriation	12,782,900	13,370,006	11,575,296	13,031,479	(Note 2)
Equity Attributable to Shareholders of the Parent						
Capital		4,460,000	4,460,000	4,460,000	4,460,000	4,508,410
Capital Surplus		5,939,819	5,939,819	5,939,819	5,956,519	6,140,942
Retained earnings	Before Appropriation	16,718,487	17,829,718	18,503,389	17,659,719	17,336,892
	After Appropriation	14,934,487	16,270,643	17,167,039	16,990,719	(Note 2)
Other Components of Equity		279,703	194,484	(613)	(77,677)	(203,356)
Treasury Stock		-	(32,885)	(32,885)	-	(738)
Non-controlling Interests		2,654,765	2,436,665	2,145,059	1,916,437	1,966,372
Total Equity	Before Appropriation	30,052,774	30,827,801	31,014,769	29,914,998	29,748,522
	After appropriation	28,268,774	29,268,726	29,678,419	29,245,998	(Note 2)

Note 1: These statements were prepared under IFRS and audited.

Note 2: Earning appropriation of 2018 has not been approved by the shareholders.

b. Brief Parent-Company-Only Balance Sheet

Unit: NT$’000

Item \ Year		2014	2015	2016	2017	2018
Current Assets		19,880,887	19,685,035	17,625,515	14,701,917	15,265,686
Property, Plant & Equipment		8,914,836	10,309,220	11,947,782	14,406,084	14,898,668
Intangible Assets		11,927	9,869	5,208	12,796	4,777
Other Assets		5,453,133	6,075,014	5,924,904	7,014,909	6,007,534
Total Assets		34,260,783	36,079,138	35,503,409	36,135,706	36,176,665
Current Assets	Before Appropriation	6,311,775	7,325,160	5,811,639	6,742,712	6,370,348
	After Appropriation	8,095,775	8,884,235	7,147,989	7,411,712	(Note 2)
Non-Current Liabilities		550,999	362,842	822,060	1,394,433	2,024,167
Total Liabilities	Before Appropriation	6,862,774	7,688,002	6,633,699	8,137,145	8,394,515
	After Appropriation	8,646,774	9,247,077	7,970,049	8,806,145	(Note 2)
Capital		4,460,000	4,460,000	4,460,000	4,460,000	4,508,410
Capital Surplus		5,939,819	5,939,819	5,939,819	5,956,519	6,140,942
Retained Earning	Before Appropriation	16,718,487	17,829,718	18,503,389	17,659,719	17,336,892
	After Appropriation	14,934,487	16,270,643	17,167,039	16,990,719	(Note 2)
Other Components of Equity		279,703	194,484	(613)	(77,677)	(203,356)
Treasury Stock		-	(32,885)	(32,885)	-	(738)
Total Equity	Before Appropriation	27,398,009	28,391,136	28,869,710	27,998,561	27,782,150
	After Appropriation	25,614,009	26,832,061	27,533,360	27,329,561	(Note 2)

Note 1: These statements were prepared under IFRS and audited.

Note 2: Earning appropriation of 2018 has not been approved by the shareholders.

c. Brief Consolidated Statements of Comprehensive Income

Unit: NT$'000

Item \ Year	2014	2015	2016	2017	2018
Operating Revenues	24,943,834	23,061,311	23,165,066	22,335,486	23,727,929
Gross Profit	6,946,880	5,961,602	5,750,545	4,162,724	5,386,502
Operating Income	4,009,159	3,063,724	2,589,772	399,225	791,650
Non-Operating Income & Expense	141,913	141,524	(20,314)	129,898	(81,128)
Income Before Income Tax	4,151,072	3,205,248	2,569,458	529,123	710,522
Net income	3,490,233	2,729,526	2,073,028	335,322	411,040
Other Comprehensive Income	301,864	(137,614)	(326,985)	(110,417)	(37,638)
Total Comprehensive Income	3,792,097	2,591,912	1,746,043	224,905	373,402
Net income (loss) Attributable to Shareholders of the Parent	3,617,327	2,903,952	2,233,705	491,676	349,485
Net income (loss) Attributable to Non-Controlling Interests	(127,094)	(174,426)	(160,677)	(156,354)	61,555
Comprehensive Income Attributable to Shareholders of the Parent	3,803,861	2,810,012	2,037,649	415,616	323,467
Comprehensive Income Attributable to Non-Controlling Interests	(11,764)	(218,100)	(291,606)	(190,711)	49,935
Earnings Per Share (in NT$)	8.11	6.51	5.01	1.10	0.78

Note: These statements were prepared under IFRS and audited.

d. Brief Parent-Company-Only Statements of Comprehensive Income

Unit: NT$'000

Item \ Year	2014	2015	2016	2017	2018
Operating Revenues	19,290,237	17,827,251	17,931,850	16,286,034	17,228,031
Gross profit	6,273,087	5,313,503	4,709,722	3,077,973	3,615,434
Operating Income	4,300,134	3,509,636	2,691,712	499,936	346,545
Non-Operating Income & Expense	(150,430)	(162,134)	(63,780)	117,192	75,923
Profit (loss) from continuing operations before tax	4,149,704	3,347,502	2,627,932	617,128	422,468
Net income	3,617,327	2,903,952	2,233,705	415,616	349,485
Other Comprehensive Income	186,534	(93,940)	(196,056)	(76,060)	(26,018)
Total Comprehensive Income	3,803,861	2,810,012	2,037,649	415,616	323,467
Earnings per share (in NT$)	8.11	6.51	5.01	1.10	0.78

Note: These statements were prepared under IFRS and audited.

(C) Certified Accountants' Names in Past Five Years

Year	Name of Accountant	Firm	Opinion	Reason for Changing
2014	Huang, Yi Hui Zhang, Zhi Ming	Ernst & Young	Unmodified	None
2015	Huang, Yi Hui Zhang, Zhi Ming	Ernst & Young	Unmodified	None
2016	Huang, Yi Hui Zhang, Zhi Ming	Ernst & Young	Unmodified with on explanatory paragraph	None
2017	Huang, Yi Hui Zhang, Zhi Ming	Ernst & Young	Unmodified with on explanatory paragraph	None
2018	Hong, Mao-Yi Huang, Yi Hui	Ernst & Young	Unmodified with on explanatory paragraph	Due to rotation rule

(2) Financial analyses for the past 5 fiscal years

(A) Consolidated

In NT$'000

Analysis Items (Note 2) \ Year (Note 1)			2014	2015	2016	2017	2018
Capital Structure Analysis (%)	Debt Ratio		26.79	27.70	24.82	29.24	30.21
	Long Term Funds to Fixed Assets		180.16	172.30	173.19	143.22	146.05
Liquidity Analysis (%)	Current Ratio		232.32	227.47	250.19	178.16	189.18
	Quick Ratio		209.93	203.78	222.49	155.50	155.57
	Interest Coverage		74.49	57.26	37.03	7.69	6.86
Operation Performance Analysis	Average Collection Turnover (times)		6.89	6.20	6.14	6.06	6.25
	Average Collection Days		53	59	59	60	58
	Inventory Turnover (times)		7.26	6.38	6.45	6.35	5.10
	Average Payable Turnover (times)		9.10	8.38	8.21	7.63	7.57
	Average Inventory Turnover Days		50	57	57	57	72
	Fixed Assets Turnover (times)		1.56	1.28	1.23	1.09	1.07
	Total Assets Turnover (times)		0.63	0.55	0.55	0.53	0.56
Return On Investment Analysis	Return on Total Assets (%)		8.92	6.63	5.08	0.96	1.20
	Return on equity (%)		12.12	8.97	6.70	1.10	1.38
	Income to Capital (%)	Return on equity	89.89	68.69	58.07	8.95	17.56
		Pre-Tax Income	93.07	71.87	57.61	11.86	15.76
	Net Income to Sales		13.99	11.84	8.95	1.50	1.73
	Earnings Per Share (NT$)		8.11	6.51	5.01	1.10	0.78
Cash Flow	Cash Flow Ratio (%)		68.17	67.24	66.58	56.96	40.22
	Cash Flow Adequacy Ratio (%)		107.97	108.92	113.68	102.48	91.28
	Cash Flow Re-Investment Ratio		11.81	11.03	8.73	9.33	6.28
Leverage	Operation Leverage		2.17	2.84	3.02	14.12	8.15
	Financial Leverage		1.01	1.02	1.03	1.25	1.18

Please explain why financial ratio has changed up to 20 % in the most recent two years.

In 2018, net profit decreased because new factory did not reach economy scale and fixed cost was still very high and investee companies sales long day. All of average inventory turnover days, EPS, cash flow ratio, cash flow re-investment ratio and operation leverage changed by more than 20%. Benefit by growing profit investee companies, all of return on total assets, return on equity, return on equity and pre-tax income to capital changed by more than 20%.

Note 1: The above ratios are calculated based on the audited FS.

Note 2: Calculation formula will be stated below.

(B) Company-Only

Item (Note 2) \ Year (Note1)			2014	2015	2016	2017	2018
Capital Structure Analysis (%)	Debt Ratio		20.03	21.31	18.68	22.52	23.20
	Long Term Funds to Fixed Assets		269.96	225.32	210.86	171.24	176.67
Liquidity Analysis (%)	Current Ratio		314.98	268.73	303.28	218.04	239.64
	Quick Ratio		292.83	249.17	279.32	196.25	207.51
	Interest Coverage		211.52	157.72	95.61	16.79	7.56
Operation Performance Analysis	Average Collection Turnover (times)		7.60	6.52	6.41	6.50	6.61
	Average Collection Days		48	56	57	56	55
	Inventory Turnover (times)		8.56	7.73	8.60	7.58	5.97
	Average Payable Turnover (times)		11.79	9.13	9.26	9.10	8.75
	Average Inventory Turnover Days		43	47	42	48	61
	Fixed Assets Turnover (times)		1.99	1.54	1.34	1.04	1.01
	Total Assets Turnover (times)		0.59	0.51	0.50	0.45	0.48
Return on Investment Analysis	Return on Total Assets (%)		11.14	8.31	6.31	1.46	1.11
	Return on Equity (%)		13.79	10.41	7.80	1.73	1.25
	Income to Capital (%)	Operating Income	96.42	78.69	60.35	11.21	7.69
		Pre-Tax Income	93.04	75.06	58.92	13.84	9.37
	Net Income to Sales (%)		18.75	16.29	12.46	3.02	2.03
	Earnings Per Share (NT$)		8.11	6.51	5.01	1.10	0.78
Cash Flow	Cash Flow Ratio (%)		96.28	83.58	87.42	69.66	41.88
	Cash Flow Adequacy Ratio (%)		146.63	126.83	119.52	103.25	91.10
	Cash Flow Re-Investment Ratio		12.52	11.84	9.26	8.46	4.64
Leverage	Operation Leverage		1.50	1.64	1.96	6.30	9.59
	Financial Leverage		1.00	1.01	1.01	1.08	1.23

Please explain why financial ratio has changed up to 20 % in the most recent two years.

In 2018, net profit decreased because new factory did not reach economy scale and fixed cost was still very high. All of interest coverage, inventory turnover, average inventory turnover days, return on total assets, return on equity, operating income, pre-tax income to capital, net income to sales, EPS, cash flow ratio and cash flow re-investment ratio changed by more than 20%.

Note 1: The above ratios are calculated based on the audited FS.

Note 2: Calculation formula will be stated below.

a. Capital Structure Analysis

(a)Debt Ratio= Total Liabilities/ Total Assets

(b) Long Term Funds to Fixed Assets= (Total Equity + non-current liabilities)/ Net value of fixed capital

liquidity

(a) Current Ratio= Current Assets/ Current Liabilities

(b) Quick Ratio= (Current Assets-Inventory-Prepaid Expense)/ Current Liabilities

(c) Interest Coverage=Net Profit before Income Tax and Interest Expense/ Interest Expense

c. Operation Performance Analysis

(a) Account Receivable (including account receivable and note receivable that derived from operation activities) Turnover Rate= Next Sales/ Average Account Receivable (including account receivable and note receivable that derived from operation activities) remaining amount.

(b) Average Collection Days= 365/ Account Receivable Turnover Ratio

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

(d) Account Payable (including account payable and note payable result from business operation) Turnover rate= Cost of Sales/ Average Account Payable (including account payable and note payable that derived from operation activities) remaining amount.

(e) Average Inventory Turnover Days= 365/ Inventory Turnover

(f) Fixed Assets (Land, Equipment Turnover) = Net Sales/ Average Fixed Assets.

(g) Total Assets Turnover= Net Sales/ Average Total Assets

d. Return on Investment

(a) Return on Total Assets=〔Profit(Loss) after tax + Interest Expense×（１－Interest Rate）〕/Average Total Assets.

(b) Return on Equity= Profit (Loss) after tax/Average Total Equity

(c) Net Income to Sales= Profit (Loss) after tax/ Net Sales

(d) Earning per Share= (attributed to parents profit (loss)-Preferred dividend)/weight average stock share issue. (Note 4)

e.Cash Flow

(a) Cash Flow Ratio=Operation Activities Cash Flow/Current Liabilities

(b) Cash Flow Adequacy Ratio (%) =Last five years Operation Activities Cash Flow/last five annual years (Cash Expenditure + Increase in Inventory+ Cash Dividends)

(c) Cash Flow Re-investment Ratio= (Operation Activities Cash Flow-Cash Dividends)/ (Gross Fixed Assets + Long Term Investment + Other Non-Current Assets + Operation Capital) (Note 5)

f.Leverage

(a) Operation Leverage = (Net Operating Income-Variable Cost and Expense)/ Operating Income (Note 6)

(b) Financial Leverage = Operating Income / (Operating Income- Interest Expense)

(3) Audit committee's report on the financial statements for the most recent year.

KINSUS INTERCONNECT TECHNOLOGY CORP.
EXAMINATION REPORT APPROVED BY THE AUDIT COMMITTEE

The Board of Directors has prepared and submitted the Company's Business Operation Report, Parent-Company-Only Financial Statements, Consolidated Financial Statements and Profit Appropriation Proposal for the period from January 1st to December 31st, 2018. The Parent-Company-Only Financial Statements and Consolidated Financial Statements have been audited by Ernst & Young and accompanied with the auditors' reports. These reports mentioned above have been examined by the audit committee and hereby reported in accordance with the requirements of Securities and Exchange Act Article 14- 4 and Company Act Article 219.

Please kindly review and approve it.

KINSUS INTERCONNECT TECHNOLOGY CORP.
Audit Committee Convener: Chung-Pao Hwang

(4) For financial statement for the most recent fiscal year please refers to page 222 to 346.

(5) For a parent-company-only financial statement for the most recent fiscal year, certified by a CPA please refer to page 111 to 221.

(6) If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation: None.

7. A Review and Analysis of the Company's Financial Position and Financial Performance and a Listing of Risks

(1) Financial position

Financial Status Review and Analysis Chart

Unit: NT$'000

Item \ Year	2018	2017	Differences		Note
			Amount	%	
Current Assets	19,294,569	18,774,402	520,167	2.77	
Property, Plant and Equipment	19,737,268	19,151,653	585,615	3.06	
Prepayment for Equip.	2,463,548	3,010,078	(546,530)	(18.16)	
Other Assets	1,128,569	1,341,344	(212,775)	(15.86)	
Total Assets	42,623,954	42,277,477	346,477	0.82	
Current Liabilities	10,199,199	10,537,887	(338,688)	(3.21)	
Non-Current Liabilities	2,676,233	1,824,592	851,641	46.68	Note 1
Total Liabilities	12,875,432	12,362,479	512,953	4.15	
Capital	4,508,410	4,460,000	48,410	1.09	
Capital Surplus	6,140,942	5,956,519	184,423	3.10	
Retained Earning	17,336,892	17,659,719	(322,827)	(1.83)	
Other Shareholder Equity	1,762,278	1,838,760	(76,482)	(4.16)	
Total Shareholder Equity	29,748,522	29,914,998	(166,476)	(0.56)	
Analysis on ratio changes: Note 1: Due to increases in long-term loan.					

(2) Financial performance

Financial Performance Comparison Analysis

Unit: NT$'000

Item \ Year	2018	2017	plus(minus) Amount	plus (minus) Variation ratio (%)	Note
Operating Revenues	23,727,929	22,335,486	1,392,443	6.23	
Cost Of Goods Sold	18,341,427	18,172,762	168,665	0.93	
Gross Profit	5,386,502	4,162,724	1,223,778	29.40	Note 1
Operating Expenses	4,594,852	3,763,499	831,353	22.09	Note 2
Operating Income	791,650	399,225	392,425	98.30	Note 3
Other Non-Operate Inc. and exp.	(81,128)	129,898	(211,026)	(162.46)	Note 4
Pre-Tax Income	710,522	529,123	181,399	34.28	Note 5
Income Tax Expense	299,482	193,801	105,681	54.53	Note 6
Net Income	411,040	335,322	75,718	22.58	Note 7
Other comprehensive income (loss)	(37,638)	(110,417)	72,779	(65.91)	Note 8
Total comprehensive income	373,402	224,905	148,497	66.03	Note 9

Analysis on ratio changes:

Note 1, 2, 3, 5, 6, 7, 9: Revenue was unable to increase in proportion to the increase of cost and expenses because the new factory has not reached economy scale yet.

Note 3: Due to net foreign currency exchange gains/losses and gain (loss) on reversal of impairment

Note 8: Due to the translation adjustments from currency exchange differences of foreign operational institutes/investees.

Expected sales and its basis, possible impact on the company's future financial business and the corresponding plan:

The market regulator predicts that global economic growth will slow down in 2019 compared to 2018. Except for 5G base station related chips, AI related High Bandwidth Memory and automotive electronic products, there is a clear growth trend, and smartphone-related Wafer components may be slight decline, the Company will continue to invest in research and development resources, expand the production capacity of the board and adjust the capacity allocation of each plant to achieve the 2019 annual operation plan.

(3) Cash flow: Cash Flow Analysis for the Coming Year

Unit: NT$’000

Beginning cash balance ①	Cash flow expecting from whole year operation activities ②	Estimate whole year cash outflow amount③	Estimate available cash balance (insufficient) amount ①+②-③	Remedies for Insufficient cash	
				Investment Plan	Financial Management Plan
$9,714,640	$18,643,809	$(19,122,915)	$9,235,534	-	-

a. Cash flows variation analysis:
The expected cash balance will be NT$9,235,534 thousand because of the continuing operational cash flows and the expected significant cash flows from investing and financing activities.

b. Estimate cash insufficient remedies and liquidity analysis: no cash liquidity concerns.

(4) The effect upon financial operations of any major capital expenditures during the most recent fiscal year:

Our company has established a new production facility in Shin-Feng for business operation expansion. This facility will be the production base for high end products in the coming years.

(5) The Company’s reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year:

The Company’s main investments are all long-term strategic investments. In year 2018, the parent company annual investment loss was NT$75,815 thousand, decreased from NT$88,187 thousand in 2017. For certain investee companies, the scale economy of investments was not yet reached and their short-term profitability needs to be improved. The Company’s board has authority to refine the investment organization, if deemed necessary, to sustain the long-term investment strategy and to continuously generate the value for the Company to a maximum extent.

(6) The matters that the risks section shall analyze and assess during the most recent fiscal year and as they stood on the date of printing of the annual report

(A) Impacts on Company's Income and Future Counter Measures for Interest rate, Exchange rate Fluctuation and Inflation. Our company's 2018 interest rate and exchange gain or loss is list as below:

Unit: NT$'000

Item / Year	2018
Net Exchange Gain (loss)	(16,206)
Net Sales	23,727,929
Income before Tax	710,522
Net Exchange Gain (loss)	(0.07%)
Net Exhange Gain (Loss) to Net Pre-Tax Profit Ratio	(2.28%)
Interest Revenue	62,377
Interest Revenue to Net Sales Income	0.26%
Interest Income to Pre-Tax Net Profit Ratio	8.78%
Interest Expense	121,234
Interest Expense to Net Sales Interest Ratio	0.51%
Interest Expense to Net Pre-Tax Profit Ratio	17.06%
Interest Income (Expense) to Net Pre-Tax Profit Ratio	(8.28%)

Sources: financial reports certified by CPA.

a. Impacts on Interest Rate Fluctuation

Our company always has been in a financial health status. We have assigned financial specialty personnel to cooperate with banks closely and obtain preferred mid to long term fund for our automatic equipment. Recently, annual interests gain (loss) only was accounted for -8.28% of our company's pre-tax profit. Thus, interest fluctuation doesn't impose serious effects on our company.

b. Impacts of Exchange Rate Fluctuation

(a) We use US dollars as main quotation currency for exporting business. Our long term borrowing and major importing items are also denominated in US dollars currency. For these reasons, impact of exchange rate change between the New Taiwan Dollar (NTD) vs. US. Dollars (USD) is minimal to our company. In 2018, annual foreign exchange gain (loss) was only accounted for -0.07% of net sales.

(b)Counter-Measures for Exchange Rate Fluctuation

i. The Company opens foreign currency accounts in banks for collecting the money from sales. To exchange USD into NTD will be depending on the actual capital needs or the fluctuation of exchange rate. Payment for importing raw materials depends on the exchange rate. We can choose to use foreign currency acquired from exporting or to buy foreign currency in advance to reduce the effect of exchange rate fluctuation.

ii. We try to use USD as major currency when importing raw materials or machinery. Also we balance the ratio of USD assets vs. liabilities for reducing the impact resulted from exchange rate fluctuation.

(c) Impacts of Inflation

We keep close look on market price fluctuation and maintain good interaction with suppliers and clients. Thus, in 2018, there is no serious incident caused by inflation.

(B) Reasons for company policy, gain or loss and future counter measures for engaging in high risk, highly leveraged investments, loans to others, endorsement and financial derivatives.

Latest years our company has not engaged in high risk, highly leveraged investments, loans to others and endorsement. Please refer to this report page 212 and 336. Moreover, our company established rules to regulate financial derivatives transaction and loan with others, endorsement risk management. For these reasons, those activities will not induce serious impacts on our company.

(C) Future R&D plans and Fund Estimated to Invest

Our company benefit from expertise in R&D and production experiences that accumulated for many years which allows us to meet product safety and diversity by launching “Modularized Product Design” production method to promote R&D capabilities, speed up new product development to satisfy variety product specifications that requested by different customers.

In the latest years, we have purchased new machines and equipment to reach the best production practice and to rejuvenate current products. We expect to invest about NT$1,673,062 thousand in R&D related field in 2019.

(D) Changes in domestic and foreign policy and legal impact on the Company’s financial operations and counter measures

Lately, our company's financial operations haven't affected by critical policy or legal changes in domestic and oversea because our main target market is in domestic, legal and critical policies are relatively stable also there is no military or political risks in the short term in the domestic. Conclude above reasons, we estimate our company will not suffer from negative effects due to major policy and legal changes in domestic and oversea.

(E) Influence and Counter-Measures for Technology and Industry Shift Company's Financial Operation

We pay attention on technology shifting in the industry and assigned specialist to evaluate and research certain changes might influence company's financial operation and found its counter-measures. In addition, with the development of science and technology, the company's security risks are increasing. In response to this change, the company conducts information security control, including physical security, system security, and electronic document preservation. In recent years, there is no critical technology shifting that will impose threat on company's financial operation.

(F) Crisis Management and Counter Measures Result from Company's Image Change Impact.

Our company's image is always being good; in the recent years there is no significant incidents that would require corporation crisis management.

(G) Expected income from merger and potential risk counter-measures: Not Applicable.

(H) Expected income from production facilities expansion and potential risk counter-measures: please refer to this report section "7" point (4).

(I) Potential risk and counter-measures derived from buying and selling products:

The major raw materials that our company purchased are potassium gold, substrate, transparent film, copper sheet and chemical substances. Once those materials were approved, changing materials is less likely. Thus, we only maintain 2~3 suppliers. Meanwhile, we keep good cooperation with other supplies to spread risk. Besides, for one of our key product- IC BGA substrate, mostly we sell it to leading IC design companies in domestic and oversea. Their applications rages are broad and therefore we are free from centralized sales risk.

(J) Risk counter-measures for directors, supervisors, shareholders own more ten percent of company's shares, bulk share transfer or redemption: Our company's directors and shareholders owning more than 10% of company's share do not engage bulk share transfer.

(K) The impact of the change on the Company's right to operate, risks and counter-measures: None

(L) Litigation or non-litigation case, should list the Company and its directors, supervisors, general manager, the sustainable person in charge of, shareholders own more than ten percent of company's shares and the Company has the judgment or the slave system is still in the case of significant litigation non-litigation or administrative contentious event, the results could affect shareholders' equity or securities, should disclose its disputed fact, the subject of money, lawsuits start date, the major parties and deal with the case of the suit before the published this annual report: None.

(M) Other Risk and Counter-Measure: None.

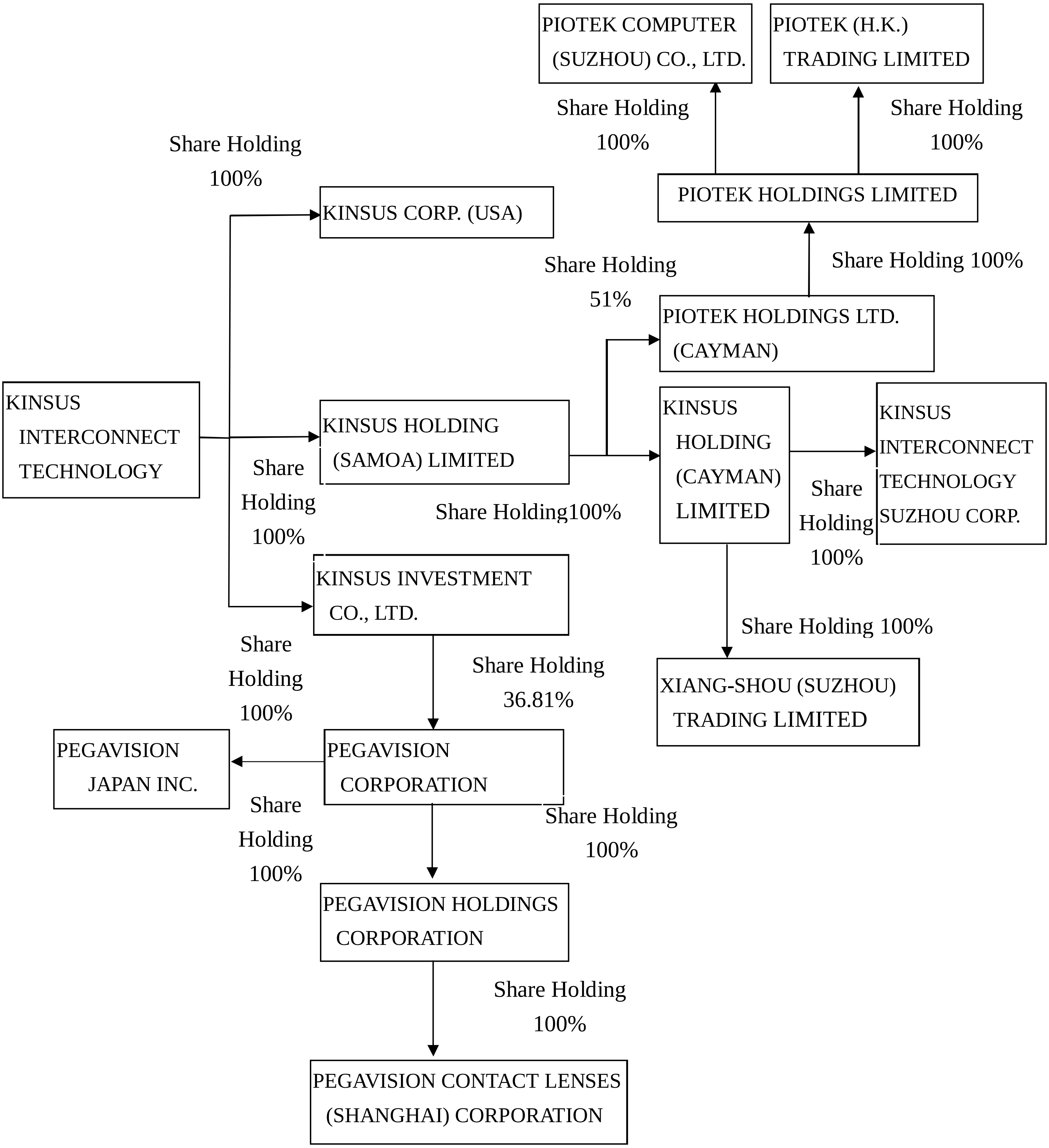
(7) Other important matters: None

8. Other Items Deserving Special Mention

(1) Information related to the Company's affiliates

(A)Associates Consolidated Business Operation Report:

a. As of December 31, 2018, our company organization chart as shown below:



b. The name, incorporation date, address, paid-in capital, and main business items of each affiliate:

