

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

**Ticker: 3189**

**KINSUS INTERCONNECT TECHNOLOGY CORP.  
PARENT-COMPANY-ONLY FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
AS OF DECEMBER 31, 2019 AND 2018  
AND FOR THE YEARS THEN ENDED**

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

English Translation of Financial Statements and a Report Originally Issued in Chinese  
**Parent-company-only financial statements**  
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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 10<sup>th</sup>, 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                                  |            | <u>15,054,223</u>   | <u>43</u>  | <u>15,265,686</u>   | <u>42</u>  |
|        | 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                              |            | <u>19,732,009</u>   | <u>57</u>  | <u>20,910,979</u>   | <u>58</u>  |
| 1XXX   | Total Assets  |            | <u>\$34,786,232</u> | <u>100</u> | <u>\$36,176,665</u> | <u>100</u> |

(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          |                 | <u>7,304,850</u>    | <u>22</u>  | <u>6,370,348</u>    | <u>18</u>  |
|                        | 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      |                 | <u>1,914,361</u>    | <u>5</u>   | <u>2,024,167</u>    | <u>6</u>   |
| 2XXX                   | Total liabilities                  |                 | <u>9,219,211</u>    | <u>27</u>  | <u>8,394,515</u>    | <u>24</u>  |
|                        | Equity                             |                 |                     |            |                     |            |
| 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                       |                 | <u>25,567,021</u>   | <u>73</u>  | <u>27,782,150</u>   | <u>76</u>  |
|                        | Total liabilities and equity       |                 | <u>\$34,786,232</u> | <u>100</u> | <u>\$36,176,665</u> | <u>100</u> |

(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 Comprehensive 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)

| Code | Items   | Capital<br>3100 | Capital<br>Surplus<br>3200 | Retained Earnings        |                            |                                    | Other Components of equity  |                                      | Treasury<br>Stock<br>3500 | Total<br>Equity<br>3XXX |
|------|---|-----------------|----------------------------|--------------------------|----------------------------|------------------------------------|---|--------------------------------------|---------------------------|-------------------------|
|      |   |                 |                            | Legal<br>Reserve<br>3310 | Special<br>Reserve<br>3320 | Unappropriated<br>Earnings<br>3350 | Exchange differences<br>arising on translation<br>of foreign operations<br>3410 | Unearned Employee<br>Benefit<br>3490 |                           |                         |
| 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.



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

Kinsus Interconnect Technology Corp.

Parent-Company-Only Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

| Code   | Items  | 2019          | 2018      | Code   | Items   | 2019        | 2018        |
|--------|--|---------------|-----------|--------|---|-------------|-------------|
| AAAA   | Cash flows from operating activities:  |               |           | BBBB   | Cash flows from investing activities:                   |             |             |
| A10000 | Net income (loss) before tax   | \$(2,025,681) | \$422,468 | B02700 | Acquisition of property, plant and equipment            | (2,405,606) | (2,916,134) |
| A20000 | Adjustments:   |               |           | B02800 | Proceeds from disposal of property, plant and equipment | 491,285     | 9,463       |
| A20010 | Profit or loss not effecting cash flows:   |               |           | B03800 | Decrease (increase) in refundable deposits              | (3,973)     | 99          |
| A20100 | Depreciation   | 3,236,018     | 2,974,964 | B04500 | Acquisition of intangible assets                        | (47,975)    | (10,644)    |
| A20200 | Amortization   | 31,765        | 18,663    | BBBB   | Net cash provided by (used in) investing activities     | (1,966,269) | (2,917,216) |
| 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)   | CCCC   | Cash flows from financing activities:                   |             |             |
| A20900 | Interest expense   | 76,884        | 64,432    | C00100 | Increase in (repayment of) short-term loans             | 631,316     | (126,446)   |
| A21200 | Interest income  | (49,256)      | (47,973)  | C01600 | Increase in long-term loans                             | 1,036,000   | 1,200,000   |
| A21900 | Cost of share based payment  | 80,477        | 82,525    | C01700 | Repayment of long-term loans                            | (667,500)   | (290,087)   |
| A22300 | Share of profit or loss of subsidiaries, associates and joint ventures                 | 207,484       | 75,815    | C03000 | Decrease in guarantee deposits received                 | -           | (2,000)     |
| A22500 | Gain on disposal of property, plant and equipment                                      | (12,942)      | (724)     | C04500 | Payment of cash dividends                               | (676,261)   | (669,000)   |
| A30000 | Changes in operating assets and liabilities:   |               |           | C04600 | Issuance of common stock for cash                       | 5,985       | 48,410      |
| A31110 | Financial Assets at fair value through profit or loss                                  | -             | 410,081   | CCCC   | Net cash provided by (used in) financing activities     | 329,540     | 160,877     |
| A31130 | Notes receivable   | (4,676)       | 1,515     |        |   |             |             |
| A31150 | Accounts receivable  | 65,672        | (386,756) | EEEE   | Net Increase (decrease) in cash and cash equivalents    | 59,527      | (88,661)    |
| A31160 | Accounts receivable - related parties  | 980           | (177)     | E00100 | Cash and cash equivalents at beginning of period        | 8,709,305   | 8,797,966   |
| A31180 | Other receivable   | (76,214)      | (75,788)  | E00200 | Cash and cash equivalents at end of period              | \$8,768,832 | \$8,709,305 |
| 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 |        |   |             |             |

(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 contracts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessed most of the contracts are, or contain, leases and has no significant impact arisen.

