Stock Code: 3189

KINSUS INTERCONNECT TECHNOLOGY CORP.
2019 Annual Report

<u>Notice to readers</u>

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 Cheng, Ching-Piao
   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)2019 Business Report

According to the IMF's forecast of global GDP growth at the beginning of 2019, although global economic growth slowed to 3.2% compared to 2018 (GDP growth of 3.6%), it remains in a growth trend. Semiconductor industry leader TSMC is relatively optimistic regarding the overall growth that is expected to reach 5-6% of the semiconductor industry in 2019. The prediction mainly resulted from the rapid deployment of 5G communications and the popularization of terminal devices and the growth of data centers and high-speed computing driven by AI artificial intelligence. The growth of these products is very significant for the driving force of the semiconductor industry. The IC carrier board’s driving force is reflected in the speed of the copper foil substrate material, the increase in the number of carrier board layers, and the larger carrier board area. It can be regarded as a reversal era for the IC carrier board industry.

Since May 2019, the United States stepped up its trade war with China and announced the Entity List that banned the sale of Huawei. The trade war affected the global technology industry overall and the demand for semiconductors and the product industry chain have gradually been divided into two major systems

At the beginning of 2019, it was estimated to deploy as high as 350,000 units of 5G base for the whole year. The popularity and penetration of 5G base stations are the source of all subsequent applications and terminal products. For IC carrier companies’ driving force is shown in ABF carrier boards, FC-CSP carrier boards, and memory carrier boards, and the opportunities for SiP and AiP in the future. However, the trade war has dropped down the number of new 5G base stations around the world, much lower than the estimate at the beginning of the year.

The US-China trade and technology conflict has decreased the overall demand for semiconductor products and changed the product content (IC and other components) supply chain relationship, as well as the progress of 5G and AI technology development. The impacts include:

a. China puts more emphasis on the ability of independent development of semiconductor products and local production capacity.
b. The European and American technology industries have gradually strengthened the blockade against China, so as to slow down that China get ahead in technology.
c. The overall 5G communication process is postponed, and the transition products of the Sub-6 frequency band enter the market quickly in advance.
d. The progress of AI and autonomous driving continues decelerate, but the development of

"edge computing" has accelerated.

Kinsus encountered headwinds in market changes, and product and supply chain changes in 2019. Although its performance was not as expected, the Company has made rapid adjustments and will do its best to improve the performance in 2020.

The Company's revenue in parent-company-only basis totaled to NT$16,116,157 thousand in 2019, decreased by 6.45% compared to NT$17,228,031 thousand in 2018. Net loss in parent-company-only basis was NT$(2,025,332) thousand in 2019, decreased by 679.52% compared to NT$349,485 thousand in 2018. The Company's consolidated revenue totaled to NT$22,327,410 thousand in 2019, decreased by 5.90% compared to NT$23,727,929 thousand in 2018. The consolidated net loss was NT$(1,947,268) thousand in 2019, decreased by 573.74% compared to NT$411,040 thousand in 2018.The decline in operating profit and net income mainly caused by lower ratio of utilization in Xinfeng Factory.

(2)Summary of 2020 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) 2020 Expected Sales and Its Sources

Including several foreign investment and international research consultants, all predict that the global economic growth in 2020 will be warmer than in 2019. Exhibits with obvious growth trends include 5G base stations and mobile phone related chips, as well as AI-related high-frequency bandwidth, massive connections, and ultra-low latency. In addition, demands for power management, fingerprint identification chips, impact sensors (CIS), driver ICs, etc. have also increased as 5G peripheral applications become more apparent.

(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 5nm 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

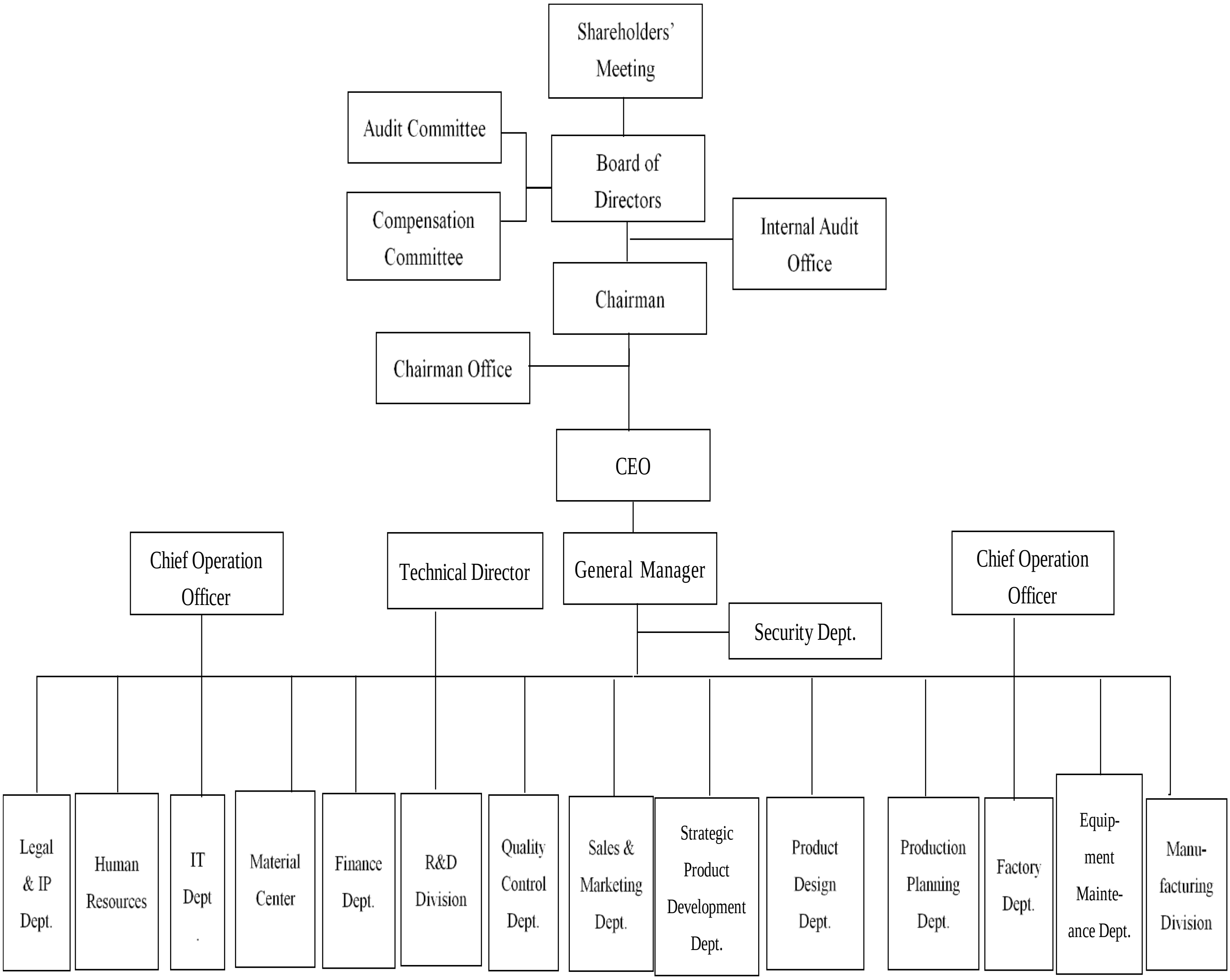
Year	Milestones
2000/09	Founded with NT$2.5 billion capital and NT$12 billion paid-up capital. Manufacturing mainly in BGA related products.
2000/12	Cash capital increased by issuing new shares of NT$100 million with NT$1.3 billion paid-up capital after increase in total.
2001/04	Cash capital increased 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
Strategic product development Dept.	Responsible for formulating product strategy and layout reports, process definition and engineering problem integration and resolution.
Product design Dept.	Responsible for the production design of the product and the provision of related hardware and software tools, and manage the production equipment and the use of logic parameters.
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.
Equipment Maintenance Dept.	Responsible for the implementation of preventive maintenance and repair of production-related equipment to ensure the stability of the equipment in mass production, thereby improving production output and yield.
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 30, 2020

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			Note
							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	–	–	–	Note10
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	12.91%	–	–	–	–	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	12.32%	–	–	–	–	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 and Fisfisa Media Co., Ltd..
	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, Alliance 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, Fullfoods Foundation, Bulareyaung Dance Company Foundation and Q Place Creative Inc..
	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 and Guang Dian Cinema
	Independent Director	TXC Corporation, JIMO Corporation, and AU Optronics Corp.
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.
	Independent Director	YODN Lighting Corp. and Wiwynn Corp.
	Supervisor	Apex Material Technology Corp
Note 7	Chairman	Win Semiconductors Corp., Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd., Win-Win Venture Capital Co., Ltd., Win-An Investment, Win-jan Investment, Jiangsu Chainwin Agricultural & Animal Technology Ltd., Jiangsu Chainwin Kang Yuan

		Agriculture and Animal Technology Co., Ltd., Jiangsu Merit/CM Agriculture Development Co., Ltd., Jiangsu Win-Win Agriculture Development Co., Ltd. and Jiangsu Win-Xing Agriculture Development Co., Ltd.
	Assistant Chairman	Hiwin Technologies Corp.
	Director	WIN Semi USA Inc., Win Semiconductors Cayman Island Co., Ltd., Jiangsu Chung-Win 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
	Independent Director	Universal Microelectronics Co., Ltd., Merry Corp.
Note 10		The chairman of the company and the general manager or equivalent (the top manager) are the same person, relatives of each other, such as spouse or one parent, should explain the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors) and should be more than half of the directors who do not serve as employees or managers, etc.) related information: The chairman of the company also serves as the chief executive officer. In order to improve operating efficiency and decision-making execution, but in order to strengthen the independence of the board of directors and implement corporate governance, the company plans to increase the number of independent directors in the future to enhance the functions of the board of directors and strengthen the supervision function. At present, the company has the following specific measures: 1. The current three independent directors have expertise in the fields of financial accounting and electronics, respectively, and can effectively play their supervisory functions. 2. Arrange directors to participate in professional courses of external institutions every year to enhance their professional knowledge. 3. Independent directors can fully discuss in the audit committee and the salary and compensation committee to implement corporate governance. 4. More than half of the board members are not part-time employees or managers.

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 (17.18%)

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	11	12	
Guo, Ming-Dong	-	-	YES			V	V	V	V	V	V	V	V	V	V	-
Tong, Zi-Xian	-	-	YES			V	V		V		V	V	V	V	V	-
Chen, Ho-Shu	-	-	YES			V	V	V	V	V	V	V	V	V	V	-
Su, Yan-Xue	-	-	YES	V	V	V	V	V	V	V	V	V	V	V		3
Wu, Xiang-Xiang	-	-	YES			V	V		V	V	V	V	V	V		-
Zheng, Zhong-Ren	YES	-	YES	V	V	V	V	V	V	V	V	V	V	V	V	2
Chen, Jin-Cai	YES	-	YES	V	V	V	V	V	V	V	V	V	V	V	V	1
Huang, Chung-Pao	-	-	YES	V	V	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	V	V	2

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 manager listed in (1) or a spouse listed in (2)(3), relative within the second parent, or direct blood relative within the third parent.
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 in accordance with Article 27, paragraph 1 or 2 of the Company Law Employed.(However, if the independent directors set up by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent, they are not limited.)
6. Not a director, supervisor or servant of other companies controlled by the same person for more than half of the shares of the company's directors or voting rights. (However, if the independent directors set up by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent, they are

not limited.)

7. Directors, supervisors or servants of other companies or organizations who are not the same person or spouse with each other and are the same person or spouse (If the independent directors established by subsidiaries of the same parent company in accordance with this law or local laws and regulations serve concurrently, they are not limited to this).
8. Directors, supervisors, managers or shareholders holding more than 5% of a specific company or organization that does not have financial or business dealings with the company (but specific companies or organizations such as hold more than 20% of the company's total issued shares, but not more than 50%, and it is set up by the company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations if independent directors serve concurrently, they are not limited to this)
9. Professionals, sole proprietorships, partnerships, business owners of companies or institutions that do not provide audits for companies or related companies or business, legal, financial, accounting and other related services that have not received NT $ 500,000 in cumulative compensation in the past two years Partners, directors (directors), supervisors (supervisors), managers and their spouses. However, the members of the Remuneration Committee, Public Acquisition Review Committee, or M & A Special Committee that perform their duties in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M & A Act are not limited.
10. Has no relationship with other directors within the scope of spouse or second parent.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. 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 30, 2020

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			Note
					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%	–	–	–	–	National Taipei University of Technology General Maneger/ Unicap Electronics Industrial Corp.	Page 10/Note 1	–	–	–	Note
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 Univ. 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 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	–	–	–	
Assistant GM	R.O.C	Zhuang, Da-Zhong	Male	2019.09.16	–	–	–	–	–	–	Master of Business Management/Royal Roads University Department Director/United Microelectronics Corp.	N/A	–	–	–	
Finance Supervisor	R.O.C	Liu, Su-Zhen	Female	2010.08.01	32,100	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	–	–	–	

Note:When the manager or equivalent (the top manager) and the chairman are the same person, relatives such as spouse or first relative, they should disclose the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors more than half of the directors have not served as employees or managers.):Page 9/Note 10.

(c) Remuneration paid during 2019 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 Subsidiary or Parent company (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	-	-	-	-	-	1,615	-	-	0.00%	-0.08%	7,131	7,131	-	-	-	-	-	-	-0.35%	-0.43%	N/A
Director	Tong, Zi-Xian	-	-	-	-	-	1,615	-	-	0.00%	-0.08%	-	-	-	-	-	-	-	-	0.00%	-0.08%	16,606
Director	Chen, Ho-Shu	-	-	-	-	-	-	-	907	0.00%	-0.04%	5,060	5,060	108	108	-	-	-	-	-0.26%	-0.30%	N/A
	Hua Xu Investment	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-	-	-	-	-	0.00%	0.00%	N/A
Director	Hua Xu Investment Rep.: Su, Yan-Xue	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-	-	-	-	-	0.00%	0.00%	16,606
	Hua Yu Investment	-	800	-	-	-	705	-	-	0.00%	-0.07%	-	-	-	-	-	-	-	-	0.00%	-0.07%	N/A
Director	Hua Yu Investment Rep.:Wu, Xiang-Xiang	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-	-	-	-	-	0.00%	0.00%	16,606
Director	Zheng, Zhong-Ren	-	-	-	-	-	-	200	200	-0.01%	-0.01%	-	-	-	-	-	-	-	-	-0.01%	-0.01%	N/A
Independent Director	Chen, Jin-Cai	-	-	-	-	-	-	280	280	-0.01%	-0.01%	-	-	-	-	-	-	-	-	-0.01%	-0.01%	N/A
Independent Director	Huang, Chun-Bao	-	-	-	-	-	-	280	280	-0.01%	-0.01%	-	-	-	-	-	-	-	-	-0.01%	-0.01%	16,606
Independent Director	Wu, Hui-Huang	-	-	-	-	-	-	280	280	-0.01%	-0.01%	-	-	-	-	-	-	-	-	-0.01%	-0.01%	N/A

Note:

1. The company's after-tax net loss in 2019, so there is no provision for directors 'compensation and employees' compensation in 2019.
2. The Severance pay listed above is an accrual while the actual payment is zero.

*Please state the policy, system, standards and structure of independent directors' remuneration payment and according to the responsibilities, risks, time invested and other factors, describe the relevance to the amount of remuneration:
The remuneration of independent directors of the company is paid by the remuneration committee with reference to the normal level of the industry, also consider the related rationality of individual performance, company performance and future risks to recommend compensation for directors' salaries and submit this recommendation to the board of directors for resolution.

*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

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 (3-2-1) and (3-2-2).
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 or parent company.

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

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Base Compensation (A) (Remark 2)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonus and Special Allowance (Remark 3)</th><th colspan="4">Disposition of Net Earnings (D) (Remark 4)</th><th colspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Remark 8)</th><th rowspan="3">Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary Or parent company (Remark 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Remark 5)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Remark 5)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Remark 5)</th><th colspan="2">The Company</th><th colspan="2">Companies in the consolidated financial statements (Remark 5)</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the consolidated financial statements (Remark 5)</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>CSO</td><td>Tong, Zi-Xian</td><td rowspan="10">28,496</td><td rowspan="10">28,496</td><td rowspan="10">779</td><td rowspan="10">779</td><td rowspan="10">7,721</td><td rowspan="10">7,721</td><td rowspan="10">-</td><td rowspan="10">-</td><td rowspan="10">-</td><td rowspan="10">-</td><td rowspan="10">-1.83%</td><td rowspan="10">-1.83%</td><td rowspan="10">16,,606</td></tr>
<tr><td>CEO</td><td>Guo, Ming-Dong</td></tr>
<tr><td>General Manger</td><td>Chen, Ho-Shu</td></tr>
<tr><td>CTO</td><td>Zhang, Qian-Wei</td></tr>
<tr><td>COO</td><td>Hu, Gui-Qin</td></tr>
<tr><td>Senior Assistant GM</td><td>Huang, Geng-Fang</td></tr>
<tr><td>Assistant GM</td><td>Lin, Zhi-Wei</td></tr>
<tr><td>Assistant GM</td><td>Huang, Sheng-Chuan</td></tr>
<tr><td>Assistant GM</td><td>Wu, Wei-Wen</td></tr>
<tr><td>Assistant GM</td><td>Zhuang, Da-Zhong</td></tr>
</table>

*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. The company's after-tax net loss in 2019, so there is no provision for directors 'compensation and employees' compensation in 2019.
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)	Parent company and invested company (Remark 7)
Under NT$1,000,000	Tong, Zi-Xian	-
NT$1,000,000 ~ NT$2,000,000	Zhuang, Da-Zhong	Zhuang, Da-Zhong
NT$2,000,000 ~ NT$3,500,000	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$3,500,000 ~ NT$5,000,000	Zhang, Qian-Wei Hu, Gui-Qin	Zhang, Qian-Wei Hu, Gui-Qin
NT$5,000,000 ~ NT$10,000,000	Guo, Ming-Dong Chen, Ho-Shu	Guo, Ming-Dong Chen, Ho-Shu
NT$10,000,000 ~ NT$15,000,000	-	-
NT$15,000,000 ~ NT$30,000,000	-	Tong, Zi-Xian
NT$30,000,000 ~ NT$50,000,000	-	-
NT$50,000,000 ~ NT$100,000,000	-	-
Over NT$100,000,000	-	-
Total	10	10

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 or parent company.
   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 remuneration of the company's top five remuneration executives(Remark 1)

Unit: NT$'000

Title	Name	Base Compensation (A) (Remark 2)		Severance Pay (B)		Bonus and Special Allowance (C) (Remark 3)		Disposition of Net Earnings (D) (Remark 4)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Remark 6)		Compensation Paid to Supervisors from an Invested Company Other than the Company's Subsidiary Or parent company (Remark 7)
		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			
CEO	Guo, Ming-Dong	5,757	5,757	-	-	1,374	1,374	-	-	-	-	-0.35%	-0.35%	N/A
General Manger	Chen, Ho-Shu	4,076	4,076	108	108	984	984	-	-	-	-	-0.26%	-0.26%	N/A
CTO	Zhang, Qian-Wei	3,996	3,996	108	108	932	932	-	-	-	-	-0.25%	-0.25%	N/A
COO	Hu, Gui-Qin	3,928	3,928	108	108	932	932	-	-	-	-	-0.24%	-0.24%	N/A
Senior Assistant GM	Huang, Geng-Fang	2,792	2,792	108	108	671	671	-	-	-	-	-0.18%	-0.18%	N/A

Remark:

1. The so-called "top five top executives of remuneration", which refers to the identification standards of company managers to the relevant managers, based on the former Securities and Futures Management Committee of the Ministry of Finance on March 27, 1992, Taiwan Finance Certificate No. 0920001301 The letter stipulates the application scope of "manager". As for the calculation and determination principle of "the top five remunerations are highest", the company managers receive the salaries, retirement pensions, bonuses and special expenses from all companies in the consolidated financial report, and the total number of employee remuneration (that is, A+B+C+D four totals), and after the ranking, the top five highest remuneration are recognized. If the director concurrently serves as the former supervisor, this table and the above table (1-1) should be filled out.
2. It is to fill in the salary, job bonus, and severance pay of the top five remuneration supervisors in the recent year.
3. It is to fill in the various types of bonuses, rewards, car and horse fees, special expenses, various allowances, dormitory, car allocation and other physical provision and other remuneration amounts of the top five remuneration supervisors in the most recent year. When providing expenditures on houses, cars and other vehicles or exclusive individuals, the nature and cost of the assets provided, the actual or fair market rent, fuel and other payments should be disclosed. In addition, if there is a driver, please note that the company

pays the relevant remuneration for the driver, but it is not included in the remuneration. In addition, the salary expenses recognized in accordance with IFRS 2 "Share-based Payment", including obtaining employee stock option certificates, restricting employee rights new shares and participating in cash capital increase subscription shares, etc., should also be included in the remuneration.

4. It is to fill in the employee compensation amount (including stock and cash) of the top five remuneration executives approved by the board of directors in the most recent year. Table one tertiary.
5. The total amount of remuneration paid to the top five remuneration executives of the company by all companies (including the company) in the consolidated report should be disclosed.
6. Net profit after tax refers to net profit after tax in the most recent individual or individual financial report.
7. a. This column should clearly list the top five remuneration executives of the company receiving the remuneration from the reinvestment business outside the subsidiary or the parent company (if not, please fill in "N/A").
   b. Remuneration refers to the remuneration, remuneration (including the remuneration of employees, directors and supervisors) and business received by the company's top five highest remunerated executives as directors, supervisors or managers of non-subsidiary companies or parent companies Execution fees and other related remuneration.

*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	-	-	-	-
	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				
	Assistant GM	Zhuang, Da-Zhong				
	Finance Supervisor	Liu, Su-Zhen				

Note: The company's after-tax net loss in 2019, so there is no provision for directors 'compensation and employees' compensation in 2019.

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	2019		2018	
	Total remuneration	Total remuneration to net income (%)	Total remuneration	Total remuneration to net income (%)
Director	1,040	-0.05%	3,592	1.03%
GM and Assistant GM	36,996	-1.83%	45,251	12.95%

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 2019 and 2018. The policy, standards, and portfolios for the payment of remuneration will perform its duties and submit its recommended director's remuneration to the board of directors for discussion. In addition, according to Article 24 of the company's articles of association, if the company makes a profit, no more than 1% should be set aside as directors' remuneration. Directors who do not hold positions within the group will pay for business execution costs with reference to the normal level of payment in the industry. 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 5 (A) meetings of the Board of Directors were held in 2019. 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	5	0	100%	
Director	Tong, Zi-Xian	4	1	80%	
Director	Chen, Ho-Shu	5	0	100%	
Director	Hua Xu Investment Representative: Su, Yan-Xue	4	1	80%	
Director	Hua Yu Investment Representative: Wu, Xiang-Xiang	5	0	100%	
Director	Cheng, Zhong-Ren	5	0	100%	
Independent director	Chen, Jin-Cai	5	0	100%	
Independent director	Hwang, Chung-Pao	5	0	100%	
Independent director	Wu, Hui-Huang	4	1	80%	

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: 2019/07/29

Contents of motion: For the proposed 2019 adjustment on managers' compensations and the amounts of employee compensation 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.

Contents of motion: Drafting of the company's carriage fee case for the company's non-director directors in 2019.

The directors of conflict of interest: Cheng, Zhong-Ren, Chen, Jin-Cai, Hwang, Chung-Pao, Wu, Hui-Huang
Reason: Recommend Cheng, Zhong-Ren, 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 4 persons were deducted due to conflict of interest. The voting result was 5 people favorable. The proposal was approved.

Date: 2019/12/30
Contents of motion: Drafting a compensation case for the company's directors not holding positions within the group.
The directors of conflict of interest: Cheng, Zhong-Ren, Chen, Jin-Cai, Hwang, Chung-Pao, Wu, Hui-Huang
Reason: Recommend Cheng, Zhong-Ren, 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 4 persons were deducted due to conflict of interest. The voting result was 5 people favorable. The proposal was approved.

Contents of motion : For the proposed 2019 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.

3. Listed OTC companies should disclose information on the evaluation cycle and period, evaluation scope, methods, and evaluation contents of the board 's self (or peer) evaluation, and fill out the schedule for the implementation of the board 's evaluation : The company has formulated the board of directors performance evaluation method on December 30, 2019, effective from January 1, 2020. Therefore, the implementation of the board evaluation is not applicable.

Evaluation of the implementation of the board of directors

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

4. 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 5 (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	5	0	100%	
Independent director	Hwang, Chung-Pao	5	0	100%	
Independent director	Wu, Hui-Huang	4	1	80%	

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. Refer to Note 1.
   (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
2019/02/18	1. 2018 Business report, parent-company-only financial statements, and consolidated financial statements	2019/02/18 All members of the Audit Committee agreed to adopt.	All attending directors agreed to adopt.
	2. 2018 earnings distribution	2019/02/18 All members of the Audit Committee agreed to adopt.	Director Wu Xiangxiang proposed to increase the shareholder 's dividend by NT $ 1.50 per share. The total shareholder 's dividend was NT $ 676,261,500. After the chairman consulted all the attending directors for deliberation, it was passed without objection.
	3. Proposed to change the CPA 4. The amendment to the "Regulations Governing the Acquisition and Disposal of Assets" 5. The company intends to apply for derivative financial commodity transaction quotas with Mega Commercial Bank and HSBC Commercial Bank Taipei Branch. 6. Approve the 2018 Management's Reports on Internal Control 7. To amend the company's "internal control system"	2019/02/18 All members of the Audit Committee agreed to adopt.	All attending directors agreed to adopt.

2019/04/29	The 1st quarter 2019 consolidated financial report	2019/04/29 All members of the Audit Committee agreed to adopt.	All attending directors agreed to adopt.
2019/07/29	1. The 2nd quarter 2019 consolidated financial report 2. Disposal of assets to related parties	2019/07/29 All members of the Audit Committee agreed to adopt.	All attending directors agreed to adopt.
2019/10/28	1. The 3rd quarter 2018 consolidated financial report 2. Approve the 2020 internal audit plan	2019/10/28 All members of the Audit Committee agreed to adopt.	All attending directors agreed to adopt.
2019/12/30	The company's 2020 annual accountant independence assessment, accountant appointment and its compensation case.	2019/12/30 All members of the Audit Committee agreed to adopt.	All attending directors agreed to 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, report the results of the performance evaluation to the board of directors and is also used as a reference for individual directors' remuneration and nomination renewal?	Yes		(3) The company has formulated the "Board Performance Evaluation Method" on December 30, 2019. Effective January 1, 2020. The performance evaluation will be carried out regularly every year according to the measures, and the results of the performance evaluation will be reported to the board of	(3) 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	
			directors	
(4) Does the Company regularly evaluate the independence of CPAs?	Yes		(4) The board of directors evaluates the independence of accountants and approves the appointment of the accountants' law by referring to Article 47 of the Accountants Law and No. 10 of the Code of Professional Ethics of Accountants. (The last evaluation date is 2019.12.30)	(4) No obvious deviation

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		1. The company passed the resolution of the board of directors on April 29, 2019 and appointed the senior director of the financial department Liu, Su zhen as the head of corporate governance to protect the rights of shareholders and strengthen the functions of the board of directors. Senior Director Liu Suzhen has more than three years of experience as a financial director in a public offering company. The main responsibilities of the corporate governance supervisor are to handle matters related to the meetings of the board of directors and shareholders 'meetings in accordance with the law, to produce the minutes of the board of directors and shareholders' meetings, to assist the directors in taking office and continuing education, to provide the directors with information necessary for the execution of business, and to assist the directors to comply with laws and regulations. 2. 2019 business execution situation is as follows: (1) Assist independent directors and general directors to perform their duties, provide necessary information and arrange directors' further training. (2) Assist the board of directors and	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	
			shareholders in meeting procedures and resolutions. (3) Draft the agenda of the board of directors to notify the directors seven days ago, convene the meeting and provide meeting materials, and complete the minutes of the directors' meeting within 20 days. (4) Handle the pre-registration of the shareholders' meeting in accordance with the law, prepare the meeting notice, the discussion manual, and the minutes within the statutory time limit, and handle the change registration in the revised articles of association. 3. Please refer to Note 2 for the training situation of the head of corporate governance.	
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 they 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	Yes		Companies entrust KGI stock agency to handle	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	
service agency to deal with shareholder affairs?			the relevant Affairs of the Department.	
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operating situation within the prescribed time limit?	Yes 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. (3) The company has announced and declared the annual financial report within two months after the end of the fiscal year, and announced and declared the first, second, and third quarter financial reports and the monthly operating conditions within the prescribed period	(1) No obvious deviation (2) No obvious deviation (3) No obvious deviation
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	Yes		(1) The Company in accordance with the relevant statutes provide personnel regulations to protect employees' rights.	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	
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)?			(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.	
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 including Finance, business and corporate governance. To be enhanced in priority: To establish a specific policies and plan for information security risk management and disclosed in Company's website or annual report.				