Company Name	Date of establishment	address	Paid-up capital (NT$ thousand)	Main businesses
KINSUS INTERCONNECT TECHNOLOGY CORP.	2000.09.11	Taoyuan City	4,508,410	Electronic Parts and Components Manufacturing, Electronic materials wholesale and retail
KINSUS CORP. (USA)	2000.10.11	CA, U.S.A.	15,358	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology
KINSUS HOLDING (SAMOA) LIMITED	2006.12.04	Samoa	5,108,181	Investing activities
KINSUS INVESTMENT CO., LTD.	2009.08.12	Taoyuan City	1,600,000	Investing activities
PEGAVISION CORPORATION	2009.08.26	Taoyuan City	600,000	Manufacturing medical equipment
KINSUS HOLDING (CAYMAN) LIMITED	2006.12.06	Cayman Islands	2,211,480	Investing activities
PIOTEK HOLDINGS LTD.(CAYMAN)	2009.12.16	Cayman Islands	5,766,895	Investing activities
PIOTEK HOLDINGS LIMITED	1999.08.13	Cayman Islands	4,295,216	Investing activities
PIOTEK (HK) TRADING LIMITED	2009.12.12	Hong Kong	799	Trading activities
PEGAVISION HOLDINGS CORPORATION	2011.11.28	Samoa	65,423	Investing activities
PEGAVISION JAPAN INC.	2015.05.15	Japan	2,754	Manufacturing medical equipment
KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	2007.04.09	China, Suzhou	2,150,050	Manufacturing and selling printed circuit board (PCB) (not high-density fine-line)
PIOTEK COMPUTER (SUZHOU) CO., LTD.	2000.02.17	China, Suzhou	5,120,191	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services
PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	2012.11.27	China, Shanghai	65,062	Manufacturing medical equipment
XIANG-SHOU (SUZHOU) TRADING LIMITED	2013.05.02	China, Suzhou	61,430	Manufacturing and selling printed circuit board (PCB) (not high-density fine-line)

c. For companies presumed to have a relationship of control and subordination under Article 369-3 of the Company Act: None.

d. The industries covered by the business operated by the affiliates overall: Please refer to the table on above.

e. The names of the directors, supervisors, and general manager of each affiliate and the details of their shareholding or capital contribution in such affiliate:

<table>
<tr><th rowspan="2">Company Name</th><th rowspan="2">Title</th><th rowspan="2">Name or Representative person</th><th colspan="2">Shares Held</th></tr>
<tr><th># of Shares</th><th>Shareholding Percentage</th></tr>
<tr><td rowspan="9">KINSUS INTERCONNECT TECHNOLOGY CORP.</td><td>Director</td><td>Guo, Ming-Dong</td><td>1,069,795</td><td>0.24%</td></tr>
<tr><td>Director (Honorary Chairman)</td><td>Tong, Zi-Xian</td><td>200,000</td><td>0.04%</td></tr>
<tr><td>Director</td><td>Chen, Ho-Shu</td><td>361,002</td><td>0.08%</td></tr>
<tr><td>Director</td><td>Hua Yu Investment Co., Ltd.
(Representative: Wu, Xiang-Xiang)</td><td>55,556,221</td><td>12.32%</td></tr>
<tr><td>Director</td><td>Hua Xu Investment Co., Ltd.
(Representative: Su, Yan-Xue)</td><td>58,233,091</td><td>12.92%</td></tr>
<tr><td>Director</td><td>Cheng, Chung-Jen</td><td>—</td><td>—</td></tr>
<tr><td>Independent Director</td><td>Chen, Jin-Cai</td><td>—</td><td>—</td></tr>
<tr><td>Independent Director</td><td>Wu, Hui-Huang</td><td>—</td><td>—</td></tr>
<tr><td>Independent Director</td><td>Hwang, Chung-Pao</td><td>—</td><td>—</td></tr>
<tr><td>PIOTEK HOLDINGS LTD.(CAYMAN)</td><td>Director</td><td>Kinsus Holding (SAMOA) Limited
(Representative: Guo, Ming-Dong)</td><td>95,755,000</td><td>51%</td></tr>
<tr><td>PIOTEK HOLDINGS LIMITED</td><td>Director</td><td>Piotek Holdings Ltd (Cayman)
(Representative: Guo, Ming-Dong)</td><td>139,840,790</td><td>100%</td></tr>
<tr><td>PIOTEK (HK) TRADING LIMITED</td><td>Director</td><td>Piotek Holdings Ltd.
(Representative: Guo, Ming-Dong)</td><td>200,000</td><td>100%</td></tr>
<tr><td rowspan="2">PIOTEK COMPUTER (SUZHOU) CO., LTD.</td><td>Legal representative and General manager</td><td>Piotek Holdings Limited
(Representative: Mu, Xian Jue)</td><td rowspan="2">—</td><td rowspan="2">100%</td></tr>
<tr><td>Supervisors</td><td>Piotek Holdings Limited
(Representative: Chen, Ji-Liang)</td></tr>
<tr><td rowspan="3">KINSUS CORPORATION (USA)</td><td>Chairman</td><td>KINSUS INTERCONNECT TECHNOLOGY CORP.
(Representative: Guo, Ming-Dong)</td><td>500,000</td><td>100%</td></tr>
<tr><td>Director</td><td>Tong, Zi-Xian</td><td>—</td><td>—</td></tr>
<tr><td>Director</td><td>He, Ming-Sen</td><td>—</td><td>—</td></tr>
<tr><td>KINSUS HOLDING (SAMOA) LIMITED</td><td>Chairman</td><td>KINSUS INTERCONNECT TECHNOLOGY CORP.
(Representative: Guo, Ming-Dong)</td><td>166,308,720</td><td>100%</td></tr>
<tr><td>KINSUS HOLDING (CAYMAN) LIMITED</td><td>Chairman</td><td>KINSUS HOLDING (SAMOA) LIMITED
(Representative: Guo, Ming-Dong)</td><td>72,000,000</td><td>100%</td></tr>
</table>

KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	Legal representative and General manager	KINSUS HOLDING(CAYMAN) LIMITED (Representative: Mu, Xian Jue)	—	100%
	Supervisor	KINSUS HOLDING (CAYMAN) LIMITED (Representative: Liu, Su-Zhen)		
XIANG-SHOU (SUZHOU) TRADING LIMITED	Legal representative and General manager	KINSUS HOLDING (CAYMAN) LIMITED (Representative: Mu, Xian Jue)	—	100%
	Supervisor	KINSUS HOLDING (CAYMAN) LIMITED (Representative: Liu, Su-Zhen)		
KINSUS INVESTMENT CO., LTD.	Chairman	KINSUS INTERCONNECT TECHNOLOGY CORP. (Representative: Tong, Zi-Xian)	160,000,000	100%
	Director	KINSUS INTERCONNECT TECHNOLOGY CORP. (Representative: Guo, Ming-Dong)		
	Director	KINSUS INTERCONNECT TECHNOLOGY CORP. (Representative: Wu, Xiang-Xiang)		
	Supervisor	KINSUS INTERCONNECT TECHNOLOGY CORP. (Representative: Shen, Yi-Zhong)		
PEGAVISION CORPORATION	Chairman	Tong, Zi-Xian	645,729	1.08%
	Director	Guo, Ming-Dong	1,928,868	3.21%
	Director	KINSUS INVESTMENT CO., LTD. (Representative: Yang, De-Sheng)	22,088,736	36.81%
	Director	KINSUS INVESTMENT CO., LTD. (Representative: Chen, Ho-Shu)		
	Director	Hua Yu Investment Co., Ltd. (Representative: Hou, Wen-Yong)	5,701,121	9.50%
	Director	Hua Yu Investment Co., Ltd. (Representative: Wen, Mu-Rong)		
	Independent Director	Li, Shu-Yu	—	—
	Independent Director	Yao, Ren-Lu	—	—
	Independent Director	Huang, Da-Fu	—	—
PEGAVISION HOLDINGS CORPORATION	Director	PEGAVISION CORPORATION (Representative: Chen, Ji-Liang)	2,130,000	100%
PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	Director	Pegavision Holdings Corporation (Representative: Wang, Jing-Shiang)	—	100%
	Supervisor	Pegavision Holdings Corporation (Representative: Chen, Ji-Liang)		
PEGAVISION JAPAN INC.	President	PEGAVISION CORPORATION (Representative: Huang, Tsan-Dung)	198	100%

f. The overview of the operations of affiliates:

Unit: NT$'000

Company Name(Note 2)	Capital	Total assets	Total liabilities	Net Value	Revenue	Operating income	Net income	Earnings per share
KINSUS INTERCONNECT TECHNOLOGY CORP.	4,508,410	36,176,665	8,394,515	27,782,150	17,228,031	346,545	349,485	0.78
KINSUS CORP. (USA)	15,358	48,787	350	48,437	40,696	9,803	7,140	14.28
KINSUS HOLDING (SAMOA) LIMITED	5,108,181	2,125,024	0	2,125,024	5,609,037	(371,561)	(182,216)	(1.10)
KINSUS INVESTMENT CO., LTD.	1,600,000	1,849,679	1143	1,848,536	0	(1,053)	99,261	0.62
PEGAVISION CORPORATION	600,000	4,193,213	2,185,371	2,007,842	3,198,837	775,910	541,156	9.02
PEGAVISION HOLDINGS CORPORATION	65,423	61,644	0	61,644	0	(24)	3,286	1.54
PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	65,062	260,263	199,195	61,068	195,704	6,657	3,302	(Note 1)
KINSUS HOLDING (CAYMAN) LIMITED	2,211,480	1,398,853	0	1,398,853	2,437,825	124,783	111,803	1.55
PIOTEK HOLDINGS LTD. (CAYMAN)	5,766,895	1,423,912	0	1,423,912	3,375,713	(496,344)	(583,708)	(3.11)
KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	2,150,050	2,013,479	676,957	1,336,522	2,260,490	124,871	109,829	(Note 1)
XIANG-SHOU (SUZHOU) TRADING LIMITED	61,430	104,341	42,025	62,316	184,510	(3)	1,981	(Note 1)
PIOTEK HOLDINGS LIMITED	4,295,216	1,423,886	0	1,423,886	3,375,713	(496,344)	(583,708)	(4.17)
PIOTEK (HK) TRADING LIMITED	799	133,885	57,374	76,511	312,184	2,806	3,164	15.82
PIOTEK COMPUTER (SUZHOU) CO., LTD.	5,120,191	3,160,349	1,813,316	1,347,033	3,359,285	(499,239)	(586,619)	(Note 1)
PEGAVISION JAPAN INC.	2,754	184,977	174,777	10,200	455,010	8,524	5,672	28,648.33

Note 1：The companies have no shares available for EPS calculation.

Note 2：If the related-party is a foreign company, the relevant figures are converted to NT dollar at the exchange rate at the reporting date.

(B)Associates Consolidated Financial Report: please refer to page 222 to 346.

(C)Associates Report: Not applicable.

(2) The status of the Company carrying out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report. None.

(3) Holding or disposal of shares in the Company by the Company’s subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report: None.

(4) Other matters that require additional description: None.

(5) Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company’s securities, occurring during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report: None.

English Translation of an Audit Report Originally Issued in Chinese

INDEPENDENT AUDITORS' REPORT

To: the Board of Directors and Shareholders of
Kinsus Interconnect Technology Corp.

Opinion

We have audited the accompanying parent-company-only balance sheets of Kinsus Interconnect Technology Corp. (the "Company") as of December 31, 2018 and 2017, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including the summary of significant accounting policies (together referred as "the parent-company-only financial statements").

In our opinion, based on the results of our audits and the report of other auditors (please refer to the Other Matter－Making Reference to the Audit of a Component Auditor section of our report), the parent-company-only financial statements referred to above present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2018 and 2017, and their parent-company-only financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditor(s), 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 the most significance in our audit of 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.

English Translation of an Audit Report Originally Issued in Chinese

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT$17,228,031 thousand for the year ended December 31, 2018 is a significant account to the Company's consolidated financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, USA, etc. Among these locations, the Company has established hub-warehouse for certain foreign customers' convenience. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders.Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition sampling-test of details, including obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, and performance obligation for revenue recognition from foreign warehouses with sale agreement or orders, performing analytical review procedures on monthly sale revenues, executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 4 and 6 to the consolidated financial statements.

Market valuation on Inventory

We determined the market valuation on inventory one of key audit matters in considering that the amount of inventory was significant and the assessment of sufficiency of inventory loss requires significant management judgement. The Company's net inventory amounted to NT$1,918,295 thousand as of December 31, 2018. As the application market of substract, the Company's main products, is characterized by rapid development in technology and the trend of consumers' preference, management, in timely considering the status of new products development and the demand from clients, has to evaluate the loss due to market value decline as well as write-down on slow-moving inventories to their net realizable value. Our audit procedures therefore include, but not limit to, evaluating the Company's policy with respect to assessment the loss from slow-moving inventory and phased-out items, (including identification method, testing the accuracy of inventory aging schedule, analysis on inventory movement), performing observation on the Company's inventory physical-taking, and inspecting the current status of inventory usage, etc. We also assessed the adequacy of the inventory-related disclosures shown in the Note 5 and 6 to the parent-company-only financial statements.

Other Matter – Making Reference to the Audit of a Component Auditor

We did not audit the financial statements of FuYang Technology Corp., an indirectly invested associate accounted for under the equity method by the Company. The financial statements of FuYang Technology Corp. as of December 31, 2018 and 2017, and for the years then ended were audited by other auditors, whose reports thereon have been furnished to us. Our audit, insofar as it related to the investment in the associate accounted for under the equity method amounting to NT$735,275 thousand and NT$823,380 thousand as of December 31, 2018 and 2017 representing 2.03% and 2.28% of the Company's total assets, the related shares of income before tax from the associate under the equity method for the year then ended amounting to NT$(99,606) thousand and NT$(77,880) thousand representing (23.58)% and (12.62)% of the Company's income before tax, and the related shares of other comprehensive income from the associate under the equity method for the years then ended amounting to NT$12,346 thousand and NT$(19,180) thousand representing (47.45)% and 25.22% of the other comprehensive income, are based solely on the audit reports of other auditors.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
February 18th, 2019
Taipei, Taiwan,
Republic of China

Notice to Readers
The accompanying parent-company-only financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practice to audit such financial statements are those generally accepted and applied in the Republic of China on Taiwan.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Parent-Company-Only Balance Sheets

As of December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			2018		2017	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$8,709,305	24	$8,797,966	24
1110	Financial assets at fair value through profit or loss	4, 6(2)	1,005,335	3	1,410,216	4
1136	Financial assets carried at amortized cost	4, 6(3)	423,057	1	-	-
1147	Bond investments with no active market	4, 6(4)	-	-	423,057	1
1150	Notes receivable, net	4, 6(5)	241	-	1,756	-
1170	Accounts receivable, net	4, 6(6)	2,765,195	8	2,382,221	7
1180	Accounts receivable - related parties, net	4, 6(6), 7	1,131	-	954	-
1200	Other receivables		232,701	1	156,997	-
1210	Other receivables - related parties	7	31,727	-	11,656	-
1310	Inventories, net	4, 6(7)	1,918,295	5	1,255,598	4
1410	Prepayments		128,195	-	213,761	1
1470	Other current assets		50,504	-	47,735	-
11XX	Total current assets		15,265,686	42	14,701,917	41
	Non-current assets					
1550	Investment accounted for under equity method	4, 6(8)	4,021,997	11	4,121,363	11
1600	Property, plant and equipment, net	4, 6(9), 9	14,898,668	41	14,406,084	40
1780	Intangible assets, net	4, 6(10)	4,777	-	12,796	-
1840	Deferred tax assets	4, 6(27)	9,593	-	130,819	-
1915	Prepayment for equipment	4, 6(9), 9	1,972,157	6	2,758,841	8
1995	Other non-current assets	6(11)	3,787	-	3,886	-
15XX	Total non-current assets		20,910,979	58	21,433,789	59
1XXX	Total Assets		$36,176,665	100	$36,135,706	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Parent-Company-Only Balance Sheets (Continued)

As of December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			2018		2017	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(12)	$2,136,671	6	$2,263,117	6
2130	Contract liability	4, 6(21)	1,082	-	-	-
2150	Notes payable		38,326	-	41,687	-
2170	Accounts payable		1,336,203	4	1,331,417	4
2180	Accounts payable - related parties	7	163,500	1	201,977	1
2200	Other payables	6(13), 7	1,947,831	5	2,292,456	6
2230	Current income tax liabilities	4, 6(27)	140,435	-	293,685	1
2300	Other current liabilities	6(14)	594,000	2	318,373	1
2365	Refund liability	6(15)	12,300	-	-	-
21XX	Total current liabilities		6,370,348	18	6,742,712	19
	Non-current liabilities					
2540	Long-term loans	6(16), 8	1,998,125	6	1,365,625	4
2570	Deferred tax liabilities	4, 6(27)	886	-	846	-
2600	Other non-current liabilities	4, 6(17), 6(18)	25,156	-	27,962	-
25XX	Total non-current liabilities		2,024,167	6	1,394,433	4
2XXX	Total liabilities		8,394,515	24	8,137,145	23
3100	Capital	6(19)				
3110	Common stock		4,508,410	12	4,460,000	12
3200	Capital surplus	6(19)	6,140,942	17	5,956,519	16
3300	Retained earnings	6(19)				
3310	Legal capital reserve		3,612,556	10	3,563,389	10
3320	Special reserve		77,677	-	613	-
3350	Unappropriated earnings		13,646,659	38	14,095,717	39
3400	Other components of equity		(203,356)	(1)	(77,677)	-
3500	Treasury Stock	6(19)	(738)	-	-	-
3XXX	Total equity		27,782,150	76	27,998,561	77
	Total liabilities and equity		$36,176,665	100	$36,135,706	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Parent-Company-Only Statements of Comprehenstve Income

For the Years Ended December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	Operating revenues	4, 6(21), 7	$17,228,031	100	$16,286,034	100
5000	Operating costs	7	(13,612,597)	(79)	(13,208,061)	(81)
5900	Gross profit		3,615,434	21	3,077,973	19
6000	Operating expenses	7				
6100	Selling		(595,067)	(3)	(347,294)	(2)
6200	General and administrative		(931,815)	(6)	(1,246,491)	(8)
6300	Research and development		(1,738,225)	(10)	(984,252)	(6)
6450	Expected credit gains (losses)	4, 6(22)	(3,782)	-	-	-
	Operating expenses total		(3,268,889)	(19)	(2,578,037)	(16)
6900	Operating income		346,545	2	499,936	3
7000	Non-operating income and expenses					
7010	Other income	6(25), 7	205,701	1	199,082	1
7020	Other gains and losses	6(25), 7	10,469	-	45,375	-
7050	Finance costs	6(25)	(64,432)	-	(39,078)	-
7070	Share of profit or loss of subsidiaries, associates and joint ventures		(75,815)	-	(88,187)	-
	Non-operating income and expense total		75,923	1	117,192	1
7900	Income from continuing operations before income tax		422,468	3	617,128	4
7950	Income tax	4, 6(27)	(72,983)	(1)	(125,452)	(1)
8200	Net income		349,485	2	491,676	3
8300	Other comprehensive income (loss)	6(26)				
8310	Item that may not be reclassified subsequently to profit or loss					
8311	Actuarial gain (loss) on defined benefit plains		(3,312)	-	1,004	-
8360	Items that may be reclassified subsequently to profit or loss					
8370	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures		(22,706)	-	(77,064)	-
	Total other comprehensive income, net of tax		(26,018)	-	(76,060)	-
8500	Total comprehensive income		$323,467	2	$415,616	3
9750	Earnings per share - basic (in NT$)	6(28)	$0.78		$1.10	
9850	Earnings per share - diluted (in NT$)	6(28)	$0.78		$1.10	

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Parent-Company-Only Statements of Changes in Equity

For the Years Ended December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars)

				Retained Earnings			Other Components of equity			
	Items	Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unearned Employee Benefit	Treasury Stock	Total Equity
Code		3100	3200	3310	3320	3350	3410	3490	3500	3XXX
A1	Balance as of January 1, 2017	$4,460,000	$5,939,819	$3,340,018	$-	$15,163,371	$(613)	$-	$(32,885)	$28,869,710
	Appropriation and distribution of 2016 earnings:									-
B1	Legal reserve			223,371		(223,371)				-
B3	Special reserve				613	(613)				-
B5	Cash dividends - common shares					(1,336,350)				(1,336,350)
C7	Change in associates and joint ventures accounted for using equity method		8,329							8,329
D1	Net income for 2017					491,676				491,676
D3	Other comprehensive income (loss) for 2017					1,004	(77,064)			(76,060)
D5	Total comprehensive income	-	-	-	-	492,680	(77,064)	-	-	415,616
N1	Share-based payment transactions		8,371						32,885	41,256
A1	Balance as of December 31, 2017	4,460,000	5,956,519	3,563,389	613	14,095,717	(77,677)	-	-	27,998,561
	Appropriation and distribution of 2017 earnings:									
B1	Legal reserve			49,167		(49,167)				-
B3	Special reserve				77,064	(77,064)				-
B5	Cash dividends - common shares					(669,000)				(669,000)
C7	Change in associates and joint ventures accounted for using equity method		(845)							(845)
D1	Net income for 2018					349,485				349,485
D3	Other comprehensive income (loss) for 2018					(3,312)	(22,706)			(26,018)
D5	Total comprehensive income	-	-	-	-	346,173	(22,706)	-	-	323,467
T1	Employee restricted shares for cancellation and others	48,410	185,268					(102,973)	(738)	129,967
Z1	Balance as of December 31, 2018	$4,508,410	$6,140,942	$3,612,556	$77,677	$13,646,659	($100,383)	$(102,973)	$(738)	$27,782,150

(The accompanying notes are an integral part of the parent-company-only financial statements.)

NOTE: The employees' bonuses of NT$55,074 and the directors' and supervisors' remuneration of NT$3,352 thousand for the year ended December 31, 2018 had been deducted from comprehensive income for the year ended December 31, 2018.

The employees' bonuses of NT$80,693 and the directors' and supervisors' remuneration of NT$4,912 thousand for the year ended December 31, 2017 had been deducted from comprehensive income for the year ended December 31, 2017.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Parent-Company-Only Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2018	2017
AAAA	Cash flows from operating activities:		
A10000	Net income before tax	$422,468	$617,128
A20000	Adjustments:		
A20010	Profit or loss not effecting cash flows:		
A20100	Depreciation	2,974,964	2,343,599
A20200	Amortization	18,663	23,069
A20300	Expected credit losses (gain on recovery)	3,782	(29,010)
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(5,200)	(6,700)
A20900	Interest expense	64,432	39,078
A21200	Interest income	(47,973)	(52,634)
A21900	Cost of share based payment	82,525	8,371
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	75,815	88,187
A22500	Loss on disposal of property, plant and equipment	(724)	4,092
A23800	Gain on reversal of impairment loss	-	(17,100)
A30000	Changes in operating assets and liabilities:		
A31110	Financial Assets at fair value through profit or loss	410,081	1,435,817
A31130	Notes receivable	1,515	1,274
A31150	Accounts receivable	(386,756)	160,235
A31160	Accounts receivable - related parties	(177)	32,776
A31180	Other receivable	(75,788)	86,230
A31190	Other receivable - related parties	(20,071)	302,371
A31200	Inventories	(662,697)	62,660
A31230	Prepayment	85,566	(139,819)
A31240	Other current assets	(2,769)	(17,924)
A32125	Decrease (increase) in contract liabilities	1,082	-
A32130	Notes payable	(3,361)	(1,811)
A32150	Accounts payable	4,786	256,556
A32160	Accounts payable - related parties	(38,477)	(5,900)
A32180	Other payable	(122,275)	(181,486)
A32210	Advance receipts	-	(1,507)
A32230	Other current liabilities	(1,786)	535
A32240	Net pension liability under defined benefit plan	(4,118)	(4,043)
A32990	Refund liability	12,300	-
A33000	Cash generated from operations	2,785,807	5,004,044
A33100	Dividend received	-	100,000
A33100	Interest received	48,057	52,838
A33300	Interest paid	(61,219)	(38,237)
A33500	Income tax paid	(104,967)	(421,624)
AAAA	Net cash provided by (used in) operating activities	2,667,678	4,697,021

Code	Items	2018	2017
BBBB	Cash flows from investing activities:		
B01800	Acquisition of investment accounted for under equity method	-	(600,000)
B02700	Acquisition of property, plant and equipment	(2,916,134)	(5,356,287)
B02800	Proceeds from disposal of property, plant and equipment	9,463	23
B03800	Decrease (increase) in refundable deposits	99	(48)
B04500	Acquisition of intangible assets	(10,644)	(30,657)
BBBB	Net cash provided by (used in) investing activities	(2,917,216)	(5,986,969)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term loans	(126,446)	986,017
C01600	Increase in long-term loans	1,200,000	870,000
C01700	Repayment of long-term loans	(290,087)	(298,088)
C03000	Increase in guarantee deposits received	(2,000)	-
C04500	Payment of cash dividends	(669,000)	(1,336,350)
C04600	Issuance of common stock for cash	48,410	-
C05100	Treasury stock purchased	-	32,885
CCCC	Net cash provided by (used in) financing activities	160,877	254,464
EEEE	Net Increase (decrease) in cash and cash equivalents	(88,661)	(1,035,484)
E00100	Cash and cash equivalents at beginning of period	8,797,966	9,833,450
E00200	Cash and cash equivalents at end of period	$8,709,305	$8,797,966

(The accompanying notes are an integral part of the parent-company-only financial statements.)

1. HISTORY AND ORGANIZATION

Kinsus Interconnect Technology Corp. (referred to "the Company") was established on September 11, 2000. Its main business activities include the manufacture of electronic products, the whole-sale and retail-sale of electronic materials, and the consultation services of business operation and management. The Company's stocks have been governmentally approved on May 20, 2004 to be listed and traded in Taiwan Stock Exchange starting November 1, 2004.The registered business premise and main operation address is at No. 1245, Chung Hua Rd., Hsinwu District, Taoyuan City, Taiwan 32747.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The financial statements of the Company were authorized to be issued in accordance with a resolution of the Board of Directors' meeting held on February 18, 2019.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Company applied for the first time the International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2018. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

(a) IFRS 15"Revenue from Contracts with Customers" (including Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers")

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provision in IFRS 15, the Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Company also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Company's principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Company are summarized as follows:

A. Please refer to Note 4 for both the accounting policies before and after January 1, 2018.

B. Before January 1, 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from January 1, 2018, in accordance with IFRS 15, the Company recognized revenue when (or as) the Company fulfills a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Company's revenue recognition for sale of goods. However, if the Company has transferred the goods to customers for some contracts but does not yet have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. It is different from the accounting treatment of recognizing trade receivables before the date of initial application. Besides, loss allowance against contract assets should be assessed in accordance with IFRS 9. In summary, the GAAP difference between IFRS 15 and IAS 18 has no material impact on the Company's financial statements.

C. For some rendering of contracts, part of the consideration was received in advance from customers upon the contract being signed. The Company subsequently has an obligation to provide the sale of goods. Prior to January 1, 2018, the Company recognized the consideration received in advance from customers under the caption of other current liabilities in accordance with IAS 18. Starting from January 1, 2018, such an advanced receipt should be recorded under the caption of contract liabilities in accordance with IFRS 15. The amount reclassified from other current liabilities to contracts liabilities as of the date of initial application was NT$2,386 thousand. As of December 31, 2018, other current liabilities under IAS 18 decreased by NT$1,082 thousand while contract liabilities under IFRS 15 increased by NT$1,082 thousand.

   Prior to January 1, 2018, the Company recognized an allowance for sale return and discount as a contra-account to accounts receivable when partial or all considerations received might be returned or a chargeback is expected to occur. While, after adopting IFRS 15 on January 1, 2018, such an allowance for sales return and discount shall be presented under the caption of refund liabilities within other current liabilities. The aforementioned impacts lead to an increase in both net account receivable and refund liabilities, due to the allowance for sale return and discount being recasted, amounted to NT$11,400 thousand as of January 1, 2018 and NT$12,300 thousand as of December 31, 2018.

D. Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS 15.

(2) IFRS 9"Financial Instruments"

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transition provision in IFRS 9, the Company elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Company:

(a) The Company adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.

(b) In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at January 1, 2018. The classifications of financial assets and it carrying amounts as at January 1, 2018 are as follow:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts (NT$'000)	Measurement categories	Carrying amounts (NT$'000)
Fair value through profit or loss	1,410,216	Fair value through profit or loss	1,410,216
At amortized cost		At amortized cost (including cash and cash equivalents, notes receivables, trade receivables, financial assets measured at amortized cost and other receivables)	11,774,407
Loans and receivables (including cash and cash equivalents, notes receivables, trade receivables, debt instrument investments for which no active market exists and other receivables)	11,774,407		
Total	13,184,623	Total	13,184,623

(c) The transition from IAS 39 to IFRS 9 as at January 1, 2018, the changes in the classifications of financial assets and financial liabilities are as follow:

IAS 39		IFRS 9			Retained earnings	Other components of equity
Class of financial instruments	Carrying amounts (NT$'000)	Class of financial instruments	Carrying amounts (NT$'000)	Difference	Adjusted amounts (NT$'000)	Adjusted amounts (NT$'000)
Financial assets at fair value through profit or loss (Note 1)						
Held-for-trading	1,410,216	Measured at fair value through profit or loss	1,410,216	-	-	-
Loans and receivables (Note 2)						
Cash and cash equivalents	8,797,766	Cash and cash equivalents	8,797,766	-	-	-
Debt instrument investments for which no active market exists	423,057	Financial assets measured at amortized costs	423,057	-	-	-
Notes receivables	1,756	Notes receivables	1,756	-	-	-
Trade receivables (including related parties)	2,383,175	Trade receivables (including related parties)	2,383,175	-	-	-
Other receivables (including related parties)	168,653	Other receivables (including related parties)	168,653	-	-	-
Subtotal	11,774,407					
Total	13,184,623	Total	13,184,623	-	-	-

Notes:

(1)In accordance with IAS 39, financial assets classified as held for trading which measured at fair value through profit or loss are included investments in funds and stocks of listed companies. In accordance with IFRS 9, as the cash flow characteristics for funds are not solely payments of principal and interest on the principal amount outstanding, so they are classified as financial assets mandatorily measured at fair value through profit or loss.