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 with IFRS 15 but not within the scoping of inventories.

(10) Investments accounted for using the equity method

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

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



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

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect 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 its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

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

After the commencement date, the Company measures the lease liability on an amortised cost basis, which 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 contracts 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               | 2018       |
|                       | (NT\$'000)         | (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               | 2018       |
|   | (NT\$'000)         | (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               | 2018       |
|               | (NT\$'000)         | (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<br>(NT\$'000) | 2018<br>(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<br>(NT\$'000) | 2018<br>(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               | 2018       |
|                 | (NT\$'000)         | (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.

| Item  | For the year ended December 31, |                    |
|---|---------------------------------|--------------------|
|   | 2019<br>(NT\$'000)              | 2018<br>(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 obsolescence            | 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

| Investee companies             | As of December 31,           |                               |                              |                               |
|--------------------------------|------------------------------|-------------------------------|------------------------------|-------------------------------|
|                                | 2019<br>Amount<br>(NT\$'000) | Percentage<br>of<br>Ownership | 2018<br>Amount<br>(NT\$'000) | Percentage<br>of<br>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<br>(NT\$'000) | 2018<br>(NT\$'000)<br>(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       | Buildings  | Machinery  | Office<br>Equipment | Transportation | Other<br>Equipment | Construction in progress<br>and equipment awaiting<br>inspection (including<br>prepayment for<br>equipment) | Total      |
|-------------------------------------|------------|------------|------------|---------------------|----------------|--------------------|---|------------|
|                                     | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000)          | (NT\$'000)     | (NT\$'000)         | (NT\$'000)  | (NT\$'000) |
| <b>Cost:</b>                        |            |            |            |                     |                |                    |   |            |
| 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 |
| <b>Depreciation and impairment:</b> |            |            |            |                     |                |                    |   |            |
| 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 |



English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese  
Kinsus Interconnect Technology Corp.  
Notes to Parent-Company-Only Financial Statements (Continued)

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       | Buildings  | Machinery  | Office<br>Equipment | Vehicle    | Other<br>Equipment | Construction in progress<br>and equipment awaiting<br>inspection (including<br>prepayment for<br>equipment) | Total      |
|-------------------|------------|------------|------------|---------------------|------------|--------------------|---|------------|
|                   | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000)          | (NT\$'000) | (NT\$'000)         | (NT\$'000)  | (NT\$'000) |
| <u>Cost:</u>      |            |            |            |                     |            |                    |   |            |
| 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<br>(NT\$'000) | 2018<br>(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<br>(NT\$'000) |
|---------------------------------|---------------------------------|
| <u>Cost:</u>                    |                                 |
| 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         | <u>26,988</u> |

|                                 |              |
|---------------------------------|--------------|
| 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         | <u>5,867</u> |

Carrying amount, net:

|                         |               |
|-------------------------|---------------|
| As of December 31, 2019 | <u>20,987</u> |
| As of December 31, 2018 | <u>4,777</u>  |

Amounts of amortization recognized for intangible assets are as follows.

|                   | For the year ended December 31, |               |
|-------------------|---------------------------------|---------------|
|                   | 2019                            | 2018          |
|                   | (NT\$'000)                      | (NT\$'000)    |
| Operating expense | <u>31,765</u>                   | <u>18,663</u> |

(10) Other non-current assets

|                     | As of December 31, |              |
|---------------------|--------------------|--------------|
|                     | 2019               | 2018         |
|                     | (NT\$'000)         | (NT\$'000)   |
| Refundable deposits | <u>7,760</u>       | <u>3,787</u> |