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. In order to enhance the effectiveness of the board of directors, the company plans to fully consider the proportion of directors and independent directors and gender proportion of employees with the status of the next director.

Note 2: Corporate governance executive training

Date of study		Organizer	Course Title	Hours of study	Note
From	To				
2019/09/23	2019/09/24	Republic of China Accounting Research and Development Foundation	Issuer Securities Firm Stock Exchange Accounting Supervisor Continuous	3	The first person in charge of corporate governance should complete an 18-hour

			Training Course		refresher course within one year from the date of taking up this position. It is expected to complete the refresher hours in April 2020.
2019/10/28	2019/10/28	Chinese Corporate Governance Association	Director Responsibility and Risk Management under the Latest Corporate Governance Blueprint	3	
2019/11/07	2019/11/07	Chinese Corporate Governance Association	Strategies for the maintenance of business secrets and the prevention of infringement	3	
2019/11/21	2019/11/21	Taiwan Stock Exchange	Publicity meeting for effective use of directors' functions	3	
2020/03/10	2020/03/10	Chinese Corporate Governance Association	Coping strategies for company change	3	

(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			Independence Criteria (Remark 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Note
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Chen, Jin-Cai	Yes	-	Yes	V	V	V	V	V	V	V	V	V	V	1	
Independent Director	Huang, Chung-Pao	-	-	Yes	V	V	V	V	V	V	V	V	V	V	1	
Independent Director	Wu, Hui-Huang	-	-	Yes	V	V	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 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 manager listed in (1) or a spouse listed in (2)(3), relative within the second parent, or direct blood relative within the third parent.
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 in accordance with Article 27, paragraph 1 or 2 of the Company Law Employed.(However, if the independent directors set up by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent, they are not limited.)
6. Not a director, supervisor or servant of other companies controlled by the same person for more than half of the shares of the company's directors or voting rights. (However, if the independent directors set up by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations are mutually concurrent, they are not

limited.)

7. Directors, supervisors or servants of other companies or organizations who are not the same person or spouse with each other and are the same person or spouse (If the independent directors established by subsidiaries of the same parent company in accordance with this law or local laws and regulations serve concurrently, they are not limited to this).
8. Directors, supervisors, managers or shareholders holding more than 5% of a specific company or organization that does not have financial or business dealings with the company (but specific companies or organizations such as hold more than 20% of the company's total issued shares, but not more than 50%, and it is set up by the company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws and regulations if independent directors serve concurrently, they are not limited to this)
9. Professionals, sole proprietorships, partnerships, business owners of companies or institutions that do not provide audits for companies or related companies or business, legal, financial, accounting and other related services that have not received NT $ 500,000 in cumulative compensation in the past two years Partners, directors (directors), supervisors (supervisors), managers and their spouses. However, the members of the Remuneration Committee, Public Acquisition Review Committee, or M & A Special Committee that perform their duties in accordance with the relevant laws and regulations of the Securities Exchange Act or the Corporate M & A Act are not limited.
10. Not been 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 4 (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	4	0	100%	
Committee Member	Chen, Jin-Cai	4	0	100%	
Committee Member	Wu, Hui-Huang	3	1	75%	
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): Please refer (4)The discussion of Remuneration Committee, the result of Remuneration Committee's resolution and the company processes which expressed by the Committee members. 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
2019/02/18	1. Approve 2018 compensation to employee and directors	2019/02/18 All members of the Remuneration Committee agreed to adopt.	All attending directors agreed to adopt.
2019/07/29	1. Distribution of 2018 compensation to directors 2. For the proposed 2018 amounts of employee compensation for managers 3. For the proposed 2019 adjustment on managers' compensations	2019/07/29 All members of the Remuneration Committee agreed to adopt.	All attending directors agreed to adopt.
	4. Drafting of the company's carriage fee case for the company's non-director directors in 2019	2019/07/29 The Remuneration Committee recommended not to pay carriage fees for directors who do not hold positions within the group in 2019	Taking into consideration the industry's usual payment standard, after the directors who do not hold positions within the group have adopted interest avoidance, the rest of the directors unanimously approved the carriage fee case for the directors who did not hold positions within the group in 2019.
2019/10/28	1. The company's "manager" personnel change case	2019/10/28 All members of the	All attending directors agreed to adopt.

		Remuneration Committee agreed to adopt.	
2019/12/30	1. To formulate the company's "Board Performance Evaluation Method" 2. Drafting a compensation case for the company's directors not holding positions within the group 3. For the proposed 2019 payment on year-end bonus for managers	2019/12/30 All members of the Remuneration Committee	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. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	Yes		The company conducts risk assessments of important issues on the basis of the principle of corporate social responsibility, and formulates relevant risk management policies or strategies based on the assessed risks: (1) Environment: Through the establishment of a management system, we can effectively manage energy consumption during operation, reduce carbon emissions and waste, and reduce the impact on the environment. Provide a safe workplace environment, and provide education, training and response drills according to risk categories to protect the personal safety of employees and reduce potential risks in the office and operating environment to ensure uninterrupted business activities. (2) Society: To establish a common CSR goal, through	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	
			regular audit activities, management review and procedures, to ensure that the continuous management of operations is indeed effective, and to establish a strong competitive supply chain with suppliers. With the most advanced and high-quality products, it provides customers with new value, and promises to provide the necessary resources for continuous operation management to ensure that the operation of customers remains normal. (3) Corporate Governance: Identify and analyze the risks that the company may face in advance, and then take pre-control measures and continuous monitoring and improvement procedures to minimize the possibility of potential risks and minimize the impact on company goals.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
2. Does the company set up a full-time (part-time) unit that promotes corporate social responsibility, and the board of directors authorizes the senior management to handle it, and reports the handling situation to the board of directors?		No	The company has set up a corporate social responsibility committee, the purpose of which is to implement Jingshuo's commitment to the society, including corporate governance, environmental protection, social welfare and labor relations. The highest reviewer of CSR policy and CSR report.	Currently not reported to the board of directors
3. Environmental issues (1) Does the company establish an appropriate environmental management system according to its industrial characteristics? (2) Is the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on environmental load? (3) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take measures to address	 Yes Yes Yes		 (1) Establish regulations for the prevention and control of wastewater and air pollution according to industrial characteristics. Set up an environmental safety management department to manage. (2) The company promotes garbage classification and resource recovery to reduce the impact on environmental pollution (3) The company pursues sustainable business development and actively grasps and manages risks and uncertainties. In terms of environmental safety and	 (1) No obvious deviation (2) No obvious deviation (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	
climate-related issues?			health management, the risks of natural disasters caused by climate change continue to increase and respond to the expansion of factories. The use of production line chemicals and equipment is increasingly important. Through the establishment of a management system, we can effectively manage energy consumption during operation, reduce carbon emissions and waste, and reduce the impact on the environment. Provide a safe workplace environment, provide education and training and response drills according to the risk category, protect the personal safety of employees, reduce potential risks in the office and operating environment to ensure uninterrupted business activities.	
(4) Does the company count greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	Yes		(4) The company attaches great importance to the issue of greenhouse gas emissions, and through greenhouse gas inventories, we have a firm grasp of greenhouse gas emissions. For the past two years, the greenhouse gas, water consumption, total waste weight and management policies can be found in the company's corporate social responsibility report.	(4) No obvious deviation
4. Social issues (1) Has the company formulated relevant management	Yes		(1) The company abides by relevant labor regulations and	(1) 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	
policies and procedures in accordance with relevant regulations and international human rights conventions?			refers to the "Universal Declaration of Human Rights" established by the United Nations, and establishes relevant management procedures to safeguard the human rights of labor. The content includes free choice of occupation, young labor, working hours, wages and benefits, non-discrimination, freedom Associate suppliers' social responsibility, etc. For details, please refer to the company's corporate social responsibility report.	
(2) Does the company formulate and implement reasonable employee welfare measures (including compensation, vacations and other benefits), and appropriately reflect operating performance or results in employee compensation?	Yes		(2) The company's articles of association stipulate that if the company makes a profit in the year, no less than 10% should be allocated for employee compensation. In addition to the basic salary and three bonuses, the salary policy is also based on the company's operating conditions. Flexible salary changes are provided to encourage morale and retain outstanding employees in a timely manner. The annual salary adjustments are based on the employee's grade and performance appraisal.	(2) No obvious deviation
(3) Does the company provide a safe and healthy work environment for employees, and regularly implement safety and health education for employees?	Yes		(3) The company complies with the requirements of ISO 14001 and OHSAS 18001 international standards, that is, the systemization of environmental safety and health	(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	
			management activities, and in order to establish, implement, maintain and improve the environmental safety and health management system, to ensure compliance with the company's declared environmental safety and health policy, and clear Formulate relevant management activities procedures; in addition, formulate labor safety management plans, hold labor safety meetings, implement automatic inspection and occupational safety and health education and training every year.	
(4) Does the company establish an effective career development training program for employees?	Yes		(4) The company regularly organizes employee education and training, covering development projects that enhance employees' career capabilities.	(4) No obvious deviation
(5) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company followed relevant regulations and international standards, and formulated relevant consumer protection policies and appeal procedures?	Yes		(5) The company does not directly supply products or labor services to consumers but has dedicated business personnel responsible for product follow-up services to company customers, and the company's products are clearly marked according to laws and regulations.	(5) No obvious deviation
(6) Does the company formulate supplier management policies that require suppliers to follow relevant	Yes		(6) The company adopts EICC corporate social responsibility management for its suppliers and	(6) No obvious deviation

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td>regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?</td><td></td><td></td><td>implements green thinking through its procurement strength. In addition to prohibiting harmful substances, the procurement of raw materials also expands the procurement of environmental protection products and the use of products in conflict mineral areas The environmental impact of materials; and require suppliers to provide RoHS test reports and guarantee that products do not contain REACH SVHC commitments; the company has included conflict-free minerals (conflict-free-minerals) into the supplier management policy, excluding the use of raw materials China, respect the code of conduct stipulated by the EICC and accept the audit of the fair unit selected by it. Appropriate and complete evaluation before cooperation with suppliers.</td><td></td></tr>
<tr><td>5. Does the company refer to the internationally prepared reporting standards or guidelines for preparing corporate social responsibility reports and other reports that disclose non-financial information? Did the pre-report report obtain the confidence or assurance opinion of the third-party verification unit?</td><td>Yes</td><td></td><td>The 2018 CSR report was verified externally by BSI, and the verification results met the requirements of the core standards of the GRI Standards (GRI Standards) and the spirit of the AA1000 Guarantee Standard (2008) Type 1 .2019 CSR report hasn’t been published before the completion of the annual report.</td><td>No obvious deviation</td></tr>
<tr><td colspan="5">6. 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</td></tr>
<tr><td colspan="5">7. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices: None</td></tr>
</table>

(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 formulate the ethical corporate management policies and procedures approved by the board of directors, and stated in the guidelines and external documents the policies and practices of ethical corporate management, as well as the commitment of the board of directors and senior management to actively implement the management policy?	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 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		(2) The "Code of conduct for Integrity" stipulates the scope in the prohibition of any dishonest behavior and prevention programs.	(2) No obvious deviation
(3) Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct,	Yes		(3) The "Code of conduct for Integrity" prohibits any dishonest behavior and prevention programs.	(3) 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	
punishment for violation, rules of appeal, and the commitment to implement the policies?				
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
(2) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to oversee corporate integrity and regularly (at least once a year) report to the board of directors on its integrity management policies and plans to prevent dishonest behaviors and supervision and implementation?		No	(2) In order to improve the management of integrity management, HR is responsible for the formulation and supervision of the integrity management policy and prevention plan and should report to the board of directors from time to time.	(2) No report to the board of directors on the substance
(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	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

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
basis? (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
(2) Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases?	Yes		(2) "Employee reporting and complaint handling procedures" is clearly stipulated the relevant procedure and confidentiality.	(2) No obvious deviation
(3) Does the Company provide proper whistleblower protection?	Yes		(3) "Employee reporting and complaint handling procedures" render protection to the petitioner from any possible revenge.	(3) No obvious deviation
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?	Yes		(1) The" Code of Conduct for Integrity" has been revealed on corporate website. (http://www.kinsus.com.tw)	(1) No obvious deviation
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: 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	
6.Other important information to facilitate a better understanding of the Company's ethical corporate management policies: None				

(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 67 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 2019 shareholders meeting (at May 29, 2019)

Item	Date	Major resolutions
Shareholders' meeting	May 29, 2019	A. Approval of the 2018 business report, financial statements and consolidated financial statements: Attending votes: 282,473,852 (Of which the exercise of the voting rights by electronic means: 280,291,521) Favorable votes: 270,865,351 (Of which the exercise of the voting rights by electronic means: 269,106,961) Unfavorable votes: 79,848 (Of which the exercise of the voting rights by electronic means: 79,848) Invalid votes: 0 Abstention and Not votes: 11,528,653 (Of which the exercise of the voting rights by electronic means: 11,104,712) <u>Implementation of the situation:</u> The resolution was adopted.

		B. Approval of the distribution of 2018 retained earnings: (see Table 1 below) Attending votes: 282,473,852 (Of which the exercise of the voting rights by electronic means: 280,291,521) Favorable votes: 271,352,517 (Of which the exercise of the voting rights by electronic means: 269,594,127) Unfavorable votes: 80,344 (Of which the exercise of the voting rights by electronic means: 80,344) Invalid votes: 0 Abstention and Not votes: 11,040,991 (Of which the exercise of the voting rights by electronic means: 10,617,050) Implementation of the situation: The resolution was adopted and the dividends have been distributed on September 12, 2019 accordingly.
		C. Amend the Article of Incorporation Attending votes: 282,473,852 (Of which the exercise of the voting rights by electronic means: 280,291,521) Favorable votes: 271,353,116 (Of which the exercise of the voting rights by electronic means: 269,594,726) Unfavorable votes: 79,083 (Of which the exercise of the voting rights by electronic means: 79,083) Invalid votes: 0 Abstention and Not votes: 11,041,653 (Of which the exercise of the voting rights by electronic means: 10,617,712) Implementation of the situation: The resolution was adopted and has been implemented in accordance with the revised charter.
		D. Amend the Company’s Procedures for Acquisition or Disposal of Assets Attending votes: 282,473,852 (Of which the exercise of the voting rights by electronic means: 280,291,521) Favorable votes: 271,346,778 (Of which the exercise of the voting rights by electronic means: 269,588,388) Unfavorable votes: 82,421 (Of which the exercise of the voting rights by electronic means: 82,421) Invalid votes: 0 Abstention and Not votes: 11,041,653 (Of which the exercise of the voting rights by electronic means: 10,620,712) Implementation of the situation: The resolution was adopted and has been implemented in accordance with the revised charter.

Table 1

Kinsus Interconnect Technology Corporation

2018 Earnings Distribution Table

Item	Total (in NT$)
Beginning retained earnings	13,603,036,922
Less: Other comprehensive income (loss) in 2018	
-Actuarial gain/loss of defined benefit	(3,312,039)
Add: Net profit after tax	349,485,057
Distributable earnings	13,646,658,587
Less:10% Legal reserve	(34,948,506)
Special reserve	(22,706,349)
Shareholder cash dividend (NT$1.5/share)	(676,261,500)
Subtotal:	(733,916,355)
Ending unappropriated retained earnings	12,912,742,232

b. Material resolutions from the meetings of board of directors

Date of board meeting	Major resolutions
2019/02/18	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
2019/04/29	1. Cooperate with the company to cancel the registration of the restricted stock that have been issued 2. Resolve the application of bank facility. 3. For the proposed to set up cooperate governance supervisor. 4. For the proposed to formulate the company's "standard operating procedures for handling directors'' requirements".
2019/07/29	1. Cooperate with the company to cancel the registration of the restricted stock that have been issued 2. Determine the measurement date for 2018 distribution of dividend 3. Distribution of 2018 compensation to directors 4. For the proposed 2018 amounts of employee compensation for managers 5. For the proposed 2019 annual salary adjustment for managers. 6. Resolve the addition and continuance of bank facility. 7. Amend the company's "Rules of Procedure for Board Meetings", "Organizational Rules of Audit Committee", "Corporate Governance Code of Practice", "Code of Integrity Management" and "Guidelines for Integrity Management Operation Procedures and Conduct". 8. For the proposed to formulate a plan about traveling expenses of the company's directors who do not hold position within the group in 2019. 9. Disposal of assets to related parties.
2019/10/28	1. Cooperate with the company to cancel the registration of the restricted stock that have been issued 2. Resolve the addition and continuance of bank facility.

	3. For the proposed to prepare the company's "2020 Annual Audit Plan". 4. Manager personnel changes.
2019/12/30	1. 2020 annual business plan and annual budget. 2. The company's 2020 annual assessment CPA independence, accountant appointment and remuneration. 3. For the proposed to amend "Payment and Remuneration Committee Organization Rules". 4. For the proposed to formulate "Board Performance Evaluation Method". 5. For the proposed to formulate a remuneration for directors who do not hold positions within the group. 6. Proposal on the number of months of year-end bonus distribution for managers of the company in 2019.
2020/02/10	1. 2019 Business report, parent-company-only financial statements, and consolidated financial statements 2. 2019 earnings distribution of dividends 3. Amend the "Company's Article of Incorporation" 4. Amend the "Practice Guidance for Loaning to Others" and the "Practice Guidance for Providing Endorsement /Guarantee" 5. For the proposed to amend the company's "Rules of Procedure for Board Meetings". 6. Abolish the company's "Management Measures for the Preparation of Financial Statements" and re-establish the "Management Measures for the Preparation of Financial Statements". 7. The 2020 annual shareholders' meeting convened and related matters 8. Cooperate with the company to cancel the registration of the restricted stock that have been issued. 9. Approve the 2019 Management's Reports on Internal Control
2020/04/13	1. Amend the 2019 earnings distribution 2. Addition the 2020 annual shareholders' meeting convened cause.

(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	2019/01/01~2019/12/31	
	Cheng,Ching-Piao		

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	4,250	290	152	0	0	442		2019/01/01~ 2019/12/31	
	Huang, Yi-Hui									

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 remark's 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">2019/01/01</td></tr>
<tr><td>Reasons for the Change</td><td colspan="3">The original CPAs of the Company were Hong, Mao Yi and Huang, Yi Hui from EY. Due to rotation rule at EY, the CPAs of the Company were changed to Hong, Mao Yi and Cheng, Ching-Piao, beginning January 1, 2019.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td>Parties
Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td>Termination of appointment</td><td></td><td></td></tr>
<tr><td>No longer accepted (continued) appointment</td><td></td><td></td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="3">None</td></tr>
<tr><td rowspan="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 Cheng, Ching-Piao
Date of appointment	2019/02/18
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	2019		As of March 30, 2020	
		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	–	–	–	–
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	–	–	–	–
Assistant GM	Zhuang, Da-Zhong	–	–	–	–
Chief FIN/ACC manager	Liu, Su-Zhen	1,900	–	–	–

(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	13.33%	-	-	-	-	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	12.91%	-	-	-	-	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	12.32%	-	-	-	-	Hua Wei Investment Co., Ltd., Hua Xu Investment Co., Ltd.	All are 100% owned by Pegatron Corp.	-
Wu, Xiang-Xiang	-	-	-	-	-	-	-	-	-

Cathay Life Insurance Co. Ltd	14,628,000	3.24%	-	-	-	-	-	-	-
Taiwan Bank in custody of Mars Investment Limited	9,446,000	2.09%	-	-	-	-	-	-	-
The 2nd-tier new labor pension plan	7,274,500	1.61%	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A. in Custody for ABU DHABI Investment Authority	6,875,000	1.52%	-	-	-	-	-	-	-
Nan Shan Life Insurance Company Ltd.	6,009,000	1.33%	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund	5,224,758	1.16%	-	-	-	-	-	-	-
Allianz Global Investors Taiwan Fund	4,157,000	0.92%	-	-	-	-	-	-	-

(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, 2019; 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.	—	—	34,972,763	49.96%	34,972,763	49.96%

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	—	—	3,630,000	100%	3,630,000	100%
PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	—	—	—	100%	—	100%
XIANG SHUO (SUZHOU) TRADING LIMITED	—	—	—	100%	—	100%
PEGAVISION JAPAN INC.		—	198	100%	198	100%
GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	—	—	—	100%	—	100%

Kinsus Interconnect Technology Corp.
Statement on Internal Control Systems

Date: February 10th, 2020

Based on the results of self-inspection of the Company's internal control system in 2019, 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, 2019, 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 10^{th}, 2020. 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 30, 2020; Unit: Shares

Type of Shares	Authorized Capital Stock			Remark
	Outstanding Shares (Note)	Unissued Shares	Total	
Registered common stock	451,039,005	118,960,995	600,000,000	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 30, 2020

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
May. 2019	10	550,000	5,500,000	451,301	4,513,009	Cancellation of 600 thousand shares	None	Note 13
Aug. 2019	10	600,000	6,000,000	451,161	4,511,614	Cancellation of 1,395 thousand shares	None	Note 14
Oct. 2019	10	600,000	6,000,000	451,074	4,510,738	Cancellation of 876 thousand shares	None	Note 15
Feb. 2020	10	600,000	6,000,000	451,039	4,510,390	Cancellation of 348 thousand shares	None	Note 16

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.

Note 13: Approved by the Ministry of Economic Affairs with the Letter of Jing-(090)-Shang No. 10801054730 dated May 20, 2019.

Note 14: Approved by the Ministry of Economic Affairs with the Letter of Jing-(090)-Shang No. 10801112260 dated August 14, 2019.

Note 15: Approved by the Ministry of Economic Affairs with the Letter of Jing-(090)-Shang No. 10801157790 dated November 12, 2019.

Note 16: Approved by the Ministry of Economic Affairs with the Letter of Jing-(090)-Shang No. 10901028100 dated February 27, 2020.

(B)Shareholder Structure

As of March 30, 2020; Unit: Shares

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Corporations	Individuals	Foreign Institutions & Foreigners	Total
# of Persons	0	5	110	30,156	195	30,466
# of Shares Held	0	23,915,000	204,388,585	152,880,884	69,854,536	451,039,005
Shareholding Percentage	0.00%	5.30%	45.32%	33.89%	15.49%	100%

(C)Diffusion of Ownership

Par at NT$10 per share; As of March 30, 2020

Scale of Shareholding			# of Shareholders	# of Shares Held	Shareholding Percentage
1	to	999	3,353	430,304	0.10%
1,000	to	5,000	21,432	44,075,704	9.77%
5,001	to	10,000	2,965	23,572,180	5.23%
10,001	to	15,000	927	11,963,932	2.65%
15,001	to	20,000	558	10,470,070	2.32%
20,001	to	30,000	435	11,262,310	2.50%
30,001	to	40,000	231	8,343,410	1.85%
40,001	to	50,000	144	6,704,722	1.49%
50,001	to	100,000	232	16,894,331	3.75%
100,001	to	200,000	81	11,527,801	2.56%
200,001	to	400,000	48	14,001,515	3.10%
400,001	to	600,000	13	6,271,335	1.39%
600,001	to	800,000	8	5,519,594	1.22%
800,001	to	1,000,000	8	7,046,146	1.56%
1,000,001	to	1,000,000,000	31	272,955,651	60.51%
Total			30,466	451,039,005	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 30, 2020; Unit: Shares

Shares / Name of Major Shareholders	# of Shares Held	Shareholding Percentage
Hua Wei Investment Co., Ltd.	60,128,417	13.33%
Hua Xu Investment Co., Ltd.	58,233,091	12.91%
Hua Yu Investment Co., Ltd.	55,556,221	12.32%
Cathay Life Insurance Co. Ltd	14,628,000	3.24%
Taiwan Bank in custody of Mars Investment Limited	9,446,000	2.09%
The 2nd-tier new labor pension plan	7,274,500	1.61%
JPMorgan Chase Bank N.A. in Custody for ABU DHABI Investment Authority	6,875,000	1.52%
Nan Shan Life Insurance Company Ltd.	6,009,000	1.33%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock	5,224,758	1.16%

Name of Major Shareholders / Shares	# of Shares Held	Shareholding Percentage
Index Fund, a series of Vanguard Star Fund		
Allianz Global Investors Taiwan Fund	4,157,000	0.92%

(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			2018	2019
Market Price per Share	Highest		61.7	57
	Lowest		38.65	36.6
	Average		51.72	46.35
Net Worth per Share	Before Distribution		61.62	56.68
	After Distribution		60.12	(Note)
Earnings per Share	Weighted Average # of Shares		446,254,650	447,962,599
	Earnings per Share	Before Adjustment	0.78	(4.52)
		After Adjustment	0.78	(Note)
Dividends per Share	Cash Dividends		1.5	(Note)
	Stock Dividends	Stock Dividends from Retained Earnings	—	—
		Stock Dividends from Capital Reserves	—	—
	Accumulated Unpaid Dividends		—	—
Analysis of Return on Investment	Price/Earnings Ratio		66.31	(None)
	Price/Dividend Ratio		34.48	(Note)
	Cash Dividend Yield		2.90	(Note)

Note: It has been not distributed.

(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.

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, the Company's dividend policy aims for steadiness and balancing. 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.

Furthermore, the Company expects to amend the Articles of Incorporation in 2020, 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 remaining portion after the above-mentioned, accounted for as distributable earnings from current year, plus the undistributed earnings from prior years, i.e. accumulated distributable earnings, can be distributed to shareholders based on the proposal submitted by the board and approved by shareholders. 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; a 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

The Articles of Incorporation 24-1: 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; a in addition, there to a report of such distribution shall be submitted to the shareholders' meeting. The following distribution:

Kinsus Interconnect Technology Corp.
Earnings Distribution Schedule
2019

Unit: NT$

Item	Amount
Unappropriated retained earnings (at beginning of period)	12,912,742,232
Less: Other comprehensive income (loss) in 2019	
-Actuarial gain/loss of defined benefit	(4,727,347)
Add: Adjustment of employee restricted stocks	297,657
Less: Net loss after tax in 2019	(2,025,332,039)
Special reserve	(83,020,969)
Distributable earnings	10,799,959,534
Less: Cash dividend to shareholders (NT$1.0 per share)	(451,039,005)
Unappropriated retained earnings (at end of period)	10,348,920,529

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 2019, the board of directors approved the proposal on February 10th, 2020 to distribute shareholder bonuses totaling NT$451,039 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 or control 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) The amount of employee, director, and supervisor compensation distributed in cash or stock. If there is a discrepancy with the annual estimated amount of recognized expenses, the discrepancy, cause, and how it is treated: None.

(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 2018 is as follows:

	Earnings Distribution for 2018			
Item	Adopted at Shareholders' Meeting on May 29 2019	Actual Distribution	Discrepancy	Cause and Explanation of Discrepancy
Director/Supervisor	NT$3,352 thousand	NT$3,352 thousand	-	-

Compensation				
Employee Cash Bonuses	NT$55,074 thousand	NT$55,074 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 03/30/2020

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
Price of Issuance	NT$10	NT$10
Percentage of Employee Restricted Stocks to Outstanding Common Shares	1.07%	0.13%
Conditions for Exercise of Employee Restricted Stocks	(1) A class: applicable for employee at 8th 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.	
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 1,841,760 shares delivered to the Trust.	A total of 244,755 shares delivered to the Trust.
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	469,030	27,450

Number of Employee Restricted Stocks Free from Custody	2,530,210	244,755
Number of Employee Restricted Stocks under Custody	1,841,760	244,755
Number of Employee Restricted Stocks under Custody to Outstanding Common Shares (%)	0.41%	0.05%
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.	

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

As of 03/30/2020

					Free from Trust				Under the Trust			
	Title	Name	Number of Employee Restricted Shares	Number of Employee Restricted Stocks to Outstanding Common Shares	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%	29,700	10	297,000	0.01%	24,300	10	243,000	0.00%
Employee	Senior Associate Vice President	LIN, PIN-ZHONG	1,026,000	0.23%	588,600	10	5,886,000	0.13%	437,400	10	4,374,000	0.10%
	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 (Resigned)										
	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	2019	
	Sales	Percentage
Division of substrates	16,292,243	72.97%
Division of PCBs	2,680,034	12.00%
Division of Optics	3,355,133	15.03%
Total	22,327,410	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

At the beginning of 2019, IMF estimated that the global economic growth will reduce from 3.7% in 2018 to 3.5% in 2019, and today it seems that the growth rate is only 2.9%.

The original optimistic forecast was based on the development trend of 5G and AI, which estimated the industry and electronic product market sales that may be driven, but the U.S.-China trade war and technological blockade disrupted the development of related industries.

The slowly development of 5G and the popularity of terminal devices such as smartphones have declined and delayed, and the development of related technologies such as autonomous driving and AI has also been profoundly affected. These are reflected in the decline in the growth of servers and data centers.

In addition, UK may leave EU that has also affected the economic growth of the European Union to a certain extent.