(2)In accordance with IAS 39, the cash flow characteristics for loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that exited as at January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arised from the assessment of impairment losses for the aforementioned assets as at January 1, 2018. Therefore, there is no impact on the carrying amount as at January 1, 2018.As at January 1, 2018, debt instrument investments for which no active market exists of NT$423,057 thousand were reclassified to financial assets measured at amortized cost.

(d) Please refer to Note 4, Note 5, Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

(3) Disclosure Initiative — Amendment to IAS 7 "Statement of Cash Flows"

The amendment relates to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period.Please refer to Note 12 for the related disclosures.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 16 "Leases"	January 1, 2019
b	IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019
c	IAS 28 "Investment in Associates and Joint Ventures" — Amendments to IAS 28	January 1, 2019
d	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
e	Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
f	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019

(a) IFRS 16"Leases"

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors' classification remains unchanged as operating or finance leases, but additional disclosure information is required.

(b) IFRIC 23 “Uncertainty Over Income Tax Treatments”

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

(c) IAS 28“Investment in Associates and Joint Ventures” — Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

(d) Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

(e) Improvements to International Financial Reporting Standards (2015-2017 cycle):

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treats as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

(f) Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2019. The Company assessed all standards and interpretations have no material impact on the Company.

3. Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Company’s financial statements are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2021
c	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
d	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020

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

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 "Insurance Contracts"

(1)IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (build ing block) Model, under this model, on initial recognition, an entity shall measure a company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following: estimates of future cash flows;
(2)Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
(3)a risk adjustment for non-financial risk.

The carrying amount of a company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(c) Definition of a Business (Amendments to IFRS 3)

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

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

(d) Definition of a Material (Amendments to IAS 1 and 8)

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The parent-company-only financial statements of the Company for the years ended December 31, 2018 and 2017 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(2) Basis of preparation

The Company prepared parent-company-only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent-company-only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent-company-only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

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

(3) Foreign currency transactions

The Company's parent-company-only financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the parent-company-only financial statements are measured using that functional currency.

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

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

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

(b) Foreign currency items within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are accounted for based on the accounting policy for financial instrument

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

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

(4) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and the income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

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

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

(a) The Company expects to settle the liability in its normal operating cycle.
(b) The Company holds the liability primarily for the purpose of trading.
(c) The liability is due to be settled within twelve months after the reporting period.

(d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (include fixed-term deposits that have matures of 3 months from the date of acquisition).

(7) Financial instruments

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

The Company determines the classification of its financial assets at initial recognition. In accordance with IFRS 9 and the Regulations, financial assets of the Company are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost and notes, accounts and other receivables. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

(a) Financial assets: Recognition and Measurement

Accounting policy since January 1, 2018

Purchase or sale of financial assets is recognized using trade date accounting. The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

A. The Company’s business model for managing the financial assets and
B. The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

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

A. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
B. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

A. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

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

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

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

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

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

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

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

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss and trade receivable.

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

Accounting policy before January 1, 2018

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

Financial assets of the Company are classified into three categories, including financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition based on the nature and purpose.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
B. A Company of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

(b) Impairment of financial assets

Accounting policy since January 1, 2018

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

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

A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
B. The time value of money; and
C. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

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

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

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

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

Accounting policy before January 1, 2018

The Company assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.
Other loss events include:

A. Significant financial difficulty of the issuer or obligor; or
B. A breach of contract, such as a default or delinquency in interest or principal payments; or
C. It becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
D. The disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

(c) Derecognition of financial assets

A financial asset is derecognized when:

A. The rights to receive cash flows from the asset have expired
B. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
C. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(d) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
B. A Company of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

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

Before January 1, 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

<u>Financial liabilities at amortized cost</u>

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

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

<u>Derecognition of financial liabilities</u>

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

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

(e) Offsetting of financial instruments

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

(8) Fair value measurement

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

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

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

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

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

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

(9) Inventories

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

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows.

Raw materials - At actual purchase cost, using weighted average method
Finished goods and work in progress –
Including cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, using weighted average method.

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

Starting from January 1, 2018, rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(10) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IFRS 10 "Consolidated Financial Statements" and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

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

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

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

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

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

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures (before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement). If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

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

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

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

(11) Property, plant and equipment

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

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

Buildings	10 to 25 years
Machinery	4 to 5 years
Transportation	5 years
Office equipment	3 to 5 years
Other equipment	3 to 25 years

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

The property, plant and equipment’s residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(12) Leases

Company as a lessee

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental incomes under operating lease are recognized on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

(13) Intangible assets

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

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

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

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

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Company's accounting policies for intangible assets are as follows:

	Cost of Computer Software
Useful economic life	1 year
Amortization method	Straight-line method during the contract term
Internally generated or acquired externally	Acquired externally

(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset's recoverable amount is the higher of an asset's net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

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

Impairment loss or reversals of continuing operations are recognized in profit or loss.

(15) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions for sales returns and allowances

Starting from January 1, 2018, Sales returns and allowances are accounted in accordance with IFRS 15. Before January 1, 2018, a provision has been recognized for sales returns and allowances based on past experience and other known factors.

(16) Revenue recognition

The accounting policy from January 1, 2018 is as follows:

The Company's revenue arising from contracts with customers mainly includes sale of goods and rendering of services. The accounting policies for the Company's types of revenue are explained as follow:

Sale of goods

The Company mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is substrate and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Company’s sale of goods is from 30 to 90 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the time when the Company transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. In the case that the Company has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

The accounting policy before January 1, 2018 was as follows:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

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

(a) The significant risks and rewards of ownership of the goods have passed to the buyer;
(b) Neither continuing managerial involvement nor effective control over the goods sold have been retained;
(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 entity; and
(e) The costs incurred in respect of the transaction can be measured reliably.

Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Company's right to receive the payment is established.

(17) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(18) Post-employment benefits

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

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

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

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

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

(19) Share-based payment transactions

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

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

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

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

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

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

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Company recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

The Group recognizes a liability at the grant date with respect to the receipt in advance from employees who participate, but are expected to resign based on an expected resigning rate, in a restricted stocks plan with a term of requiring employee’s pre-payment and entitling the underlying employees to full refunds upon resignation. While for those employees expected to be vested under the restricted stock plan, the Group recognizes the employee’s payment in advance as an equity.

(20) Income tax

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

Current income tax

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

The 10% income tax for undistributed earnings of the Company and its subsidiaries is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

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

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed and recognized at each reporting date.

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(1) Judgement

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

A. De facto control without a majority of the voting rights in subsidiaries

The Company does not have majority of the voting rights in certain subsidiaries. However, after taking into consideration factors such as absolute size of the Company's holding, relative size of the other shareholdings, how widely spread are the remaining shareholders, contractual arrangements between shareholders, potential voting rights, etc., the Company reached the conclusion that it has de facto control over these subsidiaries. Please refer to Note 4 for further details.

(2) Estimates and assumptions

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

(a) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Accounts receivables–estimation of impairment loss

Starting from January 1, 2018:

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

Before January 1, 2018:

The Company considers the estimation of future cash flows when there is objective evidence showed indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(c) Inventory

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

(d) Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(e) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

(f) Revenue recognition – sale returns and allowances

Starting from January 1, 2018:

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Please refer to Note 6 for more details.

Before January 1, 2018:

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

(g) Income tax

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

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Cash and petty cash	200	200
Checkings and savings	1,438,564	1,527,225
Time deposit	7,270,541	7,270,541
Total	8,709,305	8,797,966

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

	As of 12/31/2018 (NT$'000)	As of 12/31/2017 (Note) (NT$'000)
Mandatorily measured at fair value through profit or loss:		
Money market fund	968,748	
Valuation adjustment of financial assets as measured by fair value through profit and loss	36,587	
Total	1,005,335	
Current	1,005,335	
Non-current	$-	

	As of 12/31/2018 (Note) (NT$'000)	As of 12/31/2017 (NT$'000)
Held for trading:		
Money market fund		1,367,864
Valuation adjustment of financial assets held for trading		42,352
Total		1,410,216
Current		1,410,216
Non-current		-

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provison in IFRS 9.

No financial asset at fair value through profit or loss was pledged as collateral

(3) Financial assets measured at amortized cost

	As of	
	12/31/2018 (Note) (NT$'000)	12/31/2017 (NT$'000)
Time deposits	423,057	
Current	423,057	
Non-current	-	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provison in IFRS 9.

No financial asset measured at amortized cost was pledged as collateral.

(4) Bond investments with no active market

	As of December 31,	
	2018 (Note) (NT$'000)	2017 (NT$'000)
Time deposits		423,057
Current		423,057
Non-current		-

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provison in IFRS 9.

The Company adopted IAS 39 before January 1, 2018 and classified certain financial assets as debt instrument investments for which no active market exists. The above mentioned debt instrument investments were not pledged then.

(5) Notes receivable

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Notes receivable – from operations	241	1,756
Less: loss allowance	-	-
Net	241	1,756

No notes receivable was pledged by the Company as collateral.

The Company adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6 (22) for more details on accumulated impairment and Note 12 for more details on credit risk management.

(6) Accounts receivable and accounts receivable - related parties, net

A. Accounts receivable, net

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Accounts receivable, gross	2,791,647	2,416,291
Less: loss allowance	(26,452)	(22,670)
allowance for sales returns and discounts	Note	(11,400)
Net of allowances	2,765,195	2,382,221
Accounts receivable - related parties, gross	1,131	954
Less: loss allowance	-	-
Net of allowances	1,131	954
Total accounts receivable, net	2,766,326	2,383,175

Note: The Company has adopted IFRS 15 from January 1, 2018. The Company elected not to restate for period periods in accordance with the transition provision in IFRS 15.

B. Account receivables were not pledged.

C. The Company evaluated sales return and discount based on experiences and other known factors and recorded it as a reduction against sales at the time of recognizing revenue.

D. The Company entered into factoring agreements with banks. Accounts receivables from selected customers are transferred to banks without recourse. The receivables under factoring agreements are accounted for as the financial assets derecognition since the Company no longer bears the credit risk of underlying accounts receivable, except from commercial disputes, after transferring the contractual rights to cash flows from such receivables. Details of the agreed credit limits and accounts receivables transferred were as follows:

	Financial Institution	Accounts receivable de-recognized (NT$'000)	Advance received (NT$'000)	Collateral	Credit Limit
12/31/2018	Mega International Commercial Bank - LanYa Branch	214,285	-	None	Note
12/31/2017	Mega International Commercial Bank - LanYa Branch	218,494	89,303	None	Note

Note: The credit limits were US$30,000 thousand as of December 31, 2018 and 2017.

E. The collection term of accounts receivables are generally on 30 to 90 day after monthly closing. The Company adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6 (24) for more details on impairment of trade receivables. The Company adopted IAS 39 for impairment assessment before January 1, 2018. The movements in the provision for impairment of trade receivables and trade receivables-related parties are as follows: (Please refer to Note 12 for more details on credit risk management.)

	Impaired Individually (NT$'000)	Impaired Collectively (NT$'000)	Total (NT$'000)
As of January 1, 2017	-	51,680	51,680
Provision (reversal)	-	(29,010)	(29,010)
Effect of exchange rate changes	-	-	-
As of December 31, 2017	-	22,670	22,670

Aging analysis for the net accounts receivable, including related parties, were as follows.

		Accounts receivable – past due, but not impaired				
	Neither past due nor impaired (NT$'000)	Less than 61 days (NT$'000)	61 to 90 days (NT$'000)	91 to 120 days (NT$'000)	Longer than 120 days (NT$'000)	Total (NT$'000)
12/31/2017	2,194,246	188,929	-	-	-	2,383,175

(7) Inventory

A. Details of inventory:

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Raw material	290,195	299,131
Supplies	35,854	31,194
Work in process	1,042,302	551,192
Finished goods	503,520	294,709
Merchandises	46,424	79,372
Total	1,918,295	1,255,598

B. For the years ended December 31, 2018 and 2017, the Company recognized NT$13,612,597 thousand and NT$13,208,061 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

	For the year ended December 31,	
Item	2018 (NT$'000)	2017 (NT$'000)
Loss from (Gains on recovery of) inventory market decline	(19,732)	491,174
Loss from physical	7,093	21,227
Loss in inventory written-off and obselencense	2,091,005	1,664,988
Total	2,078,366	2,177,389

The Company recognized gains on recovery of inventory market decline because some of the inventories previously provided with market loss or obsolescence were disposed.

C. The inventories were not pledged.

(8) Investments Accounted For Under the Equity Method

	As of December 31,			
	2018		2017	
Investee companies	Amount (NT$'000)	Percentage of Ownership	Amount (NT$'000)	Percentage of Ownership
Investments in subsidiaries:				
KINSUS CORP. (USA)	48,437	100.00%	39,874	100.00%
KINSUS HOLDING (SAMOA) LIMITED	2,125,024	100.00%	2,343,440	100.00%
KINSUS INVESTMENT CO., LTD.	1,848,536	100.00%	1,738,049	100.00%
Total	4,021,997		4,121,363	

A. Investments in subsidiaries

Investments in subsidiaries were present in the parent-company-only financial statements under the caption of investments accounted for under equity method. Valuation adjustment is made if deemed necessary.

B. The Company's investments accounted for under the equity method were not pledged.

(9) Property, plant and equipment

	Land (NT$'000)	Buildings (NT$'000)	Machinery (NT$'000)	Office Equipment (NT$'000)	Transportation (NT$'000)	Other Equipment (NT$'000)	Construction in progress and equipment awaiting inspection (including prepaid equipment) (NT$'000)	Total (NT$'000)
Cost:								
As of 1/1/2018	1,609,729	3,576,635	13,567,359	74,166	6,275	3,806,068	4,983,777	27,624,009
Addition	-	28,073	14,495	748	310	255,354	2,390,623	2,689,603
Disposals	-	-	(75,475)	-	-	(107,749)	-	(183,224)
Effect of EX rate	-	-	-	-	-	-	-	-
Reclassification	-	15,951	2,465,038	7,600	660	642,911	(3,132,160)	-
As of 12/31/2018	1,609,729	3,620,659	15,971,417	82,514	7,245	4,596,584	4,242,240	30,130,388
As of 1/1/2017	1,562,442	3,568,908	10,383,166	36,265	4,540	2,635,081	4,241,349	22,431,751
Addition	-	-	9,038	20,148	1,735	113,339	5,270,309	5,414,569

Disposals	-	-	(82,931)	-	-	(139,380)	-	(222,311)
Effect of EX rate	-	-	-	-	-	-	-	-
Reclassification	47,287	7,727	3,258,086	17,753	-	1,197,028	(4,527,881)	-
As of 12/31/2017	1,609,729	3,576,635	13,567,359	74,166	6,275	3,806,068	4,983,777	27,624,009
Depreciation and impairment:								
As of 1/1/2018	-	1,202,637	7,373,404	39,331	3,134	1,840,578	-	10,459,084
Depreciation	-	159,752	2,176,919	19,119	1,124	618,050	-	2,974,964
Impairment loss	-	-	-	-	-	-	-	-
Disposal	-	-	(67,046)	-	-	(107,439)	-	(174,485)
Effect of EX rate	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
As of 12/31/2018	-	1,362,389	9,483,277	58,450	4,258	2,351,189	-	13,259,563
As of 1/1/2017	-	1,034,147	5,760,949	20,845	2,047	1,532,793	-	8,350,781
Depreciation	-	168,490	1,708,371	18,486	1,087	447,165	-	2,343,599
Impairment loss	-	-	(17,100)	-	-	-	-	(17,100)
Disposal	-	-	(78,816)	-	-	(139,380)	-	(218,196)
Effect of EX rate	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
As of 12/31/2017	-	1,202,637	7,373,404	39,331	3,134	1,840,578	-	10,459,084
Net carrying amount:								
As of 12/31/2018	1,609,729	2,258,270	6,488,140	24,064	2,987	2,245,395	4,242,240	16,870,825
As of 12/31/2017	1,609,729	2,373,998	6,193,955	34,835	3,141	1,965,490	4,983,777	17,164,925

A. "Significant components" of buildings primarily comprised the main buildings and the facilities, which are depreciated based on their respective useful economic life of 20 to 25 years and 10 to 25 years.

B. Details of property, plant & equipment and prepayment for machinery is as follows.

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Property, plant and equipment	14,898,668	14,406,084
Prepaid equipment	1,972,157	2,758,841
Total	16,870,825	17,164,925

C. The Company purchased 40 parcels of land with a total area of 36,115.24 square meters. Lands are located at the addresses of No. 1113, 1114, 1438 to 1443,1479,1486 to 1487 at ShiLeiZi Sub-section, ShiLeiZi Section, No. 1044, 1047 to 1049 at QingHua Section, and No. 0001, 697 to 700 and 712 to 726 at RongHua Section, XinFeng Village. Due to regulatory restrictions, land cannot be registered under the Company's name while it has been temporarily registered under the general manager's name and, to secure the Company's right to the land, mortgage registration has been set aside with the Company being the obligee.

(10) Intangible assets

	Computer software (NT$'000)
Cost:	
As of January 1, 2018	30,657
Additions – acquired separately	10,644
Derecognized upon retirement	(30,657)
Reclassification	-
Effect of exchange rate changes	-
As of December 31, 2018	10,644
As of January 1, 2017	12,086
Additions – acquired separately	30,657
Derecognized upon retirement	(12,086)
Effect of exchange rate changes	-
Reclassification	-
As of December 31, 2017	30,657
Amortization and Impairment:	
As of January 1, 2018	17,861
Amortization	18,663
Derecognized upon retirement	(30,657)
Effect of exchange rate changes	-
Reclassification	-
As of December 31, 2018	5,867
As of January 1, 2017	6,878
Amortization	23,069
Derecognized upon retirement	(12,086)

Effect of exchange rate changes	-
Reclassification	-
As of December 31, 2017	17,861
Carrying amount, net:	
As of December 31, 2018	4,777
As of December 31, 2017	12,796

Amounts of amortization recognized for intangible assets are as follows.

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Operating expense	18,663	23,069

(11) Other non-current assets

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Refundable deposits	3,787	3,886

(12) Short-term loans

		As of December 31,	
	Interest interval (%)	2018 (NT$'000)	2017 (NT$'000)
Unsecured bank loans	0.72%~2.96%	2,136,671	2,263,117

As of December 31, 2018 and 2017, the line of unused short-term loan credit for the Company amounted to NT$3,287,699 thousand and NT$5,616,563 thousand, respectively.

(13) Other payable

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Accrued expense	1,441,901	1,563,208
Equipment payable	500,978	727,509
Accrued interest	4,952	1,739
Total	1,947,831	2,292,456

(14) Other current liabilities

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Other current liabilities	26,500	25,900
Unearned sales revenue	Note	2,386
Current portion of long-term loans	567,500	290,087
Total	594,000	318,373

Note: The Company adopted IFRS 15 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provison in IFRS 15.

(15) Refund liability

	As of	
	12/31/2018 (NT$'000)	12/31/2017 (Note) (NT$'000)
Refund liability	12,300	

Note: The Company adopted IFRS 15 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provison in IFRS 15.

(16) Long-term loans

Details of long-term loans were as follows.

Debtor	Type of Loan	Maturity	Loan Balance As of 12/31/2018 (NT$'000)	Repayment
Mega International Commercial Bank - LanYa Branch	Credit loan	2021.09.05-2022.07.05	1,365,625	Note 1
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Credit loan	2021.04.23	600,000	Note 2
Standard Chartered Bank -Xinwu Branch	Credit loan	2021.9.28	600,000	Note 3
Total			2,565,625	
Less: current portion			(567,500)	
Non-current portion			1,998,125	

Debtor	Type of Loan	Maturity	Loan Balance As of 12/31/2017 (NT$'000)	Repayment
Mega International Commercial Bank - LanYa Branch	Credit loan	2018.08.12-2021.09.05	1,655,712	Note 1
Less: current portion			(290,087)	
Non-current portion			1,365,625	

Note 1: A term is defined as every 3 months starting from the initial draw-down date. Loan period is 5 years. Grace period is 1 year (4 terms). Interest shall be paid monthly with principal repaid every 3 months. The rest is repayable in installments of equal amount for 16 terms.

Note 2: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 1 years (4 terms). The rest is repayable in installments of equal amount for 8 terms.

Note 3: Grace period is 18 months from the initial draw-down date. 18 months after the initial draw-down date is considered the 1st term and the following terms are defined as every 6 months since then. The principal and interest are repayable in installments of equal amount for 4 terms.

As of December 31, 2018 and 2017, the interest rate intervals for long-term loans were 1.074%~1.15% and 1.022% ~2.37%, respectively.

(17) Other non-current liabilities

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Accrued pension costs	25,156	25,962
Guarantee deposits received	-	2,000
Total	25,156	27,962

(18) Post-employment benefits

Defined contribution plan

The Company adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 are NT$110,906 thousand and NT$99,604 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT$4,591 thousand to its defined benefit plan during the 12 months beginning after December 31, 2018.

As of December 31, 2018 and 2017, the maturities of Kinsus' defined benefit plan are in 2037 and 2037.

Pension costs recognized in profit or loss are as follows.

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Current service costs	58	135
Net interest of defined benefit liability (asset)	415	558
Past service cost	-	-
Settlement	-	-
Total	473	693

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

	As of		
	Dec. 31, 2018 (NT$'000)	Dec. 31,2017 (NT$'000)	Jan. 1, 2017 (NT$'000)
Defined benefit obligation	135,711	129,761	130,404
Plan assets at fair value	(110,555)	(103,799)	(99,395)
Other non-current liabilities – net defined benefit liability	25,156	25,962	31,009

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

	Present value of defined benefit obligation (NT$'000)	Fair value of plan assets (NT$'000)	Net defined benefit liability(asset) (NT$'000)
1/1/2017	130,404	(99,395)	31,009
Current service cost	135	-	135
Interest cost	2,347	(1,789)	558
Past service cost and settlement	-	-	-
Total	2,482	(1,789)	693
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	2,109	-	2,109
Actuarial gain/loss due to change in financial assumptions	4,902	-	4,902
Experience gain/loss	(8,789)	774	(8,015)
Re-measurement on defined benefit assets	-	-	-
Total	(1,778)	774	(1,004)
Benefits paid	(1,347)	1,347	-
Contributions by employer	-	(4,736)	(4,736)
Effect of exchange rate	-	-	-
12/31/2017	129,761	(103,799)	25,962
Current service cost	58	-	58
Interest cost	2,076	(1,661)	415
Pasts service cost and settlement	-	-	-
Total	2,134	(1,661)	473

Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	(1,931)	-	(1,931)
Actuarial gain/loss due to change in financial assumptions	10,044	-	10,044
Experience gain/loss	(2,324)	(2,477)	(4,801)
Re-measurement on defined benefit assets	-	-	-
Total	5,789	(2,477)	3,312
Benefits paid	(1,973)	1,973	-
Contributions by employer	-	(4,591)	(4,591)
Effect of exchange rate	-	-	-
12/31/2018	135,711	(110,555)	25,156

The actuarial assumptions used for the Company's defined benefit plan are shown below.

	As of December 31,	
	2018	2017
Discount rate	1.20%	1.60%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis

	For the year ended December 31,			
	2018 (NT$'000)		2017 (NT$'000)	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased by 0.5%	-	(12,261)	-	(12,019)
Discount rate decreased by 0.5%	13,713	-	13,482	-
Expected salary level increased by 0.5%	13,391	-	13,220	-
Expected salary level decreased by 0.5%	-	(12,114)	-	(11,919)

For the purpose of sensitivity analysis above, the Company calculated the impact on defined benefit obligation due to a reasonable and feasible change of one single assumption (i.e. discount rate or expected salary level) with other assumptions remaining equal. Please note that the sensitivity analysis has its limitation due to the co-relation between different actuarial assumptions and the rarity that only one assumption changes at a time.

The method used in the analysis is consistent for both current and prior years.

(19) Equity

A. Common shares

As of December 31, 2018, December 31, 2017, the Company's authorized capital were NT$5,500,000 thousand, each share at par value of NT$10, divided into 550,000 thousand. As of December 31, 2018, December 31, 2017, the Company's paid-in capital were NT$4,508,410 thousand and NT$4,460,000 thousand, respectively, divided into 450,841 thousand and 446,000 thousand shares, respectively. Each share represents a voting right and a right to receive dividends.

On January 29, 2018 and May 29, 2018, the Company's board of directors and shareholders' meetings resolved to increase the capital through an issuance of new 5,500,000 shares of restricted stock for employees. The application has been governmentally approved by FSC in the Order No. Financial-Supervisory-Securities-Corporate-1070324628 issued on July 10, 2018. The measurement date was at August 28, 2018. After the issuance, the Cmpany's authorized capital was NT$5,500,000 thousand and paid-in capital was NT$4,508,410 thousand, divided into 450,841 thousand shares.

As of December 31, 2018, the restricted stocks plan has expired while there were 74 thousand shares to be cancelled yet.

B. Capital surplus

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Additional paid-in capital	5,887,857	5,850,000
Differences between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	50,925	50,925
All changes in interests in subsidiaries	38,894	38,894
Change in joint ventures accounted for using equity method	7,484	7,484
Employee stock option in affiliate company	-	845
Shared-Based Payment	8,371	8,371
Restricted stocks for employees	147,411	-
Total	6,140,942	5,956,519

According to Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them. Capital surplus related to long-term equity investments cannot be used for any purpose.

C. Treasury stock

No treasury stock was held by the Company as of December 31, 2017 while treasury stock amounted to NT$738 thousand, divided into 74 thousand shares, as of December 31, 2018.

The movement schedule of treasury stock for the year ended December 31, 2018 and 2017 was as below (in thousand shares).

Purpose of repurchase	Beginning balance	Addition	Decrease	Ending balance
For the years ended December 31, 2018				
Recover failed restricted stocks	-	74	-	74
For the years ended December 31, 2017				
To be transferred to employees	550	-	-	550

The Company transferred 550,000 shares of treasury stocks to qualified employees in accordance with its “Rule for Buying Back the Company’s Own Stocks in Second Time”. The measurement date was at September 22nd, 2017.

According to the Securities and Exchange Law of the R.O.C., total treasury stock shall not exceed 10% of the Company’s issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital-premiums and realized additional paid-in capital. As such, the ceiling number of shares of treasury stock that the Company could hold as of December 31, 2018 were 45,084 thousand shares, with the maximum payments of NT$23,147,072 thousand.

In compliance with Securities and Exchange Law of the R.O.C., treasury stock should not be pledged, nor should it be entitled to voting rights or receiving dividends.

D. Appropriation of earnings and dividend policies

(a) Earning distribution

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

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Set aside 10% of the remaining amount as legal reserve. There is no requirement to further make such reserve when legal reserve reaches the capital amount.
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(b) Dividend policies

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, dividend policy aims for a steady balance. Cash dividends distributed each year cannot be less than 10% of the total dividends paid.

(c) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(d) Special reserve

Following the adoption of Taiwan IFRS, the Company complies with Order No. Jin-Guan-Zheng-Fa 1010012865 issued by FSC on April 6, 2012. On the Company's first-time adoption of the Taiwan IFRS, for any unrealized revaluation gains and cumulative translation adjustments recorded under shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1, an equal amount of special capital reserve shall be set aside. After the adoption of Taiwan IFRS for the preparation of financial statements, the Company shall set aside supplemental special reserve based on the difference between the amount already set aside according to the requirements in the preceding point and other net deductions from shareholders' equity when appropriating distributable earnings. For any subsequent reversal of other net deductions from shareholders' equity, the amount reserved may be distributed as earnings.

The Company did not incur any special reserve upon the first-time adoption of Taiwan IFRS.

(e) The appropriations of earnings for the Years 2018 and 2017 were approved through the Board of Directors' meetings and shareholders' meetings held on February 18, 2019 and May 29, 2018, respectively. The details of the distributions are as follows.

	Appropriation of earnings		Dividend per share (in NT$)	
	2018 (NT$'000)	2017 (NT$'000)	2018	2017
Legal reserve	34,949	49,167		
Special reserve	22,706	77,064		
Cash dividend	676,261	669,000	1.50	1.50
Total	733,916	795,231		

Please refer to Note 6(24) for details on employees' compensation and remuneration to directors and supervisors.

(20) Share-based payment plans

Share-based payment plan for employees of the parent entity

A. The Company transferred its treasury stocks to qualified employees in accordance with its "Rule for Buying Back The Company's Own Stocks in Second Time" on September 22nd, 2017 at a price of NT$59.79 per share.

The fair value of the share options is estimated at the grant date using a binomial option pricing-model, taking into account the terms and conditions upon which the share options were granted.

The relevant details of the aforementioned share-based payment plan are as follows:

Date of grant	Total number of share options granted	Exercise price of share options (NT$)
2017.09.22	550,000	59.79

The fair value of the share-based payment above was computed by using Black-Scholes valuation model. The underlying assumptions are as below.