(11) Short-term loans

|                      | Interest interval<br>(%) | As of December 31, |                    |
|----------------------|--------------------------|--------------------|--------------------|
|                      |                          | 2019<br>(NT\$'000) | 2018<br>(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<br>(NT\$'000) | 2018<br>(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<br>(NT\$'000) | 2018<br>(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<br>(NT\$'000) | 2018<br>(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<br>As of<br>12/31/2019<br>(NT\$'000) | Repayment |
|--|--------------|---------------------------|---|-----------|
| Mega International<br>Commercial<br>Bank - LanYa<br>Branch       | Credit loan  | 2021.09.05-<br>2022.07.05 | 948,125   | Note 1    |
| Mega International<br>Commercial<br>Bank - LanYa<br>Branch       | Credit loan  | 2026.12.31                | 55,000  | Note 4    |
| The Shanghai<br>Commercial &<br>Savings Bank -<br>ZhongLi Branch | Credit loan  | 2021.04.23                | 450,000   | Note 2    |
| The Shanghai<br>Commercial &<br>Savings Bank -<br>ZhongLi Branch | Credit loan  | 2026.12.31                | 200,000   | Note 5    |
| Standard Chartered<br>Bank -Xinwu<br>Branch                      | Credit loan  | 2021.09.28                | 600,000   | Note 3    |
| Bank of Taiwan -<br>Peitou Branch                                | Credit loan  | 2026.11.04-<br>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                      | Repayment |
|--|--------------|---------------------------|-----------------------------------|-----------|
|  |              |                           | As of<br>12/31/2018<br>(NT\$'000) |           |
| Mega International<br>Commercial<br>Bank - LanYa<br>Branch       | Credit loan  | 2021.09.05-<br>2022.07.05 | 1,365,625                         | Note 1    |
| The Shanghai<br>Commercial &<br>Savings Bank -<br>ZhongLi Branch | Credit loan  | 2021.04.23                | 600,000                           | Note 2    |
| Standard Chartered<br>Bank -Xinwu<br>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<sup>th</sup> 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 3<sup>rd</sup> 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               | 2018       |
|                           | (NT\$'000)         | (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                            | 2018       |
|   | (NT\$'000)                      | (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 | 12/31/2018 | 01/01/2018 |
|   | (NT\$'000) | (NT\$'000) | (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<br>of defined<br>benefit<br>obligation<br>(NT\$'000) | Fair value of<br>plan assets<br>(NT\$'000) | Net defined<br>benefit<br>liability(asset)<br>(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                                   |  | 2018                                   |  |
|   | (NT\$'000)                             |  | (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               | 2018       |
|   | (NT\$'000)         | (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 |
|--|-------------------|----------|----------|----------------|
| <u>For the years ended December 31, 2019</u> |                   |          |          |                |
| Recover failed restricted stocks             | 74                | 325      | 366      | 33             |
| <u>For the years ended December 31, 2018</u> |                   |          |          |                |
| 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 |      |
|-----------------|---------------------------|------------|--------------------|------|
|                 | 2019                      | 2018       | (in NT\$)          |      |
|                 | (NT\$'000)                | (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               | 2018       |
|  | (NT\$'000)         | (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                            | 2018       |
|                                 | (NT\$'000)                      | (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<br>(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<br>(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 | 12/31/2018 | 01/01/2018 |
|                | (NT\$'000) | (NT\$'000) | (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<br>(NT\$'000)              | 2018<br>(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 consider 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<br>(Note)<br>(NT\$'000) | Past due                |                          |                          |                           | Total<br>(NT\$'000) |
|--------------------------------------|--------------------------------------|-------------------------|--------------------------|--------------------------|---------------------------|---------------------|
|                                      |                                      | <=30 days<br>(NT\$'000) | 31-60 days<br>(NT\$'000) | 61-90 days<br>(NT\$'000) | 91-120 days<br>(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           |

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| December 31, 2018                    | Not past due<br>(Note)<br>(NT\$'000) | Past due   |            |            |             | Total<br>(NT\$'000) |
|--------------------------------------|--------------------------------------|------------|------------|------------|-------------|---------------------|
|                                      |                                      | <=30 days  | 31-60 days | 61-90 days | 91-120 days |                     |
|                                      |                                      | (NT\$'000) | (NT\$'000) | (NT\$'000) | (NT\$'000)  |                     |
| Gross carrying amount                | 2,386,712                            | 345,420    | 60,564     | 323        | -           | 2,793,019           |
| Loss ratio                           | -%                                   | 5%         | 15%        | 30%        | 50%         |                     |
| Lifetime expected credit losses      | -                                    | (17,271)   | (9,084)    | (97)       | -           | (26,452)            |
| Carrying amount of trade receivables | 2,386,712                            | 328,149    | 51,480     | 226        | -           | 2,766,567           |

Note: all the Company's note receivables were not past due.

B. The movement 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<br>(NT\$'000) | Account receivables<br>(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<br>(NT\$'000) | Account receivables<br>(NT\$'000) |
| Beginning balance as of January 1, 2018<br>(in accordance with IAS 39) | -                              | 22,670                            |
| Transition adjustment to retained earnings<br>as of January 1, 2018    | -                              | -                                 |
| Beginning balance as of January 1, 2018<br>(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                            | 2018       |
|   | (NT\$'000)                      | (Note)     |
|   | (NT\$'000)                      | (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               | 2018       |
|   | (Note)             |            |
|   | (NT\$'000)         | (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                            | 2018       |
|                       | (Note)                          |            |
|                       | (NT\$'000)                      | (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                            | 2018       |
|   | (Note)                          |            |
|   | (NT\$'000)                      | (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               | 2018       |
|   | (Note)             | (Note)     |
|   | (NT\$'000)         | (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               | 2018       |
|                    | (Note)             | (Note)     |
|                    | (NT\$'000)         | (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<br>Nature         | 2019<br>(NT\$'000)    |                      |           | 2018<br>(NT\$'000)    |                      |           |
|----------------------------|-----------------------|----------------------|-----------|-----------------------|----------------------|-----------|
|                            | Cost of<br>goods sold | Operating<br>expense | Total     | Cost of<br>goods sold | Operating<br>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 profitability 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                            | 2018       |
|   | (NT\$'000)                      | (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                            | 2018       |
|   | (NT\$'000)                      | (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                            | 2018       |
|                             | (NT\$'000)                      | (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<br>(NT\$'000) | Reclassification during the period<br>(NT\$'000) | Subtotal<br>(NT\$'000) | Income tax benefit (expense)<br>(NT\$'000) | OCI, Net of tax<br>(NT\$'000) |
|---|---|--|------------------------|--|-------------------------------|
| <u>Not reclassified to profit or loss:</u>  |   |  |                        |  |                               |
| Actuarial gains or losses on defined benefits plan  | (4,727)                                 | -  | (4,727)                | -  | (4,727)                       |
| <u>May be reclassified to profit or loss in subsequent period:</u>  |   |  |                        |  |                               |
| 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   | <u>(87,748)</u> | <u>-</u> | <u>(87,748)</u> | <u>-</u> | <u>(87,748)</u> |