From the following table, the trade war has dragged down the economic growth of the world's major economies. Both the United States and China have suffered both defeats and the world has suffered. Technological warfare has also limited the motivation for launching new products.

The terminal demand has been weak, and the electronics industry and the semiconductor industry have lacked the driving force.

World Economic Growth (%)	2018	2019E	2020F
Advanced economics	2.2	1.7	1.6
United States	2.9	2.3	2.0
Euro	1.9	1.2	1.3
Japan	0.8	1.0	0.7
United Kingdom	1.3	1.3	1.4
Canada	1.9	1.5	1.8
Others	2.6	1.5	1.9
Emerging market and Developing economics	4.5	3.7	4.4
Emerging and Developing Europe	3.1	1.8	2.6
Emerging and Developing Asia	6.4	5.6	5.8
China	6.6	6.1	6.0
India	6.8	4.8	5.8
ASEAN-5	5.2	4.7	4.8
Lartin America and Caribbean	1.1	0.1	1.6
Middle East and Central Asia	1.9	0.8	2.8
Sub-Saharan Africa	3.2	3.3	3.5
World output(at PPP)	3.6	2.9	3.3

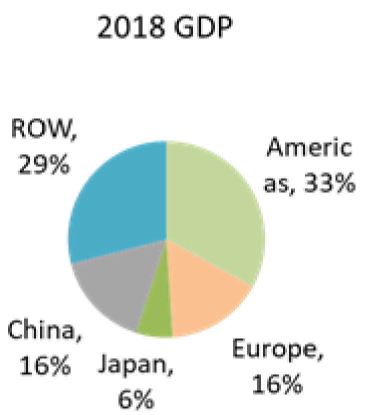
Source：IMF 2020

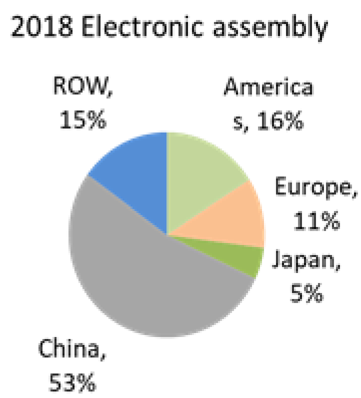
In early 2020, the epidemic of a new coronavirus (officially designated by WHO as COVID-19) spread rapidly around the world. The actions of closed cities, closed borders, factory shutdowns, etc. continue to increase the negative effect on the global economy (including the demand for electronic products).

This is also partly included in the IMF ’s prediction that global economic growth will be slower in 2020. the spread of COVID-19 will disrupt or affect the supply of upstream and downstream components in many industries, which cannot be accurately predicted for a short period. However, major market forecasting agencies recommend conservative views on the growth of the electronics market in 2020.

From the following chart, China has developed into the world's second largest economy, with GDP accounting for 16% of the world. China's demand is lime lighted, and more importantly, China's world factory has accounted for 53% of global electronic product assembly.

The spread of COVID-19 has caused a new worry. Whether it is the shutdown of Chinese factories or the shortage of components and materials that affect the manufacturing of end products, the overall ratio has far exceeded 53%, not just in electronic products such as mobile phones, computers, etc.





Source：Prismark 2020

In the electronic products and semiconductor industries, a few products still maintain a growth trend. From the following table, the demand for servers and data centers in 2020 is still expected to grow by 6%.

This is another year of substantial growth following the substantial growth in 2018. In addition, the wireless communication infrastructure (that is, 5G base stations) also has an annual growth of 11%. Driven by the growth of these two products, the demand for memory will also be considerable. Although it is not a terminal product, the growth in demand for package carrier boards is relatively significant.

Electronic Devices market (Bn US$)		2019E	2020F	2020F/2019E change	% production in China
Computers	PC	257	250	- 3%	88%
	Server/Data storage	156	166	6%	45%
	Other computers	136	133	- 2%	70%
Communications	Mobile phones	368	375	2%	73%
	Wired infrastructure	137	143	4%	35%
	Wireless infrastructure	70	78	11%	45%
Consumer	TV	95	98	3%	54%
	Audio video/personal electronics	111	115	4%	54%
	Other consumers	92	96	4%	52%
Automotive		225	230	2%	40%
Industrial	Automation/motion control	56	55	- 2%	23%
	Other industrial	140	144	3%	23%
	PV	31	31	0%	80%
Medical		116	119	3%	24%
Military/Aerospace		153	162	6%	25%
Total with PV		2,143	2,195	2%	

Figure：The growth trend of global electronic product Source：：Prismark 2020

In addition to the growth and decline of these terminal electronic products, another potential problem is gradually emerging. The final assembly capacity of products has a huge proportion in China, and this proportion is still increasing year by year. The rightmost column of the above table shows China's global share in the assembly of various products.

In terms of information products and automotive related applications, it has already affected the global supply chain. In this crisis of the spread of COVID-19, the decentralized and stable supply of related product supply chains has been highlighted, but such a centralized supply chain situation cannot be changed or reversed in the short time. These must have a large negative impact on terminal demand and supply for 2020.

Looking at the development of electronic products in 2020, it can be aggregated into several directions:

(a) Demand for smartphones may decline, 5G (especially millimeter wave band) progress is delayed

(b) 5G base station deployment is still up 275% from 2019

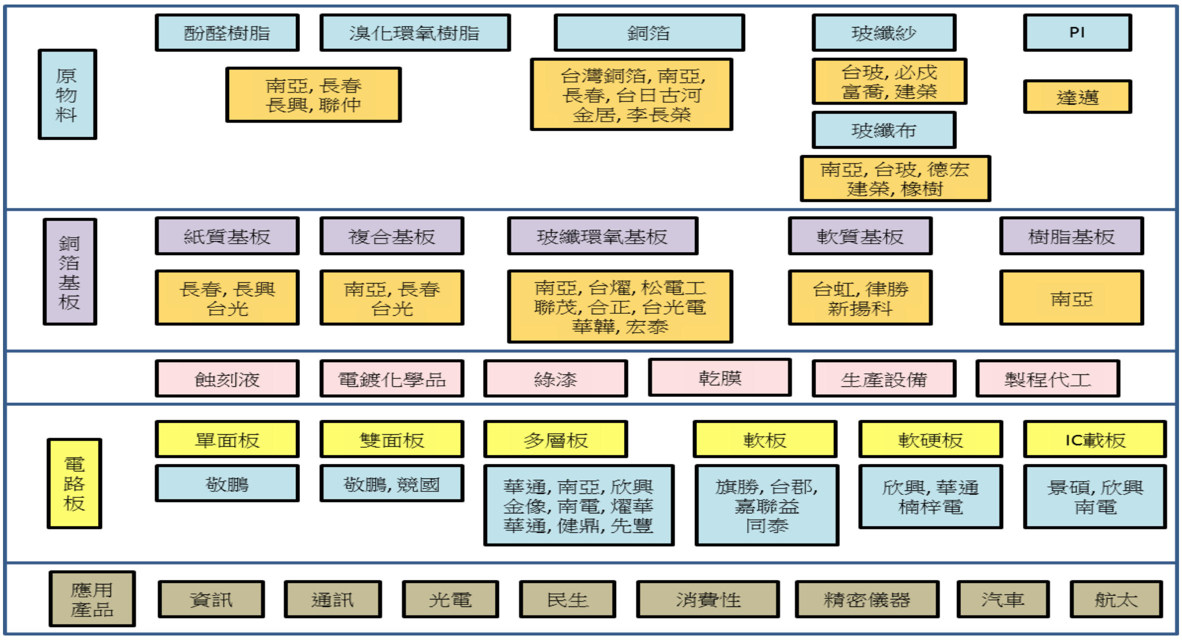
(c) The rapid growth of server /data center indirectly drives the growth of memory demand

Looking ahead to the coming year, there are also crises and opportunities. Moderate adjustment of production capacity allocation, chasing changes in product mix, and continuous development of emerging products related to potential trends in 2021/2022 are now strategic directions.

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 COVID-19 that spread at the end of 2019 began to affect the supply of some raw materials (copper foil, Copper Clad Laminate, etc.) in the first quarter of 2020, and some countries closed the border to prevent the spread of the epidemic, resulting in unstable supply. It is expected to be relieved in the summer and autumn.



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；燿華: 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

(a). The FCCSP used in handheld devices (such as smart phones) is advancing toward a thinner, thinner line ETS process.

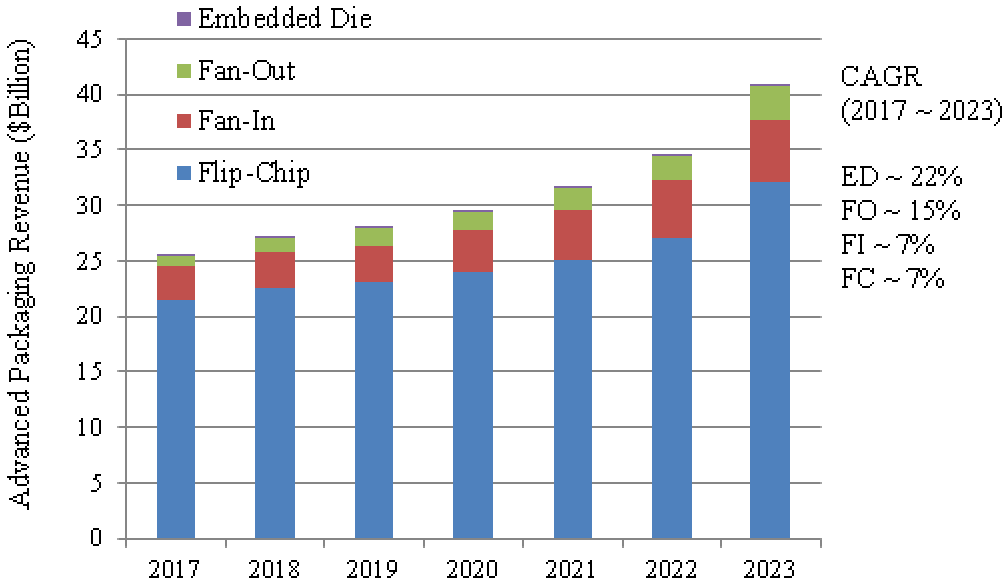
(b). High-pin-count chips (AI, 5G, etc.) use multi-chip, large-area, high-level ABF-FCBGA with stacked chips, and grow rapidly.

(c). The next driving force of the module products is the 5G millimeter wave Antenna in Package, Sub-6 antenna and RFIC, and the MSAP process of high-level number provides business opportunities for BT.

Mastering the development steps of products / customers and preparing the corresponding scale production capacity in time can keep up with or even exceed the product development trend.

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	2019	As of March 31, 2020
R&D expenses	1,924,984	505,868
Net income	22,327,410	5,892,333
Percentage of R&D expenses (%)	8.62%	8.59%

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	2019 Sales Value	Percentage
Taiwan	6,278,257	28.12%
Mainland China	10,741,969	48.11%
United States	2,845,359	12.74%
Japan	1,649,988	7.39%
Europe	192,111	0.86%

Others	619,726	2.78%
Total	22,327,410	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 nineteen 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:

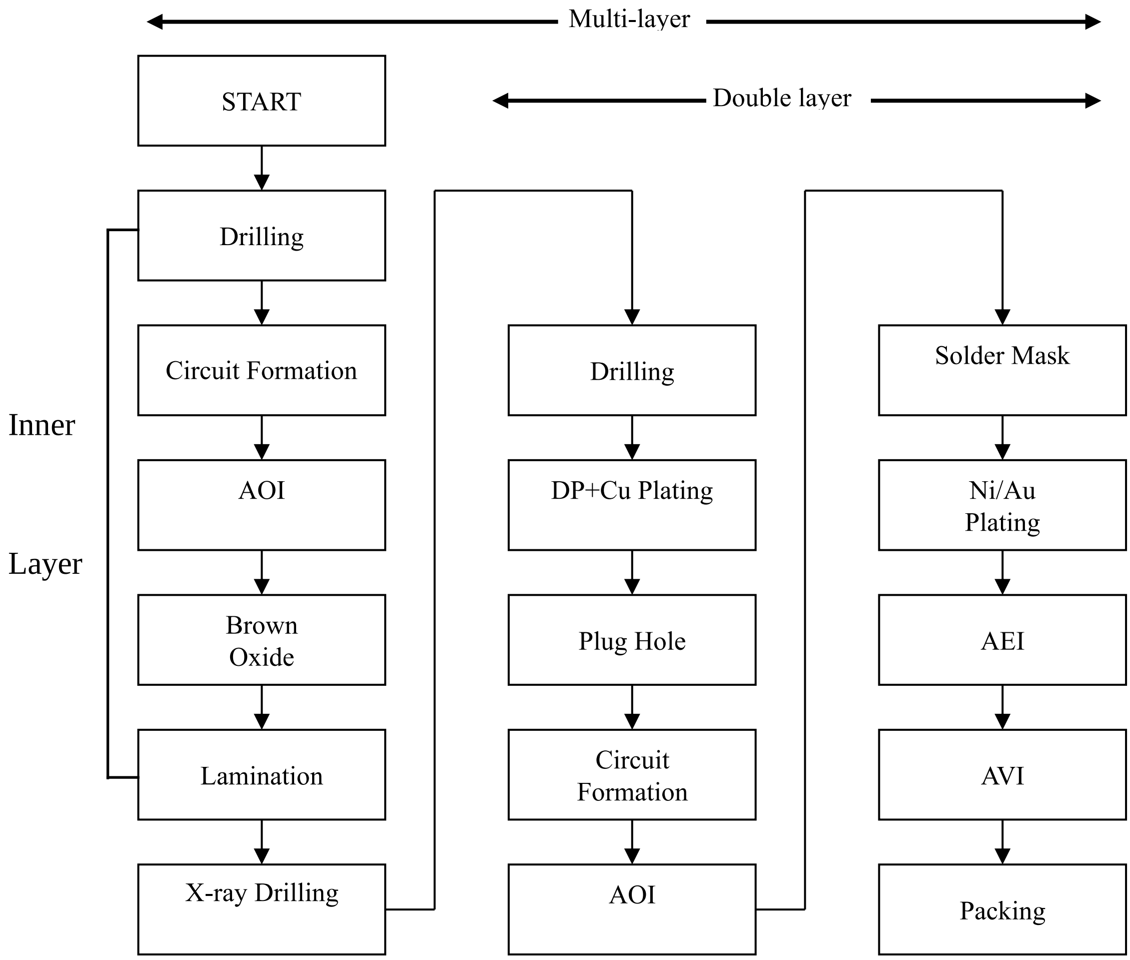
In addition to maintain good relations with current BT base material manufacturer, we will conduct development testing of related substitute materials at the same time, to prevent the risk of material shortage; thus, allowing us to have multiple sources of suppliers and maintain a stable supply of the 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

	2018				2019			
Item	Client name	Amount	% to annual net sale 〔%〕	Relation with issuer	Client name	Amount	% to annual net sale 〔%〕	Relation with issuer
1	A	1,773,028	7.47	None	A	1,666,355	7.46	None
2	D	1,637,372	6.90	None	B	1,284,485	5.75	None
3	C	1,584,945	6.68	None	C	1,275,261	5.71	None
	Others	18,732,584	78.95		Others	18,101,309	81.08	
	Net sale	23,727,929	100		Net sale	22,327,410	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

	2018				2019			
Item	Supplier	Amount	% to annual purchase 〔%〕	Relation with issuer	Supplier	Amount	% to annual purchase 〔%〕	Relation with issuer
1	B	1,204,029	12.30	None	A	1,115,550	12.98	None
2	A	1,037,461	10.60	None	B	918,430	10.69	None
3	C	785,079	8.02	None	C	648,232	7.54	None
	Others	6,762,253	69.08		Others	5,912,150	68.79	
	Net purchase	9,788,822	100		Net purchase	8,594,362	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 2 to 3 suppliers as the main supplier. The major suppliers don't change much respectively in 2018 and 2019.

(E)Production in the Last Two Years

Unit: NT$'000

Year / Output / Major Products (or by department)	2018			2019		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Support plate	9,243,719	8,486,756	25,236,842	9,234,373	7,387,498	20,145,196

(F)Sales in the Last Two Years

Unit: Thousands pcs；NT$'000

Year / Shipments & Sales / Major Products (or by departments)	2018				2019			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Support plate	1,773,496	4,845,494	6,536,048	12,382,537	1,746,702	4,826,594	5,805,343	11,289,563
Others	-	2,686,835	-	3,813,063	-	1,451,663	-	4,759,590
Total	-	7,532,329	-	16,195,600	-	6,278,257	-	16,049,153

(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 2020/03/31
Number of Employees	Management	298	302	299
	R&D/Technician	670	878	887
	operating personnel	4,081	4,004	4,154
	Total	5,049	5,184	5,340
Average Age		33	34	34
Average Years of Service		4.6	5.03	4.15
Education	Ph.D.	0.06%	0.06%	0.06%
	Masters	7.96%	8.29%	7.86%
	Bachelor’s Degree	59.97%	59.38%	57.30%
	Senior High School	29.39%	29.84%	32.70%
	Below Senior High School	2.62%	2.43%	2.08%

(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 and disclose the current and future estimated amounts and corresponding measures, if it is impossible to reasonably estimate, it should explain the fact that it cannot be reasonably estimated:

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 a 19 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		2015	2016	2017	2018	2019
Current Assets		23,471,368	21,615,555	18,774,402	19,294,569	19,340,507
Property, Plant & Equipment		16,150,904	16,578,663	19,151,653	19,737,268	19,675,900
Intangible Assets		30,280	18,820	22,850	14,529	30,753
Other Assets		2,986,180	3,040,677	4,328,572	3,577,588	2,656,185
Total Assets		42,638,732	41,253,715	42,277,477	42,623,954	41,703,345
Current liabilities	Before Appropriation	10,318,448	8,639,797	10,537,887	10,199,199	10,841,218
	After Appropriation	11,877,523	9,976,147	11,206,887	10,875,460	(Note 2)
Non-Current Liabilities		1,492,483	1,599,149	1,824,592	2,676,233	2,024,427
Total liabilities	Before Appropriation	11,810,931	10,238,946	12,362,479	12,875,432	12,865,645
	After Appropriation	13,370,006	11,575,296	13,031,479	13,551,693	(Note 2)
Equity Attributable to Shareholders of the Parent		28,391,136	28,869,710	27,998,561	27,782,150	25,567,021
Capital		4,460,000	4,460,000	4,460,000	4,508,410	4,510,738
Capital Surplus		5,939,819	5,939,819	5,956,519	6,140,942	6,637,742
Retained earnings	Before Appropriation	17,829,718	18,503,389	17,659,719	17,336,892	14,630,869
	After Appropriation	16,270,643	17,167,039	16,990,719	16,660,631	(Note 2)
Other Components of Equity		194,484	(613)	(77,677)	(203,356)	(211,996)
Treasury Stock		(32,885)	(32,885)	-	(738)	(332)
Non-controlling Interests		2,436,665	2,145,059	1,916,437	1,966,372	3,270,679
Total Equity	Before Appropriation	30,827,801	31,014,769	29,914,998	29,748,522	28,837,700
	After appropriation	29,268,726	29,678,419	29,245,998	29,072,261	(Note 2)

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

Note 2: Earning appropriation of 2019 has not been approved by the shareholders.

b. Brief Parent-Company-Only Balance Sheet

Unit: NT$'000

Item \ Year		2015	2016	2017	2018	2019
Current Assets		19,685,035	17,625,515	14,701,917	15,265,686	15,054,223
Property, Plant & Equipment		10,309,220	11,947,782	14,406,084	14,898,668	14,264,988
Intangible Assets		9,869	5,208	12,796	4,777	20,987
Other Assets		6,075,014	5,924,904	7,014,909	6,007,534	5,446,034
Total Assets		36,079,138	35,503,409	36,135,706	36,176,665	34,786,232
Current Assets	Before Appropriation	7,325,160	5,811,639	6,742,712	6,370,348	7,304,850
	After Appropriation	8,884,235	7,147,989	7,411,712	7,046,609	(Note 2)
Non-Current Liabilities		362,842	822,060	1,394,433	2,024,167	1,914,361
Total Liabilities	Before Appropriation	7,688,002	6,633,699	8,137,145	8,394,515	9,219,211
	After Appropriation	9,247,077	7,970,049	8,806,145	9,070,776	(Note 2)
Capital		4,460,000	4,460,000	4,460,000	4,508,410	4,510,738
Capital Surplus		5,939,819	5,939,819	5,956,519	6,140,942	6,637,742
Retained Earning	Before Appropriation	17,829,718	18,503,389	17,659,719	17,336,892	14,630,869
	After Appropriation	16,270,643	17,167,039	16,990,719	16,660,631	(Note 2)
Other Components of Equity		194,484	(613)	(77,677)	(203,356)	(211,996)
Treasury Stock		(32,885)	(32,885)	-	(738)	(332)
Total Equity	Before Appropriation	28,391,136	28,869,710	27,998,561	27,782,150	25,567,021
	After Appropriation	26,832,061	27,533,360	27,329,561	27,105,889	(Note 2)

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

Note 2: Earning appropriation of 2019 has not been approved by the shareholders.

c. Brief Consolidated Statements of Comprehensive Income

Unit: NT$'000

Item \ Year	2015	2016	2017	2018	2019
Operating Revenues	23,061,311	23,165,066	22,335,486	23,727,929	22,327,410
Gross Profit	5,961,602	5,750,545	4,162,724	5,386,502	2,760,739
Operating Income	3,063,724	2,589,772	399,225	791,650	(1,650,225)
Non-Operating Income & Expense	141,524	(20,314)	129,898	(81,128)	(196,033)
Income Before Income Tax	3,205,248	2,569,458	529,123	710,522	(1,846,258)
Net income	2,729,526	2,073,028	335,322	411,040	(1,947,268)
Other Comprehensive Income	(137,614)	(326,985)	(110,417)	(37,638)	(108,071)
Total Comprehensive Income	2,591,912	1,746,043	224,905	373,402	(2,055,339)
Net income (loss) Attributable to Shareholders of the Parent	2,903,952	2,233,705	491,676	349,485	(2,025,332)
Net income (loss) Attributable to Non-Controlling Interests	(174,426)	(160,677)	(156,354)	61,555	78,064
Comprehensive Income Attributable to Shareholders of the Parent	2,810,012	2,037,649	415,616	323,467	(2,113,080)
Comprehensive Income Attributable to Non-Controlling Interests	(218,100)	(291,606)	(190,711)	49,935	57,741
Earnings Per Share (in NT$)	6.51	5.01	1.10	0.78	(4.52)

Note: These statements were prepared under IFRS and audited.

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

Unit: NT$'000

Item \ Year	2015	2016	2017	2018	2019
Operating Revenues	17,827,251	17,931,850	16,286,034	17,228,031	16,116,157
Gross profit	5,313,503	4,709,722	3,077,973	3,615,434	1,106,605
Operating Income	3,509,636	2,691,712	499,936	346,545	(1,917,952)
Non-Operating Income & Expense	(162,134)	(63,780)	117,192	75,923	(107,729)
Profit (loss) from continuing operations before tax	3,347,502	2,627,932	617,128	422,468	(2,025,681)
Net income	2,903,952	2,233,705	415,616	349,485	(2,025,332)
Other Comprehensive Income	(93,940)	(196,056)	(76,060)	(26,018)	(87,748)
Total Comprehensive Income	2,810,012	2,037,649	415,616	323,467	(2,113,080)
Earnings per share (in NT$)	6.51	5.01	1.10	0.78	(4.52)

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
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
2019	Hong, Mao-Yi Cheng, Ching-Piao	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)			2015	2016	2017	2018	2019
Capital Structure Analysis (%)	Debt Ratio		27.70	24.82	29.24	30.21	30.85
	Long Term Funds to Fixed Assets		172.30	173.19	143.22	146.05	145.17
Liquidity Analysis (%)	Current Ratio		227.47	250.19	178.16	189.18	178.40
	Quick Ratio		203.78	222.49	155.50	155.57	154.38
	Interest Coverage		57.26	37.03	7.69	6.86	(11.84)
Operation Performance Analysis	Average Collection Turnover (times)		6.20	6.14	6.06	6.25	5.87
	Average Collection Days		59	59	60	58	62
	Inventory Turnover (times)		6.38	6.45	6.35	5.10	5.34
	Average Payable Turnover (times)		8.38	8.21	7.63	7.57	8.63
	Average Inventory Turnover Days		57	57	57	72	68
	Fixed Assets Turnover (times)		1.28	1.23	1.09	1.07	1.03
	Total Assets Turnover (times)		0.55	0.55	0.53	0.56	0.53
Return On Investment Analysis	Return on Total Assets (%)		6.63	5.08	0.96	1.20	(4.35)
	Return on equity (%)		8.97	6.70	1.10	1.38	(6.65)
	Income to Capital (%)	Return on equity	68.69	58.07	17.56	17.56	(36.58)
		Pre-Tax Income	71.87	57.61	15.76	15.76	(40.93)
	Net Income to Sales		11.84	8.95	1.50	1.73	(8.72)
	Earnings Per Share (NT$)		6.51	5.01	1.10	0.78	(4.52)
Cash Flow	Cash Flow Ratio (%)		67.24	66.58	56.96	40.22	28.61
	Cash Flow Adequacy Ratio (%)		108.92	113.68	102.48	91.28	80.08
	Cash Flow Re-Investment Ratio		11.03	8.73	9.33	6.28	4.32
Leverage	Operation Leverage		2.84	3.02	14.12	8.15	(2.91)
	Financial Leverage		1.02	1.03	1.25	1.18	0.92
	Please explain why financial ratio has changed up to 20 % in the most recent two years. Due to net loss in 2019, interest Coverage, return on assets, return on equity, operating profit to paid-in capital ratio, net profit before tax to paid-in capital ratio, net profit ratio, earnings per share, cash flow ratio, cash flow reinvestment ratio, operating leverage and financial leverage 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)			2015	2016	2017	2018	2019
Capital Structure Analysis (%)	Debt Ratio		21.31	18.68	22.52	23.20	26.50
	Long Term Funds to Fixed Assets		225.32	210.86	171.24	176.67	177.21
Liquidity Analysis (%)	Current Ratio		268.73	303.28	218.04	239.64	206.09
	Quick Ratio		249.17	279.32	196.25	207.51	184.96
	Interest Coverage		157.72	95.61	16.79	7.56	(25.35)
Operation Performance Analysis	Average Collection Turnover (times)		6.52	6.41	6.50	6.61	5.83
	Average Collection Days		56	57	56	55	63
	Inventory Turnover (times)		7.73	8.60	7.58	5.97	6.72
	Average Payable Turnover (times)		9.13	9.26	9.10	8.75	9.85
	Average Inventory Turnover Days		47	42	48	61	54
	Fixed Assets Turnover (times)		1.54	1.34	1.04	1.01	1.00
	Total Assets Turnover (times)		0.51	0.50	0.45	0.48	0.45
Return on Investment Analysis	Return on Total Assets (%)		8.31	6.31	1.46	1.11	(5.53)
	Return on Equity (%)		10.41	7.80	1.73	1.25	(7.59)
	Income to Capital (%)	Operating Income	78.69	60.35	11.21	7.69	(42.52)
		Pre-Tax Income	75.06	58.92	13.84	9.37	(44.91)
	Net Income to Sales (%)		16.29	12.46	3.02	2.03	(12.57)
	Earnings Per Share (NT$)		6.51	5.01	1.10	0.78	(4.52)
Cash Flow	Cash Flow Ratio (%)		83.58	87.42	69.66	41.88	23.22
	Cash Flow Adequacy Ratio (%)		126.83	119.52	103.25	91.10	78.56
	Cash Flow Re-Investment Ratio		11.84	9.26	8.46	4.64	2.35
Leverage	Operation Leverage		1.64	1.96	6.30	9.59	(0.85)
	Financial Leverage		1.01	1.01	1.08	1.23	0.96

Please explain why financial ratio has changed up to 20 % in the most recent two years.
Due to net loss in 2019, interest Coverage, return on assets, return on equity, operating profit to paid-in capital ratio, net profit before tax to paid-in capital ratio, net profit ratio, earnings per share, cash flow ratio, cash flow reinvestment ratio, operating leverage and financial leverage 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, 2019. 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 Huang

(4) For financial statement for the most recent fiscal year please refers to page 232 to 344.

(5) For a parent-company-only financial statement for the most recent fiscal year, certified by a CPA please refer to page 126 to 231.