	Information regarding treasury stock granted to employee
Exercise price	NT$59.79
Market unit price at measurement date	NT$75.2
Expected volatility (%)	25.26%
Risk-free interest rate (%)	0.6%
Expected dividend yield (%)	-%
Expected option life (Years)	0.032877 years
Fair value	NT$15.4

The details of the plan regarding treasury stock transferred to employee was as below.

	For the year ended December 31,2017	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)
Outstanding at beginning of period	-	-
Granted	550	59.79
Exercisable at end of period	(550)	(59.79)
Outstanding at end of period	-	-
For share options granted during the period, weighted average fair value of those options at the measurement date (NT$)	15.4	

B. The expense recognized for employee services received during the year ended December 31, 2017 is shown in the following table:

	For the year ended December 31, 2017 (NT$'000)
Total expense arising from equity-settled share-based payment transactions	8,371

Restricted stocks plan for employees

A. On May 29, 2018, the shareholders' meetings resolved to issue of 5,500 thousand shares of restricted stocks for employees. The grantee is limited to employees who meet certain conditions. The restricted stocks have been approved by the Securities and Futures Bureau. On July 30, 2018, the board of directors resolved to issue 4,947 thousand shares. The measurement date was at August 28, 2018 and total shares issued were 4,841 thousand. The unit market price as of the granted date was NT$49.1.

The employees who acquire the above shares can subscribe shares at the price of NT$10 per shares while the vesting conditions are as below.

Vesting conditions	Proportion of vested shares
Within one month starting the granted date	20%
April 25, 2019	20%
September 25, 2019	15%
April 25, 2020	15%
September 25, 2020	15%
April 25, 2021	15%

Restriction on employee's right after granted but before vested:

(a)The granted employee commit to the custodian institution, and shall not sell, pledge, transfer, donate, or dispose in any other ways, the right of restricted stocks before achieving the vesting conditions.

(b)After new shares of restricted stock are issued, the granted employee should immediately commit to the custodian institution, and not to ask the trustee to return the restricted stock in any other reasons or ways before achieving the vesting conditions.

(c)The restricted stock for employees can participate in receiving dividends during the vesting period.

(d)The right to vote and elect in a shareholders' meeting shall be executed by custodian institution in accordance with related regulations.

On August 28, 2018, the issuance of 4,841 thousand restricted shares for employees resulted in the increase of capital reserve－employee stock option amounting to NT$184,530 thousand. The restricted stocks plan was invalidated as of December 31, 2018 and 74 thousand shares were recalled. As a result, capital reserve increased by NT$738 thousand and the unearned employee compensation was NT$102,973 thousand

B. The expense recognized for employee services received is shown in the following table.

	For the year ended December 31,2018 (NT$'000)
Total expense arising from equity-settled share-based payment transactions	$82,525

C. The Company did not modify the share-based payment plan for the year ended December 31, 2018.

(21) Sale

	For the year ended December 31,	
	2018 (Note) (NT$'000)	2017 (NT$'000)
Revenue from customer contracts		
Sales of goods	16,849,041	16,158,146
Other operating revenue	378,990	127,888
Total	17,228,031	16,286,034

Note: The Company has adopted IFRS 15 since January 1, 2018. The Company elected to recognize the cumulative effect of initially applying the standard at the date of initial application January 1, 2018.

The Company has adopted IFRS 15 starting January 1, 2018. Analysis of revenue from contracts with customers during the year is as follows:

A. Disaggregation of revenue

	IC Substrate (NT$'000)
Sale of goods	17,228,031

The timing for revenue recognition:	
At a point in time	17,228,031

B. Contract balances

(a) Contract liabilities – current

	Beginning balance (NT$'000)	Ending balance (NT$'000)	Difference (NT$'000)
Sales of goods	2,386	1,082	(1,304)

For the year ended December 31, 2018, contract liabilities decreased because certain performance obligations included in the beginning contract liability balance were satisfied and therefore recognized for revenues.

(22) Expected credit losses/ (gains)

	For the year ended December 31,	
	2018 (NT$'000)	2017 (Note) (NT$'000)
Operating expenses – Expected credit losses/(gains)		
Account receivables	3,782	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provison in IFRS 9.

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

The Company measured the impairment against the other receivables reclassified from accounts receivable due to factoring agreements mainly based on the expected credit loss for 12 months of the counter-party financial institutions. As of December 31, 2018, there was no other receivables pastdue. Furthermore, the Company assessed the related expected credit loss to be insignificant because the counter-party financial institutions are of good credit condition.

The Company measures the loss allowance of its contract assets and trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2018 is as follow:

A. The Company needs to condsider the companying of trade receivables by counter-parties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follow:

Company 1	Neither past due	Past due				
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	Total
	(NT$'000)	(NT$'000)	(NT$'000)	(NT$'000)	(NT$'000)	(NT$'000)
Gross carrying amount	2,386,712	345,420	60,564	323	-	2,793,019
Loss ratio	-%	5%	15%	30%	50%	
Lifetime expected credit losses	-	(17,271)	(9,084)	(97)	-	(26,452)
Carrying amount of trade receivables	2,386,712	328,149	51,480	226	-	2,766,567

Note: all the Company's note receivables were not past due.

B. The movement schedule of the impairment provision gainst contract assets, note receivables, trade receivables and other receivables for the first half of 2018 is as follows:

	Note receivables (NT$'000)	Account receivables (NT$'000)
Beginning balance (in accordance with IAS 39)	-	22,670
Additions	-	3,782
Effect of exchange rate changes	-	-
Ending balance	-	26,452

(23) Operating lease

A. Company as a lessor

The leasing agreements that the Company entered into for plants have an average term of one to three years.

Future minimum rentals receivable under non-cancellable operating leases as of December 31, 2018 and 2017, are as follows:

	As of	
	12/31/2018 (NT$'000)	12/31/2017 (NT$'000)
Less than one year	35,316	42,379
Over one year less than five year	-	35,316
Total	35,316	77,695

For the years ended December 31, 2018 and 2017, rent incomes of the Company amounted to NT$45,364 thousand and NT$40,264 thousand, respectively.

B. Company as a lessee

Future minimum lease payments due to irrevocable leasing contracts were as follows:

	As of	
	12/31/2018 (NT$'000)	12/31/2017 (NT$'000)
Less than one year	5,605	14,241
More than one year but less than five years	5,622	2,379
Total	11,227	16,620

Operating lease expenses recognized are as follows:

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Minimum lease payment	15,752	25,655

(24) Summary statement of employee benefits, depreciation and amortization by function is as follows.

Function / Nature	2018 (NT$'000)			2017 (NT$'000)		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	2,421,081	400,377	2,821,458	2,028,176	443,769	2,471,945
Labor and health insurance	222,349	40,201	262,550	191,800	42,039	233,839
Pension	90,093	21,286	111,379	78,609	21,688	100,297
Directors' remuneration	-	3,592	3,592	-	5,152	5,152
Other employee benefit	134,100	32,661	166,761	115,784	29,505	145,289
Depreciation	2,603,486	371,478	2,974,964	1,794,086	549,513	2,343,599
Amortization	-	18,663	18,663	-	23,069	23,069

Note: The headcounts of the Company amounted to 5,049 and 4,849, respectively, as of December 31, 2018 and 2017. Among the Company's directors, there were 6 who were not the employees.

According to the resolution, not lower than 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered.

The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit to be distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended December 31, 2018, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 to be not lower than 10% and not higher than 1% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 amount to NT$55,074 thousand and NT$3,352 thousand, respectively. The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017 to be NT$80,693 thousand and NT$4,912 thousand, respectively. The aforementioned employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2018 and 2017 were estimated based on post-tax net income of the period and recognized as salaries expense. The number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of shareholders' meeting. For example, if there was different between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors, it will recognize in profit or loss to next year.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT$55,074 thousand and NT$3,352 thousand, respectively, in a meeting held on February 18, 2019.

No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended December 31, 2018.

The Company's Board has determined the employees' compensation and directors' remuneration, all in cash, to be NT$80,693 thousand and NT$4,912 thousand, respectively, in a meeting held on January 29, 2018.

No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended December 31, 2017.

(25) Non-operating incomes and expenses

A. Other incomes

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Interest income	Note	52,634
Financial assets measured at amortized cost	47,973	Note
Other income－gain from reversal of allowance for doubtful accounts receivable	-	29,010
Other income－others	157,728	117,438
Total	205,701	199,082

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provison in IFRS 9.

B. Other gains and losses

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Gain (loss) from disposal of property, plant and equipment	724	(4,092)
Foreign exchange gain (loss), net	5,197	28,247
Financial assets at fair value through profit(Note)	5,200	6,700
Gain on reversal of impairment loss	-	17,100
Other expenses	(652)	(2,580)
Total	10,469	45,375

Note: Balance in current period was arising from financial assets mandatorily measured at fair value through profit or loss and balance in prior period was arising from held for trading investment.

C. Finance costs

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Interests due to bank loans	64,432	39,078

(26) Components of other comprehensive income (OCI)

For the year ended December 31, 2018

	Arising during the period (NT$'000)	Reclassification during the period (NT$'000)	Subtotal (NT$'000)	Income tax benefit (expense) (NT$'000)	OCI, Net of tax (NT$'000)
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	(3,312)	-	(3,312)	-	(3,312)
To be reclassified to profit or loss in subsequent period:					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method					
Exchange differences arising on translation of foreign operations	(22,706)	-	(22,706)	-	(22,706)
Total OCI	(26,018)	-	(26,018)	-	(26,018)

For the year ended December 31, 2017

	Arising during the period (NT$'000)	Reclassification during the period (NT$'000)	Subtotal (NT$'000)	Income tax benefit (expense) (NT$'000)	OCI, Net of tax (NT$'000)
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	1,004	-	1,004	-	1,004
To be reclassified to profit or loss in subsequent period:					
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method					
Exchange differences arising on translation of foreign operations	(77,064)	-	(77,064)	-	(77,064)
Total OCI	(76,060)	-	(76,060)	-	(76,060)

(27) Income tax

Based on an amendment to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate changes from 17% to 20% and the surtax rate on undistributed earnings from 10% to 5% effective the year of 2018.

A. The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Current income tax expense (benefit):		
Current income tax expense	72,943	259,537
Reversal of uncertain tax position upon finalization	(121,226)	(13,354)
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	142,510	(120,731)
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	(21,244)	-
Total income tax expense	72,983	125,452

B. Income tax recognized in other comprehensive income

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Deferred tax expense (benefit):		
Exchange differences arising on translation of foreign operations	-	-

C. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Accounting profit (loss) before tax from continuing operations	422,468	617,128

Tax payable at the enacted tax rates (The tax rates are 20% and 17% for the years ended December 31, 2018 and 2017, respectively.)	84,494	104,912
10% surtax on undistributed earnings	-	67,241
Tax effect of income tax-exempted	(20,892)	(6,980)
Tax effect of deferred tax assets/liabilities	31,397	(26,367)
Reversal of uncertain tax position upon finalization	(22,016)	(13,354)
Total income tax recognized in profit or loss	72,983	125,452

D. Deferred tax assets (liabilities) relate to the following.

For the year ended December 31, 2018

	Beginning balance as of January 1, 2018 (NT$'000)	Deferred tax income (expense) recognized in profit or loss (NT$'000)	Effect of tax rate change (NT$'000)	Deferred tax income (expense) recognized in other comprehensive income (NT$'000)	Ending balance as of December 31, 2018 (NT$'000)
Temporary differences					
Prepaid appreciation tax on agricultural land	9,593	-	-	-	9,593
Inventory valuation losses	121,226	(142,619)	21,393	-	-
Unrealized exchange loss (gain)	(846)	109	(149)	-	(886)
Deferred tax income/ (expense)		(142,510)	21,244	-	
Net deferred tax assets/(liabilities)	129,973				8,707
Reflected in balance sheet as follows:					
Deferred tax assets	130,819				9,593
Deferred tax liabilities	(846)				(886)

For the year ended December 31, 2017

	Beginning balance as of January 1, 2017 (NT$'000)	Deferred tax income (expense) recognized in profit or loss (NT$'000)	Deferred tax income (expense) recognized in other comprehensive income (NT$'000)	Ending balance as of December 31, 2017 (NT$'000)
Temporary differences				
Prepaid appreciation tax on agricultural land	9,593	-	-	9,593
Inventory valuation losses	-	121,226	-	121,226
Unrealized exchange loss (gain)	(351)	(495)	-	(846)
Deferred tax income/ (expense)		120,731	-	
Net deferred tax assets/(liabilities)	9,242			129,973
Reflected in balance sheet as follows:				
Deferred tax assets	9,593			130,819
Deferred tax liabilities	(351)			(846)

E. Unrecognized deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT$755,316 thousand and NT$494,231 thousand, respectively.

F. The Company's tax filings up to 2015, except for 2014, were finalized as of December 31, 2018.

(28) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

A. Basic earnings per share

	For the year ended December 31,	
	2018	2017
Net income available to common shareholders of the parent (NT$'000)	349,485	491,676
Weighted average number of common shares outstanding (in thousand shares)	446,255	446,000
Basic earnings per share (in NT$)	0.78	1.10

B. Diluted earnings per share

	For the year ended December 31,	
	2018	2017
Net income available to common shareholders of the parent (NT$'000)	349,485	491,676
Net income available to common shareholders of the parent after dilution (NT$'000)	349,485	491,676
Weighted average number of common shares outstanding (in thousand shares)	446,255	446,000
Effect of dilution:		
Employee bonus (compensation) – stock (in thousand shares)	1,779	1,932
Restricted stocks (in thousand shares)	362	-
Weighted average number of common shares outstanding after dilution (in thousand shares)	448,396	447,932
Diluted earnings per share (in NT$)	0.78	1.10

No other transactions that would significantly change the outstanding common shares or potential common shares incurred during the period subsequent to reporting date and up to the approval date of financial statements.

7. RELATED PARTY TRANSACTIONS

(1)Deal with related parties as of the end of the reporting period

Related parties and Relationship

Related parties	Relationship
Pegatron Corporation	Parent company
FuYang Technology Corp.	Associate
AzureWave Technologies, Inc.	Other related party
AzureWave Technologies (Shanghai) Inc.	Other related party
PEGATRON JAPAN INC.	Other related party
Maintek Computer (Suzhou) Co., Ltd.	Other related party
GNDC(Shanghai) Co., Ltd.	Other related party

(2)Significant transactions with related parties

A.Sales

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Ultimate parent company	-	5,811
Subsidiaries	18,659	62,199
Other related parties	4,302	5,395
Total	22,961	73,405

Selling prices and collection terms to related parties are similar to those to third party customers for the years ended December 31, 2018 and 2017. The collection terms are 30 to 90 days from the end of delivery month by telegraphic transfer.

B.Purchases

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Subsidiaries	2,228,772	2,271,629
Associates	-	69,658
Total	2,228,772	2,341,287

The product specification of goods purchased from related parties in the year ended December 31, 2018 and 2017, differed from those purchased from other vendors. Thus, transaction prices are not comparable. The payment terms for related parties and non-related parties are 30 to 90 days from the end of delivery month by telegraphic transfer.

C. The Company recognized commission expenses amounting to NT$40,794 thousand and NT$40,802 thousand, respectively, for the years ended December 31, 2018 and 2017 due to delegating its subsidiaries for marketing.

D. For the years ended December 31, 2018 and 2017, the Company recognized travelling of NT$201 thousand and NT$115 thousand, respectively, for commissioning subsidiaries to handle travelling logistics.

E. The Company's subcontracting fees to its subsidiaries amounted to NT$52 thousand and NT$289 thousand, respectively, for the years ended December 31, 2018 and 2017.

F. The Company charged its subsidiaries for providing technology support in amount of NT$2,374 thousand and NT$3,321 thousand, recorded under the caption of other non-operating incomes, for the years ended December 31, 2018 and 2017, respectively.

G. For the years ended December 31, 2018 and 2017, the Company recognized operating expenses of NT$3,992 thousand and NT$3,794 thousand, respectively for services provided by the Parent.

Moreover, the years ended December 31, 2017, the Company recognized other incomes of NT$259 thousand, for services provided by other related parties.

The Company recognized NT$2,612 thousand and NT$2,285 thousand of operating expense for the year ended December 31, 2018 and 2017,respectively, due to subcontracting maintenance and repair for factories to associate.

H. The Company recognized other incomes in amount of NT$14,191 thousand and NT$15,326 thousand for the years ended December 31, 2018 and 2017, respectively, due to selling tools and spare parts to its subsidiaries.

I. For the year ended December 31, 2018 and 2017, the Company recognized rent income of NT$43,666 thousand and NT$39,142 thousand, respectively, for plants leased to associate.

J. For the year ended December 31, 2018 and 2017, the Company recognized other income of NT$19,823 thousand and NT$18,709 thousand, respectively, for utility bills paid for associate.

Moreover, for the year ended December 31, 2017, the Company paid on behalf of associate in amount of NT$140 thousand.

K.Accounts receivable - related parties

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Ultimate parent company	-	234
Subsidiaries	198	27
Other related parties	933	693
Less: loss allowance	-	-
Net	1,131	954

L.Salaries and rewards to key management of the Company

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Short-term employee benefits	56,883	67,255
Post-employee benefits	756	756
Total	57,639	68,011

M.Other receivables

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Associates	5,492	5,888
Subsidiaries	26,235	5,768
Total	31,727	11,656

N.Account payable- related parties

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Subsidiaries	163,500	201,977

O.Accrued expenses

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Parent company	-	3,741
Associates	447	452
Subsidiaries	3,403	3,402
Total	3,850	7,595

P.Detail of selling property, plant and equipment to related parties as of December 31, 2018 and 2017 was as follow.

Asset type	Related party	Carrying Value	Price	Diposal Of Losses (Profit)	Price Reference
2018					
Machinery	Subsidiaries	14,729	15,687	958	Bidding
2017					
None					

Q. The Company provided endorsement in amount of NT$469,940 thousand and NT$455,328 thousand for its subsidiaries' loans as of December 31. 2018 and 2017. The endorsement was not recorded in financial statements due to its nature of contingency.

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Company's unused letters of credit (LC) as of December 31, 2018 were as follows:

Currency	LC Amount (in thousand)		Security (in thousand)
JPY	JPY	932,880	-
USD	USD	6,532	-

(2) Detail of significant constructions in progress and outstanding contracts of property, plant and equipment as of December 31, 2018 was as follow.

Nature of Contract	Contract Amount (NT$'000)	Amount Paid (NT$'000)	Outstanding Balance (NT$'000)
Machinery and construction contracts	4,167,326	3,360,032	807,294

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Financial assets at fair value through profit or loss:		
Held for trading	(Note 1)	1,410,216
Mandatorily measured at fair value through P/L	1,005,355	(Note 1)
Financial assets measured at amortized cost (Note 2)	12,163,357	(Note 1)
Loans and receivables (Note 3)	(Note 1)	11,774,407
Total	13,168,712	13,184,623

Financial liabilities

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Financial liabilities measured at amortized cost:		
Short-term loans	2,136,671	2,263,117
Payables	3,485,860	3,867,537
Long-term loans (including current portion)	2,565,625	1,655,712
Total	8,188,156	7,786,366

Note:

(1)The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provison in IFRS 9.

(2)The item includes cash and cash equivalents, financial assets measured at amortized cost, notes receivable, trade receivables (including related party) and other receivables (including related party).

(3)The item includes cash and cash equivalents, notes receivable, trade receivables (including related party), bond investments with no active market and other receivables (including related party).

(2) Objectives and policies of financial risk management

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies, measures, and manages the aforementioned risks based on its policy and risk preferences.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

The Company has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Company's foreign currency risk is mainly related to volatility in the exchange rates of US dollars. It is stated as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, the net income (loss) for the years ended December 31, 2018 and 2017 would increase/decrease by NT$4,778 thousand and NT$391 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates primarily to the Company's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans and receivables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the years ended December 31, 2018 and 2017 would decrease/increase by NT$3,264 thousand and decrease/increase by NT$2,392 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and financing activities (primarily for bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Company's internal credit ratings. The Company also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of December 31, 2018 and 2017, receivables from the top ten customers were accounted for 51.99% and 49.57% of the Company's total accounts receivable, respectively. The concentration of credit risk is relatively not significant for the remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Company's finance division in accordance with the Company's policy. The counterparties that the Company transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses since 1 January 2018. Except for the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5) Liquidity risk management

The Company maintains financial flexibility through the use of cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year (NT$'000)	1 to 2 years (NT$'000)	2 to 3 years (NT$'000)	3 to 4 years (NT$'000)	4 to 5 years (NT$'000)	Total (NT$'000)
As of December 31, 2018						
Loans	2,780,044	1,039,533	828,299	164,877	-	4,812,753
Payables	3,485,860	-	-	-	-	3,485,860
As of December 31, 2017						
Loans	2,603,431	431,456	427,190	371,390	164,792	3,998,259
Payables	3,867,537	-	-	-	-	3,867,537

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2018:

	Short-term borrowings (NT$'000)	Long-term borrowings (NT$'000)	Refundable deposits (NT$'000)	Total liabilities from financing activities (NT$'000)
As of January 1, 2018	2,263,117	1,655,712	2,000	3,920,829
Cash flows	(126,446)	909,913	(2,000)	781,467
As of December 31, 2018	2,136,671	2,565,625	-	4,702,296

Movement schedule of liabilities for the year ended December 31, 2017:

Not applicable

(7) Fair values of financial instruments

A. The evaluation methods and assumptions applied in determining the fair value

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between willing market participants (not under coercion or liquidation). The following methods and assumptions are used by the Company in estimating the fair values of financial assets and liabilities:

(a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity terms.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed stocks and bonds).

(c) Fair value of equity instruments without active markets (including listed companies' shares from private placement, stocks of public companies not traded in an active market and unlisted stocks) are estimated using the market approach. Under the approach, factors, such as the trading prices of comparable equity instruments in an active market, and other relevant information (i.e. discount due to lack of liquidity, stock price-to-earning ratio (PER) and price-to-book ratio (PBR) of similar companies) are input into the pricing model for its fair value.

(d) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows.

As of December 31, 2018

	Level 1 (NT$'000)	Level 2 (NT$'000)	Level 3 (NT$'000)	Total (NT$'000)
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	1,005,335	-	-	1,005,335
Financial liabilities:				
None				

As of December 31, 2017

	Level 1 (NT$'000)	Level 2 (NT$'000)	Level 3 (NT$'000)	Total (NT$'000)
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	1,410,216	-	-	1,410,216
Financial liabilities:				
None				

Transfers between Level 1 and Level 2 during the period

For the year ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value hierarchy.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy

During the year ended December 31, 2018, there was not movement of fair value measurements.

(9) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Company's significant financial assets and liabilities denominated in foreign currencies was listed below. (In Thousands)

	As of December 31,					
	2018			2017		
	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)
Financial assets						
Monetary items:						
USD	85,910	30.715	2,638,716	73,770	29.76	2,195,396
Non-monetary item:						
USD	70,762	30.715	2,173,461	80,084	29.76	2,383,314

Financial liabilities						
Monetary items:						
USD	70,198	30.715	2,156,136	75,091	29.76	2,234,693

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

Foreign exchange gain/loss on monetary financial assets and liabilities is shown as below.

	For the year ended December 31,	
Foreign currency resulting in exchange gain or loss	2018 (NT$'000)	2017 (NT$'000)
USD	2,232	22,272
Other	2,965	5,975

(10) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: Please refer to attachment 1.

C. Marketable securities held as of December 31, 2018 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.

D. Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2018: None.

E. Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2018: Please refer to attachment 3.

F. Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2018: None.

G. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2018: Please refer to attachment 4.

H. Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2018: None.

I. Derivative instrument transactions: None.

(2) Information on investees

A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 5.

B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held as of December 31, 2018 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 6.

(d) Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2018: Please refer to attachment 7.

(e) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2018: Please refer to attachment 8.

(f) Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2018: None.

(g) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2018: Please refer to attachment 9.

(h) Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2018: Please refer to attachment 10.

(i) Derivative instrument transactions: None.

(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars)

Name of Investee in China	Main Business (NT$'000)	Paid-in Capital (NT$'000)	Method of Investment (NT$'000)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018 (NT$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (NT$'000)	Profit/ Loss of Investee (NT$'000)	Percentage of Ownership (Direct or Indirect Investment) (NT$'000)	Share of Profit/Loss (NT$'000)	Carrying Amount as of December 31, 2018 (NT$'000)	Accumulated Inward Remittance of Earnings as of December 31, 2018 (NT$'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2018 (NT$'000)	Investment Amounts Authorized by Investment Commission, MOEA (NT$'000)	Upper Limit on Investment in China by Investment Commission, MOEA (NT$'000)
					Outflow (NT$'000)	Inflow (NT$'000)									
Kinsus Interconnect Technology Suzhou Corp.	Manufacturing and selling PCB (not high-density fine-line)	2,150,050 (Note 2)	(Note 1)	2,150,050 (Note 2)	-	-	2,150,050 (Note 2)	109,829 (Note 2 and Note 4)	100%	109,829 (Note 2 and Note 4)	1,336,522 (Note 2 and Note 4)	-	2,150,050 (Note 2)	2,150,050 (Note 2)	No upper limit (Note 5)

Piotek Computer (Suzhou) Co., Ltd.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	5,120,191 (Note 2)	(Note 1)	2,895,003 (Note 2)	-	-	2,895,003 (Note 2)	(586,619) (Note 2 and Note 4)	51%	(299,176) (Note 2 and Note 4)	686,987 (Note 2 and Note 4)	-	2,895,003 (Note 2)	2,895,003 (Note 2)	No upper limit (Note 5)
Xiang-Shuo (Suzhou) Trading Limited	Trading of PCB (not high-density fine-line) and material for related products	61,430 (Note 2)	(Note 1)	61,430 (Note 2)	-	-	61,430 (Note 2)	1,981 (Note 2 and Note 4)	100%	1,981 (Note 2 and Note 4)	62,316 (Note 2 and Note 4)	-	61,430 (Note 2)	61,430 (Note 2)	No upper limit (Note 5)
Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	65,062 (Note 3)	(Note 1)	65,062	-	-	65,062	3,302 (Note 2)	36.81%	1,215 (Note 2 and Note 4)	22,479 (Note 2 and Note 4)	-	65,062	65,062	1,204,705 (Note 6)

Note 1: Investment in Mainland China through companies in the third area.

Note 2: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 3: The paid-in capital is USD2,100 thousand, equivalent to NT$65,062 thousand.

Note 4: Gain/loss on investment is recognized based on the audited financial statements of the parent company in Taiwan.

Note 5: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

Note 6: The upper limit on investment for Pegavision Contact Lenses (Shanghai) Corporation is calculated as 60% of the net value of the financial statements audited by recent accountants of Pegavision Corporation.

B. Significant transactions with investees in China.

(a) Purchase and balances of related accounts payable as of December 31, 2018:

	Purchases		Accounts Payable	
	Amount (NT$'000)	% to Net Purchase	Amount (NT$'000)	% to Account Balance
The Company's purchase from Kinsus Interconnect Technology Suzhou	2,228,772	27.80%	163,500	10.90%

The product specification of goods purchased by the Company from Kinsus Interconnect Technology Suzhou Corp. in the year ended December 31, 2018 differed from goods purchased from other vendors. Thus, transaction prices are not comparable. Payment term for related parties is 30 to 60 days from the end of delivery month. The payment terms for non-related parties are 30 to 120 days from the end of delivery month by telegraphic transfer.

(b) Sales, the ending balance of related accounts receivable and their weightings.

	Sales		Accounts receivable	
	Amount	% to Net Sales	Amount	% to Account Balance
Sale of Piotek Computer (Suzhou) to Piotek (H.K.) Trading ($'000)	USD9,746	8.74%	USD1,801	6.68%
Sale of Piotek Computer (Suzhou) to Xiang-Shuo (Suzhou) Trading ($'000)	USD2,544	2.28%	-	-%
Sale of Piotek Computer (Suzhou) to Kinsus Interconnect Technology Suzhou ($'000)	RMB728	0.10%	-	-%
Sale of Xiang-Shuo (Suzhou) Trading to Piotek Computer (Suzhou) Trading ($'000)	RMB22,572	55.68%	RMB3,338	96.63%
Sale of Xiang-Shuo (Suzhou) Trading to Kinsus Interconnect Technology Suzhou ($'000)	RMB1,209	2.98%	RMB117	3.37%
Sale of the Company to Kinsus Interconnect Technology Suzhou(NT$'000)	18,659	0.11%	198	0.01%

The product specification of goods sold between subsidiaries in the year ended December 31, 2018 differed from goods sold to other customers. Thus, transaction prices cannot be reasonably compared. Sales of the Company to Kinsus Interconnect Technology Suzhou Corp have the same product prices as sales to non-related parties. Collection terms are also equivalent to the ones for non-related parties, which is 30 to 60 days from delivery by telegraphic transfer.

(c) Ending balance of endorsements/guarantees or collateral provided and the purposes: Please refer to attachment 1.

(d) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.