For the year ended December 31, 2018

|   | Arising during the period<br>(NT\$'000) | Reclassification during the period<br>(NT\$'000) | Subtotal<br>(NT\$'000) | Income tax benefit (expense)<br>(NT\$'000) | OCI, Net of tax<br>(NT\$'000) |
|---|---|--|------------------------|--|-------------------------------|
| <u>Not reclassified to profit or loss:</u>  |   |  |                        |  |                               |
| Actuarial gains or losses on defined benefits plan  | (3,312)                                 | -  | (3,312)                | -  | (3,312)                       |
| <u>May be reclassified to profit or loss in subsequent period:</u>  |   |  |                        |  |                               |
| 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   | <u>(26,018)</u>                         | <u>-</u>   | <u>(26,018)</u>        | <u>-</u>                                   | <u>(26,018)</u>               |

#### (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<br>(NT\$'000)              | 2018<br>(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)   | <u>(349)</u>                    | <u>72,983</u>      |

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<br>(NT\$'000)              | 2018<br>(NT\$'000) |
| Accounting profit (loss) before tax from continuing operations | <u>(2,025,681)</u>              | <u>422,468</u>     |
| 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                  | <u>(349)</u>                    | <u>72,983</u>      |

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

For the year ended December 31, 2019

|  | Beginning<br>balance as of<br>January 1, 2019<br>(NT\$'000) | Deferred tax<br>income (expense)<br>recognized in<br>profit or loss<br>(NT\$'000) | Deferred tax<br>income (expense)<br>recognized in<br>other<br>comprehensive<br>income<br>(NT\$'000) | Ending balance<br>as of December<br>31, 2019<br>(NT\$'000) |
|--|---|---|---|--|
| Temporary differences                            |   |   |   |  |
| Prepaid appreciation tax on<br>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<br>follows:        |   |   |   |  |
| Deferred tax assets                              | 9,593   |   |   | 9,593  |
| Deferred tax liabilities                         | (886)   |   |   | (537)  |

For the year ended December 31, 2018

|  | Beginning<br>balance as of<br>January 1, 2018<br>(NT\$'000) | Deferred tax<br>income (expense)<br>recognized in<br>profit or loss<br>(NT\$'000) | Effect of tax rate<br>change<br>(NT\$'000) | Deferred tax<br>income (expense)<br>recognized in<br>other<br>comprehensive<br>income<br>(NT\$'000) | Ending balance<br>as of December<br>31, 2018<br>(NT\$'000) |
|--|---|---|--|---|--|
| Temporary differences                            |   |   |  |   |  |
| Prepaid appreciation tax on<br>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  |

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese  
Kinsus Interconnect Technology Corp.  
Notes to Parent-Company-Only Financial Statements (Continued)

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                            | 2018       |
|                       | (NT\$'000)                      | (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                            | 2018       |
|              | (NT\$'000)                      | (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<br>(NT\$'000) | 2018<br>(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                            | 2018       |
|                              | (NT\$'000)                      | (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               | 2018       |
|              | (NT\$'000)         | (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               | 2018       |
|              | (NT\$'000)         | (NT\$'000) |
| Subsidiaries | 240,392            | 163,500    |

Q.Accrued expenses

|              | As of December 31, |            |
|--------------|--------------------|------------|
|              | 2019               | 2018       |
|              | (NT\$'000)         | (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 |
|-------------|-----------------|----------------|----------------|-------------------------|------------------------------------|
| <u>2019</u> |                 |                |                |                         |                                    |
| Machinery   | Subsidiaries    | <u>247,416</u> | <u>285,972</u> | <u>38,556</u><br>(Note) | Bidding                            |
| <u>2018</u> |                 |                |                |                         |                                    |
| Machinery   | Subsidiaries    | <u>14,729</u>  | <u>15,687</u>  | <u>958</u>              | 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<br>(NT\$'000) | Amount Paid<br>(NT\$'000) | Outstanding Balance<br>(NT\$'000) |
|--------------------------------------|-------------------------------|---------------------------|-----------------------------------|
| Machinery and construction contracts | <u>1,616,039</u>              | <u>1,168,258</u>          | <u>447,781</u>                    |