(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	2019	2018	Differences		Note
			Amount	%	
Current Assets	19,340,507	19,294,569	45,938	0.24	
Property, Plant and Equipment	19,675,900	19,737,268	(61,368)	(0.31)	
Prepayment for Equip.	1,583,966	2,463,548	(879,582)	(35.70)	Note 1
Other Assets	1,102,972	1,128,569	(25,597)	(2.27)	
Total Assets	41,703,345	42,623,954	(920,609)	(2.16)	
Current Liabilities	10,841,218	10,199,199	642,019	6.29	
Non-Current Liabilities	2,024,427	2,676,233	(651,806)	(24.36)	Note 2
Total Liabilities	12,865,645	12,875,432	(9,787)	(0.08)	
Capital	4,510,738	4,508,410	2,328	0.05	
Capital Surplus	6,637,742	6,140,942	496,800	8.09	
Retained Earning	14,630,869	17,336,892	(2,706,023)	(15.61)	
Other Shareholder Equity	3,058,351	1,762,278	1,296,073	73.55	Note 3
Total Shareholder Equity	28,837,700	29,748,522	(910,822)	(3.06)	

Analysis on ratio changes:

Note 1: Due to decreases in capital contribution.

Note 2: Due to decreases in long-term loan.

Note 2: Due to increases in non-controlling interest.

(2) Financial performance

Financial Performance Comparison Analysis

Unit: NT$'000

Item \ Year	2019	2018	plus(minus) Amount	plus (minus) Variation ratio (%)	Note
Operating Revenues	22,327,410	23,727,929	(1,400,519)	(5.90)	
Cost Of Goods Sold	19,566,671	18,341,427	1,225,244	6.68	
Gross Profit	2,760,739	5,386,502	(2,625,763)	(48.75)	Note 1
Operating Expenses	4,410,964	4,594,852	(183,888)	(4.00)	
Operating Income	(1,650,225)	791,650	(2,441,875)	(308.45)	Note 2
Other Non-Operate Inc. and exp.	(196,033)	(81,128)	(114,905)	141.63	Note 3
Pre-Tax Income	(1,846,258)	710,522	(2,556,780)	(359.85)	Note 4
Income Tax Expense	101,010	299,482	(198,472)	(66.27)	Note 5
Net Income	(1,947,268)	411,040	(2,358,308)	(573.74)	Note 6
Other comprehensive income (loss)	(108,071)	(37,638)	(70,433)	187.13	Note 7
Total comprehensive income	(2,055,339)	373,402	(2,428,741)	(650.44)	Note 8

Analysis on ratio changes:

Note 1,2,4,5,7,8: 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 share of the profit or loss of associates and joint ventures.

Note 7: 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:

Several foreign-funded and international research advisory agencies predict that global economic growth will recovery in 2020 compared to 2019. The products with more obvious growth trends include 5G base station related chips and AI related Massive connection and Ultra-low latency. Furthermore, Power management, Fingerprint identification, Image sensor Chip（CIS）and Driver IC are growing with more certain 5G peripheral applications. 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 2020 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
$9,779,720	$18,555,497	$(17,767,502)	$10,567,715	-	-
a. Cash flows variation analysis: The expected cash balance will be NT$10,567,715 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 2019, the parent company annual investment loss was NT$207,484 thousand, decreased from NT$75,815 thousand in 2018. 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 2019 interest rate and exchange gain or loss is list as below:

Unit: NT$'000

Year / Item	2019
Net Exchange Gain (loss)	(17,576)
Net Sales	22,327,410
Income before Tax	(1,846,258)
Net Exchange Gain (loss)	(0.08%)
Net Exhange Gain (Loss) to Net Pre-Tax Profit Ratio	0.95%
Interest Revenue	60,887
Interest Revenue to Net Sales Income	0.27%
Interest Income to Pre-Tax Net Profit Ratio	-3.30%
Interest Expense	143,736
Interest Expense to Net Sales Interest Ratio	0.64%
Interest Expense to Net Pre-Tax Profit Ratio	-7.79%
Interest Income (Expense) to Net Pre-Tax Profit Ratio	4.49%

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 4.49% 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 2019, annual foreign exchange gain (loss) was only accounted for -0.08% 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 thee 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 2019, 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 222 and 344. 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$1,396,984 thousand in R&D related field in 2020.

(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.

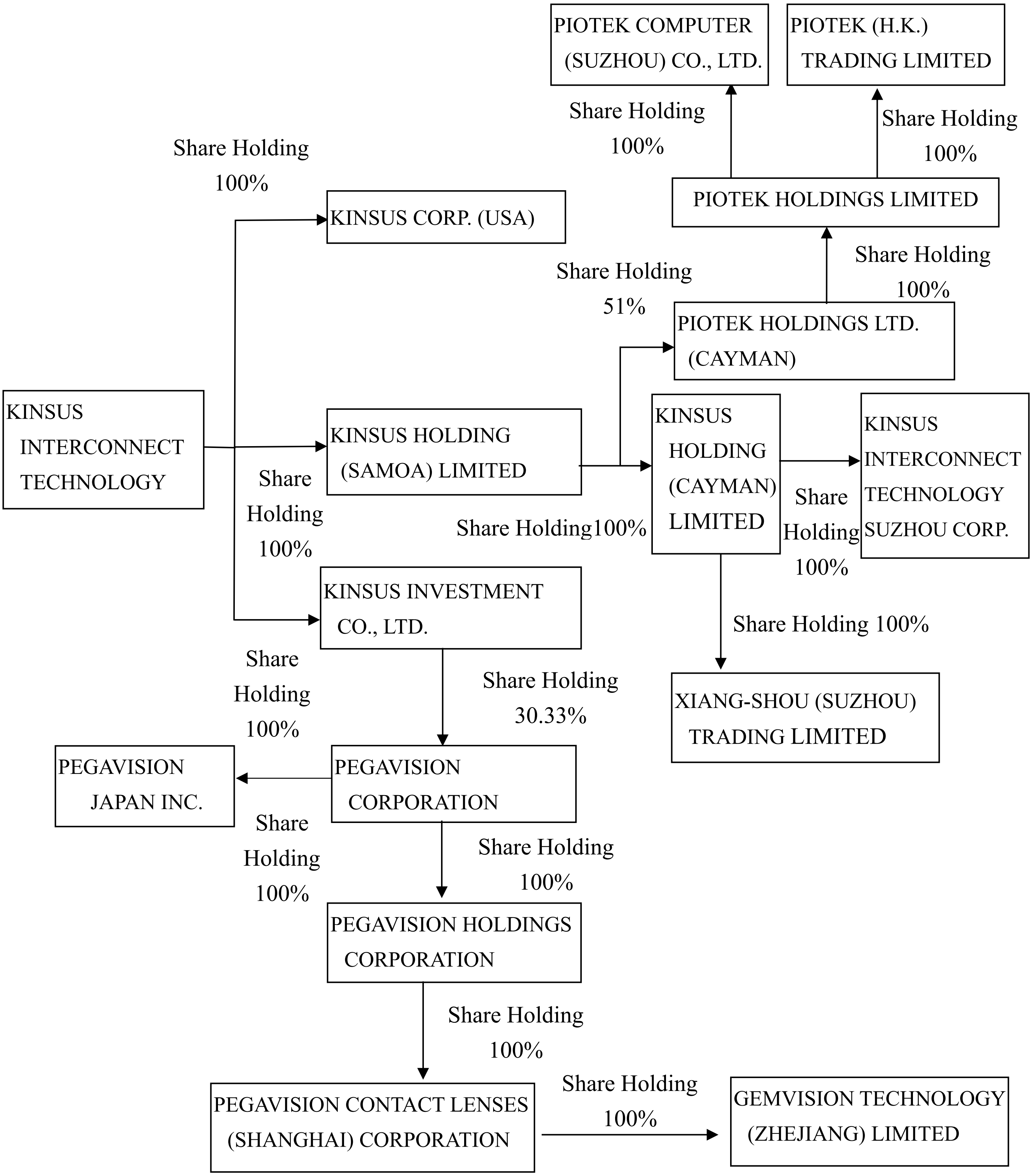
(7) Other important matters: None

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, 2019, 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.	14,990	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology
KINSUS HOLDING (SAMOA) LIMITED	2006.12.04	Samoa	4,985,944	Investing activities
KINSUS INVESTMENT CO., LTD.	2009.08.12	Taoyuan City	1,600,000	Investing activities
PEGAVISION CORPORATION	2009.08.26	Taoyuan City	700,000	Manufacturing medical equipment
KINSUS HOLDING (CAYMAN) LIMITED	2006.12.06	Cayman Islands	2,158,560	Investing activities
PIOTEK HOLDINGS LTD.(CAYMAN)	2009.12.16	Cayman Islands	5,628,895	Investing activities
PIOTEK HOLDINGS LIMITED	1999.08.13	British Virgin Islands	4,192,433	Investing activities
PIOTEK (HK) TRADING LIMITED	2009.12.12	Hong Kong	779	Trading activities
PEGAVISION HOLDINGS CORPORATION	2011.11.28	Samoa	108,827	Investing activities
PEGAVISION JAPAN INC.	2015.05.15	Japan	2,732	Selling medical equipment
KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	2007.04.09	China, Suzhou	2,098,600	Manufacturing and selling printed circuit board (PCB) (not high-density fine-line)
PIOTEK COMPUTER (SUZHOU) CO., LTD.	2000.02.17	China, Suzhou	4,997,666	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	112,599	Selling medical equipment
XIANG-SHOU (SUZHOU) TRADING LIMITED	2013.05.02	China, Suzhou	59,960	Manufacturing and selling printed circuit board (PCB) (not high-density fine-line)
GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	2019.01.29	China, Zhejiang	43,886	Selling medical equipment

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:

Measurement date: Dec.31,2019

Company Name	Title	Name or Representative person	Shares Held	
			# of Shares	Shareholding Percentage
KINSUS INTERCONNECT TECHNOLOGY CORP.	Director	Guo, Ming-Dong	1,069,795	0.24%
	Director (Honorary Chairman)	Tong, Zi-Xian	200,000	0.04%
	Director	Chen, Ho-Shu	361,002	0.08%
	Director	Hua Yu Investment Co., Ltd. (Representative: Wu, Xiang-Xiang)	55,556,221	12.32%
	Director	Hua Xu Investment Co., Ltd. (Representative: Su, Yan-Xue)	58,233,091	12.91%
	Director	Cheng, Chung-Jen	—	—
	Independent Director	Chen, Jin-Cai	—	—
	Independent Director	Wu, Hui-Huang	—	—
	Independent Director	Hwang, Chung-Pao	—	—
PIOTEK HOLDINGS LTD.(CAYMAN)	Director	Kinsus Holding (SAMOA) Limited (Representative: Guo, Ming-Dong)	95,755,000	51%
PIOTEK HOLDINGS LIMITED	Director	Piotek Holdings Ltd (Cayman) (Representative: Guo, Ming-Dong)	139,840,790	100%
PIOTEK (HK) TRADING LIMITED	Director	Piotek Holdings Ltd. (Representative: Guo, Ming-Dong)	200,000	100%
PIOTEK COMPUTER (SUZHOU) CO., LTD.	Legal representative and General manager	Piotek Holdings Limited (Representative: Mu, Xian Jue)	—	100%
	Supervisors	Piotek Holdings Limited (Representative: Chen, Ji-Liang)		
KINSUS CORPORATION (USA)	Chairman	KINSUS INTERCONNECT TECHNOLOGY CORP. (Representative: Guo, Ming-Dong)	500,000	100%
	Director	Tong, Zi-Xian	—	—
	Director	He, Ming-Sen	—	—
KINSUS HOLDING (SAMOA) LIMITED	Chairman	KINSUS INTERCONNECT TECHNOLOGY CORP. (Representative: Guo, Ming-Dong)	166,308,720	100%
KINSUS HOLDING (CAYMAN) LIMITED	Chairman	KINSUS HOLDING (SAMOA) LIMITED	72,000,000	100%

		(Representative: Guo, Ming-Dong)		
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	0.92%
	Director	Guo, Ming-Dong	1,928,868	2,76%
	Director and General manager	KINSUS INVESTMENT CO., LTD. (Representative: Yang, De-Sheng)	21,233,736	30.33%
	Director	KINSUS INVESTMENT CO., LTD. (Representative: Chen, Ho-Shu)		
	Director	Hua Yu Investment Co., Ltd. (Representative: Hou, Wen-Yong)	5,480,121	7.83%
	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)	3,630,000	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: Gao, Song-Ya)	198	100%
GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	Director	Pegavision Contact Lenses (Shanghai) Corporation (Representative: Wang, Jing-Shiang)	—	100%
	Supervisor	Pegavision Contact Lenses (Shanghai) Corporation (Representative: Luo, Pei Yan)		

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.	4,510,738	34,786,232	9,219,211	25,567,021	16,116,157	(1,917,952)	(2,025,332)	(4.52)
KINSUS CORP. (USA)	14,990	53,672	362	53,310	40,782	8,247	6,215	12.43
KINSUS HOLDING (SAMOA) LIMITED	4,985,944	1,868,801	0	1,868,801	5,100,922	(352,170)	(180,094)	(1.08)
KINSUS INVESTMENT CO., LTD.	1,600,000	2,305,541	5,095	2,300,446	0	(3,276)	(33,605)	(0.21)
PEGAVISION CORPORATION	700,000	5,213,279	1,159,574	4,053,705	3,096,188	566,316	475,492	7.62
PEGAVISION HOLDINGS CORPORATION	108,827	99,819	0	99,819	0	(39)	(5,280)	(1.45)
PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	112,599	253,854	154,563	99,291	406,881	1,638	(5,231)	(Note 1)
KINSUS HOLDING (CAYMAN) LIMITED	2,158,560	1,403,963	0	1,403,963	2,458,363	75,649	61,459	0.85
PIOTEK HOLDINGS LTD. (CAYMAN)	5,628,895	911,471	0	911,471	2,680,187	(427,845)	(463,221)	(2.47)
KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	2,098,600	2,209,481	865,261	1,344,220	2,421,919	76,965	61,574	(Note 1)
XIANG-SHOU (SUZHOU) TRADING LIMITED	59,960	61,093	1,363	59,730	37,490	(1,284)	(111)	(Note 1)

PIOTEK HOLDINGS LIMITED	4,192,433	911,490	8	911,482	2,680,187	(427,845)	(463,221)	(3.31)
PIOTEK (HK) TRADING LIMITED	779	105,160	25,593	79,567	364,144	4,744	4,497	22.49
PIOTEK COMPUTER (SUZHOU) CO., LTD.	4,997,666	2,597,184	1,765,370	831,814	2,659,471	(432,510)	(467,492)	(Note 1)
PEGAVISION JAPAN INC.	2,732	223,593	197,491	26,102	1,397,513	25,324	16,418	82,916.74
GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	43,886	202,698	164,764	37,934	133,847	(1,125)	(5,261)	(Note 1)

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 232 to 344.

(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 2, 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019.

These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's revenue amounting to NT$16,116,157 thousand for the year ended December 31, 2019 is a significant account to the Company's 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 Notes 4 and 6 to the parent-company-only financial statements.

Market valuation on Inventory

We determine the market valuation on inventory is one of the 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$1,419,518 thousand as of December 31, 2019. 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 Notes 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, 2019 and 2018, 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$538,259 thousand and NT$735,275 thousand as of December 31, 2019 and 2018 representing 1.55% and 2.03% of the Company's total assets, the related shares of income before tax from the associate under the equity method for the year then ended amounting to NT$(192,908) thousand and NT$(99,606) thousand representing 9.52% and (23.58)% of the Company's income before tax, and the related shares of other comprehensive income from the associate under the equity method for the years then ended amounting to NT$(4,108) thousand and NT$12,346 thousand representing 4.68% and (47.45)% 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 2019 parent-company-only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hong, Mao-Yi

Cheng, Ching-Piao

Ernst & Young
February 10th, 2020
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.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			2019		2018	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$8,768,832	25	$8,709,305	24
1110	Financial assets at fair value through profit or loss	4, 6(2)	1,010,888	3	1,005,335	3
1136	Financial assets measured at amortized cost	4, 6(3)	423,057	1	423,057	1
1150	Notes receivable, net	4, 6(4)	4,917	-	241	-
1170	Accounts receivable, net	4, 6(5)	2,702,180	8	2,765,195	8
1180	Accounts receivable - related parties, net	4, 6(5), 7	151	-	1,131	-
1200	Other receivables		309,398	1	232,701	1
1210	Other receivables - related parties	7	241,487	1	31,727	-
1310	Inventories, net	4, 6(6)	1,419,518	4	1,918,295	5
1410	Prepayments		123,899	-	128,195	-
1470	Other current assets		49,896	-	50,504	-
11XX	Total current assets		15,054,223	43	15,265,686	42
	Non-current assets					
1550	Investment accounted for under equity method	4, 6(7)	4,185,728	12	4,021,997	11
1600	Property, plant and equipment, net	4, 6(8), 9	14,264,988	41	14,898,668	41
1780	Intangible assets, net	4, 6(9)	20,987	-	4,777	-
1840	Deferred tax assets	4, 6(26)	9,593	-	9,593	-
1915	Prepayment for equipment	4, 6(8), 9	1,242,953	4	1,972,157	6
1995	Other non-current assets	6(10)	7,760	-	3,787	-
15XX	Total non-current assets		19,732,009	57	20,910,979	58
1XXX	Total Assets		$34,786,232	100	$36,176,665	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, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			2019		2018	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(11)	$2,767,987	8	$2,136,671	6
2130	Contract liability	4, 6(20)	1,752	-	1,082	-
2150	Notes payable		33,445	-	38,326	-
2170	Accounts payable		1,235,140	4	1,336,203	4
2180	Accounts payable - related parties	7	240,392	2	163,500	1
2200	Other payables	6(12), 7	1,805,716	5	1,947,831	5
2230	Current income tax liabilities	4, 6(26)	134,566	-	140,435	-
2300	Other current liabilities	6(13)	1,078,459	3	594,000	2
2365	Refund liability	6(14)	7,393	-	12,300	-
21XX	Total current liabilities		7,304,850	22	6,370,348	18
	Non-current liabilities					
2540	Long-term loans	6(15)	1,888,053	5	1,998,125	6
2570	Deferred tax liabilities	4, 6(26)	537	-	886	-
2600	Other non-current liabilities	4, 6(16), 6(17)	25,771	-	25,156	-
25XX	Total non-current liabilities		1,914,361	5	2,024,167	6
2XXX	Total liabilities		9,219,211	27	8,394,515	24
3100	Capital	6(18)				
3110	Common stock		4,510,738	13	4,508,410	12
3200	Capital surplus	6(18)	6,637,742	19	6,140,942	17
3300	Retained earnings	6(18)				
3310	Legal reserve		3,647,505	11	3,612,556	10
3320	Special reserve		100,384	-	77,677	-
3350	Unappropriated earnings		10,882,980	31	13,646,659	38
3400	Other components of equity		(211,996)	(1)	(203,356)	(1)
3500	Treasury Stock	6(18)	(332)	-	(738)	-
3XXX	Total equity		25,567,021	73	27,782,150	76
	Total liabilities and equity		$34,786,232	100	$36,176,665	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, 2019 and 2018

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

Code	Accounts	Notes	2019		2018	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(20), 7	$16,116,157	100	$17,228,031	100
5000	Operating costs	7	(15,009,552)	(93)	(13,612,597)	(79)
5900	Gross profit		1,106,605	7	3,615,434	21
6000	Operating expenses	7				
6100	Selling		(744,742)	(5)	(595,067)	(3)
6200	General and administrative		(858,030)	(5)	(931,815)	(6)
6300	Research and development		(1,424,442)	(9)	(1,738,225)	(10)
6450	Expected credit gains (losses)	4, 6(21)	2,657	-	(3,782)	-
	Operating expenses total		(3,024,557)	(19)	(3,268,889)	(19)
6900	Operating income (loss)		(1,917,952)	(12)	346,545	2
7000	Non-operating income and expenses					
7010	Other income	6(24), 7	161,391	1	205,701	1
7020	Other gains and losses	6(24), 7	15,248	-	10,469	-
7050	Finance costs	6(24)	(76,884)	-	(64,432)	-
7070	Share of profit or loss of subsidiaries, associates and joint ventures		(207,484)	(1)	(75,815)	-
	Non-operating income and expense total		(107,729)	-	75,923	1
7900	Income (loss) before income tax		(2,025,681)	(12)	422,468	3
7950	Income tax expense (benefit)	4, 6(26)	349	-	(72,983)	(1)
8200	Net income (loss)		(2,025,332)	(12)	349,485	2
8300	Other comprehensive income (loss)	6(25)				
8310	Item that not be reclassified subsequently to profit or loss					
8311	Actuarial gain (loss) on defined benefit plans		(4,727)	-	(3,312)	-
8360	Items that may be reclassified subsequently to profit or loss					
8370	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures		(83,021)	-	(22,706)	-
	Total other comprehensive income, net of tax		(87,748)	-	(26,018)	-
8500	Total comprehensive income (loss)		$(2,113,080)	(12)	$323,467	2
9750	Earnings (losses) per share - basic (in NT$)	6(27)	$(4.52)		$0.78	
9850	Earnings (losses) per share - diluted (in NT$)	6(27)	$(4.52)		$0.78	

(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, 2019 and 2018

(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, 2018	$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 (loss)	-	-	-	-	346,173	(22,706)	-	-	323,467
T1	Employee restricted shares for cancellation and others	48,410	185,268					(102,973)	(738)	129,967
A1	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
	Appropriation and distribution of 2018 earnings:									
B1	Legal reserve			34,949		(34,949)				-
B3	Special reserve				22,707	(22,707)				-
B5	Cash dividends - common shares					(676,261)				(676,261)
C7	Change in associates and joint ventures accounted for using equity method		491,065							491,065
D1	Net loss for 2019					(2,025,332)				(2,025,332)
D3	Other comprehensive income (loss) for 2019					(4,727)	(83,021)			(87,748)
D5	Total comprehensive income (loss)	-	-	-	-	(2,030,059)	(83,021)	-	-	(2,113,080)
T1	Employee restricted shares for cancellation and others	2,328	5,735			297		74,381	406	83,147
Z1	Balance as of December 31, 2019	$4,510,738	$6,637,742	$3,647,505	$100,384	$10,882,980	$(183,404)	$(28,592)	$(332)	$25,567,021

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

NOTE: The employees' bonuses of NT$55,074 thousand 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.

Kinsus Interconnect Technology Corp.

Parent-Company-Only Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2019	2018
AAAA	Cash flows from operating activities:		
A10000	Net income (loss) before tax	$(2,025,681)	$422,468
A20000	Adjustments:		
A20010	Profit or loss not effecting cash flows:		
A20100	Depreciation	3,236,018	2,974,964
A20200	Amortization	31,765	18,663
A20300	Expected credit losses (gain on recovery)	(2,657)	3,782
A20400	Net loss (gain) of financial assets (liabilities) at fair value through profit or loss	(5,553)	(5,200)
A20900	Interest expense	76,884	64,432
A21200	Interest income	(49,256)	(47,973)
A21900	Cost of share based payment	80,477	82,525
A22300	Share of profit or loss of subsidiaries, associates and joint ventures	207,484	75,815
A22500	Gain on disposal of property, plant and equipment	(12,942)	(724)
A30000	Changes in operating assets and liabilities:		
A31110	Financial Assets at fair value through profit or loss	-	410,081
A31130	Notes receivable	(4,676)	1,515
A31150	Accounts receivable	65,672	(386,756)
A31160	Accounts receivable - related parties	980	(177)
A31180	Other receivable	(76,214)	(75,788)
A31190	Other receivable - related parties	(209,760)	(20,071)
A31200	Inventories	498,777	(662,697)
A31230	Prepayment	4,296	85,566
A31240	Other current assets	608	(2,769)
A32125	Contract liabilities	670	1,082
A32130	Notes payable	(4,881)	(3,361)
A32150	Accounts payable	(101,063)	4,786
A32160	Accounts payable - related parties	76,892	(38,477)
A32180	Other payable	(53,118)	(122,275)
A32230	Other current liabilities	5,887	(1,786)
A32240	Net defined benefit liability	(4,112)	(4,118)
A32990	Refund liability	(4,907)	12,300
A33000	Cash generated from operations	1,731,590	2,785,807
A33200	Interest received	48,773	48,057
A33300	Interest paid	(78,238)	(61,219)
A33500	Income tax paid	(5,869)	(104,967)
AAAA	Net cash provided by (used in) operating activities	1,696,256	2,667,678

Code	Items	2019	2018
BBBB	Cash flows from investing activities:		
B02700	Acquisition of property, plant and equipment	(2,405,606)	(2,916,134)
B02800	Proceeds from disposal of property, plant and equipment	491,285	9,463
B03800	Decrease (increase) in refundable deposits	(3,973)	99
B04500	Acquisition of intangible assets	(47,975)	(10,644)
BBBB	Net cash provided by (used in) investing activities	(1,966,269)	(2,917,216)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term loans	631,316	(126,446)
C01600	Increase in long-term loans	1,036,000	1,200,000
C01700	Repayment of long-term loans	(667,500)	(290,087)
C03000	Decrease in guarantee deposits received	-	(2,000)
C04500	Payment of cash dividends	(676,261)	(669,000)
C04600	Issuance of common stock for cash	5,985	48,410
CCCC	Net cash provided by (used in) financing activities	329,540	160,877
EEEE	Net Increase (decrease) in cash and cash equivalents	59,527	(88,661)
E00100	Cash and cash equivalents at beginning of period	8,709,305	8,797,966
E00200	Cash and cash equivalents at end of period	$8,768,832	$8,709,305

(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 10, 2020.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Company applied for the first time 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, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

(a) IFRS 16 "Leases"

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

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

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

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

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

(1) Leases previously classified as operating leases

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

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

ii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.

iii. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.

iv. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

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

D. The Company is a lessor and has not made any adjustments. Please refer to Note 4, Note 5 and Note 6 for the information relating to the lessor.

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

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

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

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

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

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

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

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

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

The amendments include:

(1) highly probable requirement

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

(2) prospective assessments

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

(3) IAS 39 retrospective assessment

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

(4) separately identifiable risk components

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

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2020. The standards and interpretations have no material impact on the Company.

3. Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not endorsed by FSC, 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 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2021
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2022

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

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

(b) IFRS 17 Insurance Contracts

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

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

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

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

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

The 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 assesses that there will be no significant impact on the Company's financial statements then.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The parent-company-only financial statements of the Company for the years ended December 31, 2019 and 2018 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 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

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.

(b) Impairment of financial assets

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.

(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 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.

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(e) Offsetting of financial instruments

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

(8) 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.

Rending of service is accounted in accordance wuth 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. 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

The accounting policy from January 1, 2019 as follow:

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

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

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

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

Company as a lessee

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

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

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and

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

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

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

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

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

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

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

Accounting policy before January 1, 2019

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.

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.

(16) Revenue recognition

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.

(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 Company 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 Company 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 income tax for undistributed earnings of the Company 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 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

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.

(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

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.

(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,	
	2019 (NT$'000)	2018 (NT$'000)
Cash and petty cash	200	200
Checkings and savings	1,298,091	1,438,564

Time deposit	7,470,541	7,270,541
Total	8,768,832	8,709,305

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

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Mandatorily measured at fair value through profit or loss:		
Money market fund	968,748	968,748
Valuation adjustment of financial assets as measured by fair value through profit or loss	42,140	36,587
Total	1,010,888	1,005,335
Current	1,010,888	1,005,335
Non-current	-	-

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,	
	2019 (NT$'000)	2018 (NT$'000)
Time deposits	423,057	423,057
Current	423,057	423,057
Non-current	-	-

The Company transacts with financial institution with good credit rating. Consequently, there is no significant credit risk.

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

(4) Notes receivable

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Notes receivable – from operations	4,917	241
Less: loss allowance	-	-
Net	4,917	241

No notes receivable was pledged by the Company as collateral.

The Company adopted IFRS 9 for impairment assessment. Please refer to Note 6 (21) for more details on accumulated impairment and Note 12 for more details on credit risk management.

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

A. Accounts receivable, net

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Accounts receivable, gross	2,725,975	2,791,647
Less: loss allowance	(23,795)	(26,452)
Net of allowances	2,702,180	2,765,195
Accounts receivable - related parties, gross	151	1,131
Less: loss allowance	-	-
Net of allowances	151	1,131
Total accounts receivable, net	2,702,331	2,766,326

B. Account receivables were not pledged.

C. The Company entered into factoring agreements with banks. Accounts receivables from selected customers are transferred to banks without recourse. Details of the agreed credit limits and accounts receivables transferred were as follows:

	Financial Institution	Accounts receivable de-recognized (NT$'000)	Interest Rate	Advance received (NT$'000)	Collateral	Credit Limit
12/31/2019	Mega International Commercial Bank - LanYa Branch	286,663	2.17%	14,990	None	Note
12/31/2018	Mega International Commercial Bank - LanYa Branch	214,285	-	-	None	Note

Note: The credit limits were US$30,000 thousand as of December 31, 2019 and 2018.