(e) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered:

a. The Company commissioned Kinsus Interconnect Technology (Suzhou) Corp. for processing of NT$52 thousand for the year ended December 31, 2018.

b. The Company sold fixtures and spare parts to Piotek Computer (Suzhou) Co., Ltd., Kinsus Interconnect Technology Suzhou Corp. Trading Limited and Xiang-Shuo (Suzhou) Trading and recognized other income of NT$14,191 thousand for the year ended December 31, 2018.

c. As of December 31, 2018, the balance of other receivables amounted to NT$2,342 thousand and NT$23,893 thousand, respectively. The other receivable were resulted from the Company’s sale of fixtures to Piotek Computer (Suzhou) Co., Ltd. and Kinsus Interconnect Technology Suzhou Corp.

d. As of December 31, 2018, other receivables of Xiang-Shuo (Suzhou) Trading Limited due to payment and collection on behalf of Piotek Computer (Suzhou) Co., Ltd. amounted to RMB19 thousand.

14. OPERATING SEGMENT INFORMATION

The Company has provided the operating segment disclosure in the consolidated financial statements.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Endorsement/Guarantee Provided to Others

For the Year Ended December 31, 2018

Table 1

(In Thousands of Foreign Currency / New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party											
No. (Note 1)	Name	Name	Nature of Relationship	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	Investee accounted for using equity method indirectly	The overall amount of guarantees/ endorsements provided to a subsidiary in which the Company holds directly over 50% (inclusive) of common equity interest shall not exceed 20% of the net worth in the current financial statements. $5,556,430	$469,940 USD 15,300 (Note 2)	$469,940 USD 15,300 (Note 2)	$146,856	$-	1.69%	Shall not exceed 50% of the net worth in the current financial statements. $13,891,075	Y	N	Y

Note 1: Kinsus Interconnect Technology Corp. is coded "0".

Note 2: Amounts in foreign currencies are converted to New Taiwan Dollars using the exchange rates as of the balance sheet date.

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Kinsus Interconnect Technology Corp.

Marketable Securities

As of December 31, 2018

Table 2

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2018				Note
				Shares / Units	Carrying Amount	Shareholding %	Fair Value (Note)	
Kinsus Interconnect	Money market funds:							
Technology Corp.	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	18,812,748	$255,796	-%	$266,850	
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss	1,168,258	200,000	-%	208,097	
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	21,355,432	257,509	-%	267,411	
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss	17,776,549	255,443	-%	262,977	
	Subtotal				968,748		$1,005,335	
	Add: Valuation adjustments of financial assets at fair value through profit or loss				36,587			
	Total				$1,005,335			

Note: Companies without quotes in the open markets are valued at net equities.

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Kinsus Interconnect Technology Corp.

Acquisition of Individual Real Estate with Amount of at Least NT$300 million or 20% of the Paid-in Capital

For the Year Ended December 31, 2018

Table 3

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Kinsus Interconnect Technology Corp.	Houses and buildings Construction of XinFeng Plant	2014.02.13 2015.03.24	$2,268,036	NT$ 2,052,032 thousand was paid as of December 31, 2018	Guo-Gong Construction Co., Ltd.	None	None	None	None	None	Bidding	Production expansion and operation planning	None

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Kinsus Interconnect Technology Corp.

Related Party Transactions with Purchase or Sales Amount of At least NT$100 Million or 20% of the Paid-in Capital

For the Year Ended December 31, 2018

Table 4

(In Thousands of New Taiwan Dollars)

			Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		
Company Name	Related Party	Nature of Relationship	Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	Note
Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	Purchase	$2,228,772	27.80%	Payment within 30 days from the end of delivery month	Specs of goods purchased are different from others. The prices cannot be reasonablely compared.	Other vendors' payment term are also within 30~120 days from the end of delivery month	Accounts payable $(163,500)	(10.90)%	

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Kinsus Interconnect Technology Corp.

Investees over Which the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of December 31, 2018

Table 5

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount: As of December 31, 2017	Original Investment Amount: As of December 31, 2018	Balance as of December 31, 2018: Shares	Balance as of December 31, 2018: %	Balance as of December 31, 2018: Carrying Value	Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	CA. U.S.A.	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	USD500	USD500	500,000 shares	100.00%	$48,437	$7,140	$7,140	
Kinsus Interconnect Technology Corp.	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investing activities	USD166,309	USD166,309	166,308,720 shares	100.00%	$2,125,024	$(182,216)	$(182,216)	
Kinsus Interconnect Technology Corp.	Kinsus Investment Co., Ltd.	Taoyuan City	Investing activities	$1,600,000 (Note1)	$1,600,000 (Note1)	160,000,000 shares	100.00%	$1,848,536	$99,261	$99,261	
Kinsus Investment Co., Ltd.	Pegavision Corporation	Taoyuan City	Manufacturing medical equipment	$286,418	$286,418	22,088,736 shares	36.81%	$739,178	$541,157	$199,224	
Kinsus Investment Co., Ltd.	FuYang Technology Corp.	Hsinchu County	Electronic Parts and Components Manufacturing	$929,422	$929,422	64,176,872 shares	35.65%	$735,275	$(279,370)	$(99,606)	
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investing activities	USD72,000	USD72,000	72,000,000 shares	100.00%	USD 45,543	USD 3,640	USD 3,640	
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Cayman Islands	Investing activities	USD94,309	USD94,309	95,755,000 shares	51.00%	USD 23,643	USD (19,004)	USD (9,692)	
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	British Virgin Islands	Investing activities	USD139,841	USD139,841	139,840,790 shares	100.00%	USD 46,358	USD (19,004)	USD (19,004)	
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Hong Kong	Trading activities	USD26	USD26	200,000 shares	100.00%	USD 2,491	USD 103	USD 103	
Pegavision Corporation	PEGAVISION HOLDINGS CORPORATION	Samoa	Investing activities	USD2,130	USD2,130	2,130,000 shares	100.00%	$(45,900)	$3,286	$3,286	
Pegavision Corporation	PEGAVISION JAPAN INC.	JAPAN	Selling medical equipment	JPY9,900	JPY 9,900	198 shares	100.00%	$10,200	$5,672	$5,672	

Note1 : The Company's original investment in Kinsus Investment Co., Ltd. was NT$500,000 thousand. Kinsus Investment Co., Ltd. reduced capital by NT$102,000 thousand to offset deficits in 2013 And increased capital by NT$602,000 thousand and NT$600,000 thousand in 2017 and 2018, respectively. After the increases, the Company's investment amount increased to NT$1,600,000 thousand.

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Kinsus Interconnect Technology Corp.

Marketable Securities (Excluding Investments in Subsidiaries, Associates and Jointly Controlled Entities)

As of December 31, 2018

Table 6

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of December 31, 2018				Guarantee, Pledge or Other Restricted Conditions		Note
				Shares (Unit)	Carrying Amount	%	Fair Value (Net Equity)	Shares	Carrying Amount	
Kinsus Investment Co., Ltd.	Money market funds:									
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	829,070	$11,315	-%	$11,760	-	$-	
	Valuation adjustments of financial assets held for trading				445					
	Total				$11,760					
Kinsus Investment Co., Ltd.	Stocks:									
	Yi-Shuo Creative Co., Ltd.	-	Financial assets carried at cost	5,000,000	$50,000	7.49%	$50,000	-	$-	

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Kinsus Interconnect Technology Corp.

Marketable Securities Acquired and Disposed of At Costs or Prices of At Least NT$300 Million or 20% of The Paid-In Capital

For the Year Ended December 31, 2018

Table 7

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Pegavision Corporation	Stock:													
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	6,965,260	$104,900	47,483,038	$716,141	54,448,298	$821,170	$821,041	$129	-	$-

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Kinsus Interconnect Technology Corp.

Acquisition of Individual Real Estate with Amount of at Least NT$ 300 million or 20% of the Paid-in Capital

For the Year Ended December 31, 2018

Table 8

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party: Owner	Relationship with the Company	Transfer Date	Amount	Price Reference	Purpose and Use of Acquisition	Other Terms
Pegavision Corporation	Land, houses and buildings Donglong Section, Daxi District, Taoyuan City. Thirteen land	2018.06.26 2018.06.26 Total	$1,311,000 69,000 $1,380,000	By contract	Inventec Corporation	None	None	None	None	None	The transaction amount refer to professional appraisal institutions.	Expand capacity to satisfy the growth of business sales.	None

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Related Party Transactions with Purchase or Sales Amount of At least NT$100 Million or 20% of the Paid-in Capital

For the Year Ended December 31, 2018

Table 9

(In Thousands of US Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Parent company	Sales	USD 49,253	44.18%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably	No non-related parties to be compared with.	Accounts receivable USD 11,194	41.50%	
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	Sales	USD 74,106	98.78%	Payment within 30 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 5,323	93.81%	
Piotek Computer (Suzhou) Co., Ltd.	Piotek (H.K.) Trading Limited	Also a subsidiary under the Company's control	Sales	USD 9,746	8.74%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 1,801	6.68%	
Piotek (H.K.) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Purchase	USD 9,746	100.00%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts payable (USD 1,801)	(100.00)%	
Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Sales	USD 22,572	55.68%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable RMB 3,338	96.63%	
Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	Also a subsidiary under the Company's control	Purchase	USD 22,572	4.52%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts payable (RMB 3,338)	(2.37)%	
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	Sales	$423,423	13.24%	Payment within 90 days from the end of delivery month	Similar to those to third party customers.	Payment within 90 days from telegraphic transfer.	Accounts receivable $105,879	24.10%	
Pegavision Japan Inc.	Pegavision Corporation	Parent company	Purchase	$423,423	100.00%	Payment within 90 days from the end of delivery month	No suppliers to be compared with.	No suppliers to be compared with.	Accounts payable $(105,879)	(100.00)%	
Pegavision	Pegavision Contact Lenses (SHANGHAI) Corporation	Subsidiary	Sales	$281,593	8.80%	Payment within 180 days from the end of delivery month	Similar to those to third party customers.	Payment within 90 days from telegraphic transfer.	Accounts receivable $201,315	45.82%	
Pegavision Contact Lenses Corporation	Pegavision Corporation Corporation	Parent company	Purchase	$281,593	100.00%	Payment within 180 days from the end of delivery month	No suppliers to be compared with.	No suppliers to be compared with.	Accounts payable $(201,315)	(100.00)%	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp.

Receivables from Related Parties of at Least NT$ 100 Million or 20% of the Paid-in Capital

As of December 31, 2018

Table 10

(In Thousands of US Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Allowance for Doubtful Debts
					Amount	Action Taken		
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Parent company	USD 11,194 (Note)	4.45	$-	-	$-	$-
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	USD 5,323 (Note)	12.24	$-	-	$-	$-
Pegavision Corporation	Pegavision Contact Lenses (SHANGHAI) Corporation	Parent company	$201,315 (Note)	2.45	$-	-	$13,757	$-
Pegavision Corporation	Pegavision Japan Inc.	Parent company	$105,879 (Note)	7.27	$-	-	$23,242	$-

Note: Accounts receivable

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

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Kinsus Interconnect Technology Corp. as of December 31, 2018 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Kinsus Interconnect Technology Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Kinsus Interconnect Technology Corp.

By

Guo, Ming-Dong
Chairman
February 18th, 2019

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

INDEPENDENT AUDITORS' REPORT

To The Board of Directors of
Kinsus Interconnect Technology Corp.

Opinion

We have audited the accompanying consolidated balance sheets of Kinsus Interconnect Technology Corp. (the "Company") and its subsidiaries as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together referred as "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditor (please refer to the Other Matter – Making Reference to the Audit of a Component Auditor section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and its consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

(To be continued)

(Continued)

Key Audit Matters

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

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT$23,727,929 thousand for the year ended December 31, 2018 is a significant account to the Company's consolidated financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, USA, etc. Among these locations, the Company has established hub-warehouse for certain foreign customers' convenience. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, and performance obligation for revenue recognition from foreign warehouses with sale agreement or orders, performing analytical review procedures on monthly sale revenues, executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 4 and 6 to the consolidated financial statements.

Market valuation on Inventory

We determined the market valuation on inventory one of key audit matters in considering that the amount of inventory was significant and the assessment of sufficiency of inventory loss requires significant management judgement. The Company's net inventory amounted to NT$3,269,317 thousand as of December 31, 2018. As the application market of substract, the Company's main products, is characterized by rapid development in technology and the trend of consumers' preference, management, in timely considering the status of new products development and the demand from clients, has to evaluate the loss due to market value decline as well as write-down on slow-moving inventories to their net realizable value. Our audit procedures therefore include, but not limit to, evaluating the Company's policy with respect to assessment the loss from slow-moving inventory and phased-out items, (including identification method, testing the accuracy of inventory aging schedule, analysis on inventory movement), perfroming observation on the Company's inventory physical-taking, and inspecting the current status of inventory usage, etc. We also assessed the adequacy of the inventory-related disclosures shown in the Note 5 and 6 to the consolidated financial statements.

Other Matter – Making Reference to the Audit of a Component Auditor

We did not audit the financial statements of FuYang Technology Corp., an invested associate accounted for under the equity method. The financial statements of FuYang Technology Corp. as of December 31, 2018 and 2017 and for the years then ended were audited by other auditors, whose reports thereon have been furnished to us. Our audit, insofar as it related to the investment in the associate accounted for under the equity method amounting to NT$735,275 thousand and NT$823,380 thousand as of December 31, 2018 and 2017 representing 1.72% and 1.95% of the Company's consolidated total assets, the related shares of income before tax from the associate under the equity method for the years then ended amounting to NT$(99,606) thousand and NT$(77,880) thousand representing (14.02)% and (14.72)% of the Company's consolidated income before tax, and the related shares of other comprehensive income from the associate under the equity method for the years then ended amounting to NT$12,346 thousand and NT$(19,180) thousand representing (32.80)% and 17.37% of the consolidated other comprehensive income, are based solely on the audit reports of other auditors.

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

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

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

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

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

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

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

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

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

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

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

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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 2018 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We have audited and expressed an unqualified opinion on the parent-company-only financial statements of the Company as of and for the years then ended December 31, 2018 and 2017.

Ernst & Young
February 18th, 2019
Taipei, Taiwan,
Republic of China

<u>*Notices to Readers*</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2018 and 2017

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of December 31, 2018		As of December 31, 2017	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$10,068,669	24	$10,342,012	24
1110	Financial assets at fair value through profit or loss	4, 6(2)	1,017,095	2	1,553,833	4
1136	Financial assets carried at amortized cost	4, 6(3)	498,338	1	-	-
1147	Bond investments with no active market	4, 6(4)	-	-	423,057	1
1150	Notes receivable, net	4, 6(7)	241	-	1,756	-
1170	Accounts receivable, net	4, 6(8)	3,472,879	8	3,353,060	8
1180	Accounts receivable - related parties	6(8), 7	349,315	1	333,700	1
1200	Other receivables		264,785	1	208,485	-
1210	Other receivables - related parties	7	5,781	-	6,243	-
1310	Inventories, net	4, 6(9)	3,269,317	8	2,127,714	5
1410	Prepayments		158,390	-	260,566	1
1470	Other current assets		189,759	-	163,976	-
11xx	Total current assets		19,294,569	45	18,774,402	44
	Non-current assets					
1517	Financial asset at fair value through OCI	4, 6(5)	50,000	-	-	-
1543	Financial assets carried at cost	4, 6(6)	-	-	50,000	-
1550	Investment accounted for under equity method	4, 6(10)	735,275	2	823,380	2
1600	Property, plant and equipment, net	4, 6(11), 8, 9	19,737,268	46	19,151,653	46
1780	Intangible	4, 6(12)	14,529	-	22,850	-
1840	Deferred income tax assets	4, 6(29)	12,411	-	131,090	-
1900	Other non-current assets	6(13), 7, 8	316,354	1	314,024	1
1915	Prepayment for acquiring machinery	6(11), 9	2,463,548	6	3,010,078	7
15xx	Total non-current assets		23,329,385	55	23,503,075	56
1xxx	Total Assets		$42,623,954	100	$42,277,477	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Kinsus Interconnect Technology Corp. and Subsidiaries
Consolidated Balance Sheets-(Continued)
As of December 31, 2018 and 2017
(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2018		As of December 31, 2017	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(14)	$3,340,483	8	$3,297,397	8
2130	Contract liability	4, 6(23)	134,800	-	-	-
2150	Notes payable		39,505	-	44,804	-
2170	Accounts payable		2,233,609	6	2,526,036	6
2200	Other payables	6(15), 7	3,110,009	7	3,597,985	8
2230	Current income tax liabilities	4, 6(29)	361,313	1	352,272	1
2300	Other current liabilities	6(16)	931,741	2	719,393	2
2365	Refund liability	4, 6(17)	47,739	-	-	-
21xx	Total current liabilities		10,199,199	24	10,537,887	25
	Non-current liabilities					
2540	Long-term loans	6(18), 8	2,600,806	6	1,746,800	4
2570	Deferred income tax liabilities	4, 6(29)	5,563	-	1,253	-
2600	Other non-current liabilities	6(19)	69,864	-	76,539	-
25xx	Total non-current liabilities		2,676,233	6	1,824,592	4
2xxx	Total liabilities		12,875,432	30	12,362,479	29
31xx	Equity attributable to shareholders of the parent					
3100	Capital	6(21)				
3110	Common stock		4,508,410	11	4,460,000	11
3200	Capital surplus	6(21)	6,140,942	14	5,956,519	14
3300	Retained earnings	6(21)				
3310	Legal reserve		3,612,556	8	3,563,389	8
3320	Special reserve		77,677	-	613	-
3350	Unappropriated earnings		13,646,659	32	14,095,717	33
3400	Other components of equity		(203,356)	-	(77,677)	-
3500	Treasury Stock	6(21)	(738)	-	-	-
36xx	Non-controlling interests	6(21)	1,966,372	5	1,916,437	5
3xxx	Total equity		29,748,522	70	29,914,998	71
	Total liabilities and equity		$42,623,954	100	$42,277,477	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements Of Comprehensive Incomes

For the Years Ended December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Code	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	Operating revenues	4, 6(23), 7	$23,727,929	100	$22,335,486	100
5000	Operating costs	7	(18,341,427)	(77)	(18,172,762)	(81)
5900	Gross profit		5,386,502	23	4,162,724	19
6000	Operating expenses	7				
6100	Sales and marketing		(1,020,613)	(4)	(706,746)	(3)
6200	General and administrative		(1,349,219)	(6)	(1,611,376)	(7)
6300	Research and development		(2,218,438)	(10)	(1,445,377)	(7)
6450	Expected credit gains (losses)	4, 6(24)	(6,582)	-	-	-
	Total operating expenses		(4,594,852)	(20)	(3,763,499)	(17)
6900	Operating income		791,650	3	399,225	2
7000	Non-operating incomes and expenses					
7010	Other incomes	6(27), 7	242,177	1	237,046	1
7020	Other gains or losses	6(27), 7	(102,465)	-	49,878	-
7050	Finance costs	6(27)	(121,234)	(2)	(79,146)	(1)
7060	Share of the profit or loss of associates and joint ventures	6(10)	(99,606)	-	(77,880)	-
	Total non-operating incomes and expenses		(81,128)	(1)	129,898	-
7900	Income before income tax		710,522	2	529,123	2
7950	Income tax expenses	4, 6(29)	(299,482)	(1)	(193,801)	(1)
8200	Net income		411,040	1	335,322	1
8300	Other comprehensive income (loss)	6(28)				
8310	Item that may not be reclassified to profit or loss					
8311	Actuarial gain (loss) from defined benefit plans		(3,312)	-	1,004	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of foreign operations		(46,672)	-	(92,241)	-
8370	Share of the other comprehensive profit or loss of joint ventures		12,346	-	(19,180)	-
	Total other comprehensive income (loss), net of tax		(37,638)	-	(110,417)	-
8500	Total comprehensive income		$373,402	1	$224,905	1
8600	Net income (loss) attributable to:					
8610	Stockholders of the parent		$349,485	1	$491,676	2
8620	Non-controlling interests		61,555	-	(156,354)	(1)
			$411,040	1	$335,322	1
8700	Comprehensive income (loss) attributable to:					
8710	Stockholders of the parent		$323,467	1	$415,616	2
8720	Non-controlling interests		49,935	-	(190,711)	(1)
			$373,402	1	$224,905	1
9750	Earnings per share-basic (in NTD)	6(30)	$0.78		$1.10	
9850	Earnings per share-diluted (in NTD)	6(30)	$0.78		$1.10	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2018 and 2017

(Amounts Expressed In Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent									Non-controlling Interests	Total Equity
				Retained Earnings			Others					
		Capital	Capital Surplus	Legal Reserve	Special reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unearned Employee Benefit	Treasury Stock	Total		
Code	Items	3100	3200	3310	3320	3350	3410	3490	3500	31XX	36XX	3XXX
A1	Balance as of January 1, 2017	$4,460,000	$5,939,819	$3,340,018	$-	$15,163,371	$(613)	$-	$(32,885)	$28,869,710	$2,145,059	$31,014,769
	Appropriation and distribution of 2016 earnings											
B1	Legal reserve			223,371		(223,371)				-		-
B3	Special reserve				613	(613)				-		-
B5	Cash dividends-common shares					(1,336,350)				(1,336,350)		(1,336,350)
C7	Change in joint ventures accounted for using equity method		8,329							8,329		8,329
D1	Net income (loss) for 2017					491,676				491,676	(156,354)	335,322
D3	Other comprehensive income (loss), net of tax, for 2017.					1,004	(77,064)			(76,060)	(34,357)	(110,417)
D5	Total comprehensive income	-	-	-	-	492,680	(77,064)	-	-	415,616	(190,711)	224,905
N1	Share-based payment transaction		8,371						32,885	41,256		41,256
O1	Non-controlling interests increase (decrease)										(37,911)	(37,911)
Z1	Balance as of December 31, 2017	$4,460,000	$5,956,519	$3,563,389	$613	$14,095,717	$(77,677)	$-	$-	$27,998,561	$1,916,437	$29,914,998
A1	Balance as of January 1, 2018	$4,460,000	$5,956,519	$3,563,389	$613	$14,095,717	$(77,677)	$-	$-	$27,998,561	$1,916,437	$29,914,998
	Appropriation and distribution of 2017 earnings											
B1	Legal reserve			49,167		(49,167)				-		-
B3	Special reserve				77,064	(77,064)				-		-
B5	Cash dividends-common shares					(669,000)				(669,000)		(669,000)
C7	Change in joint ventures accounted for using equity method		(845)							(845)		(845)
D1	Net income (loss) for 2018					349,485				349,485	61,555	411,040
D3	Other comprehensive income (loss), net of tax, for 2018.					(3,312)	(22,706)			(26,018)	(11,620)	(37,638)
D5	Total comprehensive income	-	-	-	-	346,173	(22,706)	-	-	323,467	49,935	373,402
T1	Employee restricted shares for cancellation and others	48,410	185,268					(102,973)	(738)	129,967		129,967
Z1	Balance as of December 31, 2018	$4,508,410	$6,140,942	$3,612,556	$77,677	$13,646,659	$(100,383)	$(102,973)	$(738)	$27,782,150	$1,966,372	$29,748,522

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2018	2017	Code	Items	2018	2017
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Income before income tax	$710,522	$529,123	B00040	Acquisition of financial assets measured at amortized cost	(75,281)	-
A20000	Adjustments:			B01800	Acquisition of investment accounted for under equity method	-	(479,422)
A20010	Income and expense adjustments:			B02700	Acquisition of property, plant and equipment	(4,814,540)	(6,261,465)
A20100	Depreciation	4,187,071	3,413,416	B02800	Proceeds from disposal of property, plant and equipment	9,753	239
A20200	Amortization	25,898	30,655	B03800	Decrease (increase) in refundable deposits	(12,405)	(29,733)
A20300	Expected credit losses (gain on recovery)	6,582	(29,065)	B04500	Acquisition of intangible assets	(17,644)	(34,980)
A20400	Net gain of financial assets at fair value through P/L	(5,383)	(7,140)	BBBB	Net cash provided by (used in) investing activities	(4,910,117)	(6,805,361)
A20900	Interest expense	121,234	79,146				
A21200	Interest income	(62,377)	(62,316)	CCCC	Cash flows from financing activities:		
A21900	Cost of share based payment	82,525	8,371	C00100	Increase in (repayment of) short-term loans	43,086	1,068,919
A22300	Share of profit or loss of associates and joint ventures	99,606	77,880	C01600	Increase in long-term loans	1,800,000	870,000
A22500	Loss on disposal of property, plant and equipment	(1,014)	5,847	C01700	Repayments of long-term loans	(621,450)	(595,038)
A23800	Gain on reversal of impairment loss	49,770	(19,598)	C03000	Increase (decrease) in deposits received	(5,869)	(8,542)
A30000	Changes in operating assets and liabilities:			C04500	Cash dividends	(669,000)	(1,336,350)
A31110	Financial assets at fair value through profit or loss	542,121	1,721,742	C04600	Issuance of common stock for cash	48,410	-
A31130	Notes receivable	1,515	1,274	C05100	Treasury stock sold to emplayees	-	32,885
A31150	Accounts receivable	(126,400)	(125,900)	C05800	Increase (decrease) in non-controlling interests	-	(37,911)
A31160	Accounts receivable - related parties	(15,615)	66,036	CCCC	Net cash provided by (used in) financing activities	595,177	(6,037)
A31180	Other receivables	(55,310)	80,053				
A31190	Other receivables - related parties	462	301,403	DDDD	Effect of exchange rate changes	(60,982)	(61,870)
A31200	Inventories	(1,141,603)	130,530				
A31220	Prepayments	102,176	(125,890)	EEEE	Increase (decrease) in cash and cash equivalents	(273,343)	(870,634)
A31240	Other current assets	(25,783)	(41,639)	E00100	Cash and cash equivalents at beginning of period	10,342,012	11,212,646
A31990	Long-term prepaid rents	10,075	11,094	E00200	Cash and cash equivalents at end of period	$10,068,669	$10,342,012
A32125	Decrease (increase) in contract liabilities	(2,148)	-				
A32130	Notes payable	(5,299)	(3,288)				
A32150	Accounts payable	(292,427)	399,551				
A32160	Accounts payable - related parties	-	(16,059)				
A32180	Other payables	64,786	13,984				
A32210	Unearned sales revenue	-	55,899				
A32230	Other current liabilities	8,636	(652)				
A32240	Accrued pension liabilities	(4,118)	(4,043)				
A32990	Refund liability	47,739	-				
A33000	Cash generated from (used in) operations	4,323,241	6,490,414				
A33100	Interest received	61,385	63,254				
A33300	Interest paid	(114,595)	(78,328)				
A33500	Income tax paid	(167,452)	(472,706)				
AAAA	Net cash provided by (used in) operating activities	4,102,579	6,002,634				

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

1. HISTORY AND ORGANIZATION

Kinsus Interconnect Technology Corp. (referred to "the Company") was established on September 11, 2000. Its main business activities include the manufacture of electronic products, the whole-sale and retail-sale of electronic materials, and the consultation services of business operation and management. The Company's stocks have been governmentally approved on May 20, 2004 to be listed and traded in Taiwan Stock Exchange starting November 1, 2004. The registered business premise and main operation address is at No. 1245, Chung Hua Rd., Hsinwu District, Taoyuan City, Taiwan 32747.

Pegatron Corporation is the ultimate controller of the Group to which the Company belongs.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The consolidated financial statements of the Company and its subsidiaries ("the Group") were authorized to be issued in accordance with a resolution of the Board of Directors' meeting held on February 18th, 2019.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Group applied for the first time the International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2018. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

(a) IFRS 15"Revenue from Contracts with Customers" (including Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers")

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provision in IFRS 15, the Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group's principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

A. Please refer to Note 4 for both the accounting policies before and after January 1, 2018.

B. Before January 1, 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from January 1, 2018, in accordance with IFRS 15, the Group recognized revenue when (or as) the Group fulfills a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Group's revenue recognition for sale of goods. However, if the Group has transferred the goods to customers for some contracts but does not yet have a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. It is different from the accounting treatment of recognizing trade receivables before the date of initial application. Besides, loss allowance against contract assets should be assessed in accordance with IFRS 9. In summary, the GAAP difference between IFRS 15 and IAS 18 has no material impact on the Group's financial statements.

C. For some rendering of contracts, part of the consideration was received in advance from customers upon the contract being signed. The Group subsequently has an obligation to provide the sale of goods. Prior to January 1, 2018, the Group recognized the consideration received in advance from customers under the caption of other current liabilities in accordance with IAS 18. Starting from January 1, 2018, such an advanced receipt should be recorded under the caption of contract liabilities in accordance with IFRS 15. The amount reclassified from other current liabilities to contracts liabilities as of the date of initial application was NT$140,989 thousand. As of December 31, 2018, other current liabilities under IAS 18 decreased by NT$134,800 thousand while contract liabilities under IFRS 15 increased by NT$134,800 thousand.

   Prior to January 1, 2018, the Group recognized an allowance for sale return and discount as a contra-account to accounts receivable when partial or all considerations received might be returned or a chargeback is expected to occur. While, after adopting IFRS 15 on January 1, 2018, such an allowance for sales return and discount shall be presented under the caption of refund liabilities within other current liabilities. The aforementioned impacts lead to an increase in both net account receivable and refund liabilities, due to the allowance for sale return and discount being recasted, amounted to NT$28,700 thousand as of January 1, 2018 and NT$47,739 thousand as of December 31, 2018.

D. Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS 15.

(2) IFRS 9“Financial Instruments”

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transition provision in IFRS 9, the Group elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Group:

(a) The Group adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.