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHERS

## (1) Categories of financial instruments

Financial assets

|  | As of December 31, |            |
|--|--------------------|------------|
|  | 2019               | 2018       |
|  | (NT\$'000)         | (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               | 2018       |
|   | (NT\$'000)         | (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 activities. 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<br>year<br>(NT\$'000) | 1 to 2 years<br>(NT\$'000) | 2 to 3 years<br>(NT\$'000) | 3 to 4 years<br>(NT\$'000) | 4 to 5 years<br>(NT\$'000) | More than<br>5 years<br>(NT\$'000) | Total<br>(NT\$'000) |
|--------------------------------|-----------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|------------------------------------|---------------------|
| <u>As of December 31, 2019</u> |                                   |                            |                            |                            |                            |                                    |                     |
| Loans                          | 3,888,110                         | 874,317                    | 335,420                    | 170,614                    | 182,134                    | 360,718                            | 5,811,313           |
| Payables                       | 3,314,693                         | -                          | -                          | -                          | -                          | -                                  | 3,314,693           |
| <u>As of December 31, 2018</u> |                                   |                            |                            |                            |                            |                                    |                     |
| 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<br>(NT\$'000) | Long-term borrowings<br>(NT\$'000) | Refundable deposits<br>(NT\$'000) | Total liabilities from financing activities<br>(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<br>(NT\$'000) | Long-term borrowings<br>(NT\$'000) | Refundable deposits<br>(NT\$'000) | Total liabilities from financing activities<br>(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<br>(NT\$'000) | Level 2<br>(NT\$'000) | Level 3<br>(NT\$'000) | Total<br>(NT\$'000) |
|---|-----------------------|-----------------------|-----------------------|---------------------|
| <u>Financial assets:</u>                              |                       |                       |                       |                     |
| Financial assets at fair value through profit or loss |                       |                       |                       |                     |
| Funds   | 1,010,888             | -                     | -                     | 1,010,888           |
| <u>Financial liabilities:</u>                         |                       |                       |                       |                     |
| None  |                       |                       |                       |                     |

As of December 31, 2018

|   | Level 1<br>(NT\$'000) | Level 2<br>(NT\$'000) | Level 3<br>(NT\$'000) | Total<br>(NT\$'000) |
|---|-----------------------|-----------------------|-----------------------|---------------------|
| <u>Financial assets:</u>                              |                       |                       |                       |                     |
| Financial assets at fair value through profit or loss |                       |                       |                       |                     |
| Funds   | 1,005,335             | -                     | -                     | 1,005,335           |
| <u>Financial liabilities:</u>                         |                       |                       |                       |                     |
| 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) |           |
| <u>Financial assets</u>      |               |                |                             |               |                |           |
| 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 |
| <u>Financial liabilities</u> |               |                |                             |               |                |           |
| 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.

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese  
Kinsus Interconnect Technology Corp.  
Notes to Parent-Company-Only Financial Statements (Continued)

(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)  |

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

Kinsus Interconnect Technology Corp.

Notes to Parent-Company-Only Financial Statements (Continued)

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

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese  
Kinsus Interconnect Technology Corp.  
Notes to Parent-Company-Only Financial Statements (Continued)

|   |                           |                               |          |   |   |   |   |  |        |  |                                       |   |   |   |                       |
|---|---------------------------|-------------------------------|----------|---|---|---|---|--|--------|--|---------------------------------------|---|---|---|-----------------------|
| Gemvision Technology (Zhejiang) Limited | Selling medical equipment | 43,886<br>(Note 2 and Note 4) | (Note 1) | - | - | - | - | (5,261)<br>(Note 2, Note 5 and Note 8) | 30.33% | (1,596)<br>(Note 2, Note 5 and Note 8) | 11,566<br>(Note 2, Note 5 and Note 8) | - | - | - | 2,432,223<br>(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<br>(NT\$'000) | % to Net<br>Purchase | Amount<br>(NT\$'000) | % to Account<br>Balance |
| The Company's purchase<br>from Kinsus Interconnect<br>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<br>Balance |
| Sale of Piotek Computer (Suzhou) to Piotek<br>(H.K.) Trading (\$'000)                 | USD11,081 | 12.88%         | USD795              | 3.70%                   |
| Sale of Piotek Computer (Suzhou) to Kinsus<br>Interconnect Technology Suzhou (\$'000) | RMB27     | -%             | -                   | -%                      |
| Sale of Piotek Computer (Suzhou) to Xiang-<br>Shuo (Suzhou) Trading (\$'000)          | RMB210    | 0.04%          | -                   | -%                      |
| Sale of Xiang-Shuo (Suzhou) Trading to<br>Piotek Computer (Suzhou) Trading (\$'000)   | RMB8,146  | 97.46%         | RMB225              | 100.00%                 |
| Sale of the Company to Kinsus Interconnect<br>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 recognized 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/<br>Guarantee Provider |   | Guaranteed Party                         |  | Limits on Endorsement/ Guarantee Amount<br>Provided to Each Guaranteed Party   | Maximum<br>Balance for the<br>Period        | Ending Balance                              | Amount<br>Actually Drawn | Amount of<br>Endorsement/<br>Guarantee<br>secured by<br>Properties | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Worth per Latest<br>Financial Statements | Maximum<br>Endorsement/<br>Guarantee<br>Amount<br>Allowed  | Endorsement<br>provided by<br>parent company<br>to subsidiaries | Endorsement<br>provided by<br>subsidiaries to<br>parent company | Endorsement<br>provided to<br>entities in<br>China |
|------------------------------------|---|--|--|--|---|---|--------------------------|--|---|--|---|---|--|
| No.<br>(Note 1)                    | Name  | Name                                     | Nature of<br>Relationship                                      |  |   |   |                          |  |   |  |   |   |  |
| 0                                  | Kinsus<br>Interconnect<br>Technology<br>Corp. | Piotek Computer<br>(Suzhou) Co.,<br>Ltd. | Investee<br>accounted for<br>using equity<br>method indirectly | The overall amount of guarantees/<br>endorsements provided to a subsidiary in<br>which the Company holds directly over 50%<br>(inclusive) of common equity interest shall<br>not exceed 20% of the net worth in the<br>current financial statements. \$5,113,404 | \$458,694<br><br>USD 15,300<br><br>(Note 2) | \$458,694<br><br>USD 15,300<br><br>(Note 2) | \$57,337                 | \$-  | 1.79%   | Shall not exceed<br>50% of the net<br>worth in the<br>current financial<br>statements.<br>\$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 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.