D. Accounts receivable are generally on 30-90 day terms. The total carrying amount for the year ended December 31, 2019 and 2018, are NT$2,726,126 and NT$2,792,778, respectively. Please refer to Note 6 (21) for more details on loss allowance of accounts receivable for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

(6) Inventory

A. Details of inventory:

	As of December 31, 2019 (NT$'000)	As of December 31, 2018 (NT$'000)
Raw material	279,835	290,195
Supplies	37,141	35,854
Work in process	847,711	1,042,302
Finished goods	228,140	503,520
Merchandises	26,691	46,424
Total	1,419,518	1,918,295

B. For the years ended December 31, 2019 and 2018, the Company recognized NT$15,009,552 thousand and NT$13,612,597 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

	For the year ended December 31,	
Item	2019 (NT$'000)	2018 (NT$'000)
Loss from (Gains on recovery of) inventory market decline	(233,329)	(19,732)
Loss from physical	10,482	7,093
Loss in inventory written-off and obselencense	2,202,849	2,091,005
Total	1,980,002	2,078,366

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.

(7) Investments Accounted For Under the Equity Method

	As of December 31,			
	2019		2018	
Investee companies	Amount (NT$'000)	Percentage of Ownership	Amount (NT$'000)	Percentage of Ownership
Investments in subsidiaries:				
KINSUS CORP. (USA)	53,310	100.00%	48,437	100.00%
KINSUS HOLDING (SAMOA) LIMITED	1,868,801	100.00%	2,125,024	100.00%
KINSUS INVESTMENT CO., LTD.	2,300,446	100.00%	1,848,536	100.00%
Unrealized gains	(36,829)		-	
Total	4,185,728		4,021,997	

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.

(8) Property, plant and equipment

	As of December 31, 2019 (NT$'000)	2018 (NT$'000) (Note)
Owner occupied property, plant and equipment	14,264,988	

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

A.Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	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 prepayment for equipment) (NT$'000)	Total (NT$'000)
Cost:								
As of 1/1/2019	1,609,729	3,620,659	15,971,417	82,514	7,245	4,596,584	4,242,240	30,130,388
Addition	-	(859)	14,011	1,280	-	371,326	1,928,890	2,314,648
Disposals	-	-	(788,027)	-	(680)	(197,135)	-	(985,842)
Effect of EX rate	-	-	-	-	-	-	-	-
Reclassification	52,099	2,479,118	1,782,934	19,430	-	496,456	(4,830,037)	-
As of 12/31/2019	1,661,828	6,098,918	16,980,335	103,224	6,565	5,267,231	1,341,093	31,459,194
Depreciation and impairment:								
As of 1/1/2019	-	1,362,389	9,483,277	58,450	4,258	2,351,189	-	13,259,563
Depreciation	-	234,173	2,238,852	19,551	963	742,479	-	3,236,018
Impairment loss	-	-	-	-	-	-	-	-
Disposal	-	-	(346,514)	-	(680)	(197,134)	-	(544,328)
Effect of EX rate	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
As of 12/31/2019	-	1,596,562	11,375,615	78,001	4,541	2,896,534	-	15,951,253

Net carrying amount:								
As of 12/31/2019	1,661,828	4,502,356	5,604,720	25,223	2,024	2,370,697	1,341,093	15,507,941

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

	Land (NT$'000)	Buildings (NT$'000)	Machinery (NT$'000)	Office Equipment (NT$'000)	Vehicle (NT$'000)	Other Equipment (NT$'000)	Construction in progress and equipment awaiting inspection (including prepayment for 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
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
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

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,	
	2019 (NT$'000)	2018 (NT$'000)
Property, plant and equipment	14,264,988	14,898,668
Prepayment for equipment	1,242,953	1,972,157
Total	15,507,941	16,870,825

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.

(9) Intangible assets

	Computer software (NT$'000)
Cost:	
As of January 1, 2019	10,644
Additions – acquired separately	47,975
Derecognized upon retirement	(10,644)
Reclassification	-
Effect of exchange rate changes	-
As of December 31, 2019	47,975
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

Amortization and Impairment:	
As of January 1, 2019	5,867
Amortization	31,765
Derecognized upon retirement	(10,644)
Effect of exchange rate changes	-
Reclassification	-
As of December 31, 2019	26,988
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
Carrying amount, net:	
As of December 31, 2019	20,987
As of December 31, 2018	4,777

Amounts of amortization recognized for intangible assets are as follows.

	For the year ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Operating expense	31,765	18,663

(10) Other non-current assets

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Refundable deposits	7,760	3,787

(11) Short-term loans

	Interest interval (%)	As of December 31, 2019 (NT$'000)	2018 (NT$'000)
Unsecured bank loans	0.68%~2.19%	2,767,987	2,136,671

As of December 31, 2019 and 2018, the line of unused short-term loan credit for the Company amounted to NT$2,968,853 thousand and NT$3,287,699 thousand, respectively.

(12) Other payable

	As of December 31, 2019 (NT$'000)	2018 (NT$'000)
Accrued expense	1,392,098	1,441,901
Equipment payable	410,020	500,978
Accrued interest	3,598	4,952
Total	1,805,716	1,947,831

(13) Other current liabilities

	As of December 31, 2019 (NT$'000)	2018 (NT$'000)
Other current liabilities	32,387	26,500
Current portion of long-term loans	1,046,072	567,500
Total	1,078,459	594,000

(14) Refund liability

	As of December 31, 2019 (NT$'000)	2018 (NT$'000)
Refund liability	7,393	12,300

(15) Long-term loans

Details of long-term loans were as follows.

Debtor	Type of Loan	Maturity	Loan Balance As of 12/31/2019 (NT$'000)	Repayment
Mega International Commercial Bank - LanYa Branch	Credit loan	2021.09.05-2022.07.05	948,125	Note 1
Mega International Commercial Bank - LanYa Branch	Credit loan	2026.12.31	55,000	Note 4
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Credit loan	2021.04.23	450,000	Note 2
The Shanghai Commercial & Savings Bank - ZhongLi Branch	Credit loan	2026.12.31	200,000	Note 5
Standard Chartered Bank -Xinwu Branch	Credit loan	2021.09.28	600,000	Note 3
Bank of Taiwan - Peitou Branch	Credit loan	2026.11.04-2026.12.31	681,000	Note 6
Total			2,934,125	
Less: current portion			(1,046,072)	
Non-current portion			1,888,053	

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	2021.09.28	600,000	Note 3
Total			2,565,625	
Less: current portion			(567,500)	
Non-current portion			1,998,125	

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.

Note 4: Grace period is 3 years from the initial draw-down date. The following terms are defined as every month since the 4^{th} year. The principal and interest are repayable in installments of equal amount for 48 terms.

Note 5: The following terms are defined as every month since the initial draw-down date. The principal and interest are repayable in installments of equal amount for 60 terms.

Note 6: Grace period is 2 years from the initial draw-down date. The following terms are defined as every month since the 3rd year. The principal and interest are repayable in installments of equal amount for 60 terms.

As of December 31, 2019 and 2018, the interest rate intervals for long-term loans were 0.6%~1.15% and 1.074%~1.15%, respectively.

(16) Other non-current liabilities

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Defined benefit liability	25,771	25,156

(17) 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, 2019 and 2018 are NT$112,816 thousand and NT$110,906 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$0 to its defined benefit plan during the 12 months beginning after December 31, 2019.

As of December 31, 2019 and 2018, 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,	
	2019 (NT$'000)	2018 (NT$'000)
Current service costs	58	58
Net interest of defined benefit liability (asset)	302	415
Past service cost	-	-
Settlement	-	-
Total	360	473

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

	As of		
	12/31/2019 (NT$'000)	12/31/2018 (NT$'000)	01/01/2018 (NT$'000)
Defined benefit obligation	145,786	135,711	129,761
Plan assets at fair value	(120,015)	(110,555)	(103,799)
Other non-current liabilities – net defined benefit liability	25,771	25,156	25,962

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)
1/1/2018	129,761	(103,799)	25,962
Current service cost	58	-	58
Interest cost	2,076	(1,661)	415
Past 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
Current service cost	58	-	58
Interest cost	1,629	(1,327)	302
Pasts service cost and settlement	-	-	-
Total	1,687	(1,327)	360
Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	1,283	-	1,283
Actuarial gain/loss due to change in financial assumptions	8,502	-	8,502
Experience gain/loss	(1,397)	(3,661)	(5,058)
Re-measurement on defined benefit assets	-	-	-
Total	8,388	(3,661)	4,727
Benefits paid	-	-	-

Contributions by employer	-	(4,472)	(4,472)
Effect of exchange rate	-	-	-
12/31/2019	145,786	(120,015)	25,771

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

	As of December 31,	
	2019	2018
Discount rate	0.87%	1.20%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis

	For the year ended December 31,			
	2019 (NT$'000)		2018 (NT$'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%	-	(12,758)	-	(12,261)
Discount rate decreased by 0.5%	14,220	-	13,713	-
Expected salary level increased by 0.5%	13,839	-	13,391	-
Expected salary level decreased by 0.5%	-	(12,566)	-	(12,114)

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.

(18) Equity

A. Common shares

As of December 31, 2019 and 2018, the Company's authorized capital were NT$6,000,000 thousand and NT$5,500,000 thousand, respectively, each share at par value of NT$10, divided into 600,000 thousand shares and 550,000 thousand shares, respectively. As of December 31, 2019 and 2018, the Company's paid-in capital were NT$4,510,738 thousand and NT$4,508,410 thousand, respectively, divided into 451,074 thousand and 450,841 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, and issued 4,841 thousand shares of restricted stock for employees.

On February 18, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT$786 thousand. The measurement date was at March 17, 2019.

On April 29, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT$600 thousand. The measurement date was at May 2, 2019.

On July 29, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT$1,395 thousand. The measurement date was at August 1, 2019.

On October 28, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT$876 thousand. The measurement date was at October 30, 2019.

In addition, on February 18, 2019, the board of directors resolved to issue 659 thousand shares of restricted stock. The measurement date was at March 18, 2019 and issued 598 thousand shares of restricted stock.

As of December 31, 2019, the restricted stocks plan has expired while there were 33 thousand shares to be cancelled yet.

B. Capital surplus

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Additional paid-in capital	5,959,846	5,887,857
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	529,959	38,894
Change in joint ventures accounted for using equity method	7,484	7,484
Shared-Based Payment	8,371	8,371
Restricted stocks for employees	81,157	147,411
Total	6,637,742	6,140,942

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

Treasury stock amounted to NT$332 thousand and NT$738 thousand, respectively, divided into 33 thousand shares, and 74 thousand shares, respectively, as of December 31, 2019, and 2018.

The movement schedule of treasury stock for the year ended December 31, 2019 and 2018 was as below (in thousand shares).

Purpose of repurchase	Beginning balance	Addition	Decrease	Ending balance
For the years ended December 31, 2019				
Recover failed restricted stocks	74	325	366	33
For the years ended December 31, 2018				
Recover failed restricted stocks	-	74	-	74

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, 2019 were 45,107 thousand shares, with the maximum payments of NT$20,490,331 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 Articles of Incorporation revised by the shareholders' meetings on May 29, 2019, 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.
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.

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 thereto a report of such distribution shall be submitted to 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. 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 amount of dividends.

(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 2019 and 2018 were approved through the Board of Directors' meetings and shareholders' meetings held on February 10, 2020 and May 29, 2019, respectively. The details of the distributions are as follows.

	Appropriation of earnings		Dividend per share (in NT$)	
	2019 (NT$'000)	2018 (NT$'000)	2019	2018
Legal reserve	-	34,949		
Special reserve	-	22,707		
Cash dividend	451,039	676,261	1.00	1.50
Total	451,039	733,917		

Please refer to Note 6(23) for details on employees' compensation and remuneration to directors and supervisors.

(19) Share-based payment plans

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, 2019 and 379 thousand shares were recalled. As a result, capital reserve increased by NT$3,790 thousand and the unearned employee compensation was NT$24,955 thousand.

On March 18, 2019, the issuance of 599 thousand restricted shares for employees resulted in the increase of capital reserve－employee stock option amounting to NT$19,396 thousand. The restricted stocks plan was invalidated as of December 31, 2019 and 20 thousand shares were recalled. As a result, capital reserve increased by NT$200 thousand and the unearned employee compensation was NT$3,637 thousand.

B. The expense recognized for employee services received is shown in the following table.

	For the year ended December 31	
	2019 (NT$'000)	2018 (NT$'000)
Total expense arising from equity-settled share-based payment transactions	80,477	82,525

C. The Company did not modify the share-based payment plan for the year ended December 31, 2019.

(20) Sale

	For the year ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Revenue from customer contracts		
Sales of goods	15,868,936	16,849,041
Other operating revenue	247,221	378,990
Total	16,116,157	17,228,031

Analysis of revenue from contracts with customers during the year is as follows:

A. Disaggregation of revenue

For the year ended December 31, 2019

	IC Substrate (NT$'000)
Sale of goods	15,868,936
Other	247,221
Total	16,116,157
The timing for revenue recognition:	
At a point in time	16,116,157

For the year ended December 31, 2018

	IC Substrate (NT$'000)
Sale of goods	16,849,041
Other	378,990
Total	17,228,031
The timing for revenue recognition:	
At a point in time	17,228,031

B. Contract balances

(a) Contract liabilities – current

	As of		
	12/31/2019 (NT$'000)	12/31/2018 (NT$'000)	01/01/2018 (NT$'000)
Sales of goods	1,752	1,082	2,386

For the year ended December 31, 2019, contract liabilities increased because certain performance obligations included in the beginning contract liability balance were not satisfied and therefore recognized for unearned receipts.

(21) Expected credit losses/ (gains)

	For the year ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Operating expenses – Expected credit losses/(gains)		
Account receivables	(2,657)	3,782

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, 2019, 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, 2019 and 2018 are 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:

December 31, 2019	Not past due	Past due				
	(Note) (NT$'000)	<=30 days (NT$'000)	31-60 days (NT$'000)	61-90 days (NT$'000)	91-120 days (NT$'000)	Total (NT$'000)
Gross carrying amount	2,320,976	377,152	32,915	-	-	2,731,043
Loss ratio	-%	5%	15%	30%	50%	
Lifetime expected credit losses	-	(18,858)	(4,937)	-	-	(23,795)
Carrying amount of trade receivables	2,320,976	358,294	27,978	-	-	2,707,248

December 31, 2018	Not past due (Note) (NT$'000)	Past due <=30 days (NT$'000)	31-60 days (NT$'000)	61-90 days (NT$'000)	91-120 days (NT$'000)	Total (NT$'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 in the provision for impairment of note receivables,and trade receivables during the years ended December 31,2019 and 2018 are as follows:

	Note receivables (NT$'000)	Account receivables (NT$'000)
Beginning balance as of January 1, 2019	-	26,452
Addition/(reversal) for the current period	-	(2,657)
Ending balance as of December 31, 2019	-	23,795

	Note receivables (NT$'000)	Account receivables (NT$'000)
Beginning balance as of January 1, 2018 (in accordance with IAS 39)	-	22,670
Transition adjustment to retained earnings as of January 1, 2018	-	-
Beginning balance as of January 1, 2018 (in accordance with IFRS 9)	-	22,670
Addition/(reversal) for the current period	-	3,782
Ending balance as of December 31, 2018	-	26,452

(22) Operating lease

A. Company as a lessee (applicable to the disclosure requirement under in IFRS 16)

The Company leases various properties, including real estate such as land and buildings, transportation equipment. These leases have terms of between 1 and 3 years. The Company may not allow to privately lend, sublease, sell, use by others in other disguised form, or transfer the lease to another person.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:.

(a) Income and costs relating to leasing activities

	For the year ended December 31,	
	2019 (NT$'000)	2018 (Note) (NT$'000)
The expense relating to short-term leases (rent expenses)	(12,822)	

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

The portfolio of short-term leases of the Company to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed above and the amount of its lease commitments is NT$0.

(b) Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Company's total cash outflow for leases amounting to NT$12,822 thousand.

B. Operating lease commitments - Company as lessee (applicable to the disclosure requirement in IAS 17)

The Company has entered commercial leases on buildings and plants. These leases have an average life of one to three years with no renewal option included in the contracts. There are no restrictions placed upon the Company under these leases.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2019 and 2018 are as follows:

	As of December 31,	
	2019 (Note) (NT$'000)	2018 (NT$'000)
Less than one year		35,316
More than one year but less than five years		-
Total		35,316

Operating lease expenses recognized are as follows:

	For the year ended December 31,	
	2019 (Note) (NT$'000)	2018 (NT$'000)
Minimum lease payment		15,752

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

C. Company as a lessor (applicable to the disclosure requirement in IFRS 16)

The Company has entered leases on plants. These leases have an average life of one to three years. These leases are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the year ended December 31,	
	2019 (NT$'000)	2018 (Note) (NT$'000)
Lease income for operating leases		
Income relating to fixed lease payments	47,438	

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

For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2019 are as follow:

	As of December 31,	
	2019 (NT$'000)	2018 (Note) (NT$'000)
Less than one year	42,379	
More than one year but less than five years	77,694	
Total	120,073	

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

D. Operating lease commitments - Company as lessor (applicable to the disclosure requirement in IAS 17)

The Company has entered leases on plants. These leases have an average life of one to three years.

Future minimum rentals receivable under non-cancellable operating leases as of December 31, 2019 and 2018 are as follows:

	As of December 31,	
	2019 (Note) (NT$'000)	2018 (NT$'000)
Less than one year		35,316

For the year ended December 31, 2018, rent incomes of the Company amounted to NT$45,364 thousand.

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

(23) Summary statement of employee benefits, depreciation and amortization by function is as follows.

Function / Nature	2019 (NT$'000)			2018 (NT$'000)		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	2,415,607	515,536	2,931,143	2,489,134	400,377	2,889,511
Labor and health insurance	231,487	38,460	269,947	222,349	40,201	262,550
Pension	91,901	21,275	113,176	90,093	21,286	111,379
Directors' remuneration	-	-	-	-	3,592	3,592
Other employee benefit	133,196	30,951	164,147	134,100	32,661	166,761
Depreciation	3,026,384	209,634	3,236,018	2,603,486	371,478	2,974,964
Amortization	-	31,765	31,765	-	18,663	18,663

Note 1 : The headcounts of the Company amounted to 4,957 and 4,978, respectively, as of December 31, 2019 and 2018. Among the Company's directors, there were 6 who were not the employees.

Note 2：Companies who have been listed on Taiwan Stock Exchange or Taiwan Over – The Counter Securities Exchange should disclose the following information:

(1) Average employee benefits of 2019 and 2018 are NT$703 thousand and NT$690 thousand, respectively.
(2) Average salaries of 2019 and 2018 are NT$592 thousand and NT$581 thousand, respectively.
(3) Change in average salaries are 2%.

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.

For the year ended December 31, 2019, the Company incurred accumulated loss and therefore did not to accrue the employees’ compensation and remuneration to directors and supervisors.

Based on profitibility and following the rule of not lower than 10% and not higher than 1%, the Company incurred the employees’ compensation and the remuneration to directors and supervisors, respectively, for the year ended December 31, 2018 and recorded them as employee benefits. As such, employees’ compensation and remuneration to directors and supervisors for the year ended December 31, 2018 amounted to NT$ 55,074 thousand and NT$ 3,352 thousand, respectively. The employees’ compensation and remuneration to directors and supervisors were recognized as salaries.

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 compensation and remuneration to directors and supervisors for the year ended December 31, 2018.

(24) Non-operating incomes and expenses

A. Other incomes

	For the year ended December 31,	
	2019 (NT$’000)	2018 (NT$’000)
Interest income		
Financial assets measured at amortized cost	49,256	47,973
Other income－others	112,135	157,728
Total	161,391	205,701

B. Other gains and losses

	For the year ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Gain from disposal of property, plant and equipment	12,942	724
Foreign exchange gain (loss), net	(2,688)	5,197
Gain of financial assets at fair value through profit or loss	5,553	5,200
Other expenses	(559)	(652)
Total	15,248	10,469

C. Finance costs

	For the year ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Interests due to bank loans	76,884	64,432

(25) Components of other comprehensive income (OCI)

For the year ended December 31, 2019

	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	(4,727)	-	(4,727)	-	(4,727)
May 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	(83,021)	-	(83,021)	-	(83,021)
Total OCI	(87,748)	-	(87,748)	-	(87,748)

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)
May 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)

(26) 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,	
	2019 (NT$'000)	2018 (NT$'000)
Current income tax expense (benefit):		
Current income tax expense	-	72,943
Reversal of uncertain tax position upon finalization	-	(121,226)
Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(349)	142,510
Deferred tax benefit relating to changes in tax rate or the imposition of new taxes	-	(21,244)
Total income tax expense (benefit)	(349)	72,983

B. 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,	
	2019 (NT$'000)	2018 (NT$'000)
Accounting profit (loss) before tax from continuing operations	(2,025,681)	422,468
Tax payable at the enacted tax rates	(405,136)	84,494
Tax effect of income tax-exempted	5,610	(20,892)
Tax effect of deferred tax assets/liabilities	399,177	31,397
Reversal of uncertain tax position upon finalization	-	(22,016)
Total income tax recognized in profit or loss	(349)	72,983

C. Deferred tax assets (liabilities) relate to the following.

For the year ended December 31, 2019

	Beginning balance as of January 1, 2019 (NT$'000)	Deferred tax income (expense) recognized in profit or loss (NT$'000)	Deferred tax income (expense) recognized in other comprehensive income (NT$'000)	Ending balance as of December 31, 2019 (NT$'000)
Temporary differences				
Prepaid appreciation tax on agricultural land	9,593	-	-	9,593
Unrealized exchange loss (gain)	(886)	349	-	(537)
Deferred tax income/ (expense)		349	-	
Net deferred tax assets/(liabilities)	8,707			9,056
Reflected in balance sheet as follows:				
Deferred tax assets	9,593			9,593
Deferred tax liabilities	(886)			(537)

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)

D. Unrecognized deferred tax assets

As of December 31, 2019 and 2018, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT$1,154,493 thousand and NT$755,316 thousand, respectively.

E. The Company's tax filings up to 2017 were finalized as of December 31, 2019.

F. As of December 31, 2019, the Company's unused balance of deductible net operating loss was listed as following

Occurrence year	Unused balance	Expiration Year
2019 (estimated)	2,023,410	2029

(27) 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,	
	2019	2018
Net income (loss) available to common shareholders of the parent (NT$'000)	(2,025,332)	349,485
Weighted average number of common shares outstanding (in thousand shares)	447,963	446,255
Basic earnings (loss) per share (in NT$)	(4.52)	0.78

B. Diluted earnings per share

	For the year ended December 31,	
	2019	2018
Net income (loss) available to common shareholders of the parent (NT$'000)	(2,025,332)	349,485
Net income (loss) available to common shareholders of the parent after dilution (NT$'000)	(2,025,332)	349,485
Weighted average number of common shares outstanding (in thousand shares)	447,963	446,255
Effect of dilution:		
Employee bonus (compensation) – stock (in thousand shares)	(Note)	1,779
Restricted stocks (in thousand shares)	(Note)	362
Weighted average number of common shares outstanding after dilution (in thousand shares)	447,963	448,396
Diluted earnings (loss) per share (in NT$)	(4.52)	0.78

Note: It is not applicable due to anti-dilutive effect.

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
KINSUS CORP. (USA)	Subsidiary
KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	Subsidiary
PIOTEK (H.K.) TRADING LIMITED	Subsidiary
PIOTEK COMPUTER (SUZHOU) CO., LTD.	Subsidiary
XIANG-SHOU (SUZHOU) TRADING LIMITED	Subsidiary

PEGAVISION CORPORATION	Subsidiary
FuYang Technology Corp.	Associate
AzureWave Technologies (Shanghai) Inc.	Other related party
AzureWave Technologies, Inc	Other related party

(2)Significant transactions with related parties

A.Sales

	For the year ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Subsidiaries	42,104	18,659
Other related parties	1,363	4,302
Total	43,467	22,961

Selling prices and collection terms to related parties are similar to those to third party customers for the years ended December 31, 2019 and 2018. 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,	
	2019 (NT$'000)	2018 (NT$'000)
Subsidiaries	2,181,488	2,228,772

The product specification of goods purchased from related parties in the year ended December 31, 2019 and 2018, 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 days and 30 to 90 days, respectively, from the end of delivery month by telegraphic transfer.

C.The Company recognized commission expenses amounting to NT$40,818 thousand and NT$40,794 thousand, respectively, for the years ended December 31, 2019 and 2018 due to delegating its subsidiaries for marketing.

D. For the years ended December 31, 2019 and 2018, the Company recognized travelling of NT$243 thousand and NT$201 thousand, respectively, for commissioning subsidiaries to handle travelling logistics.

E. For the years ended December 31, 2019 and 2018, the Company recognized operating expense of NT$2,565 thousand and NT$2,612 thousand, respectively, due to subcontracting maintenance and repair on factories to its associate.

F. The Company's subcontracting fees to its subsidiaries amounted to NT$52 thousand for the years ended December 31, 2018.

G. The Company charged its subsidiaries for providing technology support in amount of NT$2,461 thousand and NT$2,374 thousand, recorded under the caption of other non-operating incomes, for the years ended December 31, 2019 and 2018, respectively.

H. For the years ended December 31, 2019 and 2018, the Company recognized operating expenses of NT$28 thousand and NT$3,992 thousand, respectively for services provided by the Parent.

I.The Company recognized other incomes in amount of NT$18,271 thousand and NT$14,191 thousand for the years ended December 31, 2019 and 2018, respectively, due to selling tools and spare parts to its subsidiaries.

J. For the years ended December 31, 2019 and 2018, the Company recognized rent income of NT$43,660 thousand and NT$43,666 thousand, respectively, for plants leased to associate.

K. For the years ended December 31, 2019 and 2018, the Company recognized other income of NT$23,235 thousand and NT$19,823 thousand, respectively, for utility bills paid for associate.

L. For the year ended December 31, 2019, the Company recognized expenses of NT$77 thousand for services provided by the subsidiaries.

M.Accounts receivable - related parties

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Subsidiaries	-	198
Other related parties	151	933
Total	151	1,131
Less: loss allowance	-	-
Net	151	1,131

N.Salaries and rewards to key management of the Company

	For the year ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Short-term employee benefits	41,144	56,883
Post-employee benefits	787	756
Total	41,931	57,639

O.Other receivables

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Associates	5,671	5,492
Subsidiaries	235,816	26,235
Total	241,487	31,727

P.Account payable- related parties

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Subsidiaries	240,392	163,500

Q.Accrued expenses

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Associates	446	447
Subsidiaries	3,426	3,403
Total	3,872	3,850

R. Detail of selling property, plant and equipment to related parties for the years ended December 31, 2019 and 2018 was as follow.

Variety	Related parties	Carrying Value	Price	Gain on disposal	Reference basis for price decision
2019					
Machinery	Subsidiaries	247,416	285,972	38,556	Bidding
				(Note)	
2018					
Machinery	Subsidiaries	14,729	15,687	958	Bidding

Note: The gains were recorded as unrealized profits.

S. The Company provided endorsement in amount of NT$458,694 thousand and NT$469,940 thousand for its subsidiaries' loans as of December 31. 2019 and 2018, respectively. 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, 2019 were as follows:

Currency	LC Amount (in thousand)		Security (in thousand)
JPY	JPY	1,029,071	-
USD	USD	3,293	-
EUR	EUR	29	-

(2) Detail of significant constructions in progress and outstanding contracts of property, plant and equipment as of December 31, 2019 was as follow.