(b) In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at January 1, 2018. The classifications of financial assets and it carrying amounts as at January 1, 2018 are as follow:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts (NT$’000)	Measurement categories	Carrying amounts (NT$’000)
Fair value through profit or loss	1,553,833	Fair value through profit or loss	1,553,833
Fair value through other comprehensive income		Fair value through other comprehensive income	50,000
Available-for-sale financial assets (including NT$50,000 thousand measured at cost)	50,000		
At amortized cost		At amortized cost (including cash and cash equivalents, notes receivables, trade receivables, financial assets measured at amortized cost and other receivables)	14,661,548
Loans and receivables (including cash and cash equivalents, notes receivables, trade receivables, debt instrument investments for which no active market exists and other receivables)	14,661,548		
Total	16,265,381	Total	16,265,381

(c) The transition from IAS 39 to IFRS 9 as at January 1, 2018, the changes in the classifications of financial assets and financial liabilities are as follow:

IAS 39		IFRS 9			Retained earnings	Other components of equity
Class of financial instruments	Carrying amounts (NT$'000)	Class of financial instruments	Carrying amounts (NT$'000)	Difference	Adjusted amounts (NT$'000)	Adjusted amounts (NT$'000)
Financial assets at fair value through profit or loss (Note 1)						
Held-for-trading	1,553,833	Measured at fair value through profit or loss	1,553,833	-	-	-
Available-for-sale financial assets (including initial investment cost of NT$50,000 thousand and show separately as investments measured at cost) (Note 2)	50,000	Measured at fair value through other comprehensive income (equity instruments)	50,000	-	-	-
Loans and receivables (Note 3)						
Cash and cash equivalents	10,335,247	Cash and cash equivalents	10,335,247	-	-	-
Debt instrument investments for which no active market exists	423,057	Financial assets measured at amortized costs	423,057	-	-	-
Notes receivables	1,756	Notes receivables	1,756	-	-	-
Trade receivables (including related parties)	3,686,760	Trade receivables (including related parties)	3,686,760	-	-	-
Other receivables (including related parties)	214,728	Other receivables (including related parties)	214,728	-	-	-
Subtotal	14,661,548					
Total	16,265,381	Total	16,265,381	-	-	-

Notes:

(1)In accordance with IAS 39, financial assets classified as held for trading which measured at fair value through profit or loss are included investments in funds and stocks of listed companies. In accordance with IFRS 9, as the cash flow characteristics for funds are not solely payments of principal and interest on the principal amount outstanding, so they are classified as financial assets mandatorily measured at fair value through profit or loss.

(2)In accordance with of IAS 39, available-for-sale financial assets are included investments in funds, stocks and bonds of listed companies and stocks of unlisted companies. Details are described as follow:

Stocks (including listed and unlisted companies)

The assessment is based on the facts and circumstances that existed as at January 1, 2018, as these equity investments are not held-for-trading, so the Group elected to designate them as financial assets measured at fair value through other comprehensive income. As at January 1, 2018, the Group reclassified available-for-sale financial assets (including measured at cost) to financial assets measured at fair value through other comprehensive income of NT$50,000 thousands.

(3)In accordance with IAS 39, the cash flow characteristics for loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that exited as at January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arised from the assessment of impairment losses for the aforementioned assets as at January 1, 2018. Therefore, there is no impact on the carrying amount as at January 1, 2018.

As at January 1, 2018, debt instrument investments for which no active market exists of NT$423,057 thousand were reclassified to financial assets measured at amortized cost.

(d) Please refer to Note 4, Note 5, Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

(3) Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”

The amendment relates to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period.Please refer to Note 12 for the related disclosures.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 16 "Leases"	January 1, 2019
b	IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019
c	IAS 28 "Investment in Associates and Joint Ventures" — Amendments to IAS 28	January 1, 2019
d	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
e	Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
f	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019

(a) IFRS 16"Leases"

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors' classification remains unchanged as operating or finance leases, but additional disclosure information is required.

(b) IFRIC 23 "Uncertainty Over Income Tax Treatments"

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments.

(c) IAS 28"Investment in Associates and Joint Ventures" — Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

(d) Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

(e) Improvements to International Financial Reporting Standards (2015-2017 cycle):

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treats as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

(f) Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2019. As the Group is still currently determining the potential impact of the standards and interpretations listed under (a), it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

(1) IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The impact arising from the adoption of IFRS 16 on the Group are summarized as follows:

A. For the definition of a lease, the Group elects not to reassess whether a contract is, or contains, a lease at the date of initial application (1 January 2019) in accordance with the transition provision in IFRS 16. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 at the date of initial application.

(a) Leases classified as operating leases

For leases that were classified as operating leases applying IAS 17, the Group expects to measure and recognize those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019 and the Group recognizes the right-of-use asset measuring at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease, on a lease-by-lease basis.

The Group expects the right-of-use asset will increase by NT$311,664 and the lease liability will increase by NT$311,664 on 1 January 2019.

For leases classified as finance leases under IAS 17, the Group expects to reclassify the long-term prepaid rents of NT$230,297 for right-of-use asset on January 1, 2019.

B. The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

3. Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group's financial statements are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2021
c	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
d	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020

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

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(b) IFRS 17 "Insurance Contracts"

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

(2)Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and

(3)a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(c) Definition of a Business (Amendments to IFRS 3)

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

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

(d) Definition of a Material (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group assesses that there will be no significant impact on the Goup's financial statements then.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1)Statement of compliance

The consolidated financial statements of the Company for the years ended December 31, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2)Basis of preparation

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

(3)Basis of consolidation

Preparation principle of consolidated financial statements

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

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

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

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

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

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

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

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the NCIs even if this results in a deficit balance of the NCIs.

If the Company loses control of a subsidiary, it:

(a) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) Derecognizes the carrying amount of any non-controlling interest;
(c) Recognizes the fair value of the consideration received;
(d) Recognizes the fair value of any investment retained;
(e) Recognizes any surplus or deficit in profit or loss; and
(f) Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

			Percentage of Ownership (%), As of December 31,	
Investor	Subsidiary	Main business	2018	2017
The Company	KINSUS CORP. (USA)	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	100.00%	100.00%

The Company	KINSUS HOLDING (SAMOA) LIMITED	Investing activities	100.00%	100.00%
The Company	KINSUS INVESTMENT CO., LTD. (Note 1)	Investing activities	100.00%	100.00%
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Investing activities	100.00%	100.00%
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Investing activities	51.00%	51.00%
KINSUS INVESTMENT CO., LTD. (Note 1)	PEGAVISION CORPORATION	Manufacture of medical equipment	36.81% (Note)	36.81% (Note)
KINSUS HOLDING (CAYMAN) LIMITED	KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	Manufacturing and selling printed circuit board (PCB) (not high-density fine-line)	100.00%	100.00%
KINSUS HOLDING (CAYMAN) LIMITED	XIANG-SHOU (SUZHOU) TRADING LIMITED	Trading of PCB related products and materials (not high-density fine-line)	100.00%	100.00%
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDINGS LIMITED	Investing activities	100.00%	100.00%
PIOTEK HOLDINGS LIMITED	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	100.00%	100.00%

PIOTEK HOLDINGS LIMITED	PIOTEK (H.K.) TRADING LIMITED	Trading activities	100.00%	100.00%
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION	Investing activities	100.00%	100.00%
PEGAVISION CORPORATION	PEGAVISION JAPAN INC.	Selling medical equipment	100.00%	100.00%
PEGAVISION HOLDINGS CORPORATION	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	Selling medical equipment	100.00%	100.00%

Note: The Group owned a compound 36.81% of ownership of Pegavision Corporation as of December 31, 2018 and 2017. The management decided to include Pegavision Corporation as a consolidated entity because the Group, in substance, possessed the control over this entity.

Note1: The subsidiary has been renamed for KINSUS INVESTMENT CO., LTD. since May 19, 2017.

(4) Foreign currency transactions

The Company's consolidated financial statements are presented in New Taiwan Dollar, which is the parent company's functional currency. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange; non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

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

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

B. Foreign currency items within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are accounted for based on the accounting policy for financial instruments

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

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

(5) Foreign currency transactions and translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

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

Any goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(8) Financial instruments

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

The Group determines the classification of its financial assets at initial recognition. In accordance with IFRS 9 and the Regulations, financial assets of the Company are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost and notes, accounts and other receivables. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

(a) Financial assets: Recognition and Measurement

Accounting policy since January 1, 2018

Purchase or sale of financial assets is recognized using trade date accounting. The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

A. The Group’s business model for managing the financial assets and
B. The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

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

A. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
B. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

A. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
B. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

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

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

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

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

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss and trade receivable.

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

Accounting policy before January 1, 2018

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

Financial assets of the Group are classified into three categories, including financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition based on the nature and purpose.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
B. A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

(b) Impairment of financial assets

Accounting policy since January 1, 2018

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

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

A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
B. The time value of money; and
C. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

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

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

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

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

Accounting policy before January 1, 2018

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

A. Significant financial difficulty of the issuer or obligor; or
B. A breach of contract, such as a default or delinquency in interest or principal payments; or
C. It becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
D. The disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

(c) Derecognition of financial assets

A financial asset is derecognized when:

A. The rights to receive cash flows from the asset have expired
B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(d) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
B. A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

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

Before January 1, 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(e) Offsetting of financial instruments

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

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Raw materials - At actual purchase cost, using weighted average method
Finished goods and work in progress –
Including cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, using weighted average method.

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

Starting from January 1, 2018, rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(11) Investments accounted for using the equity method

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

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

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures (before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement). If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Group estimates:

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

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

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

(12) Property, plant and equipment

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

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

Buildings	10 to 25 years
Machinery	5 to 10 years

Vehicle	2 to 6 years
Office equipment	3 to 5 years
Other equipment	1 to 25 years

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

The property, plant and equipment's residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(13) Leasing

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Rental incomes under operating lease are recognized on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

(14) Intangible assets

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

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

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

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

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

The Group's accounting policies for intangible assets are as follows:

	Cost of Computer Software
Useful economic life	1 to 5 years
Amortization method	Straight-line method during the contract term
Internally generated or acquired externally	Acquired externally

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset's recoverable amount is the higher of an asset's net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

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

Impairment loss or reversals of continuing operations are recognized in profit or loss.

(16) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions for sales returns and allowances

Starting from January 1, 2018, Sales returns and allowances are accounted in accordance with IFRS 15. Before January 1, 2018, a provision has been recognized for sales returns and allowances based on past experience and other known factors.

(17) Revenue recognition

The accounting policy from January 1, 2018 is as follows:

The Group's revenue arising from contracts with customers mainly includes sale of goods and rendering of services. The accounting policies for the Group's types of revenue are explained as follow:

Sale of goods

The Group mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is substrate and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Group's sale of goods is from 30 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the time when the Group transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. In the case that the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

The accounting policy before January 1, 2018 was as follows:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

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

(a) The significant risks and rewards of ownership of the goods have passed to the buyer;
(b) Neither continuing managerial involvement nor effective control over the goods sold have been retained;
(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 entity; and
(e) The costs incurred in respect of the transaction can be measured reliably.

For the customer loyalty points programme that the Group operates, consideration received is allocated between the goods sold and the points issued, with the consideration allocated to the points equal to their fair value. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed.

Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(19) Post-employment benefits

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

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

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

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

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

(20) Share-based payment transactions

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

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

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

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

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

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

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

The Group recognizes a liability at the grant date with respect to the receipt in advance from employees who participate, but are expected to resign based on an expected resigning rate, in a restricted stocks plan with a term of requiring employee’s pre-payment and entitling the underlying employees to full refunds upon resignation. While for those employees expected to be vested under the restricted stock plan, the Group recognizes the employee’s payment in advance as an equity.

(21) Income tax

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

Current income tax

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

The 10% income tax for undistributed earnings of the Company and its subsidiaries is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred income tax

Deferred income tax is a temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

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

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed and recognized at each reporting date.

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future.

(1) Judgement

In the process of applying the Group’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

A. De facto control without a majority of the voting rights in subsidiaries

The Company does not have majority of the voting rights in certain subsidiaries. However, after taking into consideration factors such as absolute size of the Company's holding, relative size of the other shareholdings, how widely spread are the remaining shareholders, contractual arrangements between shareholders, potential voting rights, etc., the Company reached the conclusion that it has de facto control over these subsidiaries. Please refer to Note 4 for further details.

(2) Estimates and assumptions

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

(a) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Accounts receivables–estimation of impairment loss

Starting from January 1, 2018:

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

Before January 1, 2018:

The Group considers the estimation of future cash flows when there is objective evidence showed indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(c) Inventory

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

(d) Post-employment benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(e) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

(f) Revenue recognition – sale returns and allowances

Starting from January 1, 2018:

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, on the basis of highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Please refer to Note 6 for more details.

Before January 1, 2018:

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

(g) Income tax

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

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31, 2018 (NT$'000)	As of December 31, 2017 (NT$'000)
Cash and petty cash	5,682	6,765
Checkings and savings	2,303,033	2,321,910
Time deposit	7,759,954	8,013,337
Total	10,068,669	10,342,012

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

	As of December 31, 2018 (NT$'000)	As of December 31, 2017 (Note) (NT$'000)
Mandatorily measured at fair value through profit or loss:		
Money market fund	980,063	
Valuation adjustment of financial assets as measured by fair value through profit and loss	37,032	
Total	1,017,095	
Current	1,017,095	
Non-current	-	

	As of December 31, 2018 (Note) (NT$'000)	As of December 31, 2017 (NT$'000)
Held for trading:		
Money market fund		1,511,079
Valuation adjustment of financial assets held for trading		42,754
Total		1,553,833

Current	1,553,833
Non-current	-

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provison in IFRS 9.

No financial asset at fair value through profit or loss was pledged as collateral.

(3) Financial assets measured at amortized cost

	As of December 31,	
	2018 (NT$'000)	2017 (Note) (NT$'000)
Time deposits	498,338	
Current	498,338	
Non-current	-	

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provison in IFRS 9.

No financial asset measured at amortized cost was pledged as collateral.

(4) Bond investments with no active market

	As of December 31,	
	2018 (Note) (NT$'000)	2017 (NT$'000)
Time deposit		423,057
Current		423,057
Non-current		-

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provison in IFRS 9.

The Group adopted IAS 39 before January 1, 2018 and classified certain financial assets as debt instrument investments for which no active market exists. The above mentioned debt instrument investments were not pledged then.

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

	As of December 31,	
	2018 (NT$'000)	2017 (Note) (NT$'000)
Equity instruments investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies stocks	50,000	

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate period periods in accordance with the transition provision in IFRS 9.

No financial assets at fair value through other comprehensive income was pledged by the Group as collateral.

(6) Financial assets measured at cost

	As of December 31,	
	2018 (Note) (NT$'000)	2017 (NT$'000)
Stocks		50,000
Non-current		50,000

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate for prior periods in accordance with the transition provison in IFRS 9.

The Group adopted IAS 39 before January 1, 2018. The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

Financial assets measured at cost were not pledged.

(7) Notes receivable

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Notes receivable – from operations	241	1,756
Less: loss allowance	-	-
Net	241	1,756

Notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6 (24) for more details on accumulated impairment and Note 12 for more details on credit risk management.

(8) Accounts receivable and accounts receivable - related parties, net

A. Accounts receivable, net

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Accounts receivable, gross	3,503,432	3,405,732
Less: allowance against doubtful accounts	(30,553)	(23,972)
Less: allowance against return & discount	Note	(28,700)
Net of allowances	3,472,879	3,353,060
Accounts receivable - related parties, gross	349,315	333,700
Less: allowance against doubtful accounts	-	-
Net of allowances	349,315	333,700
Total accounts receivable, net	3,822,194	3,686,760

Note: The Group has adopted IFRS 15 from January 1, 2018. The Group elected not to restate for period periods in accordance with the transition provision in IFRS 15.

B. Account receivables were not pledged.

C. The Group evaluated sales return and discount based on experiences and other known factors and recorded it as a reduction against sales at the time of recognizing revenue.

D. The Group entered into factoring agreements with banks. Accounts receivables from selected customers are transferred to banks without recourse. The receivables under factoring agreements are accounted for as the financial assets derecognition since the Group no longer bears the credit risk of underlying accounts receivable, except from commercial disputes, after transferring the contractual rights to cash flows from such receivables. Details of the agreed credit limits and accounts receivables transferred were as follows:

	Financial Institution	Accounts receivable de-recognized (NT$'000)	Advance received (NT$'000)	Collateral	Credit Limit
12/31/2018	Mega International Commercial Bank - LanYa Branch	214,285	-	None	Note
12/31/2017	Mega International Commercial Bank - LanYa Branch	218,494	89,303	None	Note

Note: The credit limits were US$30,000 thousand as of December 31, 2018 and 2017.

E. The Group adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6 (24) for more details on impairment of trade receivables. The Group adopted IAS 39 for impairment assessment before January 1, 2018. The movements in the provision for impairment of trade receivables and trade receivables-related parties are as follows: (Please refer to Note 12 for more details on credit risk management.)

	Impaired Individually (NT$'000)	Impaired Collectively (NT$'000)	Total (NT$'000)
As of January 1, 2017	-	53,303	53,303
Provision (reversal)	-	(29,065)	(29,065)
Effect of exchange rate changes	-	(266)	(266)
As of December 31, 2017	-	23,972	23,972

Aging analysis for the net accounts receivable, including related parties, were as follows.

		Accounts receivable – past due, but not impaired				
	Neither past due nor impaired (NT$'000)	Less than 61 days (NT$'000)	61 to 90 days (NT$'000)	91 to 120 days (NT$'000)	Longer than 121 days (NT$'000)	Total (NT$'000)
12/31/2017	3,466,530	216,653	3,577	-	-	3,686,760

(9) Inventory

A. Details of inventory:

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Raw material	499,943	548,399
Supplies	38,781	33,683
Work in process	1,558,452	862,335
Finished goods	1,125,717	603,925
Merchandises	46,424	79,372
Total	3,269,317	2,127,714

B. For the years ended December 31, 2018 and 2017, the Company recognized NT$18,341,427 thousand and NT$18,172,762 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

Item	For the year ended December 31, 2018 (NT$'000)	2017 (NT$'000)
Loss from inventory market decline	30,807	431,156
Loss from physical taking	7,963	22,366
Loss from inventory write-off obselencense	2,674,765	2,337,809
Total	2,713,535	2,791,331

The inventories were not pledged.

(10) Investments accounted for using the equity method

	As of December 31,			
	2018		2017	
Investee	Carrying amount (NT$'000)	Percentage of ownership (%)	Carrying amount (NT$'000)	Percentage of ownership (%)
Investment in associates:				
FuYang Technology Corp.	735,275	35.65%	823,380	35.65%

A. The Group invested in FuYang Technology Corp. during May 2016 for its 36% of ownership interest. The investment has been accounted for as an investment in associates under equity method because the Group gained a significant influence accordingly.

In May 2017, the Group participated in FuYang's cash offering by unproportionately investing NT$479,422 thousand for 19,176,872 shares of FuYang and, therefore, recognized a capital surplus amounting to NT$7,484 thousand. As a result of the offering, the Group's share interest on FuYang decreased to 35.65%.

B. Investments in associates

The aggregate carrying amount of the Group's interests in FuYang Technology Corp. is NT$735,275 thousand. The aggregate financial information based on Group's share of FuYang Technology Corp. is as follows:

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Profit or loss from continuing operations	(99,606)	(77,880)
Other comprehensive income (post-tax)	12,346	(19,180)
Total comprehensive income	(87,260)	(97,060)

There were no contingent liabilities or capital commitments with respect to the investment in the associate as of December 31, 2018 and 2017. Nor any of the Group's share interest on FuYang was pledged as collateral.

C. The Group’s investment accounted for under equity method as of December 31, 2018 and 2017 amounted to NT$735,275 thousand and NT$823,380 thousand while the related investment income/loss and joint venture income were NT$(99,606) thousand and NT$(77,880) thousand for the year ended December 31, 2018 and 2017, respectively. And other comprehensive income were NT$12,346 thousand and NT$(19,180) thousand for the the year ended December 31, 2018 and 2017, respectively. They were measured based on the audited financial statements of the investee for the same correspondent periods..

D. No investment accounted for under equity method was pledged as collateral as of December 31, 2018.

(11) Property, plant and equipment

	Land (NT$’000)	Buildings (NT$’000)	Machinery (NT$’000)	Office Equipment (NT$’000)	Transportation (NT$’000)	Other Equipment (NT$’000)	Construction in progress and equipment awaiting inspection (including prepaid equipment) (NT$’000)	Total (NT$’000)
Cost:								
As of 1/1/2018	1,609,729	6,288,629	21,495,023	189,137	17,558	5,617,873	5,398,850	40,616,799
Addition	-	28,073	15,061	1,597	310	348,892	3,860,306	4,254,239
Disposals	-	(16,716)	(115,500)	(86)	(525)	(134,122)	-	(266,949)
Effect of EX rate	-	(47,151)	(108,402)	(980)	(177)	(22,104)	76,118	(102,696)
Reclassification	-	15,617	3,637,121	18,636	1,640	792,905	(4,465,919)	-
As of 12/31/2018	1,609,729	6,268,452	24,923,303	208,304	18,806	6,603,444	4,869,355	44,501,393
As of 1/1/2017	1,562,442	6,339,169	17,574,081	144,191	15,587	4,305,580	4,376,874	34,317,924
Addition	-	-	15,672	22,181	3,264	148,681	6,633,073	6,822,871
Disposals	-	(1,957)	(119,326)	(99)	-	(187,109)	-	(308,491)
Effect of EX rate	-	(56,310)	(124,815)	(1,246)	(1,293)	(27,141)	(2,380)	(213,185)
Reclassification	47,287	7,727	4,149,411	24,110	-	1,377,862	(5,608,717)	(2,320)
As of 12/31/2017	1,609,729	6,288,629	21,495,023	189,137	17,558	5,617,873	5,398,850	40,616,799
Depreciation and impairment:								
As of 1/1/2018	-	2,214,267	13,016,978	128,173	12,836	3,082,814	-	18,455,068
Depreciation	-	280,577	3,058,820	33,883	1,555	812,236	-	4,187,071

(Gain on reversal of) Impairment loss	-	-	24,377	-	-	25,393	-	49,770
Disposal	-	(16,715)	(107,071)	(86)	(205)	(134,133)	-	(258,210)
Effect of EX rate	-	(19,524)	(93,542)	(908)	(155)	(18,993)	-	(133,122)
Reclassification	-	(335)	(76)	4	-	407	-	-
As of 12/31/2018	-	2,458,270	15,899,486	161,066	14,031	3,767,724	-	22,300,577
As of 1/1/2017	-	1,943,702	10,758,229	96,815	12,926	2,674,868	-	15,486,540
Depreciation	-	289,493	2,472,758	32,403	1,198	617,564	-	3,413,416
(Gain on reversal of) Impairment loss	-	-	(15,576)	-	-	(4,022)	-	(19,598)
Disposal	-	(1,957)	(113,240)	(99)	-	(187,109)	-	(302,405)
Effect of EX rate	-	(16,971)	(84,371)	(968)	(1,288)	(18,562)	-	(122,160)
Reclassification	-	-	(822)	22	-	75	-	(725)
As of 12/31/2017	-	2,214,267	13,016,978	128,173	12,836	3,082,814	-	18,455,068
Net carrying amount:								
As of 12/31/2018	1,609,729	3,810,182	9,023,817	47,238	4,775	2,835,720	4,869,355	22,200,816
As of 12/31/2017	1,609,729	4,074,362	8,478,045	60,964	4,722	2,535,059	5,398,850	22,161,731

A. "Significant components" of buildings primarily comprised the main buildings and the facilities, which are depreciated based on their respective useful economic life of 20 to 25 years and 10 to 25 years.

B. Details of property, plant & equipment and prepayment for machinery is as follows:

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Property, plant and equipment	19,737,268	19,151,653
Prepayment for equipment	2,463,548	3,010,078
Total	22,200,816	22,161,731

C. The Group recognized an impairment loss amounting to NT$49,770 thousand on certain real estate to an extent of the recoverable value in 2018. The Group recognized a gain from impairment reversed in amount of NT$19,598 thousand in 2017 due to an increase of recoverable value evaluated for purpose of business strategy adjustment. These impairment loss or gain from recovery has been recorded in the Group's statements of comprehensive incomes. The reverable value is measured at usage values by the identified cash-generated units.

D. Please refer to Note 8 for details on property, plant and equipment pledged as collaterals.

E. The Group purchased 40 parcels of agricultural land with a total of 36,115.24 square meters. Lands are located at No. 1113, 1114, 1438 to 1443, 1479, 1486 to 1487 at ShiLeiZi Sub-section, ShiLeiZi Section, No. 1044, 1047 to 1049 at QingHua Section, and No. 0001, 697 to 700 and 712 to 726 at RongHua Section, XinFeng Village. Due to regulatory restrictions, the agricultural land can't be registered in the Group's name while it has been temporarily registered in the general manager's name and, to secure the Group's right, mortgage registration has been set aside in favor for the Group.

(12) Intangible assets

	Computer software (NT$'000)
Cost:	
As of 1/1/2018	61,027
Additions – acquired separately	17,644
Derecognized upon retirement	(36,875)
Reclassification	-
Effect of exchange rate changes	(335)
As of 12/31/2018	41,461
As of 1/1/2017	42,255
Additions – acquired separately	34,980
Derecognized upon retirement	(15,804)
Reclassification	-
Effect of exchange rate changes	(404)
As of 12/31/2017	61,027
Amortization and Impairment:	
As of 1/1/2018	38,177
Amortization	25,898
Derecognized upon retirement	(36,875)
Reclassification	-
Effect of exchange rate changes	(268)
As of 12/31/2018	26,932
As of 1/1/2017	23,435
Amortization	30,655

Derecognized upon retirement	(15,804)
Reclassification	-
Effect of exchange rate changes	(109)
As of 12/31/2017	38,177
Carrying amount, net:	
As of 12/31/2018	14,529
As of 12/31/2017	22,850

Amounts of amortization recognized for intangible assets are as follows:

	For the year ended December 30,	
	2018 (NT$'000)	2017 (NT$'000)
Cost of goods sold	200	170
Selling	203	618
General and administrative	25,358	29,759
Research and development	137	108
Total	25,898	30,655

(13) Other non-current assets

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Refundable deposits	92,057	79,652
Long-term prepaid rent	224,297	234,372
Total	316,354	314,024

A. As of December 31, 2018 and 2017, the right to use land, recorded under the caption of long-term prepaid rent, amounted to NT$224,297 thousand and NT$234,372 thousnad, respectively.

B. Please refer to Note 8 for details on refundable deposits.

(14) Short-term loans

	Interest interval (%)	As of December 31, 2018 (NT$'000)	2017 (NT$'000)
Unsecured bank loans	0.72%~3.697%	3,340,483	3,297,397

As of December 31, 2018 and 2017, the line of unused short-term loan credit for the Group amounted to NT$5,298,700 thousand and NT$6,480,683 thousand, respectively.

(15) Other payable

	As of December 31, 2018 (NT$'000)	2017 (NT$'000)
Accrued expense	2,373,503	2,307,749
Equipment payable	726,797	1,287,098
Accrued interest	9,709	3,138
Total	3,110,009	3,597,985

(16) Other current liabilities

A.

	As of December 31, 2018 (NT$'000)	2017 (NT$'000)
Other current liabilities	78,969	66,292
Unearned sales revenue	Note	136,948
Deferred revenue - customer loyalty programs	Note	4,041
Current portion of long-term loans	852,772	512,112
Total	931,741	719,393

Note:The Group adopted IFRS 15 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provison in IFRS 15.

B. Customer loyalty programs

	For the year ended December 31,	
	2018 (Note) (NT$'000)	2017 (NT$'000)
Balance, beginning		1,623
Deferred during the period		4,835
Recognized in profit or loss		(2,417)
Balance, ending		4,041

	As of December 31,	
	2018 (Note) (NT$'000)	2017 (NT$'000)
Current		4,041
Non-current		-
Total		4,041

Note: The Group adopted IFRS 15 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provison in IFRS 15.

(17) Refund liability

	As of December 31,	
	2018 (NT$'000)	2017 (Note) (NT$'000)
Refund liability	47,739	

Note: The Group adopted IFRS 15 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provison in IFRS 15.

(18) Long-term loans

Details of long-term loans were as follows:

Debtor	Type of Loan	Maturity	Loan Balance As of 12/31/2018 (NT$'000)	Repayment
Mega International Commercial Bank – LanYa Branch	Credit loan	2020.04.02-2023.06.29	1,953,578	Notes 1
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Credit loan	2021.03.31-2021.04.23	800,000	Notes 2 and 3
Standard Chartered Bank – Xinwu Branch	Credit loan	2021.09.28	600,000	Notes 4
Chang Hwa Commercial Bank –Beitou Branch	Credit loan	2023.10.09	100,000	Notes 1
Total			3,453,578	
Less: current portion			(852,772)	
Non-current portion			2,600,806	

Debtor	Type of Loan	Maturity	As of 12/31/2017 (NT$'000)	Repayment
Mega International Commercial Bank – LanYa Branch	Secured bank loan	2020.05.07	66,000	Notes 5
Mega International Commercial Bank – LanYa Branch	Credit loan	2018.08.12-2021.07.05	2,157,912	Notes 1
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Secured bank loan	2018.09.09-2019.01.15	35,000	Notes 1
Total			2,258,912	
Less: current portion			(512,112)	
Non-current portion			1,746,800	

Note 1: A term is defined as every 3 months starting from the initial draw-down date. Loan period is 5 years. Grace period is 1 year (4 terms). Interest shall be paid monthly with principal repaid every 3 months. The rest is repayable in installments of equal amount for 16 terms.