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/<br>Sale   | Amount      | % to Total | Payment/ Collection<br>Term                           | Unit Price   | Payment/<br>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 reasonably 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 | <u>\$235,816</u><br>(Note 1) | <u>-</u>       | <u>\$-</u> | -            | <u>\$-</u>                            | <u>\$-</u>     |

Note 1: Other receivable.

(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 Pegavision 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                                   | Counter-party | Nature of Relationship | Beginning Balance |        | Acquisition  |           | Disposal     |           |                |                       | Ending Balance |           |
|------------------------|--|---|---------------|------------------------|-------------------|--------|--------------|-----------|--------------|-----------|----------------|-----------------------|----------------|-----------|
|                        |  | Account   |               |                        | Shares/Units      | Amount | Shares/Units | Amount    | Shares/Units | Amount    | Carrying Value | Gain/Loss on Disposal | Shares/Units   | Amount    |
| Pegavision Corporation | Stock:<br>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<br>(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                                      | with the Company | 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            |                              | <u>\$1,380,000</u> |                |                      |              |  |                  |               |        |  |  |             |

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.

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 |             |            |  | Abnormal Transaction  |   | Notes/Accounts Payable or Receivable |            | Note |
|--|--|---|---------------------|-------------|------------|--|---|---|--------------------------------------|------------|------|
|  |  |   | Purchase/<br>Sale   | Amount      | % to Total | Payment/ Collection<br>Term                            | Unit Price  | Payment/ Collection<br>Term                 | Ending Balance                       | % to Total |      |
| Piotek Computer<br>(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<br>USD 199       | 0.93%      |      |
| Kinsus Interconnect<br>Technology Suzhou Corp.         | Kinsus Interconnect<br>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<br>USD 8,642     | 77.63%     |      |
| Piotek Computer<br>(Suzhou) Co., Ltd.                  | Piotek (H.K.) Trading<br>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<br>USD 795       | 3.70%      |      |
| Piotek (H.K.) Trading<br>Limited                       | Piotek Computer<br>(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<br>(USD 795)        | (100.00)%  |      |
| Piotek Computer<br>(Suzhou) Co., Ltd.                  | Maintek Computer<br>(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<br>USD 1,780     | 8.28%      |      |
| Piotek Computer<br>(Suzhou) Co., Ltd.                  | DIGITEK (CHONGQING)<br>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<br>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<br>\$(146,953)      | (100.00)%  |      |
| Pegavision Contact<br>Lenses (SHANGHAI)<br>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<br>\$(124,211)      | (100.00)%  |      |
| GEMVISION TECHNOLOGY<br>(ZHEJIANG) LIMITED             | Pegavision Contact<br>Lenses (SHANGHAI)<br>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<br>\$(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    |              | in Subsequent Periods | Loss Allowance |
|---|--|------------------------|----------------------------|----------------|------------|--------------|-----------------------|----------------|
|   |  |                        |                            |                | Amount     | Action Taken |                       |                |
| Kinsus Interconnect Technology Suzhou Corp. | Kinsus Interconnect Technology Corp.             | Parent company         | <u>USD 8,642</u><br>(Note) | <u>10.20</u>   | <u>\$-</u> | -            | <u>\$-</u>            | <u>\$-</u>     |
| Pegavision Corporation                      | Pegavision Contact Lenses (SHANGHAI) Corporation | Subsidiary             | <u>\$124,211</u><br>(Note) | <u>0.78</u>    | <u>\$-</u> | -            | <u>\$81,616</u>       | <u>\$-</u>     |
| Pegavision Corporation                      | Pegavision Japan Inc.                            | Subsidiary             | <u>\$146,953</u><br>(Note) | <u>10.70</u>   | <u>\$-</u> | -            | <u>\$59,313</u>       | <u>\$-</u>     |

Note: Accounts receivable.