Nature of Contract	Contract Amount (NT$'000)	Amount Paid (NT$'000)	Outstanding Balance (NT$'000)
Machinery and construction contracts	1,616,039	1,168,258	447,781

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through P/L	1,010,888	1,005,355
Financial assets measured at amortized cost	12,450,022	12,163,357
Total	13,460,910	13,168,712

Financial liabilities

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Financial liabilities measured at amortized cost:		
Short-term loans	2,767,987	2,136,671
Payables	3,314,693	3,485,860
Long-term loans (including current portion)	2,934,125	2,565,625
Total	9,016,805	8,188,156

(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, 2019 and 2018 would decrease/increase by NT$6,692 thousand and NT$4,778 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, 2019 and 2018 would decrease/increase by NT$4,404 thousand and NT$3,264 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, 2019 and 2018, receivables from the top ten customers were accounted for 65.52% and 51.99% 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$'000)	More than 5 years (NT$'000)	Total (NT$'000)
As of December 31, 2019							
Loans	3,888,110	874,317	335,420	170,614	182,134	360,718	5,811,313
Payables	3,314,693	-	-	-	-		3,314,693
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

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the year ended December 31, 2019:

	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, 2019	2,136,671	2,565,625	-	4,702,296
Cash flows	631,316	368,500	-	999,816
As of December 31, 2019	2,767,987	2,934,125	-	5,702,112

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

(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, 2019

	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	1,010,888	-	-	1,010,888
Financial liabilities:				
None				

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				

Transfers between Level 1 and Level 2 during the period

For the years ended December 31, 2019 and 2018, 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, 2019, 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,					
	2019			2018		
	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)
Financial assets						
Monetary items:						
USD	98,199	29.98	2,944,000	85,910	30.715	2,638,716
Non-monetary item:						
USD	64,113	29.98	1,922,113	70,762	30.715	2,173,461
Financial liabilities						
Monetary items:						
USD	75,654	29.98	2,268,080	70,198	30.715	2,156,136

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	2019 (NT$'000)	2018 (NT$'000)
USD	(4,681)	2,232
Other	1,993	2,965

(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, 2019 (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, 2019: 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, 2019: 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, 2019: 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, 2019: 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, 2019: 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, 2019 (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, 2019: 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, 2019: 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, 2019: 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, 2019: 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, 2019: 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$'000)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019 (NT$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019 (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, 2019 (NT$'000)	Accumulated Inward Remittance of Earnings as of December 31, 2019 (NT$'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2019 (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)	2,098,600 (Note 2)	(Note 1)	2,098,600 (Note 2)	-	-	2,098,600 (Note 2)	61,574 (Note 2 and Note 5)	100%	61,574 (Note 2 and Note 5)	1,344,220 (Note 2 and Note 5)	-	2,098,600 (Note 2)	2,098,600 (Note 2)	No upper limit (Note 6)

Piotek Computer (Suzhou) Co., Ltd.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	4,997,666 (Note 2)	(Note 1)	2,825,727 (Note 2)	-	-	2,825,727 (Note 2)	(467,492) (Note 2 and Note 5)	51%	(238,421) (Note 2 and Note 5)	424,222 (Note 2 and Note 5)	-	2,825,727 (Note 2)	2,825,727 (Note 2)	No upper limit (Note 6)
Xiang-Shuo (Suzhou) Trading Limited	Trading of PCB (not high-density fine-line) and material for related products	59,960 (Note 2)	(Note 1)	59,960 (Note 2)	-	-	59,960 (Note 2)	(111) (Note 2 and Note 4)	100%	(111) (Note 2 and Note 4)	59,730 (Note 2 and Note 4)	-	59,960 (Note 2)	59,960 (Note 2)	No upper limit (Note 5)
Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	112,559 (Note 3)	(Note 1)	65,062	47,497	-	112,559	(5,231) (Note 2 and Note 5)	30.33%	(1,586) (Note 2 and Note 5)	30,115 (Note 2 and Note 5)	-	112,559	112,559	$2,432,223 (Note 7)

Gemvision Technology (Zhejiang) Limited	Selling medical equipment	43,886 (Note 2 and Note 4)	(Note 1)	-	-	-	-	(5,261) (Note 2, Note 5 and Note 8)	30.33%	(1,596) (Note 2, Note 5 and Note 8)	11,566 (Note 2, Note 5 and Note 8)	-	-	-	2,432,223 (Note 7)

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 USD3,600 thousand, equivalent to NT$112,559 thousand.

Note 4: The paid-in capital is CNY10,000 thousand.

Note 5: Gain/loss on investment is recognized based on the financial statements which were audited by the independent auditors of the parent company in Taiwan.

Note 6: 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 7: The upper limit on investment for Pegavision Contact Lenses (Shanghai) Corporation and Gemvision Technology (Zhejiang) Limited is calculated as 60% of the net value of the recent financial statements reviewed by independent auditors of Pagavision Corporation.

Note 8: Pegavision Contact Lenses (Shanghai) Corporation recognize the profit/loss and carrying amount of Gemvision Technology (Zhejiang) Limited.

B. Significant transactions with investees in China.

(a) Purchase and balances of related accounts payable as of December 31, 2019:

	Purchases		Accounts Payable	
	Amount (NT$'000)	% to Net Purchase	Amount (NT$'000)	% to Account Balance
The Company's purchase from Kinsus Interconnect Technology Suzhou	2,181,488	28.69%	240,392	16.29%

The product specification of goods purchased by the Company from Kinsus Interconnect Technology Suzhou Corp. in the year ended December 31, 2019 differed from goods purchased from other vendors. Thus, transaction prices are not comparable. Payment term for related parties and non related parties are 30 to 60 days and 30 to 90 days, respectively, from the end of delivery month. The payment terms for non-related parties are 30 to 90 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 ($'000)	USD11,081	12.88%	USD795	3.70%
Sale of Piotek Computer (Suzhou) to Kinsus Interconnect Technology Suzhou ($'000)	RMB27	-%	-	-%
Sale of Piotek Computer (Suzhou) to Xiang-Shuo (Suzhou) Trading ($'000)	RMB210	0.04%	-	-%
Sale of Xiang-Shuo (Suzhou) Trading to Piotek Computer (Suzhou) Trading ($'000)	RMB8,146	97.46%	RMB225	100.00%
Sale of the Company to Kinsus Interconnect Technology Suzhou(NT$'000)	42,104	0.26%	-	-%

The product specification of goods sold between subsidiaries in the year ended December 31, 2019 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) Property transaction amounts and resulting gain or loss:

Variety	Related parties	Carrying Value	Price	Gain on disposal (Note)	Reference basis for price decision
Machinery	Kinsus Interconnect Technology Suzhou Corp	247,416	285,972	38,556	Negotiated price

Note: For the year ended December 31, 2019, the Company wrote off NT$38,556 thousand due to the unrealized gain on disposal of property, plant and equipment. As of December 31, 2019, unrealized gain on disposal of property, plant and equipment is NT$36,829 thousand, and recongnized as the credit balance of investments accounted for using the equity method.

(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:

a. The Company sold fixtures and spare parts to Piotek Computer (Suzhou) Co., Ltd. and Kinsus Interconnect Technology Suzhou Corp. Trading Limited and recognized other income of NT$18,271 thousand for the year ended December 31, 2019.

b. As of December 31, 2019, the balance of other receivables amounted to NT$235,816 thousand. The other receivable were resulted from the Company’s sale of fixtures to Kinsus Interconnect Technology Suzhou Corp.

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, 2019

Attachment 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. $5,113,404	$458,694 USD 15,300 (Note 2)	$458,694 USD 15,300 (Note 2)	$57,337	$-	1.79%	Shall not exceed 50% of the net worth in the current financial statements. $12,783,511	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.

Note 3:The endorsement and guaranteed amount of the Company is NT$79,893 thousand.

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

Kinsus Interconnect Technology Corp.

Marketable Securities Held (Excluding Investments in Subsidiaries, Associates and Joint Ventures)

As of December 31, 2019

Attachment 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, 2019				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	-%	$268,292	
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss	1,168,258	200,000	-%	209,235	
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	21,355,432	257,509	-%	268,888	
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss	17,776,549	255,443	-%	264,473	
	Subtotal				968,748		$1,010,888	
	Add: Valuation adjustments of financial assets at fair value through profit or loss loss				42,140			
	Total				$1,010,888			

English Translation of Consolidated 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, 2019

Attachment 3

(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	$2,181,488	28.69%	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 $(240,392)	(16.29)%	

English Translation of Consolidated 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

For the Year Ended December 31, 2019

Attachment 4

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Loss Allowance
					Amount	Action Taken		
Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	$235,816 (Note 1)	-	$-	-	$-	$-

Note 1: Other receivable.

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

Kinsus Interconnect Technology Corp.

Investees over Whom the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of December 31, 2019

Attachment 5

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2018	As of December 31, 2019	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 shares	100.00%	$53,310	$6,215	$6,215	
Kinsus Interconnect Technology Corp.	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investing activities	USD166,309	USD166,309	166,308,720 shares	100.00%	$1,868,801	$(180,094)	$(180,094)	
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%	$2,300,446	$(33,605)	$(33,605)	
Kinsus Investment Co., Ltd.	Pegavision Corporation	Taoyuan City	Manufacturing medical equipment	$286,418	$252,455 (Note2)	21,233,736 shares	30.33%	$1,299,647	$475,492	$163,549	
Kinsus Investment Co., Ltd.	FuYang Technology Corp.	Hsinchu County	Electronic Parts and Components Manufacturing	$929,422	$929,422	64,176,872 shares	35.65%	$538,259	$(541,059)	$(192,908)	
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investing activities	USD72,000	USD72,000	72,000,000 shares	100.00%	USD 46,830	USD 2,050	USD 2,050	
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Cayman Islands	Investing activities	USD94,309	USD94,309	95,755,000 shares	51.00%	USD 15,505	USD (15,451)	USD (7,880)	
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	British Virgin Islands	Investing activities	USD139,841	USD139,841	139,840,790 shares	100.00%	USD 30,403	USD (15,451)	USD (15,451)	
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Hong Kong	Trading activities	USD26	USD26	200,000 shares	100.00%	USD 2,654	USD 150	USD 150	
Pegavision Corporation	PEGAVISION HOLDINGS CORPORATION	Samoa	Investing activities	USD2,130	USD3,630	3,630,000 shares	100.00%	$36,437	$(5,280)	$(5,280)	
Pegavision Corporation	PEGAVISION JAPAN INC.	JAPAN	Selling medical equipment	JPY9,900	JPY 9,900	198 shares	100.00%	$26,102	$16,418	$16,418	

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.

Note 2: Kinsus Investment Co., Ltd. invested Pegavision Corporation in cost of NT$286,418 thousand.
As Pegevision Corporation has become a listed company since October, 2019, Kinsus Investment Co., Ltd decreased its investment by NT$33,963 thousand in selling 855 thousand shares.

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

Kinsus Interconnect Technology Corp.

Marketable Securities Held (Excluding Investments in Subsidiaries, Associates and Joint Ventures)

As of December 31, 2019

Attachment 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, 2019				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	-%	$11,824	-	$-	
	Valuation adjustments of financial assets held for trading				509					
	Total				$11,824					
Pegavision Corporation	Money market funds:									
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	11,778,166	$179,017	-%	$179,058	-	$-	
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	8,372,796	137,034	-%	137,062	-	-	
	Valuation adjustments of financial assets held for trading				69					
	合　計				$316,120		$316,120		$-	
Kinsus Investment Co., Ltd.	Stocks:									
	Yi-Shuo Creative Co., Ltd.	-	Financial assets carried at cost	5,000,000	$50,000	7.49%	$50,000	-	$-	

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

Kinsus Interconnect Technology Corp.

Individual Securities acquired or disposed of with accumulated amount of at least NT$300 Million or 20% of The Paid-In Capital

For the Year Ended December 31, 2019

Attachment 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	-	-	-	$-	28,565,798	$434,000	16,787,632	$255,046	$254,983	$63	11,778,166	$179,017

English Translation of Consolidated Financial Statements Originally Issued in Chinese

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, 2019

Attachment 8

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date (Note 1)	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	Transfer Date	Amount			
Pegavision Corporation	Land	2018.06.26	$1,311,000	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
	Buildings	2018.06.26	69,000										
		Total	$1,380,000										

Note 1:The date of occurrence of the event means the date of agreement, date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of a resolution of the board of directors or a committee established by it, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

<u>English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese</u>

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, 2019

Attachment 9

(In Thousands of US Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details: Purchase/ Sale	Transaction Details: Amount	Transaction Details: % to Total	Transaction Details: Payment/ Collection Term	Abnormal Transaction: Unit Price	Abnormal Transaction: Payment/ Collection Term	Notes/Accounts Payable or Receivable: Ending Balance	Notes/Accounts Payable or Receivable: % to Total	Note
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Ultimate Parent company	Sales	USD 5,895	6.85%	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 199	0.93%	
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	Sales	USD 71,230	90.89%	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 8,642	77.63%	
Piotek Computer (Suzhou) Co., Ltd.	Piotek (H.K.) Trading Limited	Also a subsidiary under the Company's control	Sales	USD 11,081	12.88%	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 795	3.70%	
Piotek (H.K.) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Purchase	USD 11,081	100.00%	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 payable (USD 795)	(100.00)%	
Piotek Computer (Suzhou) Co., Ltd.	Maintek Computer (Suzhou) Co., Ltd	Other related parties	Sales	USD 10,078	11.71%	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 1,780	8.28%	
Piotek Computer (Suzhou) Co., Ltd.	DIGITEK (CHONGQING) LIMITED	Other related parties	Sales	USD 7,365	8.56%	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 1,279	5.95%	
Pegavision Japan Inc.	Pegavision Corporation	Parent company	Purchase	$1,353,073	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 $(146,953)	(100.00)%	
Pegavision Contact Lenses (SHANGHAI) Corporation	Pegavision Corporation Corporation	Parent company	Purchase	$127,282	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 $(124,211)	(100.00)%	
GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	Pegavision Contact Lenses (SHANGHAI) Corporation	Also a subsidiary under the Company's control	Purchase	$118,586	67.55%	Payment within 180 days from the end of delivery month	Similar to those to third party suppliers.	Similar to those to third party suppliers.	Accounts payable $(66,761)	(56.55)%	

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, 2019

Attachment 10

(In Thousands of US Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent	Loss Allowance
					Amount	Action Taken		
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	USD 8,642 (Note)	10.20	$-	-	$-	$-
Pegavision Corporation	Pegavision Contact Lenses (SHANGHAI) Corporation	Subsidiary	$124,211 (Note)	0.78	$-	-	$81,616	$-
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	$146,953 (Note)	10.70	$-	-	$59,313	$-

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, 2019 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 10th, 2020

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, 2019 and 2018, 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 and its subsidiaries as of December 31, 2019 and 2018, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2019 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Revenue Recognition</u>

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT$22,327,410 thousand for the year ended December 31, 2019 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 Notes 4 and 6 to the consolidated financial statements.

<u>Market valuation on Inventory</u>

We determined the market valuation on inventory is one of the 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$2,452,975 thousand as of December 31, 2019. 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 Notes 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, 2019 and 2018 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$538,259 thousand and NT$735,275 thousand as of December 31, 2019 and 2018 representing 1.29% and 1.72% of the Company's consolidated total assets, the related shares of income before tax from the associate under the equity method for the years then ended amounting to NT$(192,908) thousand and NT$(99,606) thousand representing 10.45% and (14.02)% of the Company's consolidated income before tax, and the related shares of other comprehensive income from the associate under the equity method for the years then ended amounting to NT$(4,108) thousand and NT$12,346 thousand representing 3.80% and (32.80)% 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 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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, 2019 and 2018.

Hong,Mao-Yi

Cheng,Ching-Piao

Ernst & Young
February 10th, 2020
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.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2019 and 2018

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of December 31, 2019		As of December 31, 2018	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$10,712,103	26	$10,068,669	24
1110	Financial assets at fair value through profit or loss	4, 6(2)	1,338,832	3	1,017,095	2
1136	Financial assets measured at amortized cost	4, 6(3)	423,057	1	498,338	1
1150	Notes receivable, net	4, 6(5)	4,918	-	241	-
1170	Accounts receivable, net	4, 6(6)	3,609,565	9	3,472,879	8
1180	Accounts receivable - related parties,net	6(6), 7	111,323	-	349,315	1
1200	Other receivables,net		332,623	1	264,785	1
1210	Other receivables - related parties	7	5,901	-	5,781	-
1310	Inventories, net	4, 6(7)	2,452,975	6	3,269,317	8
1410	Prepayments		150,538	-	158,390	-
1470	Other current assets		198,672	1	189,759	-
11xx	Total current assets		19,340,507	47	19,294,569	45
	Non-current assets					
1517	Financial asset at fair value through OCI	4, 6(4)	50,000	-	50,000	-
1550	Investment accounted for under equity method	4, 6(8)	538,259	1	735,275	2
1600	Property, plant and equipment, net	4, 6(9), 8, 9	19,675,900	47	19,737,268	46
1755	Right-of-use assets	4, 6(23)	382,091	1	-	-
1780	Intangible assets, net	4, 6(10)	30,753	-	14,529	-
1840	Deferred tax assets	4, 6(27)	13,800	-	12,411	-
1900	Other non-current assets	6(11), 7, 8	88,069	-	316,354	1
1915	Prepayment for equipment	6(9), 9	1,583,966	4	2,463,548	6
15xx	Total non-current assets		22,362,838	53	23,329,385	55
1xxx	Total Assets		$41,703,345	100	$42,623,954	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, 2019 and 2018

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2019		As of December 31, 2018	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(12)	$4,096,101	10	$3,340,483	8
2130	Contract liability	4, 6(21)	72,626	-	134,800	-
2150	Notes payable		37,176	-	39,505	-
2170	Accounts payable		2,224,571	5	2,233,609	6
2200	Other payables	6(13), 7	2,804,217	7	3,110,009	7
2230	Current income tax liabilities	4, 6(27)	179,575	1	361,313	1
2280	Lease liability	4, 6(23)	113,937	-	-	-
2300	Other current liabilities	6(14)	1,238,150	3	931,741	2
2365	Refund liability	4, 6(15)	74,865	-	47,739	-
21xx	Total current liabilities		10,841,218	26	10,199,199	24
	Non-current liabilities					
2540	Long-term loans	6(16), 8	1,888,054	5	2,600,806	6
2570	Deferred tax liabilities	4, 6(27)	8,623	-	5,563	-
2580	Lease liability	4, 6(23)	58,143	-	-	-
2600	Other non-current liabilities	6(17)	69,607	-	69,864	-
25xx	Total non-current liabilities		2,024,427	5	2,676,233	6
2xxx	Total liabilities		12,865,645	31	12,875,432	30
31xx	Equity attributable to shareholders of the parent					
3100	Capital	6(19)				
3110	Common stock		4,510,738	11	4,508,410	11
3200	Capital surplus	6(19)	6,637,742	16	6,140,942	14
3300	Retained earnings	6(19)				
3310	Legal reserve		3,647,505	9	3,612,556	8
3320	Special reserve		100,384	-	77,677	-
3350	Unappropriated earnings		10,882,980	26	13,646,659	32
3400	Other components of equity		(211,996)	(1)	(203,356)	-
3500	Treasury Stock	6(19)	(332)	-	(738)	-
36xx	Non-controlling interests	6(19)	3,270,679	8	1,966,372	5
3xxx	Total equity		28,837,700	69	29,748,522	70
	Total liabilities and equity		$41,703,345	100	$42,623,954	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, 2019 and 2018

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

Code	Items	Notes	2019 Amount	2019 %	2018 Amount	2018 %
4000	Operating revenues	4, 6(21), 7	$22,327,410	100	$23,727,929	100
5000	Operating costs	7	(19,566,671)	(88)	(18,341,427)	(77)
5900	Gross profit		2,760,739	12	5,386,502	23
6000	Operating expenses	7				
6100	Sales and marketing		(1,201,128)	(5)	(1,020,613)	(4)
6200	General and administrative		(1,289,240)	(6)	(1,349,219)	(6)
6300	Research and development		(1,924,984)	(9)	(2,218,438)	(10)
6450	Expected credit gains (losses)	4, 6(22)	4,388	-	(6,582)	-
	Total operating expenses		(4,410,964)	(20)	(4,594,852)	(20)
6900	Operating income (loss)		(1,650,225)	(8)	791,650	3
7000	Non-operating incomes and expenses					
7010	Other incomes	6(25), 7	183,741	1	242,177	1
7020	Other gains or losses	6(25), 7	(43,130)	-	(102,465)	-
7050	Finance costs	6(25)	(143,736)	(1)	(121,234)	(2)
7060	Share of the profit or loss of associates and joint ventures	6(8)	(192,908)	(1)	(99,606)	-
	Total non-operating incomes and expenses		(196,033)	(1)	(81,128)	(1)
7900	Income (loss) before income tax		(1,846,258)	(9)	710,522	2
7950	Income tax expenses	4, 6(27)	(101,010)	-	(299,482)	(1)
8200	Net income (loss)		(1,947,268)	(9)	411,040	1
8300	Other comprehensive income (loss)	6(26)				
8310	Item that not be reclassified to profit or loss					
8311	Actuarial gain (loss) from defined benefit plans		(4,727)	-	(3,312)	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of foreign operations		(99,236)	-	(46,672)	-
8370	Share of the other comprehensive income (loss) of associates and joint ventures		(4,108)	-	12,346	-
	Total other comprehensive income (loss), net of tax		(108,071)	-	(37,638)	-
8500	Total comprehensive income (loss)		$(2,055,339)	(9)	$373,402	1
8600	Net income (loss) attributable to:					
8610	Stockholders of the parent		$(2,025,332)	(9)	$349,485	1
8620	Non-controlling interests		78,064	-	61,555	-
			$(1,947,268)	(9)	$411,040	1
8700	Total comprehensive income (loss) attributable to:					
8710	Stockholders of the parent		$(2,113,080)	(9)	$323,467	1
8720	Non-controlling interests		57,741	-	49,935	-
			$(2,055,339)	(9)	$373,402	1
9750	Earnings (losses) per share-basic (in NTD)	6(28)	$(4.52)		$0.78	
9850	Earnings (losses) per share-diluted (in NTD)	6(28)	$(4.52)		$0.78	

(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, 2019 and 2018

(Amounts Expressed In Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent									Non-controlling Interests	Total Equity
		Capital	Capital Surplus	Retained Earnings			Others		Treasury Stock	Total		
				Legal Reserve	Special reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unearned Employee Benefit				
Code	Items	3100	3200	3310	3320	3350	3410	3490	3500	31XX	36XX	3XXX
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 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 (loss)	-	-	-	-	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
A1	Balance as of January 1, 2019	$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
	Appropriation and distribution of 2018 earnings											
B1	Legal reserve			34,949		(34,949)				-		-
B3	Special reserve				22,707	(22,707)				-		-
B5	Cash dividends-common shares					(676,261)				(676,261)		(676,261)
D1	Net income (loss) for 2019					(2,025,332)				(2,025,332)	78,064	(1,947,268)
D3	Other comprehensive income (loss), net of tax, for 2019.					(4,727)	(83,021)			(87,748)	(20,323)	(108,071)
D5	Total comprehensive income (loss)	-	-	-	-	(2,030,059)	(83,021)	-	-	(2,113,080)	57,741	(2,055,339)
M7	Change in equity for ownership of subsidiaries		491,065							491,065	1,303,433	1,794,498
O1	Non-controlling interests increase (decrease)										(56,867)	(56,867)
T1	Employee restricted shares for cancellation and others	2,328	5,735			297		74,381	406	83,147		83,147
Z1	Balance as of December 31, 2019	$4,510,738	$6,637,742	$3,647,505	$100,384	$10,882,980	$(183,404)	$(28,592)	$(332)	$25,567,021	$3,270,679	$28,837,700

(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, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2019	2018
AAAA	Cash flows from operating activities:		
A10000	Income (loss) before income tax	$(1,846,258)	$710,522
A20000	Adjustments:		
A20010	Income and expense adjustments:		
A20100	Depreciation (including right-of-use assets)	4,575,488	4,187,071
A20200	Amortization	39,561	25,898
A20300	Expected credit losses (gains)	(4,388)	6,582
A20400	Net gain of financial assets at fair value through P/L	(5,783)	(5,383)
A20900	Interest expense	143,736	121,234
A21200	Interest income	(60,887)	(62,377)
A21900	Cost of share based payment	80,477	82,525
A22300	Share of profit or loss of associates and joint ventures	192,908	99,606
A22500	Gain on disposal of property, plant and equipment	(8,651)	(1,014)
A23700	Impairment loss on non financial assets	12,149	49,770
A30000	Changes in operating assets and liabilities:		
A31110	Financial assets at fair value through profit or loss	(315,954)	542,121
A31130	Notes receivable	(4,677)	1,515
A31150	Accounts receivable	(132,277)	(126,400)
A31160	Accounts receivable - related parties	237,992	(15,615)
A31180	Other receivables	(68,594)	(55,310)
A31190	Other receivables - related parties	(120)	462
A31200	Inventories	816,342	(1,141,603)
A31220	Prepayments	1,852	102,176
A31240	Other current assets	(8,913)	(25,783)
A31990	Long-term prepaid rents	-	10,075
A32125	Contract liabilities	(62,174)	(2,148)
A32130	Notes payable	(2,329)	(5,299)
A32150	Accounts payable	(9,038)	(292,427)
A32180	Other payables	(129,656)	64,786
A32230	Other current liabilities	685	8,636
A32240	Net defined benefit liability	(4,112)	(4,118)
A32990	Refund liability	27,126	47,739
A33000	Cash generated from operations	3,464,505	4,323,241
A33100	Interest received	61,642	61,385
A33300	Interest paid	(143,748)	(114,595)
A33500	Income tax paid	(281,090)	(167,452)
AAAA	Net cash provided by (used in) operating activities	3,101,309	4,102,579

Code	Items	2019	2018
BBBB	Cash flows from investing activities:		
B00040	Acquisition (disposal) of financial assets measured at amortized cost	75,281	(75,281)
B02700	Acquisition of property, plant and equipment	(4,212,790)	(4,814,540)
B02800	Proceeds from disposal of property, plant and equipment	458,469	9,753
B03800	Decrease (increase) in refundable deposits	3,988	(12,405)
B04500	Acquisition of intangible assets	(55,835)	(17,644)
BBBB	Net cash provided by (used in) investing activities	(3,730,887)	(4,910,117)
CCCC	Cash flows from financing activities:		
C00100	Increase in (repayment of) short-term loans	755,618	43,086
C01600	Increase in long-term loans	1,781,000	1,800,000
C01700	Repayments of long-term loans	(2,181,137)	(621,450)
C03000	Increase (decrease) in deposits received	(872)	(5,869)
C04020	Cash payments for the principal portion of the lease liability	(136,418)	-
C04500	Cash dividends	(676,261)	(669,000)
C04600	Issuance of restricted stock	5,985	48,410
C05800	Increase (decrease) in non-controlling interests	1,737,631	-
CCCC	Net cash provided by (used in) financing activities	1,285,546	595,177
DDDD	Effect of exchange rate changes	(12,534)	(60,982)
EEEE	Increase (decrease) in cash and cash equivalents	643,434	(273,343)
E00100	Cash and cash equivalents at beginning of period	10,068,669	10,342,012
E00200	Cash and cash equivalents at end of period	$10,712,103	$10,068,669

(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 10, 2020.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Group applied for the first time 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, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

(a) IFRS 16 "Leases"

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

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

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

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

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

(1) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Group measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019, and; The Group chooses, on a lease-by-lease basis, to measure the right-of-use asset at either:

i. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on January 1, 2019; or
ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before January 1, 2019.

On January 1, 2019, the Group's right-of-use asset and lease liability increased by NT$311,664 and NT$311,664, respectively.

Besides, on January 1, 2019, for leases that were previously classified as operating leases applying IAS 17 and those who have paid the rent in full, the Group reclassified the long-term rental prepayment of NT$230,297 to the right-of-use asset.

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

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

ii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.

iii. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.

iv. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

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

(3) As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarised as follows:

i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.30%.

ii. For leases that were classified as operating leases applying IAS 17, lease payments are recognized as an expense on a straight-line basis over the lease term. After adopting IFRS 16, the Company expects to measure and recognize those leases, except for short-term or low-value asset lease exemptions, as lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Operating lease commitments under IAS 17 as of December 31, 2018 were NT$316,408 thousand and the present value discounted at the incremental borrowing rate on January 1, 2019 were NT$311,664 thousand. Thus, lease liabilities as of January 1, 2019 under IFRS 16 were recorded at NT$311,664 thousand.

D. The Group is a lessor and has not made any adjustments. Please refer to Note 4, Note 5 and Note 6 for the information relating to the lessor.

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

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

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

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

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

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

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

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

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

The amendments include:

(1) highly probable requirement

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

(2) prospective assessments

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

(3) IAS 39 retrospective assessment

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

(4) separately identifiable risk components

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

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

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

3. Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not 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 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2021
c	Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 1, 2022

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

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

(b) IFRS 17 "Insurance Contracts"

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

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

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

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

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

The 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 Group's financial statements then.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements for the years ended December 31, 2019 and 2018 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," by the FSC of the Republic of China.

(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	2019	2018
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.	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.	PEGAVISION CORPORATION	Manufacture of medical equipment	30.33% (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 HOLDING 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%
PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	Selling medical equipment	100.00% (Note 1)	NA

Note: The Group owned a compound 36.81% of ownership of Pegavision Corporation as of December 31, 2019 and 2018. The management decided to include Pegavision Corporation as a consolidated entity because the Group, in substance, possessed the control over this entity.

PEGAVISION CORPORATION increased its common capital in amount of NT$100,000 thousand, divided into 10,000 thousand shares, each share at par of NT$10 for the purpose of initial listing on a stock exchange. Kinsus Investment Co., Ltd. not only surrendered its preempted right on the offering but also sold 855 thousand shares of Pegavision Corporation. As a result, Kinsus Investment Co., Ltd.'s ownership interest on Pegavision Corporation reduced from 36.81% to 30.33%.

Note 1: The board of directors of PEGAVISION CORPORATION has resolved at a meeting held on December 24, 2018 to set up an 100%-owned subsidiary, GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED, through PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION. The Group completed the registration on January 29, 2019.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollar, which is the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. 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 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 Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b) The Group holds the asset primarily for the purpose of trading
(c) The Group expects to realize the asset within twelve months after the reporting period
(d) The asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents 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.

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

(a) Financial assets: Recognition and Measurement

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

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

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 recognize the impairment gains or losses.