Note 2: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 1 years (4 terms). The rest is repayable in installments of equal amount for 8 terms.

Note 3: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 1 years (4 terms). The rest is repayable in installments of equal amount for 6 terms.

Note 4: Grace period is 18 months from the initial draw-down date. 18 months after the initial draw-down date is considered the 1st term and the following terms are defined as every 6 months since then. The principal and interest are repayable in installments of equal amount for 4 terms.

Note 5: Grace period is 1 year. The loan principal is to repay in 16 installments starting the second year with 4% for the first repayment, 12% for the second, and 6% for each of the rest.

A. A portion of property, plant and equipment were pledged to Mega International Commercial Bank and Shanghai Commercial & Savings Bank (the first-priority mortgagors) as collaterals for secured bank loans. Please refer to Note 8 for more details.

B. As of December 31, 2018 and 2017, the interest rate intervals for long-term loans were 1.074%~3.296% and 1.022%~2.8%, respectively.

(19) Other non-current liabilities

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Accrued pension costs	25,156	25,962
Deposits received	44,708	50,577
Total	69,864	76,539

(20) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

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

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

Expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 were NT$141,921 thousand and NT$124,379 thousand, respectively.

Defined benefits plan

Kinsus and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, Kinsus and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT$4,591 thousand to its defined benefit plan during the 12 months beginning after December 31, 2018.

As of December 31, 2018 and 2017, the maturities of Kinsus' defined benefit plan are in 2037 and 2037.

Pension costs recognized in profit or loss were as follows.

	For the year ended December 31, 2018 (NT$'000)	2017 (NT$'000)
Current period service costs	58	135
Net interest of defined benefit liability (asset)	415	558
Previous period service costs	-	-
Settlement	-	-
Total	473	693

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

	As of Dec. 31, 2018 (NT$'000)	Dec. 31, 2017 (NT$'000)	Jan. 1, 2017 (NT$'000)
Defined benefit obligation	135,711	129,761	130,404
Plan assets at fair value	(110,555)	(103,799)	(99,395)
Other non-current liabilities – net defined benefit liability	25,156	25,962	31,009

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

	Present value of defined benefit obligation (NT$'000)	Fair value of plan assets (NT$'000)	Net defined benefit liability(asset) (NT$'000)
1/1/2017	130,404	(99,395)	31,009
Current service cost	135	-	135
Interest cost	2,347	(1,789)	558
Past service cost and settlement	-	-	-
Total	2,482	(1,789)	693
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	2,109	-	2,109
Actuarial gain/loss due to change in financial assumptions	4,902	-	4,902
Experience gain/loss	(8,789)	774	(8,015)

Re-measurement on defined benefit assets	-	-	-
Total	(1,778)	774	(1,004)
Benefits paid	(1,347)	1,347	-
Contributions by employer	-	(4,736)	(4,736)
Effect of exchange rate	-	-	-
12/31/2017	129,761	(103,799)	25,962
Current service cost	58	-	58
Interest cost	2,076	(1,661)	415
Pasts service cost and settlement	-	-	-
Total	2,134	(1,661)	473
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	(1,931)	-	(1,931)
Actuarial gain/loss due to change in financial assumptions	10,044	-	10,044
Experience gain/loss	(2,324)	(2,477)	(4,801)
Re-measurement on defined benefit assets	-	-	-
Total	5,789	(2,477)	3,312
Benefits paid	(1,973)	1,973	-
Contributions by employer	-	(4,591)	(4,591)
Effect of exchange rate	-	-	-
12/31/2018	135,711	(110,555)	25,156

The actuarial assumptions used for the Company’s defined benefit plan are shown below.

	As of December 31,	
	2018	2017
Discount rate	1.20%	1.60%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis

	For the year ended December 31,			
	2018 (NT$’000)		2017 (NT$’000)	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased by 0.5%	-	(12,261)	-	(12,019)
Discount rate decreased by 0.5%	13,713	-	13,482	-
Expected salary level increased by 0.5%	13,391	-	13,220	-
Expected salary level decreased by 0.5%	-	(12,114)	-	(11,919)

For the purpose of sensitivity analysis above, the Company calculated the impact on defined benefit obligation due to a reasonable and feasible change of one single assumption (i.e. discount rate or expected salary level) with other assumptions remaining equal. Please note that the sensitivity analysis has its limitation due to the co-relation between different actuarial assumptions and the rarity that only one assumption changes at a time.

The method used in the analysis is consistent for both current and prior years

(21) Equity

A. Common shares

As of December 31, 2018 and 2017, the Company’s authorized capital were NT$5,500,000 thousand, each share at par value of NT$10, divided into 550,000 thousand. As of December 31, 2018 and 2017, the Company’s paid-in capital were NT$4,508,410 thousand and NT$4,460,000 thousand, respectively, divided into 450,841 thousand shares and 446,000 thousand shares, respectively. Each share represents a voting right and a right to receive dividends.

On January 29, 2018 and May 29, 2018, the Company’s board of directors and shareholders’ meetings resolved to increase the capital through an issuance of new 5,500,000 shares of restricted stock for employees. The application has been governmentally approved by FSC in the Order No. Financial-Supervisory-Securities-Corporate-1070324628 issued on July 10, 2018. The measurement date was at August 28, 2018. After the issuance, the Cmpany’s authorized capital was NT$5,500,000 thousand and paid-in capital was NT$4,508,410 thousand, divided into 450,841 thousand shares.

As of December 31, 2018, the restricted stocks plan has expired while there were 74 thousand shares to be cancelled yet.

B. Capital surplus

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Additional paid-in capital	5,887,857	5,850,000
Differences between purchase price and carrying amount arising from acquisition or disposal of subsidiaries	50,925	50,925
All changes in interests in subsidiaries	38,894	38,894
Change in joint ventures accounted for using equity method	7,484	7,484
Employee stock option in affiliate company	-	845
Shared-Based Payment	8,371	8,371
Restricted stocks for employees	147,411	-
Total	6,140,942	5,956,519

According to Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them. Capital surplus related to long-term equity investments cannot be used for any purpose.

C. Treasury stock

No treasury stock was held by the Company as of December 31, 2017, while treasury stock amounted to NT$738 thousand, divided into 74 thousand shares, as of December 31, 2018.

The movement schedule of treasury stock for the year ended December 31, 2018 and 2017 was as below (in thousand shares).

Purpose of repurchase	Beginning balance	Addition	Decrease	Ending balance
For the years ended December 31, 2018				
Recover failed restricted stocks	-	74	-	74
For the years ended December 31, 2017				
To be transferred to employees	550	-	550	-

The Company transferred 550,000 shares of treasury stocks to qualified employees in accordance with its "Rule for Buying Back The Company's Own Stocks in Second Time". The measurement date was at September 22nd, 2017.

According to the Securities and Exchange Law of the R.O.C., total treasury stock shall not exceed 10% of the Company's issued stock, and the total purchase amount shall not exceed the sum of the retained earnings, additional paid-in capital-premiums and realized additional paid-in capital. As such, the ceiling number of shares of treasury stock that the Company could hold as of December 31, 2018 were 45,084 thousand shares, with the maximum payments of NT$23,147,072 thousand.

In compliance with Securities and Exchange Law of the R.O.C., treasury stock should not be pledged, nor should it be entitled to voting rights or receiving dividends.

D. Appropriation of earnings and dividend policies

(a) Retained earnings and dividend policies

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

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Set aside 10% of the remaining amount as legal reserve. There is no requirement to further make such reserve when legal reserve reaches the capital amount.
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(b) Dividend policies

The Company is in an industry with versatile environment. For long-term finance planning requirements and to meet the shareholders' demand for cash, the Company's dividend policy aims for steadiness and balancing. Dividends to be distributed in cash for each year shall not be less than 10% of the total dividends paid.

(c) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(d) Special reserve

Following the adoption of T-IFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company did not incur any special reserve upon the first-time adoption of T-IFRS.

(e) The appropriations of earnings for the Years 2018 and 2017 were approved through the Board of Directors' meetings and shareholders' meetings held on February 18, 2019 and May 29, 2018, respectively. The details of the distributions are as follows.

	Appropriation of earnings		Dividend per share (in NT$)	
	2018 (NT$'000)	2017 (NT$'000)	2018	2017
Legal reserve	34,949	49,167		
Special reserve	22,706	77,064		
Cash dividend	676,261	669,000	1.50	1.50
Total	733,916	795,231		

Please refer to Note 6(26) for details on employees' compensation and remuneration to directors and supervisors.

E. Non-controlling interests

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Beginning balance	1,916,437	2,145,059
Net gain (loss) attributable to NCIs	61,555	(156,354)
Other comprehensive income attributable to NCIs:		
Exchange differences arising on translation of foreign operations	(11,620)	(34,357)
Non-controlling interests increase / decrease	-	(37,911)
Ending balance	1,966,372	1,916,437

(22) Share-based payment plans

Share-based payment plan for employees of the parent entity

A. The Company transferred its treasury stocks to qualified employees in accordance with its "Rule for Buying Back The Company's Own Stocks in Second Time" on September 22nd, 2017 at a price of NT$59.79 per share.

The fair value of the share options is estimated at the grant date using a binomial option pricing-model, taking into account the terms and conditions upon which the share options were granted.

The relevant details of the aforementioned share-based payment plan are as follows:

Date of grant	Total number of share options granted	Exercise price of share options (NT$)
2017.09.22	550,000	59.79

The fair value of the share-based payment above was computed by using Black-Scholes valuation model. The underlying assumptions are as below.

	Information regarding treasury stock granted to employee
Exercise price	NT$59.79
Market unit price at measurement date	NT$75.2
Expected volatility (%)	25.26%
Risk-free interest rate (%)	0.6%
Expected dividend yield (%)	-%
Expected option life (Years)	0.032877 years
Fair value	NT$15.4

The details of the plan regarding treasury stock transferred to employee was as below.

	For the year ended December 31,	
	Number of share options outstanding (in thousands)	Weighted average exercise price of share options (NT$)
Outstanding at beginning	-	-
Granted	550	59.79
Exercisable at end	(550)	(59.79)
Outstanding at end	-	-
For share options granted during the period, weighted average fair value of those options at the measurement date (NT$)	15.4	

B. The expense recognized for employee services received during the year ended 31 December, 2017 is shown in the following table:

	For the year ended December 31, (NT$'000)
Total expense arising from equity-settled share-based payment transactions	8,371

Restricted stocks plan for employees

A. On May 29, 2018, the shareholders' meetings resolved to issue of 5,500 thousand shares of restricted stocks for employees. The grantee is limited to employees who meet certain conditions. The restricted stocks have been approved by the Securities and Futures Bureau. On July 30, 2018, the board of directors resolved to issue 4,947 thousand shares. The measurement date was at August 28, 2018 and total shares issued were 4,841 thousand. The unit market price as of the granted date was NT$49.1.

The employees who acquire the above shares can subscribe shares at the price of NT$10 per shares while the vesting conditions are as below.

Vesting conditions	Proportion of vested shares
Within one month starting the granted date	20%
April 25, 2019	20%
September 25, 2019	15%
April 25, 2020	15%
September 25, 2020	15%
April 25, 2021	15%

Restriction on employee's right after granted but before vested:

(a)The granted employee commit to the custodian institution, and shall not sell, pledge, transfer, donate, or dispose in any other ways, the right of restricted stocks before achieving the vesting conditions.

(b)After new shares of restricted stock are issued, the granted employee should immediately commit to the custodian institution, and not to ask the trustee to return the restricted stock in any other reasons or ways before achieving the vesting conditions.

(c)The restricted stock for employees can participate in receiving dividends during the vesting period.

(d)The right to vote and elect in a shareholders' meeting shall be executed by custodian institution in accordance with related regulations.

On August 28, 2018, the issuance of 4,841 thousand restricted shares for employees resulted in the increase of capital reserve－employee stock option amounting to NT$184,530 thousand. The restricted stocks plan was invalidated as of December 31, 2018 and 74 thousand shares were recalled. As a result, capital reserve increased by NT$738 thousand and the unearned employee compensation was NT$102,973 thousand.

B. The expense recognized for employee services received is shown in the following table.

	For the year ended December 31, 2018 (NT$'000)
Total expense arising from equity-settled share-based payment transactions	82,525

C. The Company did not modify the share-based payment plan for the year ended December 31, 2018.

(23) Sale

	For the year ended December 31,	
	2018 (Note) (NT$'000)	2017 (NT$'000)
Revenue from customer contracts		
Sales of goods	23,348,939	22,207,598
Other operating revenue	378,990	127,888
Total	23,727,929	22,335,486

Note: The Group has adopted IFRS 15 since January 1, 2018. The Group elected to recognize the cumulative effect of initially applying the standard at the date of initial application (January 1, 2018).

The Group has adopted IFRS 15 starting January 1, 2018. Analysis of revenue from contracts with customers during the year is as follows:

A. Disaggregation of revenue

	IC Substrate (NT$'000)	PCB (NT$'000)	Optics (NT$'000)	Total (NT$'000)
Sale of goods	16,844,403	3,371,865	3,132,671	23,348,939
Other	378,990	-	-	378,990
Total	17,223,393	3,371,865	3,132,671	23,727,929

The timing for revenue recognition:

At a point in time	17,223,393	3,371,865	3,132,671	23,727,929

B. Contract balances

(a) Contract liabilities – current

	Beginning balance (NT$'000)	Ending balance (NT$'000)	Difference (NT$'000)
Sales of goods	136,948	124,061	(12,887)
Customer loyalty programs	4,041	10,739	6,698
Total	140,989	134,800	(6,189)

For the year ended December 31, 2018, contract liabilities decreased because certain performance obligations included in the beginning contract liability balance were satisfied and therefore recognized for revenues.

(24) Expected credit losses/ (gains)

	For the year ended December 31,	
	2018 (NT$'000)	2017 (Note) (NT$'000)
Operating expenses – Expected credit losses/(gains)		
Account receivables	6,582	

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provison in IFRS 9.

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

The Group measured the impairment against the other receivables reclassified from accounts receivable due to factoring agreements mainly based on the expected credit loss for 12 months of the counter-party financial institutions. As of December 31, 2018, there was no other receivables pastdue. Furthermore, the Group assessed the related expected credit loss to be insignificant because the counter-party financial institutions are of good credit condition.

The Group measures the loss allowance of its contract assets and trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2018 is as follow:

A. The Group needs to condsider the grouping of trade receivables by counter-parties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follow:

Group 1	Neither past due	Past due				
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	Total
	(NT$'000)	(NT$'000)	(NT$'000)	(NT$'000)	(NT$'000)	(NT$'000)
Gross carrying amount	3,249,699	345,796	60,682	323	-	3,656,500
Loss ratio	-%	5%	15%	30%	50%	
Lifetime expected credit losses	-	(17,290)	(9,102)	(97)	-	(26,489)
Subtotal	3,249,699	328,506	51,580	226	-	3,630,011

Group 2	Neither past due	Past due				
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	Total
	(NT$'000)	(NT$'000)	(NT$'000)	(NT$'000)	(NT$'000)	(NT$'000)
Gross carrying amount	196,488	-	-	-	-	196,488
Loss ratio	2.07%	-%	-%	-%	-%	
Lifetime expected credit losses	(4,064)	-	-	-	-	(4,064)
Subtotal	192,424	-	-	-	-	192,424
Carrying amount of trade receivables	3,442,123	328,506	51,580	226	-	3,822,435

Note: all the Group's note receivables were not past due.

B. The movement schedule of the impairment provision gainst contract assets, note receivables, trade receivables and other receivables for the year ended December 31,2018 is as follows:

	Note receivables (NT$'000)	Account receivables (NT$'000)
Beginning balance		
(in accordance with IAS 39)	-	23,972
Additions	-	6,582
Effect of exchange rate changes	-	(1)
Ending balance	-	30,553

(25) Operating lease

A. Group as a lessee

Future minimum lease payments due to irrevocable leasing contracts were as follows:

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Less than one year	161,310	100,592
More than one year but less than five years	169,585	203,571
Total	330,895	304,163

Operating lease expenses recognized are as follows:

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Minimum lease payment	184,495	169,804

B. Group as a lessor

The leasing agreements that the Company entered into for plants have an average term of one to three years.

Future minimum rentals receivable under non-cancellable operating leases as of December 31, 2018 and 2017, are as follows:

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Less than one year	38,154	42,379
More than one year but less than five years	-	35,316
Total	38,154	77,695

For the year ended December 31, 2018 and 2017, rent incomes of the Group amounted to NT$51,303 thousand and NT$59,309 thousand, respectively.

(26) Summary statement of employee benefits, depreciation and amortization by function:

Function / Nature	For the year ended December 31, 2018 (NT$'000)			For the year ended December 31, 2017 (NT$'000)		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	3,830,206	917,678	4,747,884	3,065,400	842,549	3,907,949
Labor and health insurance	271,702	63,141	334,843	221,379	65,929	287,308
Pension	108,416	34,000	142,416	90,007	35,065	125,072
Other employee benefit	190,718	56,854	247,572	285,560	143,919	429,479
Depreciation	3,749,346	437,725	4,187,071	2,766,131	647,285	3,413,416
Amortization	200	25,698	25,898	170	30,485	30,655

According to the resolution, not lower than 10% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered.

The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on profit of the year ended December 31, 2018, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 to be not lower than 10% and not higher than 1% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2018 amount to NT$55,074 thousand and NT$3,352 thousand, respectively. The Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017 to be NT$80,693 thousand and NT$4,912 thousand, respectively. The aforementioned employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2018 and 2017 were estimated based on post-tax net income of the period and recognized as salaries expense. The number of stocks distributed as employees' compensation was calculated based on the closing price one day earlier than the date of shareholders' meeting. For example, if there was different between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors, it will recognize in profit or loss to next year.

The Company's Board has determined the employees' compensation and directors' renumeration, all in cash, to be NT$55,074 thousand and NT$3,352 thousand, respectively, in a meeting held on February 18, 2019.

No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended December 31, 2018.

The Company's Board has determined the employees' compensation and directors' renumeration, all in cash, to be NT$80,693 thousand and NT$4,912 thousand, respectively, in a meeting held on January 29, 2018.

No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended December 31, 2017.

(27) Non-operating incomes and expenses

A. Other incomes

	For the year ended December 31, 2018 (NT$'000)	2017 (NT$'000)
Interest income	Note	62,316
Financial assets measured at amortized cost	62,377	Note
Other income－gain from reversal of allowance for doubtful accounts receivable	-	29,065
Other income－others	179,800	145,665
Total	242,177	237,046

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provison in IFRS 9.

B. Other gains and losses

	For the year ended December 31, 2018 (NT$'000)	2017 (NT$'000)
Gain (loss) from disposal of property, plant and equipment	1,014	(5,847)
Foreign exchange gain (loss), net	(16,206)	66,318
Financial assets at fair value through profit(Note)	5,383	7,140
Gain on reversal of impairment loss	(49,770)	19,598
Other expenses	(42,886)	(37,331)
Total	(102,465)	49,878

Note: Balance in current period was arising from financial assets mandatorily measured at fair value through profit or loss and balance in prior period was arising from held for trading investment.

C. Finance costs

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Interest on bank loans	121,234	79,146

(28) Components of other comprehensive income (OCI)

For the year ended December 31, 2018

	Arising during the period (NT$'000)	Reclassification during the period (NT$'000)	Subtotal (NT$'000)	Income tax benefit (expense) (NT$'000)	OCI, Net of tax (NT$'000)
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	(3,312)	-	(3,312)	-	(3,312)
To be reclassified to profit or loss in subsequent period:					
Exchange differences arising on translation of foreign operations	(46,672)	-	(46,672)	-	(46,672)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	12,346	-	12,346	-	12,346
Total OCI	(37,638)	-	(37,638)	-	(37,638)

For the year ended December 31, 2017

	Arising during the period (NT$'000)	Reclassification during the period (NT$'000)	Subtotal (NT$'000)	Income tax benefit (expense) (NT$'000)	OCI, Net of tax (NT$'000)
To be reclassified to profit or loss in subsequent period:					
Not reclassified to profit or loss:					
Actuarial gains or losses on defined benefits plan	1,004	-	1,004	-	1,004

Exchange differences arising on translation of foreign operations	(92,241)	-	(92,241)	-	(92,241)
Unrealized valuation gain (loss) on available-for-sale financial assets	(19,180)	-	(19,180)	-	(19,180)
Total OCI	(110,417)	-	(110,417)	-	(110,417)

(29) Income tax

Based on an amendment to the Income Tax Act announced on Feburary 7, 2018, the Company's applicable corporate income tax rate changes from 17% to 20% and the surtax rate on undistributed earnings from 10% to 5% effective the year of 2018.

A. The major components of income tax expense (income) are as follows:

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Current income tax expense (benefit):		
Current income tax expense	295,325	327,564
Adjustments in respect of current income tax of prior periods	(118,841)	(13,174)
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	144,254	(120,589)
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	(21,256)	-
Total income tax expense	299,482	193,801

B. Income tax recognized in other comprehensive income

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Deferred tax expense (benefit):		
Exchange differences arising on translation of foreign operations	-	-

C. A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Accounting profit (loss) before tax from continuing operations	710,522	529,123
Tax payable at the enacted tax rates	185,018	134,351
10% surtax on Undistributed earnings	28,309	77,705
Tax effect of income tax-exempted	(41,289)	(17,525)
Tax effect of expenses not deductible for tax purposes	(3,244)	82
Tax effect of deferred tax assets/liabilities	255,998	17,440
Reversal of uncertain tax position upon finalization	(118,841)	(13,174)
Others	(6,469)	(5,078)
Total income tax expense (income) recognized in profit or loss	299,482	193,801

D. Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2018

	Beginning balance as of Jan. 1, 2018 (NT$'000)	Deferred tax income (expense) recognized in P/L (NT$'000)	Effect of tax rate change (NT$'000)	Exchange adjustment (NT$'000)	Ending balance as of Dec. 31, 2018 (NT$'000)
Temporary differences					
Prepaid appreciation tax on agricultural land	9,593	-	-	-	9,593
Unrealized loss on inventory valuation	121,382	(140,311)	21,421	-	2,492
Unrealized exchange loss (gain)	(930)	(585)	(165)	-	(1,680)
Other	115	202	-	9	326

Investments accounted for using the equity method	(323)	(3,560)	-	-	(3,883)
Deferred tax income/ (expense)		(144,254)	21,256	9	
Net deferred tax assets/(liabilities)	129,837				6,848
Reflected in balance sheet as follows:					
Deferred tax assets	131,090				12,411
Deferred tax liabilities	(1,253)				(5,563)

For the year ended December 31, 2017

	Beginning balance as of Jan. 1, 2017 (NT$'000)	Deferred tax income (expense) recognized in P/L (NT$'000)	Exchange adjustmen (NT$'000)	Ending balance as of Dec. 31, 2017 (NT$'000)
Temporary differences				
Prepaid appreciation tax on agricultural land	9,593	-	-	9,593
Unrealized loss on inventory valuation	281	121,101	-	121,382
Unrealized exchange loss (gain)	(631)	(299)	-	(930)
Other	8	110	(3)	115
Investments accounted for using the equity method	-	(323)	-	(323)
Deferred tax income/ (expense)		120,589	(3)	
Net deferred tax assets/(liabilities)	9,251			129,837
Reflected in balance sheet as follows:				
Deferred tax assets	9,882			31,090
Deferred tax liabilities	(631)			(1,253)

E. Unrecognized deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT$1,206,420 thousand and NT$824,146 thousand, respectively.

F. Unused balance of deductible net operating loss within the Company was listed as following.

		Unused balance		
	Accumulated net	As of December 31,		
Occurrence year	operating loss (NT$'000)	2018 (NT$'000)	2017 (NT$'000)	Expiration Year
2012	135,158	96,878	97,609	2022

G. The assessment of income tax return

As of December 31, 2018, the assessment status of income tax returns of the Company and subsidiaries were as follows:

	The assessment of income tax returns
The Company	Note
Subsidiary - Pegavision Corporation	Assessed and approved up to 2016
Subsidiary - Kinsus Investment Co., Ltd.	Assessed and approved up to 2016

Note: As of December 31, 2018, the Company's tax filings up to 2015, except for 2014, have been finalized.

(30)Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

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

A. Basic earnings per share

	For the year ended December 31,	
	2018	2017
Net income available to common shareholders of the parent (in NT$'000)	349,485	491,676
Weighted average number of common shares outstanding (in thousand shares)	446,255	446,000
Basic earnings per share (in NT$)	0.78	1.10

B. Diluted earnings per share

	For the year ended December 31,	
	2018	2017
Net income available to common shareholders of the parent (NT$'000)	349,485	491,676
Net income available to common shareholders of the parent after dilution (NT$'000)	349,485	491,676
Weighted average number of common shares outstanding (in thousand shares)	446,255	446,000
Effect of dilution:		
Employee bonus (compensation) – stock (in thousand shares)	1,779	1,932
Restricted stocks (in thousand shares)	362	-
Weighted average number of common shares outstanding after dilution (in thousand shares)	448,396	447,932
Diluted earnings per share (in NT$)	0.78	1.10

No other transactions that would significantly change the outstanding common shares or potential common shares incurred during the period subsequent to reporting date and up to the approval date of financial statements.

(31) Subsidiary that has material non-controlling interests

Proportion of equity interest held by non-controlling interests:

Name	Country	As of December 31, 2018	As of December 31, 2017
PIOTEK HOLDINGS LTD. and its subsidary	China	51.00%	51.00%
Pegavision Corporation and its subsidary	Taiwan	36.81%	36.81%

Accumulated balances of material non-controlling interest:

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
PIOTEK HOLDINGS LTD. And subsidaries	697,708	989,234
Pegavision Corporation and its subsidary	1,268,664	927,203

Profit (loss) allocated to material non-controlling interest:

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
PIOTEK HOLDINGS LTD. And subsidaries	(280,377)	(347,748)
Pegavision Corporation and its subsidary	341,932	191,407

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarized Piotek Holdings Ltd. and subsidaries information of profit or loss is as follows:

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Operating revenue	3,375,715	4,307,300
Profit/loss from continuing operation	(572,200)	(709,695)
Total comprehensive income for the period	(594,973)	(778,603)

Summarized Pegavision Corporation and subsidaries information of profit or loss is as follows:

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Operating revenue	3,132,671	2,182,174
Profit/loss from continuing operation	541,156	302,908
Total comprehensive income for the period	540,410	301,981

Summarized Piotek Holdings Ltd. and subsidaries information of financial position is as follows:

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Current assets	1,527,580	2,051,595
Non-current assets	1,715,709	2,112,365
Current liabilities	1,488,787	1,594,928
Non-current liabilities	330,616	550,173

Summarized Pegavision Corporation and subsidaries information of financial position is as follows:

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Current assets	1,560,422	1,227,355
Non-current assets	2,595,838	1,682,133
Current liabilities	1,654,207	1,394,621
Non-current liabilities	494,211	47,435

Summarized Piotek Holdings Ltd. and subsidaries cash flows information is as follows:

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Operating activities	(63,412)	(253,649)
Investing activities	(78,809)	(55,350)

Financing activities	39,502	124,217
Net increase/(decrease) in cash and cash equivalents	(98,120)	(198,311)

Summarized Pegavision Corporation and subsidaries cash flows information is as follows:

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Operating activities	1,111,172	1,045,584
Investing activities	(1,828,833)	(681,539)
Financing activities	563,139	(36,961)
Net increase/(decrease) in cash and cash equivalents	(155,269)	326,185

7. RELATED PARTY TRANSACTIONS

(1)Deal with related parties as of the end of the reporting period

Related parties and Relationship

Related parties	Relation
Pegatron Corporation	Parent company
FuYang Technology Corp.	Associate
AzureWave Technologies, Inc.	Other related party
AzureWave Technologies (Shanghai) Inc.	Other related party
PEGATRON JAPAN INC.	Other related party
Maintek Computer (Suzhou) Co., Ltd.	Other related party
GNDC(Shanghai) Co., Ltd.	Other related party

(2) Significant transactions with related parties

A. Sale

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Ultimate parent company	1,482,977	1,405,487
Other related parties	36,725	56,738
Total	1,519,702	1,462,225

Selling prices and collection terms to related parties for the year ended December 31, 2018 and 2017 were similar to those to third party customers. The collection terms were 30 to 90 days from the end of delivery month and by telegraphic transfer.

B. Purchases

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Associate	-	69,658
Other related parties	-	2
	-	69,660

The product specification of goods purchased from related parties for the year ended December 31, 2018 and 2017, differed from those purchased from other vendors. Thus, transaction prices were not comparable. The payment terms for related parties were 60 days and non-related parties are 30 to 90 days from the end of delivery month by telegraphic transfer.

C. For the year ended December 31, 2018 and 2017, the Group recognized rent expenses of NT$109,298 thousand and NT$90,249 thousand (tax included), respectively, for plants leased from the Parent.

Moreover, for the year ended December 31, 2018 and 2017, the Group recognized rent expenses of NT$1,296 thousand and NT$850 thousand (tax included), respectively, for plants leased from other related parties.