## Kinsus Interconnect Technology Corp.

## 1. Statement of Cash and Cash Equivalents

As of December 31, 2019

(In Thousands of New Taiwan Dollars)

| Item   | Description | Amount      | Note                         |
|--|-------------|-------------|------------------------------|
| Petty cash:                                      |             | \$200       | 1.Exchange Rate              |
|  |             |             | USD : NTD=29.98 : 1          |
|  |             |             | JPY : NTD=0.276 : 1          |
|  |             |             | GBP : NTD=39.36 : 1          |
| Savings:   |             |             | EUR : NTD=33.59 : 1          |
| Mega International Commercial Bank—LanYa Branch  | #00938-6    | 222,619     | 2.Cash and Cash equivalents  |
| Shanghai Commercial & Saving Bank—ZhongLi Branch | #01581-8    | 238,212     | were not pledged.            |
| The Bank of Taiwan –Peitou Branch                | #110093-5   | 442,475     | 3.The amount of bank account |
| Others   |             | 127,948     | 5% of the account balance.   |
| Foreign currency bank accounts:                  |             |             |                              |
| Mega International Commercial Bank—LanYa Branch  | #01566-9    | 237,853     |                              |
| Others   |             | 28,984      |                              |
| Subtotal   |             | 1,298,091   |                              |
| Fixed-term deposits:                             |             |             |                              |
| Mega International Commercial Bank—LanYa Branch  |             | 4,130,411   |                              |
| Shanghai Commercial & Saving Bank—ZhongLi Branch |             | 2,495,000   |                              |
| HSBC—Taipei Branch                               |             | 700,000     |                              |
| Bank of Taiwan—BeiTou Branch                     |             | 145,130     |                              |
| Subtotal   |             | 7,470,541   |                              |
| Total  |             | \$8,768,832 |                              |

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

Kinsus Interconnect Technology Corp.

2. Statement of Financial Assets at Fair Value through Profit or Loss

As of December 31, 2019

(In Thousands of New Taiwan Dollars)

| Financial Instruments   | Shares     | Par value(NTD) | Amount           | Interest Rates | Acquisition costs  | Fair Value      |                    | Note |
|---|------------|----------------|------------------|----------------|--------------------|-----------------|--------------------|------|
|   |            |                |                  |                |                    | Unit price(NTD) | Amount             |      |
| Money market funds:   |            |                |                  |                |                    |                 |                    |      |
| Taishin Ta Chong Money Market Fund                              | 18,812,748 | -              | \$255,796        | -              | \$255,796          | 14.26120        | \$268,292          |      |
| FSITC Money Market Fund   | 1,168,258  | -              | 200,000          | -              | 200,000            | 179.10000       | 209,235            |      |
| Mega Diamond Money Market Fund                                  | 21,355,432 | -              | 257,509          | -              | 257,509            | 12.59110        | 268,888            |      |
| Jih Sun Money Market  | 17,776,549 | -              | 255,443          | -              | 255,443            | 14.87760        | 264,473            |      |
| Subtotal  |            |                | <u>\$968,748</u> |                | <u>968,748</u>     |                 | <u>\$1,010,888</u> |      |
| Add: Valuation adjustments of financial assets held for trading |            |                |                  |                | <u>42,140</u>      |                 |                    |      |
| Total   |            |                |                  |                | <u>\$1,010,888</u> |                 |                    |      |

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

Kinsus Interconnect Technology Corp.

3. Statetment of Accounts Receivable, net

As of December 31, 2019

(In Thousands of New Taiwan Dollars)

| Client Name          | Amount                    | Note   |
|----------------------|---------------------------|--|
| Client A             | \$453,126                 | 1.The amount of individual client included<br>in others does not exceed 5% of the account balance. |
| Client B             | 172,169                   |  |
| Client C             | 240,549                   | 2.Non related parties.   |
| Client D             | 222,165                   |  |
| Client E             | 177,688                   |  |
| Client F             | 164,496                   |  |
| Client G             | 191,020                   |  |
| Others               | <u>1,104,762</u>          |  |
| Subtotal             | 2,725,975                 |  |
| Less: loss allowance | <u>(23,795)</u>           |  |
| Net                  | <u><u>\$2,702,180</u></u> |  |

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

Kinsus Interconnect Technology Corp.

4. Statement of Receivable from Related Parties

As of December 31, 2019

(In Thousands of New Taiwan Dollars)

| Related Parties                        | Amount       | Note   |
|--|--------------|--|
| AzureWave Technologies (Shanghai) Inc. | <u>\$151</u> | The Receivable from Related Parties incurred from Sale of goods. |

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

Kinsus Interconnect Technology Corp.