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

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.

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

(b) Impairment of financial assets

The Group 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.

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

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has 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.

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(e) Offsetting of financial instruments

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

(9) 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.

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 the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

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

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a 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. 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 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	2 to 10 years
Vehicle	2 to 6 years
Office equipment	3 to 6 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

The accounting policy from January 1, 2019 as follow:

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

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

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

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

Group as a lessee

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

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

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;
(d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

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

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

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

Accounting policy before January 1, 2019

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.

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.

(17) Revenue recognition

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.

(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.

(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 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 Group’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

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.

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.

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

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.

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 Group 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,	
	2019 (NT$'000)	2018 (NT$'000)
Cash and petty cash	2,797	5,682
Checkings and savings	2,550,937	2,303,033
Time deposit	8,158,369	7,759,954
Total	10,712,103	10,068,669

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

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Mandatorily measured at fair value through profit or loss:		
Money market fund	1,296,114	980,063
Valuation adjustment	42,718	37,032
Total	1,338,832	1,017,095

Current	1,338,832	1,017,095
Non-current	-	-

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,	
	2019 (NT$'000)	2018 (NT$'000)
Time deposits	423,057	498,338
Current	423,057	498,338
Non-current	-	-

The Group transacts with financial institutions with good credit rating. Consequently, there is no significant credit risk.

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

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

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Equity instruments investments measured at fair value through other comprehensive income – Non-current:		
Unlisted company stocks	50,000	50,000

No financial assets at fair value through other comprehensive income was pledged by the Group as collateral.

(5)Notes receivable

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Notes receivable arising from operating activities	4,918	1,756
Less: loss allowance	-	-
Total	4,918	1,756

Notes receivables were not pledged.

The Group follows the requirement of IFRS9 to assess the impairment. Please refer to Note 6(22) for more details on loss allowance and Note 12 for details on credit risk.

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

A. Accounts receivable, net

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Accounts receivable, gross	3,635,709	3,503,432
Less: allowance against doubtful accounts	(26,144)	(30,553)
Net of allowances	3,609,565	3,472,879
Accounts receivable - related parties, gross	111,323	349,315
Less: allowance against doubtful accounts	-	-
Net of allowances	111,323	349,315
Total accounts receivable, net	3,720,888	3,822,194

B. Account receivables were not pledged.

C. The Group entered into factoring agreements with banks. Accounts receivables from selected customers are transferred to banks without recourse.Details of the agreed credit limits and accounts receivables transferred were as follows:

	Financial Institution	Accounts receivable de-recognized (NT$'000)	Interest Rate	Advance received (NT$'000)	Collateral	Credit Limit
12/31/2019	Mega International Commercial Bank - LanYa Branch	286,663	2.17%	14,990	None	Note
12/31/2018	Mega International Commercial Bank - LanYa Branch	214,285	-	-	None	Note

Note: The credit limits were US$30,000 thousand as of December 31, 2019 and 2018.

D. Accounts receivable are generally on 30-90 day terms. The total carrying amount for the years ended December 31, 2019 and 2018, are NT$3,747,032 and NT$3,852,747, respectively. Please refer to Note 6 (22) for more details on loss allowance of accounts receivable for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

(7)Inventories

A. Details of inventory:

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Raw material	463,604	499,943
Supplies	38,110	38,781
Work in process	1,312,907	1,558,452
Finished goods	554,116	1,125,717
Merchandises	84,238	46,424
Total	2,452,975	3,269,317

B. For the years ended December 31, 2019 and 2018, the Group recognized NT$19,566,671 thousand and NT$18,341,427 thousand under the caption of costs of sale, respectively. The following items were also included in cost.

Item	For the years ended December 31, 2019 (NT$'000)	2018 (NT$'000)
Loss from (Gains on recovery of) inventory market decline	(219,810)	30,807
Loss from physical	11,496	7,963
Loss from inventory write-off obselencense	2,856,305	2,674,765
Total	2,647,991	2,713,535

The Group 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,			
	2019		2018	
Investee	Carrying amount (NT$'000)	Percentage of ownership (%)	Carrying amount (NT$'000)	Percentage of ownership (%)
Investment in associates:				
FuYang Technology Corp.	538,259	35.65%	735,275	35.65%

A. The Company invested cash in FuYang Technology Corp. during May 2016 for interest ownership of 36%. The investment is accounted for as an investment in associates due to the Company's ability to exercise its significant influence.

In May 2017, the Company 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 Company's share interest on FuYang decreased to 35.65%.

B. Investments in associates

As of December 31, 2019 and 2018, the aggregate carrying amount of the Group's interests in FuYang Technology Corp. is NT$538,259 thousand and NT$735,275 thousand.The aggregate financial information based on Group's share of FuYang Technology Corp. is as follows:

	For the year ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Profit or loss from continuing operations	(192,908)	(99,606)
Other comprehensive income (post-tax)	(4,108)	12,346
Total comprehensive income	(197,016)	(87,260)

There were no contingent liabilities or capital commitments with respect to the investment in the associate as of December 31, 2019 and 2018. 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, 2019 and 2018 amounted to NT$538,259 thousand and NT$735,275 thousand while the related investment income/loss and joint venture income were NT$(192,908) thousand and NT$(99,606) thousand for the year ended December 31, 2019 and 2018, respectively. And other comprehensive income were NT$(4,108) thousand and NT$12,346 thousand for the the year ended December 31, 2019 and 2018, 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, 2019 and 2018.

(9) Property, plant and equipment

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000) (Note)
Owner occupied property, plant and equipment	19,675,900	

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

A.Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Land (NT$'000)	Buildings (NT$'000)	Machinery (NT$'000)	Office Equipment (NT$'000)	Vehicle (NT$'000)	Other Equipment (NT$'000)	Construction in progress and equipment awaiting inspection (including prepayment for equipment) (NT$'000)	Total (NT$'000)
Cost:								
As of 1/1/2019	1,609,729	6,268,452	24,923,303	208,304	18,806	6,603,444	4,869,355	44,501,393
Addition	-	(858)	17,897	1,380	-	467,733	3,550,169	4,036,321
Disposals	-	-	(841,128)	(3,563)	(680)	(262,635)	-	(1,108,006)
Effect of EX rate	-	(112,318)	(247,812)	(2,404)	(397)	(51,282)	(1,612)	(415,825)
Reclassification	1,369,663	2,548,463	2,124,378	37,577	193	591,668	(6,671,942)	-
As of 12/31/2019	2,979,392	8,703,739	25,976,638	241,294	17,922	7,348,928	1,745,970	47,013,883
Depreciation and impairment:								
As of 1/1/2019	-	2,458,270	15,899,486	161,066	14,031	3,767,724	-	22,300,577
Depreciation	-	354,744	3,072,822	35,236	1,458	966,309	-	4,430,569
Impairment loss	-	-	11,436	-	-	713	-	12,149
Disposal	-	-	(392,856)	(3,563)	(680)	(261,089)	-	(658,188)
Effect of EX rate	-	(55,490)	(226,649)	(2,303)	(362)	(46,286)	-	(331,090)
Reclassification	-	-	(29)	-	-	29	-	-
As of 12/31/2019	-	2,757,524	18,364,210	190,436	14,447	4,427,400	-	25,754,017
Net carrying amount:								
As of 12/31/2019	2,979,392	5,946,215	7,612,428	50,858	3,475	2,921,528	1,745,970	21,259,866

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

	Land (NT$'000)	Buildings (NT$'000)	Machinery (NT$'000)	Office Equipment (NT$'000)	Vehicle (NT$'000)	Other Equipment (NT$'000)	Construction in progress and equipment awaiting inspection (including prepayment for 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
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
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
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

C. "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.

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

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Property, plant and equipment	19,675,900	19,737,268
Prepayment for equipment	1,583,966	2,463,548
Total	21,259,866	22,200,816

E. The Group recognized an impairment loss amounting to NT$12,149 thousand on certain real estate to an extent of the recoverable value in 2019. The Group recognized an impairment loss amounting to NT$ 49,770 thousand on certain real estate to an extent of the recoverable value in 2018. 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 individual asset.

F. Please refer to Note 8 for details on property, plant and equipment pledged as collaterals.

G. The Company purchased 40 parcels of land with a total area of 36,287.15 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, the agricultural 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 1/1/2019	41,461
Additions – acquired separately	55,835
Derecognized upon retirement	(14,095)
Reclassification	-
Effect of exchange rate changes	(669)
As of 12/31/2019	82,532
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

Amortization and Impairment:	
As of 1/1/2019	26,932
Amortization	39,561
Derecognized upon retirement	(14,095)
Reclassification	-
Effect of exchange rate changes	(619)
As of 12/31/2019	51,779
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
Carrying amount, net:	
As of 12/31/2019	30,753
As of 12/31/2018	14,529

Amounts of amortization recognized for intangible assets are as follows:

	For the year ended December 30,	
	2019 (NT$'000)	2018 (NT$'000)
Cost of goods sold	56	200
Selling	44	203
General and administrative	39,171	25,358
Research and development	290	137
Total	39,561	25,898

(11) Other non-current assets

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Refundable deposits	88,069	92,057
Long-term prepaid rent	(Note)	224,297
Total	88,069	316,354

As of December 31, 2018, the right to used land, recorded under the caption of long-term prepaid rent, amounted to NT$224,297 thousand.

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

(12) Short-term loans

		As of December 31,	
	Interest interval (%)	2019 (NT$'000)	2018 (NT$'000)
Unsecured bank loans	0.68%~2.99%	4,096,101	3,340,483

As of December 31, 2019 and 2018, the line of unused short-term loan credit for the Group amounted to NT$5,010,891 thousand and NT$5,298,700 thousand.

(13) Other payable

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Accrued expense	2,247,162	2,373,503
Equipment payable	550,328	726,797
Accrued interest	6,727	9,709
Total	2,804,217	3,110,009

(14) Other current liabilities

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Other current liabilities	79,654	78,969
Current portion of long-term loans	1,158,496	852,772
Total	1,238,150	931,741

(15)Refund liability

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Refund liability	74,865	47,739

(16)Long-term loans

Details of long-term loans were as follows:

Debtor	Type of Loan	Maturity	Loan Balance As of 12/31/2019 (NT$'000)	Repayment
Mega International Commercial Bank – LanYa Branch	Credit loan	2020.04.02-2026.12.31	1,115,550	Note 1 and 5
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Credit loan	2021.04.23-2026.12.31	650,000	Notes 2 and 3
Standard Chartered Bank –Xinwu Branch	Credit loan	2021.09.28	600,000	Note 4
The Bank of Taiwan – Peitou Branch	Credit loan	2026.11.04-2026.12.31	681,000	Note 6
Total			3,046,550	
Less: current portion			(1,158,496)	
Non-current portion			1,888,054	

Debtor	Type of Loan	Maturity	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	Note 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	Note 4
Chang Hwa Commercial Bank –Beitou Branch	Credit loan	2023.10.09	100,000	Note 1
Total			3,453,578	
Less: current portion			(852,772)	
Non-current portion			2,600,806	

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 month starting from the initial draw-down date. The principal and interest are repayable in installments of equal amount for 84 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 3 years from the initial draw-down date. A term is defined as every month since the forth year. The principal and interest are repayable in installments of equal amount for 48 terms.

Note 6: Grace period is 2 years from the initial draw-down date. A term is defined as every month since the third year. The principal and interest are repayable in installments of equal amount for 60 terms.

A. Please refer to Note 8 for details on assets pledged as collaterals.

B. As of December 31, 2019 and 2018, the interest rate intervals for long-term loans were 0.6%~3% and 1.074%~3.296%.

(17)Other non-current liabilities

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Net defined benefit liability	25,771	25,156
Deposits received	43,836	44,708
Total	69,607	69,864

(18)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, 2019 and 2018 were NT$144,061 thousand and NT$141,921 thousand, respectively.

Pension expenses for the years ended December 31, 2019 and 2018 were NT$52 thousand and NT$51 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$0 to its defined benefit plan during the 12 months beginning after December 31, 2019.

As of December 31, 2019 and 2018, 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,	
	2019 (NT$'000)	2018 (NT$'000)
Current period service costs	58	58
Net interest of defined benefit liability (asset)	302	415
Previous period service costs	-	-
Settlement	-	-
Total	360	473

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

	As of		
	12/31/2019 (NT$'000)	12/31/2018 (NT$'000)	01/01/2018 (NT$'000)
Defined benefit obligation	145,786	135,711	129,761
Plan assets at fair value	(120,015)	(110,555)	(103,799)
Other non-current liabilities – net defined benefit liability	25,771	25,156	25,962

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)
1/1/2018	129,761	(103,799)	25,962
Current service cost	58	-	58
Interest cost	2,076	(1,661)	415
Past 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
Current service cost	58	-	58
Interest cost	1,629	(1,327)	302
Pasts service cost and settlement	-	-	-
Total	1,687	(1,327)	360

Re-measurement on defined benefit liability/assets:			
Actuarial gain/loss due to change in population statistic assumptions	1,283	-	1,283
Actuarial gain/loss due to change in financial assumptions	8,502	-	8,502
Experience gain/loss	(1,397)	(3,661)	(5,058)
Re-measurement on defined benefit assets	-	-	-
Total	8,388	(3,661)	4,727
Benefits paid	-	-	-
Contributions by employer	-	(4,472)	(4,472)
Effect of exchange rate	-	-	-
12/31/2019	145,786	(120,015)	25,771

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

	As of December 31,	
	2019	2018
Discount rate	0.87%	1.20%
Expected rate of salary increases	3.00%	3.00%

Sensitivity analysis

	For the year ended December 31,			
	2019 (NT$'000)		2018 (NT$'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%	-	(12,758)	-	(12,261)
Discount rate decreased by 0.5%	14,220	-	13,713	-
Expected salary level increased by 0.5%	13,839	-	13,391	-
Expected salary level decreased by 0.5%	-	(12,566)	-	(12,114)

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, 2019 and 2018, the Company's authorized capital were NT$6,000,000 thousand and NT$5,500,000 thousand, respectively, each share at par value of NT$10, divided into 600,000 thousand shares and 550,000 thousand shares, respectively. As of December 31, 2019 and 2018, the Company's paid-in capital were NT$4,510,738 thousand and NT$4,508,410 thousand, respectively, divided into 451,074 thousand shares and 450,841 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, and issued 4,841 thousand shares of restricted stock for employees.

On February 18, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT$786 thousand. The measurement date was at March 17, 2019.

On April 29, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT$600 thousand. The measurement date was at May 2, 2019.

On July 29, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT$1,395 thousand. The measurement date was at August 1, 2019.

On October 28, 2019, the board of directors resolved to cancel restricted stock, and the amount of the capital reduction is NT$876 thousand. The measurement date was at October 30, 2019.

In addition, on February 18, 2019, the board of directors resolved to issue 659 thousand shares of restricted stock. The measurement date was at March 18, 2019 and issued 598 thousand shares of restricted stock.

As of December 31, 2019, the restricted stocks plan has expired while there were 33 thousand shares to be cancelled yet.

B. Capital surplus

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Additional paid-in capital	5,959,846	5,887,857
Differences between purchase price and carrying amount arising from acquisition or disposal of subsidiaries	50,925	50,925
All changes in interests in subsidiaries	529,959	38,894
Change in joint ventures accounted for using equity method	7,484	7,484
Shared-Based Payment	8,371	8,371
Restricted stocks for employees	81,157	147,411
Total	6,637,742	6,140,942

According to the 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

Treasury stock amounted to NT$332 thousand and NT$738 thousand, respectively, divided into 33 thousand shares, and 74 thousand shares, respectively, as of December 31, 2019 and 2018.

The movement schedule of treasury stock for the years ended December 31, 2019 and 2018 was as below (in thousand shares).

Purpose of repurchase	Beginning balance	Addition	Decrease	Ending balance
For the years ended December 31, 2019				
Recover failed restricted stocks	74	325	366	33

For the years ended December 31, 2018				
Recover failed restricted stocks	-	74	-	74

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, 2019 were 45,107 thousand shares, with the maximum payments of NT$20,490,331 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 Articles of Incorporation revised by the shareholders' meetings on May 29, 2019, 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.
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.

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 thereto a report of such distribution shall be submitted to 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. 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 amount of dividends.

(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 Year 2019 and 2018 were approved through the Board of Directors' meetings and shareholders' meetings held on February 10, 2020 and May 29, 2019, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT$)	
	2019 (NT$'000)	2018 (NT$'000)	2019	2018
Legal reserve	-	34,949		
Special reserve	-	22,707		
Cash dividend	451,039	676,261	1.00	1.50
Total	451,039	733,917		

Please refer to Note 6(24) for details on employees' compensation and remuneration to directors and supervisors.

E. Non-controlling interests

	For the years ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Beginning balance	1,966,372	1,916,437
Net income attributable to NCIs	78,064	61,555
Other comprehensive income attributable to NCIs:		
Exchange differences arising on translation of foreign operations	(20,323)	(11,620)
All changes in interests in subsidiaries	1,303,433	-
Non-controlling interests increase/(decrease)	(56,867)	-
Ending balance	3,270,679	1,966,372

(20)Share-based payment plans

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.

On February 18, 2019, the board of directors resolved to issue 659 thousand shares. The measurement date was at March 18, 2019, while total shares issued 599 thousand shares. The unit market price as of the granted date was NT$43.45.

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, 2019 and 379 thousand shares were recalled. As a result, capital reserve increased by NT$3,790 thousand and the unearned employee compensation was NT$24,955 thousand.

On March 18, 2019, the issuance of 599 thousand restricted shares for employees resulted in the increase of capital reserve－employee stock option amounting to NT$19,396 thousand.The restricted stocks plan was invalidated as of December 31, 2019 and 20 thousand shares were recalled. As a result, capital reserve increased by NT$200 thousand and the unearned employee compensation was NT$3,637 thousand.

B. The expense recognized for employee services received is shown in the following table.

	For the years ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Total expense arising from equity-settled share-based payment transactions	80,477	82,525

C. The Company did not modify the share-based payment plan for the the years ended December 31, 2019.

(21)Sales

	For the year ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Revenue from customer contracts		
Sales of goods	22,080,189	23,348,939
Other operating revenue	247,221	378,990
Total	22,327,410	23,727,929

A. Disaggregation of revenue

Analysis of revenue from contracts with customers during the years ended December 31, 2019 are as follows:

	IC Substrate (NT$'000)	PCB (NT$'000)	Optics (NT$'000)	Total (NT$'000)
Sale of goods	16,045,022	2,680,034	3,355,133	22,080,189
Other	247,221	-	-	247,221
Total	16,292,243	2,680,034	3,355,133	22,327,410

The timing for revenue recognition:

At a point in time	16,292,243	2,680,034	3,355,133	22,327,410

Analysis of revenue from contracts with customers during the years ended December 31, 2018 are as follows:

	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

	As of		
	12/31/2019 (NT$'000)	12/31/2018 (NT$'000)	01/01/2018 (NT$'000)
Sales of goods	57,778	124,061	136,948
Customer loyalty programs	14,848	10,739	4,041
Total	72,626	134,800	140,989

For the the years ended December 31, 2019, 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 years ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Operating expenses – Expected credit losses/(gains)		
Account receivables	(4,388)	6,582

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, 2019 and 2018, there were 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 31,2019 and 2018 are as follow:

A. The Group condsiders the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follow.

As of December 31, 2019,

Group 1	Not 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	3,086,221	377,160	32,915	-	-	3,496,296
Loss ratio	-%	5%	15%	30%	50%	
Lifetime expected credit losses	-	(18,858)	(4,937)	-	-	(23,795)
Subtotal	3,086,221	358,302	27,978	-	-	3,472,501

Group 2	Not 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	225,693	29,961	-	-	-	255,654
Loss ratio	0.92%	-%	-%	-%	-%	
Lifetime expected credit losses	(2,049)	(300)	-	-	-	(2,349)
Subtotal	223,644	29,661	-	-	-	253,305
Carrying amount of trade receivables	3,309,865	387,963	27,978	-	-	3,725,806

As of December 31, 2018,

Group 1	Not past due	Past due					
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=120 days	Total
	(NT$'000)	(NT$'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%	75%	
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	Not past due	Past due					
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=120 days	Total
	(NT$'000)	(NT$'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 in the provision for impairment of note receivables and trade receivables during the years ended December 31, 2019 and 2018 are as follows:

	Note receivables (NT$'000)	Account receivables (NT$'000)
Beginning balance as of January 1, 2019	-	30,553
Addition/(reversal) for the current period	-	(4,388)

Effect of exchange rate	-	(21)
Ending balance as of December 31, 2019	-	26,144

	Note receivables (NT$'000)	Account receivables (NT$'000)
Beginning balance as of January 1, 2018 (in accordance with IAS 39)	-	23,972
Transition adjustment to retained earnings as of January 1, 2018	-	-
Beginning balance as of January 1, 2018 (in accordance with IFRS 9)	-	23,972
Addition/(reversal) for the current period	-	6,582
Effect of exchange rate	-	(1)
Ending balance as of December 31, 2018	-	30,553

(23) Leases

A. Group as a lessee (applicable to the disclosure requirement under in IFRS 16)

The Group leases various properties, including real estate such as land and buildings, machinery and equipment, transportation equipment. These leases have terms of between 1 and 50 years. The Group may not allow to privately lend, sublease, sell, use by others in other disguised form, or transfer the lease to another person.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

(a) Amounts recognized in the balance sheet

a. Right-of-use asset

	Land	Buildings	Machinery and equipment	Transportation equipment	Total
Cost:					
As of 1/1/2019	295,189	292,541	17,793	1,330	606,853
Addition	1,743	49,418	-	1,160	52,321
Disposals	-	(65,642)	-	-	(65,642)
Transfer	-	-	-	-	-
Effect of EX rate	(11,731)	98	-	-	(11,633)
As of 12/31/2019	285,201	276,415	17,793	2,490	581,899

Depreciation and impairment:					
As of 1/1/2019	64,892	-	-	-	64,892
Depreciation	6,592	130,624	6,888	815	144,919
Impairment loss	-	-	-	-	-
Disposals	-	(7,082)	-	-	(7,082)
Transfer	-	-	-	-	-
Effect of EX rate	(2,828)	(93)	-	-	(2,921)
As of 12/31/2019	68,656	123,449	6,888	815	199,808
Net carrying amount:					
As of 12/31/2019	216,545	152,966	10,905	1,675	382,091

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

b. Lease liability

	As of December 31,	
	2019 (NT$'000)	2018 (Note) (NT$'000)
Lease liability	172,080	
Current	113,937	
Non-current	58,143	
Total	172,080	

Please refer to Note 6(25) (C) for the interest on lease liability recognized during the years ended December 31, 2019 and refer to Note 12(5) for the maturity analysis for lease liabilities as of December 31, 2019.

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

(b) Income and costs relating to leasing activities

	For the years ended December 31,	
	2019 (NT$'000)	2018 (Note) (NT$'000)
The expense relating to short-term leases (rent expenses)	(47,328)	
The expense relating to leases of low-value assets (Not including the expense relating to short-term leases of low-value assets)	(1,200)	
Income from subleasing right-of-use assets	834	

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

The portfolio of short-term leases of the Group to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed above and the amount of its lease commitments is NT$0.

(c) Cash outflow relating to leasing activities

During the years ended December 31, 2019, the Group's total cash outflow for leases amounting to NT$184,946 thousand.

B. Operating lease commitments - Group as lessee (applicable to the disclosure requirement in IAS 17)

The Group has entered commercial leases on buildings and plants. These leases have an average life of one to five years with no renewal option included in the contracts. There are no restrictions placed upon the Group under these leases.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2019 and 2018 are as follows:

	As of December 31,	
	2019 (Note) (NT$'000)	2018 (NT$'000)
Less than one year		161,310
More than one year but less than five years		169,585
Total		330,895

Operating lease expenses recognized are as follows:

	For the years ended December 31,	
	2019 (Note) (NT$'000)	2018 (NT$'000)
Minimum lease payment		184,495

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

C. Group as a lessor (applicable to the disclosure requirement in IFRS 16)

The Group has entered leases on plants. These leases have terms of between one and three years. These leases are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended December 31,	
	2019 (NT$'000)	2018 (Note) (NT$'000)
Lease income for operating leases		
Income relating to fixed lease payments	51,908	

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

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of December 31, 2019 are as follow:

	As of December 31,	
	2019 (NT$'000)	2018 (Note) (NT$'000)
Less than one year	42,379	
More than one year but less than five years	77,694	
Total	120,073	

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

D. Operating lease commitments - Group as lessor (applicable to the disclosure requirement in IAS 17)

The Group has entered leases on plants. These leases have terms of between one and three years.

Future minimum rentals receivable under non-cancellable operating leases as of December 31, 2019 and 2018 are as follows:

	As of December 31,	
	2019 (NT$'000)	2018 (Note) (NT$'000)
Less than one year		38,154

For the years ended December 31, 2018, rent incomes of the Group amounted to NT$ 51,303 thousand.

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

(24) Summary statement of employee benefits, depreciation and amortization by function is as follows:

Function / Nature	For the year ended December 31, 2019 (NT$'000)			For the year ended December 31, 2018 (NT$'000)		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	3,653,848	1,046,572	4,700,420	3,830,206	917,678	4,747,884
Labor and health insurance	280,260	67,956	348,216	271,702	63,141	334,843
Pension	107,634	36,839	144,473	108,416	34,000	142,416
Other employee benefit	181,472	51,399	232,871	190,718	56,854	247,572
Depreciation	4,248,556	326,932	4,575,488	3,749,346	437,725	4,187,071
Amortization	56	39,505	39,561	200	25,698	25,898

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.

For the years ended December 31, 2019, the Company incurred accumulated loss and therefore did not to accrue the employees' compensation and remuneration to directors and supervisors.

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 employees' compensation and remuneration to directors and supervisors were recognized as salaries expense.

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 compensation and remuneration to directors and supervisors for the year ended December 31, 2018.

(25) Non-operating incomes and expenses

A. Other incomes

	For the years ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Interest income		
Financial assets measured at amortized cost	60,887	62,377
Other income – others	122,854	179,800
Total	183,741	242,177

B. Other gains and losses

	For the years ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Gain (loss) from disposal of property, plant and equipment	8,651	1,014
Foreign exchange gain (loss), net	(17,576)	(16,206)
Lease modification gains	273	-
Net gain of financial assets at fair value through profit or loss	5,783	5,383
Impairment losses – Property, plant and equipment	(12,149)	(49,770)
Other expenses	(28,112)	(42,886)
Total	(43,130)	(102,465)

C. Finance costs

	For the years ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Interest on bank loans	140,889	121,234
Interests on lease liabilities	2,847	(Note)
Total	143,736	121,234

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

(26) Components of other comprehensive income (OCI)

For the year ended December 31, 2019

	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	(4,727)	-	(4,727)	-	(4,727)
May be reclassified to profit or loss in subsequent period:					
Exchange differences arising on translation of foreign operations	(99,236)	-	(99,236)	-	(99,236)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(4,108)	-	(4,108)	-	(4,108)
Total OCI	(108,071)	-	(108,071)	-	(108,071)

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)
May 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)

(27) Income tax

A. The major components of income tax expense (income) are as follows:

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.

Income tax expense (benefit) recognized in profit or loss

	For the year ended December 31, 2019 (NT$'000)	For the year ended December 31, 2018 (NT$'000)
Current income tax expense (benefit):		
Current income tax expense	119,804	295,325
Adjustments in respect of current income tax of prior periods	(20,452)	(118,841)

Deferred tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	1,658	144,254
Deferred tax benefit relating to changes in tax rate or the imposition of new taxes	-	(21,256)
Total income tax expense	101,010	299,482

B. 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,	
	2019 (NT$'000)	2018 (NT$'000)
Accounting profit (loss) before tax from continuing operations	(1,846,258)	710,522
Tax payable at the enacted tax rates	(352,234)	185,018
Surtax on Undistributed earnings(5% and 10% in 2019 and 2018,respectively)	24,885	28,309
Tax effect of income tax-exempted	11,436	(41,289)
Tax effect of expenses not deductible for tax purposes	1,393	(3,244)
Tax effect of deferred tax assets/liabilities	476,536	255,998
Reversal of uncertain tax position upon finalization	(20,452)	(118,841)
Others	(40,554)	(6,469)
Total income tax expense recognized in profit or loss	101,010	299,482

C. Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

	Beginning balance as of Jan. 1, 2019 (NT$'000)	Deferred tax income (expense) recognized in P/L (NT$'000)	Exchange adjustment (NT$'000)	Ending balance as of Dec. 31, 2019 (NT$'000)
Temporary differences				
Prepaid appreciation tax on agricultural land	9,593	-	-	9,593
Unrealized loss on inventory valuation	2,492	(501)	-	1,991
Unrealized exchange loss (gain)	(1,680)	3,156	-	1,476
Other	326	427	(13)	740
Investments accounted for using the equity method	(3,883)	(4,740)	-	(8,623)
Deferred tax income/ (expense)		(1,658)	(13)	
Net deferred tax assets/(liabilities)	6,848			5,177
Reflected in balance sheet as follows:				
Deferred tax assets	12,411			13,800
Deferred tax liabilities	(5,563)			(8,623)

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)

D. Unrecognized deferred tax assets

As of December 31, 2019 and 2018, deferred tax assets that have not been recognized as they may not be used to offset future taxable income amounted to NT$1,620,530 thousand and NT$1,206,420 thousand, respectively.