In addition, for the year ended December 31, 2018 and 2017, the Group recognized rent expenses of NT$1,080 thousand and NT$253 thousand (tax included), respectively, for various facilities leased from the Parent.

D. For the year ended December 31, 2018 and 2017, the Group recognized operating expenses of NT$3,404 thousand and NT$4,776 thousand, respectively, for services provided by other related parties.

For the year ended December 31, 2018 and 2017, the Group recognized operating expenses of NT$4,352 thousand and NT$4,220 thousand (tax included), respectively, for services provided by the Parent.

Moreover, for the year ended December 31, 2018 and 2017, the Group incurred operating expenses of NT$92,405 thousand and NT$75,194 thousand (tax included), respectively, for utility bills paid by the Parent.

In addition, for the year ended December 31, 2018 and 2017, the Group incurred operating expenses of NT$21 thousand and NT$13 thousand (tax included), respectively, for utility bills paid by other related parties.

E. For the year ended December 31, 2018 and 2017, the Group recognized rent income of NT$1,803 thousand and NT$5,039 thousand, respectively, for plants leased to other related parties.

For the year ended December 31, 2018 and 2017, the Group recognized rent income of NT$43,666 thousand and NT$39,142 thousand, respectively, for plants leased to the associate.

F. For the year ended December 31, 2018 and 2017, the Company recognized other income in amount of NT$19,823 thousand and NT$18,709 thousand due to paying utilities on behalf of associate.

The Company recognized NT$2,612 and NT$2,285 thousand of operating expense for the year ended December 31, 2018 and 2017 due to subcontracting maintenance and repair on factories to its associate.

For the year ended December 31, 2017, the Group recognized other income of NT$259 thousand for providing services to other related parties.

For the year ended December 31, 2017, the Group paid on behalf of associate in amount of NT$140 thousand.

G. Accounts receivable - related parties

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Parent company	343,824	326,216
Other related parties	5,491	7,484
Total	349,315	333,700
Less: loss allowance	-	-
Net	349,315	333,700

H. Salaries and rewards to key management of the Group

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Short-term employee benefit	56,883	67,255
Post-employee benefit	756	756
Total	57,639	68,011

I. Other receivables

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Associate	5,492	5,888
Other related parties	289	355
Total	5,781	6,243

J. Refundable deposits

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Parent company	10,000	10,000

K. Accrued expenses

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Parent company	16,513	19,076
Associate	447	452
Other related parties	594	658
Total	17,554	20,186

8. PLEDGED ASSETS

The following assets of the Group are pledged as collaterals:

Item	Carrying Amount As of 2018 (NT$'000)	Carrying Amount As of 2017 (NT$'000)	Purpose
Property, plant and equipment – machinery (carrying amount)	-	141,132	Long-term secured loans
Property, plant and equipment – other equipment (carrying amount)	-	2,422	Long-term secured loans
Refundable deposits	2,000	2,000	Security deposit to custom authority
Total	2,000	145,554	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Group's unused letters of credit (LC) as of December 31, 2018 were as follows:

Currency	LC Amount (in thousand)		Security(in thousand)
JPY	JPY	932,880	-
USD	USD	6,562	-

(2) Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of December 31, 2018 were as follows:

Nature of Contract	Contract Amount (NT$'000)	Amount Paid (NT$'000)	Outstanding Balance (NT$'000)
Land	1,311,000	419,520	891,480
Machinery and contruction contracts	4,406,270	3,435,616	970,654
Total	5,717,270	3,855,136	1,862,134

10. SIGNIFICANT DISASTER LOSS

None

11. SIGNIFICANT SUBSEQUENT EVENT

None

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Financial assets at fair value through profit or loss:		
Held for trading	(Note 1)	1,553,833
Mandatorily measured at fair value through P/L	1,017,095	(Note 1)
Financial assets at fair value through OCI	50,000	(Note 1)
Available-for-sale financial assets (Note 2)	(Note 1)	50,000
Financial assets measured at amortized cost (Note 3)	14,660,008	(Note 1)
Loans and receivables (Note 4)	(Note 1)	14,661,548
Total	15,727,103	16,265,381

Financial liabilities

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Financial liabilities at amortized cost:		
Short-term borrowings	3,340,483	3,297,397
Trade and other payables	5,383,123	6,168,825
Long-term borrowings(including current portion with maturity less than 1 year)	3,453,578	2,258,912
Total	12,177,184	11,725,134

Note:

(1)The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provison in IFRS 9.

(2)Balances as of December 31, 2017 include financial assets measured at cost.

(3)The item includes cash and cash equivalents, financial assets measured at amortized cost, notes receivable, trade receivables (including related party) and other receivables (including related party).

(4)The item includes cash and cash equivalents, notes receivable, trade receivables (including related party), bond investments with no active market and other receivables (including related party).

(2) Objectives and policies of financial risk management

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies, measures, and manages the aforementioned risks based on its policy and risk preferences.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign operations. The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted.

Foreign currency sensitivity analysis of possible change in foreign exchange rates on the Group's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Group's foreign currency risk is mainly related to volatility in the exchange rates of US dollars. It is stated as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, net income (loss) for the the year ended December 31, 2018 and 2017 would increase/decrease by NT$442 thousand and NT$4,904 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans and receivables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the the year ended December 31, 2018 and 2017 would decrease/increase by NT$4,541 thousand and decrease/increase by NT$3,256 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and financing activities (primarily for bank deposits and other financial instruments).

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Group's internal credit ratings. The Group also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of December 31, 2018 and 2017, receivables from the top ten customers were accounted for 44.74% and 40.77% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Group's finance division in accordance with the Group's policy. The counterparties that the Group transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Conclusively, no significant credit risk is expected by the Group.

(5) Liquidity risk management

The Group maintains financial flexibility through the use of cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year (NT$'000)	1 to 2 years (NT$'000)	2 to 3 years (NT$'000)	3 to 4 years (NT$'000)	4 to 5 years (NT$'000)	Total (NT$'000)
As of December 31, 2018						
Loans	4,327,665	2,321,679	267,019	63,323	-	6,979,686
Payables	5,383,123	-	-	-	-	5,383,123
As of December 31, 2017						
Loans	3,901,916	693,052	560,167	371,390	164,792	5,691,317
Payables	6,168,825	-	-	-	-	6,168,825

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2018:

	Short-term borrowings (NT$'000)	Long-term borrowings (NT$'000)	Refundable deposits (NT$'000)	Total liabilities from financing activities (NT$'000)
As of January 1, 2018	3,297,397	2,258,912	50,577	5,606,886
Cash flows	43,086	1,178,550	(5,869)	1,215,767
Currency rate change	-	16,116	-	16,116
As of December 31, 2018	3,340,483	3,453,578	44,708	6,838,769

Movement schedule of liabilities for the year ended December 31, 2017:

Not applicable

(7) Fair values of financial instruments

A. The evaluation methods and assumptions applied in determining the fair value

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between willing market participants (not under coercion or liquidation). The following methods and assumptions are used by the Group in estimating the fair values of financial assets and liabilities:

(a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity terms.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed stocks and bonds).

(c) Fair value of equity instruments without active markets (including listed companies' shares from private placement, stocks of public companies not traded in an active market and unlisted stocks) are estimated using the market approach. Under the approach, factors, such as the trading prices of comparable equity instruments in an active market, and other relevant informations (i.e. discount due to lack of liquidity, stock price-to-earning ratio (PER) and price-to-book ratio (PBR) of similar companies) are input into the pricing model for its fair value.

(d) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group’s assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group’s assets and liabilities measured at fair value on a recurring basis is as follows:

As of December 31, 2018

	Level 1 (NT$’000)	Level 2 (NT$’000)	Level 3 (NT$’000)	Total (NT$’000)
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	1,017,095	-	-	1,017,095

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	50,000	50,000

Financial liabilities:

None

As of December 31, 2017

	Level 1 (NT$'000)	Level 2 (NT$'000)	Level 3 (NT$'000)	Total (NT$'000)
Financial assets:				
Financial assets at fair value through profit or loss				
Funds	1,553,833	-	-	1,553,833

Financial liabilities:

None

Transfers between Level 1 and Level 2 during the period

For the year ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value hierarchy.

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy

During the year ended December 31, 2018, there was not movement of fair value measurements.

(9) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Group's significant financial assets and liabilities denominated in foreign currencies was listed below: (In Thousands)

	As of December 31,					
	2018			2017		
	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)
Financial assets						
Monetary items:						
USD	137,692	30.715	4,229,204	134,359	29.76	3,998,580
CNY	73,560	4.4753	329,202	99,637	4.5548	453,827
Financial liabilities						
Monetary items:						
USD	130,689	30.715	4,014,089	145,431	29.76	4,328,039
CNY	117,755	4.4753	526,989	118,753	4.5545	540,860

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

Foreign exchange gain/loss on monetary financial assets and liabilities is shown as below.

	For the year ended December 31,	
Foreign currency resulting in exchange gain or loss	2018 (NT$'000)	2017 (NT$'000)
USD	(19,175)	59,592
Other	2,969	6,726

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

A. Financing provided to others: None.

B. Endorsement/Guarantee provided to others: Please refer to attachment 1.

C. Marketable securities held as of December 31, 2018 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 2.

D. Individual securities acquired or disposed of with accumulated amount of at least NT$ 300 million or 20 percent of the paid-in capital for the year ended December 31, 2018:None

E. Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2018: Please refer to attachment 3.

F. Disposal of individual real estate with amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2018: None.

G. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2018: Please refer to attachment 4.

H. Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2018: None.

I. Derivative instrument transactions: None.

J. Intercompany relationships and significant intercompany transactions for the year ended December 31, 2018: Please refer to attachment 11.

(2) Information on investees

A. Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 5.

B. Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

(a) Financing provided to others: None.

(b) Endorsement/Guarantee provided to others: None.

(c) Marketable securities held as of December 31, 2018 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 6.

(d) Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2018: Please refer to attachment 7.

(e) Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2018: Please refer to attachment 8.

(f) Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2018: None.

(g) Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2018: Please refer to attachment 9.

(h) Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31 2018: Please refer to attachment 10

.

(i) Derivative instrument transactions: None.

(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars)

Name of Investee in China	Main Business	Paid-in Capital (NT$'000)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2018 (NT$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (NT$'000)	Profit/ Loss of Investee (NT$'000)	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss (NT$'000)	Carrying Amount as of December 31, 2018 (NT$'000)	Accumulated Inward Remittance of Earnings as of December 31, 2018 (NT$'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2018 (NT$'000)	Investment Amounts Authorized by Investment Commission, MOEA (NT$'000)	Upper Limit on Investment in China by Investment Commission, MOEA (NT$'000)
					Outflow (NT$'000)	Inflow (NT$'000)									
Kinsus Interconnect Technology Suzhou Corp.	Manufacturing and selling PCB (not high-density fine-line)	2,150,050 (Note 2)	(Note 1)	2,150,050 (Note 2)	-	-	2,150,050 (Note 2)	109,829 (Note 2 and Note 4)	100%	109,829 (Note 2、Note 4 and Note 7)	1,336,522 (Note 2、Note 4 and Note 7)	-	2,150,050 (Note 2)	2,150,050 (Note 2)	No upper limit (Note 5)

Piotek Computer (Suzhou) Co., Ltd.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	5,120,191 (Note 2)	(Note 1)	2,895,003 (Note 2)	-	-	2,895,003 (Note 2)	(586,619) (Note 2 and Note 4)	51%	(299,176) (Note 2、Note 4 and Note 7)	686,987 (Note 2、Note 4 and Note 7)	-	2,895,003 (Note 2)	2,895,003 (Note 2)	No upper limit (Note 5)
Xiang-Shuo (Suzhou) Trading Limited	Trading of PCB (not high-density fine-line) and material for related products	61,430 (Note 2)	(Note 1)	61,430 (Note 2)	-	-	61,430 (Note 2)	1,981 (Note 2 and Note 4)	100%	1,981 (Note 2、Note 4 and Note 7)	62,316 (Note 2、Note 4 and Note 7)	-	61,430 (Note 2)	61,430 (Note 2)	No upper limit (Note 5)
Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	65,062 (Note 3)	(Note 1)	65,062	-	-	65,062	3,302 (Note 2 and Note 4)	36.81%	1,215 (Note 2and Note 7)	22,479 (Note 2 and Note 7)	-	65,062	65,062	1,204,705 (Note 6)

Note 1: Investment in Mainland China through companies in the third area.

Note 2: Amounts in foreign currencies are translated into New Taiwan dollars using the exchange rates on the balance sheet date.

Note 3: The paid-in capital is USD2,100 thousand, equivalent to NT$65,062 thousand.

Note 4: Gain/loss on investment is recognized based on the reviewed financial statements of the parent company in Taiwan.

Note 5: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

Note 6: The upper limit on investment for Pegavision Contact Lenses (Shanghai) Corporation is calculated as 60% of the net value of the financial statements audited by recent accountants of Pagavision Corporation.

Note 7: Transactions are eliminated upon preparation of consolidated financial statements.

B. Significant transactions with investees in China:

(a) Purchase and balances of related accounts payable as of December 31, 2018: Please refer to attachment 11 for details.

(b) Sale and balance of related accounts receivable as of December 31, 2018: Please refer to attachment 11 for details.

(c) Property transaction amounts and resulting gain or loss: None.

(d) Ending balance of endorsements/guarantees or collateral provided and the purposes: Please refer to attachment 1.

(e) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.

(f) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 11 for details.

(g) Above transactions are eliminated upon preparation of consolidated financial statements. Please refer to attachment 11 for details.

14. OPERATING SEGMENT

For management purposes, the Group is organized into operating segments based on different products and services and has two reportable operating segments as follows:

IC Substrate: This segment produces and manufactures BGA substrates and sells the products to manufacturers of electronic products.

Printed Circuit Board (PCB): This segment produces and manufactures PCBs and sells the products to manufacturers of electronic products.

Optics: This segment produces, manufactures and sells contact lens.

No operating segments have been aggregated to form the above reportable operating segments.

The Group’s operating segments adopts the same accounting policies as the ones in Note 4. Management monitors the operating results of its business units separately for the purpose of decision-making on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and measured consistently with methods applied to operating profit or loss in the consolidated financial statements.

(1)Segment income (loss), assets and liabilities

For the the year ended December 31, 2018

	IC Substrate (NT$'000)	PCB (NT$'000)	Optics (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
External customer	17,223,393	3,371,865	3,132,671	-	23,727,929
Inter-segment	-	-	-	-	-
Total revenue	17,223,393	3,371,865	3,132,671	-	23,727,929
Segment income (loss)	419,218	(549,334)	541,156	-	411,040

For the the year ended December 31, 2017

	IC Substrate (NT$'000)	PCB (NT$'000)	Optics (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
External customer	16,262,695	3,890,617	2,182,174	-	22,335,486
Inter-segment	-	-	-	-	-
Total revenue	16,262,695	3,890,617	2,182,174	-	22,335,486
Segment income (loss)	753,599	(721,185)	302,908	-	335,322

Details of assets and liabilities under the Group's operating segments are as follows:

Segment assets	IC Substrate (NT$'000)	PCB (NT$'000)	Optics (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
As of 12/31/2018	35,145,835	3,330,715	4,147,404	-	42,623,954
As of 12/31/2017	35,163,890	4,204,099	2,909,488	-	42,277,477

Segment liabilities	IC Substrate (NT$'000)	PCB (NT$'000)	Optics (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
As of 12/31/2018	8,903,968	1,831,902	2,139,562	-	12,875,432
As of 12/31/2017	8,796,253	2,124,169	1,442,057	-	12,362,479

(2)Geographical information

Revenues from external customers

	For the year ended December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Taiwan	7,532,329	7,011,666
Other countries	16,195,600	15,323,820
Total	23,727,929	22,335,486

Note: The revenue information above is based on the location of the customers.

Non-current assets

	As of December 31,	
	2018 (NT$'000)	2017 (NT$'000)
Taiwan	19,385,860	18,797,451
U.S.A.	25	35
China	3,053,655	3,621,244
Japan	102	223
Total	22,439,642	22,418,953

(3)Information about major customers

No additional discourses for the years ended December 31, 2018 and 2017 since there was no customer to whom the Company's sale individually was accounted for at least 10%.

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Kinsus Interconnect Technology Corp. and Subsidiaries

Endorsement/Guarantee Provided to Others

For the Year ended December 31, 2018

Table 1

(In Thousands of Foreign Currency / New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party											
No. (Note 1)	Name	Name	Nature of Relationship	Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	The Company directly and indirectly hold more than 50% of the voting shares.	The overall amount of guarantees/ endorsements provided to a subsidiary in which the Company holds directly over 50% (inclusive) of common equity interest shall not exceed 20% of the net worth in the current financial statements $5,556,430.	$469,940 USD 15,300 (Note 2)	$469,940 USD 15,300 (Note 2)	$146,856	$-	1.69%	Shall not exceed 50% of the net worth in the current financial statements. $13,891,075	Y	N	Y

Note 1: Kinsus Interconnect Technology Corp. is coded "0".

Note 2: Amounts in foreign currencies are converted to New Taiwan Dollars using the exchange rates as of the balance sheet date.

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Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held as of December 31, 2018

Table 2

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	September 30, 2018			Fair Value (Note)	Note
				Shares / Units	Carrying Amount	Shareholding %		
Kinsus Interconnect Technology Corp.	Money market funds:							
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	18,812,748	$255,796	-%	$266,850	
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss	1,168,258	200,000	-%	208,097	
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	21,355,432	257,509	-%	267,411	
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss	17,776,549	255,443	-%	262,977	
	Subtotal				968,748		$1,005,335	
	Add: Valuation adjustments of financial assets at fair value through profit or loss				36,587			
	Total				$1,005,335			

Note: Companies without quotes in the open markets are valued at net equities.

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Kinsus Interconnect Technology Corp. and Subsidiaries

Acquisition of Individual Real Estate with Amount of at Least NT$ 300 million or 20% of the Paid-in Capital

For the Year ended December 31, 2018

Table 3

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Kinsus Interconnect Technology Corp.	Houses and buildings Construction of XinFeng Plant	2014.02.13, 2015.03.24	$2,268,036	NT$2,052,032 thousand was paid as of December 31, 2018	Guo-Gong Construction Co., Ltd.	None	None	None	None	None	Bidding	Production expansion and operation planning	None

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Kinsus Interconnect Technology Corp. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NT$ 100 Million or 20% of the Paid-in Capital

For the Year ended December 31, 2018

Table 4

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	Purchase	$2,228,772	27.80%	Payment within 30 days from the end of delivery month	Specs of goods purchased are different from others. Cannot be reasonablely compared.	Other vendors also enjoy payment within 30~90 days from the end of delivery month	Accounts payable $(163,500)	(10.90)%	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

Kinsus Interconnect Technology Corp. and Subsidiaries

Investees over Which the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of December 31, 2018

Table 5

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Ending balance			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of September 30, 2017	As of September 30, 2018	Shares	%	Carrying Value			
Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	CA U.S.A.	Designing substrates, formulating marketing strategy analysis,developing new customers, researching and development new product technology	USD500	USD500	500,000	100.00%	$48,437	$7,140	$7,140	Note
Kinsus Interconnect Technology Corp.	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investing activities	USD166,309	USD166,309	166,308,720	100.00%	$2,125,024	$(182,216)	$(182,216)	Note
Kinsus Interconnect Technology Corp.	Kinsus Investment Co., Ltd.	Taoyuan City	Investing activities	$1,600,000 (Note 1)	$1,600,000 (Note 1)	160,000,000	100.00%	$1,848,536	$99,261	$99,261	Note
Kinsus Investment Co., Ltd.	Pegavision Corporation	Taoyuan City	Manufacturing medical equipment	$286,418	$286,418	22,088,736	36.81%	$739,178	$541,157	$199,224	Note
Kinsus Investment Co., Ltd.	FuYang Technology Corp.	Hsinchu County	Electronic Parts and Components Manufacturing	$929,422	$929,422	64,176,872	35.65%	$735,275	$(279,370)	$(99,606)	
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investing activities	USD72,000	USD72,000	72,000,000	100.00%	USD 45,543	USD 3,640	USD 3,640	Note
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Cayman Islands	Investing activities	USD94,309	USD94,309	95,755,000	51.00%	USD 23,643	USD (19,004)	USD (9,692)	Note
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	British Virgin Islands	Investing activities	USD139,841	USD139,841	139,840,790	100.00%	USD 46,358	USD (19,004)	USD (19,004)	Note
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Hong Kong	Trading activities	USD26	USD26	200,000	100.00%	USD 2,491	USD 103	USD 103	Note
Pegavision Corporation	PEGAVISION HOLDINGS CORPORATION	Samoa	Investing activities	USD2,130	USD2,130	2,130,000	100.00%	$(45,900)	$3,286	$3,286	Note
Pegavision Corporation	PEGAVISION JAPAN INC.	JAPAN	Selling Medical facility	JPY 9,900	JPY 9,900	198	100.00%	$10,200	$5,672	$5,672	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

Note 1: The Company's original investment in Kinsus Investment Co., Ltd. was NT$500,000 thousand. Kinsus Investment Co., Ltd. reduced capital by NT$102,000 thousand to offset deficits in 2013, And increased capital by NT$602,000 thousand and NT$600,000 thousand in 2016 and 2017, respectively. After the increases, the Company's investment amount increased to NT$1,600,000 thousand.

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Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held as of December 31, 2018 (Excluding Investments in Subsidiaries, Associates and Jointly Controlled Entities)

As of December 31, 2018

Table 6

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of September 30, 2018				Guarantee, Pledge or Other Restricted Conditions		
				Shares (Unit)	Carrying Amount	%	Fair Value (Net Equity)	Shares	Carrying Amount	Note
Kinsus Investment Co., Ltd.	Money market funds:									
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	829,070	$11,315	-%	$11,760	-	$-	
	Valuation adjustments of financial assets held for trading				445					
	Total				$11,760					
Kinsus Investment Co., Ltd.	Stocks:									
	Yi-Shuo Creative Co., Ltd.	-	Measured at fair value through other comprehensive income	5,000,000	$50,000	7.49%	$50,000	-	$-	

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Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Acquired and Disposed of At Costs or Prices of At Least NT$300 Million or 20% of The Paid-In Capital

For the Year ended December 31, 2018

Table 7

(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Pegavision Corporation	Stock:													
	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss	-	-	6,965,260	$104,900	47,483,038	$716,141	54,448,298	$821,170	$821,041	$129	-	$-

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Kinsus Interconnect Technology Corp. and Subsidiaries

Acquisition of Individual Real Estate with Amount of at Least NT$ 300 million or 20% of the Paid-in Capital

For the Year ended December 31, 2018

Table 8

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Pegavision Corporation	Land, houses and buildings Donglong Section, Daxi District, Taoyuan City. Thirteen land Five buildings	2018.06.26 2018.06.26 Total	$1,311,000 69,000 $1,380,000	By contract	Inventec Corporation	None	None	None	None	None	The transaction amount refer to professional appraisal institutions.	Expand capacity to satisfy the growth of business sales.	None

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Kinsus Interconnect Technology Corp. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NT$ 100 Million or 20% of the Paid-in Capital

As of December 31, 2018

Table 9

(In Thousands of US Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Parent company	Sales	USD 49,253	44.18%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 11,194	41.50%	
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	Sales	USD 74,106	98.78%	Payment within 30 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 5,323	93.81%	Note
Piotek Computer (Suzhou) Co., Ltd.	Piotek (H.K.) Trading Limited	Also a subsidiary under the Company's control	Sales	USD 9,746	8.74%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 1,801	6.68%	Note
Piotek (H.K.) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Purchase	USD 9,746	100.00%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts payable (USD 1,801)	(100.00)%	Note
Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Sales	RMB 22,572	55.68%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable RMB 3,338	96.63%	Note
Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	Also a subsidiary under the Company's control	Purchase	RMB 22,572	4.52%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts payable (RMB 3,338)	(2.37)%	Note
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	Sales	$423,423	13.24%	Payment within 90 days from the end of delivery month	Similar to those to third party customers.	Payment within 90 days from telegraphic transfer.	Accounts receivable $105,879	24.10%	Note
Pegavision Japan Inc.	Pegavision Corporation	Parent company	Purchase	$423,423	100.00%	Payment within 90 days from the end of delivery month	No suppliers to be compared with.	No suppliers to be compared with.	Accounts payable $(105,879)	(100.00)%	Note
Pegavision Corporation	Pegavision Contact Lenses (SHANGHAI) Corporation	Subsidiary	Sales	$281,593	8.80%	Payment within 180 days from the end of delivery month	Similar to those to third party customers.	Payment within 90 days from telegraphic transfer.	Accounts receivable $201,315	45.82%	Note
Pegavision Contact Lenses (SHANGHAI) Corporation	Pegavision Corporation	Parent company	Purchase	$281,593	100.00%	Payment within 180 days from the end of delivery month	No suppliers to be compared with.	No suppliers to be compared with.	Accounts payable $(201,315)	(100.00)%	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Receivables from Related Parties of at Least NT$ 100 Million or 20% of the Paid-in Capital

As of December 31, 2018

Table 10

(In Thousands of US Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Allowance for Doubtful Debts
					Amount	Action Taken		
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Parent company	USD 11,194 (Note)	4.45	$-	-	$-	$-
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	USD 5,323 (Note and Note 1)	12.24	$-	-	$-	$-
Pegavision Corporation	Pegavision Contact Lenses (SHANGHAI) Corporation	Parent company	$201,315 (Note and Note 1)	2.45	$-	-	$13,757	$-
Pegavision Corporation	Pegavision Japan Inc.	Parent company	$105,879 (Note and Note 1)	7.27	$-	-	$23,242	$-

Note: Accounts receivable

Note 1: Transactions are eliminated when preparing the consolidated financial statements.

Kinsus Interconnect Technology Corp. and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions for the Year Ended December 31, 2018

Table 11

(In Thousands of Foreign Currency / New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction: Financial Statement Account	Amount	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
	2018.12.31						
0	Kinsus Interconnect Technology Corp.	Xiang-Shuo (Suzhou) Trading Limited	1	Other income	$1,171	Payment within 60 days from the end of delivery month by TT	-%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Accrued expense	$3,402	Payment within 30 days from the end of delivery month by TT	0.01%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Accounts payable	$163,500	Payment within 30 days from the end of delivery month	0.38%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Other receivables	$2,342	-	0.01%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Other receivables	$23,892	-	0.06%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Accounts receivable	$198	Payment within 30 days from the end of delivery month	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Purchase	$2,228,772	Payment within 30 days from the end of delivery month	9.39%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Commission expense	$40,794	Payment within 60 days from the end of delivery month by TT	0.17%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Travel expense	$201	-	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Manufacturing - processing	$52	Payment within 60 days from the end of delivery month	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Sales revenue	$18,659	Payment within 30 days from the end of delivery month	0.08%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Other income	$8,100	-	0.03%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Other income	$4,920	-	0.02%
0	Kinsus Interconnect Technology Corp.	PIOTEK (H.K.) TRADING LIMITED	1	Other income	$2,374	-	0.01%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Sales revenue	USD 9,746	Payment within 60~90 days from the end of delivery month	1.26%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Accounts receivable	USD 1,801	Payment within 60~90 days from the end of delivery month	0.13%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Sales revenue	USD 2,544	Payment within 60 days from the end of delivery month	0.33%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Prepaid Expenses	USD 45	-	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Sales revenue	RMB 728	Payment within 60~90 days from the end of delivery month	0.01%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Accounts payable	RMB 2,411	Payment within 60~90 days from the end of delivery month	0.03%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Other receivables	RMB 2	Payment within 60~90 days from the end of delivery month	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Purchase	RMB 4,786	Payment within 60~90 days from the end of delivery month	0.09%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Sales revenue	RMB 22,572	Payment within 60 days from the end of delivery month	0.43%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Accounts receivable	RMB 3,338	Payment within 60 days from the end of delivery month	0.04%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Other income	RMB 1,778	Payment within 60 days from the end of delivery month	0.03%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Other receivables	RMB 19	Payment within 60 days from the end of delivery month	-%
2	Xiang-Shuo (Suzhou) Trading Limited	Kinsus Interconnect Technology Suzhou Corp.	3	Sales revenue	RMB 1,209	Payment within 60 days from the end of delivery month	0.02%
2	Xiang-Shuo (Suzhou) Trading Limited	Kinsus Interconnect Technology Suzhou Corp.	3	Accounts receivable	RMB 116	Payment within 60 days from the end of delivery month	-%
0	Pegavision Corporation	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	1	Sales revenue	$281,593	Payment within 180 days	1.19%
0	Pegavision Corporation	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	1	Accounts receivable	$201,315	Payment within 180 days	0.47%
0	Pegavision Corporation	Pegavision Japan Inc.	1	Sales revenue	$423,423	Payment within 90 days from the end of delivery month	1.78%
0	Pegavision Corporation	Pegavision Japan Inc.	1	Accounts receivable	$105,879	Payment within 90 days from the end of delivery month	0.25%
0	Pegavision Corporation	Pegavision Japan Inc.	1	Unearned sales revenue	$139,757	-	0.33%
1	Pegavision Japan Inc.	Pegavision Corporation	2	Service income	$11,863	Payment within 90 days from the end of delivery month	0.05%
1	Pegavision Japan Inc.	Pegavision Corporation	2	Accounts receivable	$501	Payment within 90 days from the end of delivery month	-%

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

(1) Parent company is coded "0".

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for income statement items.