E. Unused balance of deductible net operating loss within the Company was listed as following

		Unused balance		
		As of December 31,		
Occurrence year	Accumulated net operating loss (NT$'000)	2019 (NT$'000)	2018 (NT$'000)	Expiration Year
2012	101,046	96,117	96,878	2022
2019 (Estimated)	2,023,410	2,023,410	-	2029
		2,119,527	96,878	

F. The assessment of income tax return

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

	The assessment of income tax returns
The Company	Assessed and approved up to 2017
Subsidiary - Pegavision Corporation	Assessed and approved up to 2016
Subsidiary - Kinsus Investment Co., Ltd.	Assessed and approved up to 2017

(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 amounts 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,	
	2019	2018
Net income (loss) attributable to common shareholders of the parent (in NT$'000)	(2,025,332)	349,485
Weighted average number of common shares outstanding (in thousand shares)	447,963	446,255
Basic earnings (loss) per share (in NT$)	(4.52)	0.78

B. Diluted earnings per share

	For the year ended December 31,	
	2019	2018
Net income (loss) attributable to common shareholders of the parent (NT$'000)	(2,025,332)	349,485
Net income (loss) attributable to common shareholders of the parent after dilution (NT$'000)	(2,025,332)	349,485
Weighted average number of common shares outstanding (in thousand shares)	447,963	446,255
Effect of dilution:		
Employee bonus (compensation) – stock (in thousand shares)	(Note)	1,779
Restricted stocks (in thousand shares)	(Note)	362
Weighted average number of common shares outstanding after dilution (in thousand shares)	447,963	448,396
Diluted earnings (loss) per share (in NT$)	(4.52)	0.78

Note: It is not applicable due to anti-dilutive effect.

No other transactions that would significantly change the outstanding common shares or potential common shares incurred during the period after reporting date and up to the approval date of financial statements.

(29) Subsidiary that has material non-controlling interests

Proportion of equity interest held by non-controlling interests:

Name	Country	As of December 31, 2019	As of December 31, 2018
PIOTEK HOLDINGS LTD. and its subsidiary	China	49.00%	49.00%
Pegavision Corporation and its subsidary	Taiwan	69.67%	63.19%

Accumulated balances of material non-controlling interest:

	As of December 31, 2019 (NT$'000)	As of December 31, 2018 (NT$'000)
PIOTEK HOLDINGS LTD. and its subsidiaries	446,621	697,708
Pegavision Corporation and its subsidary	2,824,058	1,268,664

Profit (loss) allocated to material non-controlling interest:

	For the year ended December 31, 2019 (NT$'000)	For the year ended December 31, 2018 (NT$'000)
PIOTEK HOLDINGS LTD. and its subsidiaries	(233,879)	(280,377)
Pegavision Corporation and its subsidary	311,943	341,932

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 its subsidiaries information of profit or loss is as follows:

	For the year ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Operating revenue	2,680,192	3,375,715
Profit/loss from continuing operation	(477,291)	(572,200)
Total comprehensive income for the period	(512,404)	(594,973)

Summarized Pegavision Corporation and its subsidiaries information of profit or loss is as follows:

	For the year ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Operating revenue	3,355,133	3,132,671
Profit/loss from continuing operation	475,492	541,156
Total comprehensive income for the period	470,935	540,410

Summarized PIOTEK HOLDINGS LTD. And its subsidiaries information of financial position is as follows:

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Current assets	1,296,006	1,527,580
Non-current assets	1,386,815	1,715,709
Current liabilities	1,615,833	1,488,787
Non-current liabilities	155,506	330,616

Summarized Pegavision Corporation and its subsidiaries information of financial position is as follows:

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Current assets	1,987,183	1,560,422
Non-current assets	3,322,522	2,586,982

Current liabilities	1,188,472	1,645,351
Non-current liabilities	67,528	494,211

Summarized PIOTEK HOLDINGS LTD. And its subsidiaries cash flows information is as follows:

	For the year ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Operating activities	61,061	(63,412)
Investing activities	(64,158)	(78,809)
Financing activities	18,611	39,502
Net increase/(decrease) in cash and cash equivalents	33,467	(98,120)

Summarized Pegavision Corporation and its subsidiaries cash flows information is as follows:

	For the year ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Operating activities	772,520	1,111,172
Investing activities	(1,191,429)	(1,828,833)
Financing activities	806,626	563,139
Net increase/(decrease) in cash and cash equivalents	382,808	(155,269)

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 parties
AzureWave Technologies (Shanghai) Inc.	Other related parties
PEGATRON JAPAN INC	Other related parties
PEGATRON CZECH S.R.O	Other related parties
Maintek Computer (Suzhou) Co., Ltd	Other related parties
GNDC Co., Ltd.	Other related parties

DIGITEK (CHONGQING) LIMITED	Other related parties
COTEK ELECTRONICS(SUZHOU) CO., LTD.	Other related parties

(2) Significant transactions with related parties

A. Sales to

	For the year ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Ultimate parent company	182,113	1,482,977
Other related parties	583,602	36,725
Total	765,715	1,519,702

Selling prices and collection terms to related parties are similar to those to third party customers for the years ended December 31, 2019 and 2018. The collection terms are 30 to 90 days from the end of delivery month by telegraphic transfer.

B. Lease-related parties

(a) Right-of-use asset

		As of December 31,	
Related parties	Nature	2019 (NT$'000)	2018 (Note) (NT$'000)
Ultimate parent company	Buildings	59,555	

(b) Lease liability

		As of December 31,	
Related parties	Nature	2019 (NT$'000)	2018 (Note) (NT$'000)
Ultimate parent company	Buildings	65,406	

(c) Lease payment

Related parties	Nature	As of December 31, 2019 (NT$'000)	As of December 31, 2018 (NT$'000)
Ultimate parent company	Plants	8,441	104,094
Ultimate parent company	Various acilities	983	1,029
Other related parties	offices	(Note)	1,296

(d) Interest expense

Related parties	For the three-month period ended September 30, 2019 (NT$'000)	For the three-month period ended September 30, 2018 (Note) (NT$'000)
Ultimate parent company	1,401	
Other related parties	61	
Total	1,462	

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

C. For the years ended December 31, 2019 and 2018, the Group recognized operating expenses of NT$3,197 thousand and NT$3,404 thousand, respectively, for services provided by other related parties.

Moreover, for the years ended December 31, 2019 and 2018, the Group recognized operating expenses of NT$427 thousand and NT$4,352 thousand (tax included), respectively, for services provided by the Parent.

In addition, for the years ended December 31, 2019 and 2018, the Group incurred operating expenses of NT$69,503 thousand and NT$92,405 thousand (tax included), respectively, for utility bills paid by the Parent on behalf of the Group.

For the years ended December 31, 2019 and 2018, the Group incurred operating expenses of NT$41 thousand and NT$21 thousand (tax included), respectively, for utility bills paid by other related parties.

D. For the years ended December 31, 2019 and 2018, the Group recognized rent income of NT$1,081 thousand and NT$1,803 thousand, respectively, for plants leased to other related parties.

For the years ended December 31, 2019 and 2018, the Group recognized rent income of NT$43,660 thousand and NT$43,666 thousand, respectively, for plants leased to the associate.

E. For the years ended December 31, 2019 and 2018, the Group recognized other income in amount of NT$23,235 thousand and NT$19,823 thousand, respectively, due to paying utilities on behalf of associate.

For the years ended December 31, 2019 and 2018, the Group recognized operating expense of NT$2,565 thousand and NT$2,612 thousand, respectively, due to subcontracting maintenance and repair on factories to its associate.

F. Accounts receivable - related parties

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Parent company	5,972	343,824
Other related parties	105,351	5,491
Total	111,323	349,315
Less: loss allowance	-	-
Net	111,323	349,315

G. Other receivables

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Associate	5,672	5,492
Other related parties	229	289
Total	5,901	5,781

H. Refundable deposits

	As of December 31, 2019 (NT$'000)	As of December 31, 2018 (NT$'000)
Parent company	10,000	10,000

I. Accrued expenses

	As of December 31, 2019 (NT$'000)	As of December 31, 2018 (NT$'000)
Parent company	16,660	16,513
Associate	446	447
Other related parties	614	594
Total	17,720	17,554

J. Salaries and rewards to key management of the Group

	For the year ended December 31, 2019 (NT$'000)	For the year ended December 31, 2018 (NT$'000)
Short-term employee benefit	41,144	56,883
Post-employee benefit	787	756
Total	41,931	57,639

8. PLEDGED ASSETS

The following assets of the Group are pledged as collaterals:

Item	Carrying Amount As of 2019 (NT$'000)	Carrying Amount As of 2018 (NT$'000)	Purpose
Property, plant and equipment –land	1,317,565	-	Long-term secured loans
Property, plant and equipment – buildings (carrying amount)	65,473	-	Long-term secured loans

Refundable deposits	2,000	2,000	Security deposit to custom authority
Total	1,385,038	2,000	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Group's unused letters of credit (LC) as of December 31, 2019 were as follows:

Currency	LC Amount (in thousand)		Security (in thousand)
JPY	JPY	1,029,071	-
USD	USD	3,351	-
EUR	EUR	29	-

(2) Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of December 31, 2019 were as follows:

Nature of Contract	Contract Amount (NT$'000)	Amount Paid (NT$'000)	Outstanding Balance (NT$'000)
Machinery and construction contracts	3,077,073	1,205,552	1,871,521

10. SIGNIFICANT DISASTER LOSS

None

11. SIGNIFICANT SUBSEQUENT EVENT

None

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through P/L	1,338,832	1,017,095
Financial assets at fair value through OCI	50,000	50,000
Financial assets measured at amortized cost	15,199,490	14,660,008
Total	16,588,322	15,727,103

Financial liabilities

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Financial liabilities at amortized cost:		
Short-term borrowings	4,096,101	3,340,483
Trade and other payables	5,065,964	5,383,123
Long-term borrowings (including current portion with maturity less than 1 year)	3,046,550	3,453,578
Lease liabilities (including current portion with maturity less than 1 year)	172,080	(Note)
Total	12,380,695	12,177,184

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

(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 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 always.

(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 years ended December 31,2019 and 2018 would decrease/increase by NT$2,758 thousand and NT$442 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 years ended December 31, 2019 and 2018 would decrease/increase by NT$4,595 thousand and NT$4,541 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 from its financing activities including 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, 2019 and 2018, receivables from the top ten customers were accounted for 47.67% and 44.74% 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.

The Group adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, 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. The Group makes an assessment at each reporting date as to whether the credit risk still meets the conditions of low credit risk and then further determines the method of measuring the loss allowance and the loss ratio.

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 Group maintains financial flexibility using 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$'000)	2 to 3 years (NT$'000)	3 to 4 years (NT$'000)	4 to 5 years (NT$'000)	More than 5 years (NT$'000)	Total (NT$'000)
As of December 31, 2019						
Loans	5,369,808	1,209,737	170,614	182,134	360,718	7,293,011
Payables	5,065,964	-	-	-	-	5,065,964
Lease liabilities	115,220	34,160	18,082	5,205	1,425	174,092
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

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for year ended December 31, 2019:

	Short-term borrowings (NT$'000)	Long-term borrowings (NT$'000)	Refundable deposits (NT$'000)	Leases liabilities (NT$'000)	Total liabilities from financing activities (NT$'000)
As of January 1, 2019	3,340,483	3,453,578	44,708	311,664	7,150,433
Cash flows	755,618	(400,137)	(872)	(136,418)	218,191
Non-cash changes					
Lease range changes	-	-	-	(6,239)	(6,239)
Interests on lease liabilities	-	-	-	2,847	2,847

Currency rate change	-	(6,891)	-	226	(6,665)
As of December 31, 2019	4,096,101	3,046,550	43,836	172,080	7,358,567

Movement schedule of liabilities for the year ended December 31, 2018:

	Short-term borrowings (NT$'000)	Long-term borrowings (NT$'000)	Refundable deposits (NT$'000)	Leases liabilities (Note) (NT$'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

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

(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 equity securities, beneficiary certificates, bonds and futures etc.) at the report date.

(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 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, 2019

	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	1,338,832	-	-	1,338,832
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	50,000	50,000

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
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	50,000	50,000

Transfers between Level 1 and Level 2 during the period

For the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value hierarchy.

Reconciliations for fair value measurement on a recurring basis in Level 3 hierarchy

For the years ended December 31, 2019 and 2018, there were 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,					
	2019			2018		
	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)	Foreign Currencies ($'000)	Exchange Rate	NTD (NT$'000)
Financial assets						
Monetary items:						
USD	146,438	29.98	4,390,238	137,692	30.715	4,229,204
CNY	111,912	4.2975	480,940	73,560	4.4753	329,202
Financial liabilities						
Monetary items:						
USD	132,149	29.98	3,961,816	130,689	30.715	4,014,089
CNY	220,426	4.2975	947,275	117,755	4.4753	526,989

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	2019 (NT$'000)	2018 (NT$'000)
USD	(9,831)	(19,175)
Other	(7,745)	2,969

(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 to support its business and maximize shareholder value. The Group manages and adjusts its capital structure considering 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, 2019 (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, 2019: 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, 2019: 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, 2019: 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, 2019: 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, 2019: None.

I. Derivative instrument transactions: None.

J. Intercompany relationships and significant intercompany transactions for the year ended December 31, 2019: 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, 2019 (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, 2019: 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, 2019: 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, 2019: 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, 2019: 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, 2019: 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$'000)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2019 (NT$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Sep. 30, 2019 (NT$'000)	Profit/ Loss of Investee (NT$'000)	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss (NT$'000)	Carrying Amount as of Sep. 30, 2019 (NT$'000)	Accumulated Inward Remittance of Earnings as of Sep. 30, 2019 (NT$'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of Sep. 30, 2019 (NT$'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)	2,098,600 (Note 2)	(Note 1)	2,098,600 (Note 2)	-	-	2,098,600 (Note 2)	61,574 (Note 2 and Note 5)	100%	61,574 (Note 2, Note 5 and Note 8)	1,344,220 (Note 2, Note 5 and Note 8)	-	2,098,600 (Note 2)	2,098,600 (Note 2)	No upper limit (Note 6)

Piotek Computer (Suzhou) Co., Ltd.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	4,997,666 (Note 2)	(Note 1)	2,825,727 (Note 2)	-	-	2,825,727 (Note 2)	(467,492) (Note 2 and Note 5)	51%	(238,421) (Note 2, Note 5 and Note 8)	424,222 (Note 2, Note 5 and Note 8)	-	2,825,727 (Note 2)	2,825,727 (Note 2)	No upper limit (Note 6)
Xiang-Shuo (Suzhou) Trading Limited	Trading of PCB (not high-density fine-line) and material for related products	59,960 (Note 2)	(Note 1)	59,960 (Note 2)	-	-	59,960 (Note 2)	(111) (Note 2 and Note 5)	100%	(111) (Note 2, Note 5 and Note 8)	59,730 (Note 2, Note 5 and Note 8)	-	59,960 (Note 2)	59,960 (Note 2)	No upper limit (Note 6)
Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	112,559 (Note 3)	(Note 1)	65,062	47,497	-	112,559	(5,231) (Note 2 and Note 5)	30.33%	(1,586) (Note 2, Note 5 and Note 8)	30,115 (Note 2, Note 5 and Note 8)	-	112,559	112,559	2,432,223 (Note 7)

Gemvisoon Technology (Zhejiang) Limited	Selling medical equipment	43,886 (Note 2 and Note 4)	(Note 1)	-	-	-	-	(5,261) (Note 2, Note 5 and Note 9)	30.33%	(1,596) (Note 2, Note 5, Note 8 and Note 9)	11,566 (Note 2, Note 5, Note 8 and Note 9)	-	-	-	2,432,223 (Note 7)

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 USD3,600 thousand, equivalent to NT$112,559 thousand.

Note 4: The paid-in capital is CNY10,000 thousand.

Note 5: Gain/loss on investment is recognized based on the financial statements which were audited by the independent auditors of the parent company in Taiwan.

Note 6: 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 7: The upper limit on investment for Pegavision Contact Lenses (Shanghai) Corporation and Gemvisoon Technology (Zhejiang) Limited is calculated as 60% of the net value of the recent financial statements reviewed by independent auditors of Pagavision Corporation.

Note 8: Transactions are eliminated upon preparation of consolidated financial statements.

Note 9: Pegavision Contact Lenses (Shanghai) Corporation recognized the profit/loss and carrying amount of Gemvisoon Technology (Zhejiang) Limited.

B. Significant transactions with investees in China:

(a) Purchase and balances of related accounts payable as of December 31, 2019: Please refer to attachment 11 for details.

(b) Sale and balance of related accounts receivable as of December 31, 2019: Please refer to attachment 11 for details.

(c) Property transaction amounts and resulting gain or loss:

Variety	Related parties	Carrying Value	Price	Gain on disposal (Note)	Reference basis for price decision
Machinery	Kinsus Interconnect Technology Suzhou Corp	247,416	285,972	38,556	Negotiated price

For the year ended December 31, 2019, the Company wrote off NT$38,556 thousand due to the unrealized gain on disposal of property, plant and equipment. As of December 31, 2019, unrealized gain on disposal of property, plant and equipment is NT$36,829 thousand, and recongnized as the credit balance of investments accounted for using the equity method.

(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 three 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 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 year ended December 31, 2019

	IC Substrate (NT$'000)	PCB (NT$'000)	Optics (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
External customer	16,292,243	2,680,034	3,355,133	-	22,327,410
Inter-segment	-	-	-	-	-
Total revenue	16,292,243	2,680,034	3,355,133	-	22,327,410
Segment income (loss)	(1,948,400)	(474,287)	475,419	-	(1,947,268)

For 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

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 12/31/2019	33,650,864	2,742,781	5,309,700	-	41,703,345
As of 12/31/2018	35,145,835	3,330,715	4,147,404	-	42,623,954

Segment liabilities	IC Substrate (NT$'000)	PCB (NT$'000)	Optics (NT$'000)	Elimination (NT$'000)	Consolidated (NT$'000)
As of 12/31/2019	9,838,047	1,771,598	1,256,000	-	12,865,645
As of 12/31/2018	8,903,968	1,831,902	2,139,562	-	12,875,432

(2)Geographical information

Revenues from external customers

	For the year ended December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Taiwan	6,278,257	7,532,329
Other countries	16,049,153	16,195,600
Total	22,327,410	23,727,929

Note: The revenue information above is based on the location of the customers.

Non-current assets

	As of December 31,	
	2019 (NT$'000)	2018 (NT$'000)
Taiwan	18,756,608	19,385,860
U.S.A.	14	25
China	2,914,589	3,053,655
Japan	1,499	102
Total	21,672,710	22,439,642

(3)Information about major customers

No additional discourses for the years ended December 31, 2019 and 2018 since there was no customer to whom the Company's sale individually was accounted for at least 10%.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Endorsement/Guarantee Provided to Others

For the Year ended December 31, 2019

Attachment 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 $5,113,404.	$458,694 USD 15,300 (Note 2)	$458,694 USD 15,300 (Note 2)	$57,337	$-	1.79%	Shall not exceed 50% of the net worth in the current financial statements. $12,783,511	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.

Note 3: The endorsement and guaranteed amount of the Company and the consolidated subsidiary is NT$79,893 thousand.

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Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held (Excluding Investments in Subsidiaries, Associates and Joint Ventures)

As of December 31, 2019

Attachment 2

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	December 31, 2019			Fair Value	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	-%	$268,292	
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss	1,168,258	200,000	-%	209,235	
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	21,355,432	257,509	-%	268,888	
	Jih Sun Money Market	-	Financial assets at fair value through profit or loss	17,776,549	255,443	-%	264,473	
	Subtotal				968,748		$1,010,888	
	Add: Valuation adjustments of financial assets at fair value through profit or loss				42,140			
	Total				$1,010,888			

English Translation of Consolidated Financial Statements Originally Issued in Chinese

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, 2019

Attachment 3

(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	$2,181,488	28.69%	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 $(240,392)	(16.29)%	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, 2019

Attachment 4

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Loss Allowance
					Amount	Action Taken		
Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	$235,816 (Note 1 and Note 2)	-	$-	-	$-	$-

Note 1: Other receivable.

Note 2: 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

Investees over Whom the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of December 31, 2019

Attachment 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 Dec. 31, 2018	As of Dec. 31, 2019	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%	$53,310	$6,215	$6,215	Note
Kinsus Interconnect Technology Corp.	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investing activities	USD166,309	USD166,309	166,308,720	100.00%	$1,868,801	$(180,094)	$(180,094)	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%	$2,300,446	$(33,605)	$(33,605)	Note
Kinsus Investment Co., Ltd.	Pegavision Corporation	Taoyuan City	Manufacturing medical equipment	$286,418	$252,455 (Note 2)	21,233,736	30.33%	$1,299,647	$475,492	$163,549	Note
Kinsus Investment Co., Ltd.	FuYang Technology Corp.	Hsinchu County	Electronic Parts and Components Manufacturing	$929,422	$929,422	64,176,872	35.65%	$538,259	$(541,059)	$(192,908)	
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investing activities	USD72,000	USD72,000	72,000,000	100.00%	USD 46,830	USD 2,050	USD 2,050	Note
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Cayman Islands	Investing activities	USD94,309	USD94,309	95,755,000	51.00%	USD 15,505	USD (15,451)	USD (7,880)	Note
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	British Virgin Islands	Investing activities	USD139,841	USD139,841	139,840,790	100.00%	USD 30,403	USD (15,451)	USD (15,451)	Note
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Hong Kong	Trading activities	USD26	USD26	200,000	100.00%	USD 2,654	USD 150	USD 150	Note
Pegavision Corporation	PEGAVISION HOLDINGS CORPORATION	Samoa	Investing activities	USD2,130	USD3,630	3,630,000	100.00%	$36,437	$(5,280)	$(5,280)	Note
Pegavision Corporation	PEGAVISION JAPAN INC.	JAPAN	Selling Medical facility	JPY 9,900	JPY 9,900	198	100.00%	$26,102	$16,418	$16,418	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.

Note 2：Kinsus Investment Co., Ltd. invested Pegavision Corporation in cost of NT$286,418 thousand.
As Pegevision Corporation has become a listed company since October, 2019, Kinsus Investment Co., Ltd decreased its investment by NT$33,963 thousand in selling 855 thousand shares.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held (Excluding Investments in Subsidiaries, Associates and Joint Ventures)

As of December 31, 2019

Attachment 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, 2019				Guarantee, Pledge or Other Restricted Conditions		Note
				Shares (Unit)	Carrying Amount	%	Fair Value	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	-%	$11,824	-	$-	
	Valuation adjustments of financial assets held for trading				509					
	Total				$11,824					
Pegavision Corporation	Money market funds:									
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss	11,778,166	$179,017	-%	$179,058	-	$-	
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss	8,372,796	137,034	-%	137,062		-	
	Valuation adjustments of financial assets held for trading				69					
	Total				$316,120		$316,120		$-	
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

Individual Securities acquired and disposed of with accumulated amount of least NT$300 Million or 20% of The Paid-In Capital

For the Year ended December 31, 2019

Attachment 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	-	-	-	$-	28,565,798	$434,000	16,787,632	$255,046	$254,983	$63	11,778,166.20	$179,017

English Translation of Consolidated Financial Statements Originally Issued in Chinese

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, 2019

Attachment 8

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date (Note 1)	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party: Owner	Prior Transaction of Related Counter-party: Relationship with the Company	Prior Transaction of Related Counter-party: Transfer Date	Prior Transaction of Related Counter-party: Amount	Price Reference	Purpose and Use of Acquisition	Other Terms
Pegavision Corporation	Land	2018.06.26	$1,311,000	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
	Buildings	2018.06.26	69,000										
		Total	$1,380,000										

Note 1:The date of occurrence of the event means the date of agreement, date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of a resolution of the board of directors or a committee established by it, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

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 of December 31, 2019

Attachment 9

(In Thousands of US/NTD 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	Ultimate parent company	Sales	USD 5,895	6.85%	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 199	0.93%	
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	Sales	USD 71,230	90.89%	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 8,642	77.63%	Note
Piotek Computer (Suzhou) Co., Ltd.	Piotek (H.K.) Trading Limited	Also a subsidiary under the Company's control	Sales	USD 11,081	12.88%	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 795	3.70%	Note
Piotek (H.K.) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Purchase	USD 11,081	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 795)	(100.00)%	Note
Piotek Computer (Suzhou) Co., Ltd.	Maintek Computer (Suzhou) Co., Ltd	Other related parties	Sales	USD 10,078	11.71%	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 1,780	8.28%	
Piotek Computer (Suzhou) Co., Ltd.	DIGITEK (CHONGQING) LIMITED	Other related parties	Sales	USD 7,365	8.56%	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 1,279	5.95%	
Pegavision Japan Inc.	Pegavision Corporation	Parent company	Purchase	$1,353,073	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 $(146,953)	(100.00)%	Note
Pegavision Contact Lenses (SHANGHAI) Corporation	Pegavision Corporation	Parent company	Purchase	$127,282	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 $(124,211)	(100.00)%	Note
GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	Pegavision Contact Lenses (SHANGHAI) Corporation	Also a subsidiary under the Company's control	Purchase	$118,586	67.55%	Payment within 180 days from the end of delivery month	Similar to those to third party suppliers.	Similar to those to third party suppliers.	Accounts payable $(66,761)	(56.55)%	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, 2019

Attachment 10

(In Thousands of US/NTD 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		
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	USD 8,642 (Note and Note 1)	10.20	$-	-	$-	$-
Pegavision Corporation	Pegavision Contact Lenses (SHANGHAI) Corporation	Subsidiary	$124,211 (Note and Note 1)	0.78	$-	-	$81,616	$-
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	$146,953 (Note and Note 1)	10.70	$-	-	$59,313	$-

Note: Accounts receivable

Note 1: 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

Intercompany Relationships and Significant Intercompany Transactions for the Year Ended December 31, 2019

Attachment 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)
	2019.12.31						
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Accrued expense	$3,421	Payment within 30 days from the end of delivery month by TT	0.01%
0	Kinsus Interconnect Technology Corp.	Pegavision Corporation	1	Accrued expense	$5	-	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Accounts payable	$240,392	Payment within 30 days from the end of delivery month	0.58%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Other receivables	$235,816	-	0.57%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Purchase	$2,181,488	Payment within 30 days from the end of delivery month	9.77%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Commission expense	$40,818	Payment within 30 days from the end of delivery month by TT	0.18%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Travel expense	$243	Payment within 30 days from the end of delivery month by TT	-%
0	Kinsus Interconnect Technology Corp.	Pegavision Corporation	1	Other expense	$77	-	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Sales revenue	$42,104	Payment within 30 days from the end of delivery month	0.19%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Other income	$17,452	-	0.08%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Other income	$819	-	-%
0	Kinsus Interconnect Technology Corp.	PIOTEK (H.K.) TRADING LIMITED	1	Other income	$2,461	-	0.01%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Sales revenue	USD 11,081	Payment within 60~90 days from the end of delivery month	1.49%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Accounts receivable	USD 795	Payment within 60~90 days from the end of delivery month	0.06%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Sales revenue	USD 32	Payment within 60 days from the end of delivery month	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Sales revenue	RMB 27	Payment within 60~90 days from the end of delivery month	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Other income	RMB 6	Payment within 60~90 days from the end of delivery month	-%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Accounts receivable	RMB 225	Payment within 60 days from the end of delivery month	-%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Sales revenue	RMB 8,146	Payment within 60 days from the end of delivery month	0.16%
3	Pegavision Corporation	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	1	Sales revenue	$127,282	Payment within 180 days from the end of delivery month	0.57%
3	Pegavision Corporation	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	1	Accounts receivable	$124,211	Payment within 180 days from the end of delivery month	0.30%
3	Pegavision Corporation	Pegavision Japan Inc.	1	Sales revenue	$1,353,073	Payment within 90 days from the end of delivery month	6.06%
3	Pegavision Corporation	Pegavision Japan Inc.	1	Accounts receivable	$146,953	Payment within 90 days from the end of delivery month	0.35%
3	Pegavision Corporation	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	1	Sales revenue	$51,499	Payment within 180 days from the end of delivery month	0.23%
3	Pegavision Corporation	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	1	Accounts receivable	$51,305	Payment within 180 days from the end of delivery month	0.12%
4	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	3	Sales revenue	$118,586	Payment within 180 days from the end of delivery month	0.53%
4	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	3	Accounts receivable	$66,761	Payment within 180 days from the end of delivery month	0.16%

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.