5. Statement of Other Receivables from Related Parties

As of December 31, 2019

(In Thousands of New Taiwan Dollars)

| Related Parties                             | Amount           | Note  |
|---|------------------|---|
| Kinsus Interconnect Technology Suzhou Corp. | \$235,816        | The other receivables incurred mainly from disposal of fixed assets, tools and spare parts. |
| FuYang Technology Corp.                     | 5,671            |   |
| Total                                       | <u>\$241,487</u> |   |



## Kinsus Interconnect Technology Corp.

## 6. Statement of Inventories

As of December 31, 2019

(In Thousands of New Taiwan Dollars)

| Item   | Amount      |                      | Note   |
|--|-------------|----------------------|--|
|  | Cost        | Net Realizable Value |  |
| Raw materials                                  | \$337,114   | \$310,264            | 1. Inventories are valued at lower of cost or net realizable value item by item.               |
| Supplies & parts                               | 42,788      | 42,954               |  |
| Work in progress                               | 936,116     | 936,116              |  |
| Finished goods                                 | 524,549     | 331,614              | 2. The insurance coverage for inventories was NT\$ 2,217,087 thousand as of December 31, 2019. |
| Merchandises                                   | 27,587      | 29,324               |  |
| Subtotal                                       | 1,868,154   | \$1,650,272          | 3. Inventories were not pledged.   |
| Less: allowance for inventory valuation losses | (448,636)   |                      |  |
| Net  | \$1,419,518 |                      |  |

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

Kinsus Interconnect Technology Corp.

7. Statement of Changes in Long-term Investment Accounted for Under the Equity Method

For the Year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

| Investee companies                | As of January 1, 2019 |                    | Additions |                    | Decrease |                      | As of December 31, 2019 |         |                    | Fair Value/Net assets value |                    | Collateral | Note |
|-----------------------------------|-----------------------|--------------------|-----------|--------------------|----------|----------------------|-------------------------|---------|--------------------|-----------------------------|--------------------|------------|------|
|                                   | Shares                | Amount             | Shares    | Amount             | Shares   | Amount               | Shares                  | %       | Amount             | Unit price (NTD)            | Total amount       |            |      |
| KINSUS CORP. (USA)                | 500,000               | \$48,437           | -         | \$4,873<br>(Note1) | -        | \$-                  | 500,000                 | 100.00% | \$53,310           | \$106.62                    | \$53,310           | None       |      |
| KINSUS HOLDING<br>(SAMOA) LIMITED | 166,308,720           | 2,125,024          | -         | -                  | -        | (256,223)<br>(Note2) | 166,308,720             | 100.00% | 1,868,801          | 11.24                       | 1,868,801          | None       |      |
| KINSUS INVESTMENT<br>CO., LTD.    | 160,000,000           | 1,848,536          | -         | 451,910<br>(Note3) | -        | -                    | 160,000,000             | 100.00% | 2,300,446          | 14.38                       | 2,300,446          | None       |      |
| Unrealized Profit                 |                       | -                  |           | -                  |          | (36,829)             |                         |         | (36,829)           |                             |                    |            |      |
| Total                             |                       | <u>\$4,021,997</u> |           | <u>\$456,783</u>   |          | <u>\$(293,052)</u>   |                         |         | <u>\$4,185,728</u> |                             | <u>\$4,222,557</u> |            |      |

Note1: Including investment gain recognized under equity method amounted to NT\$6,215 thousand and foreign currency statements translation adjustments amounted to NT\$1,342 thousand.

Note2: Including investment loss recognized under equity method amounted to NT\$180,094 thousand and foreign currency statements translation adjustments amounted to NT\$76,129 thousand.

Note3: Including investment loss recognized under equity method amounted to NT\$33,605 thousand, foreign currency statements translation adjustments amounted to NT\$5,550 thousand, and capital surplus increased NT\$491,065 thousand.

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

Kinsus Interconnect Technology Corp.

8. Statement of Short-term Loans

As of December 31, 2019

(In Thousands of New Taiwan Dollars)

| Description                                     | Type         | As of December 31, 2019 | Contract Period       | Interest Rates | Collateral | Note |
|---|--------------|-------------------------|-----------------------|----------------|------------|------|
| Mega International Commercial Bank—LanYa Branch | Credit loans | \$1,514,290             | 2019.11.28-2020.11.27 | Note           | None       |      |
| HSBC—Taipei Branch                              | Credit loans | 653,697                 | 2014.01.20-2021.01.20 | Note           | None       |      |
| Mizuho—Taipei Branch                            | Credit loans | 600,000                 | 2019.08.30-2020.09.30 | Note           | None       |      |
| Total   |              | <u>\$2,767,987</u>      |                       |                |            |      |

Note: As of December 31, 2019, the interest rate intervals for short-term loans were 0.68%~2.19%.

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

Kinsus Interconnect Technology Corp.

9. Statement of Accounts Payable

As of December 31, 2019

(In Thousands of New Taiwan Dollars)

| Vendor Name                                       | Amount             | Note   |
|---|--------------------|--|
| Mitsubishi Corporation Plastics Ltd.              | \$148,570          | 1. The amount of individual vendor included in "others" does not exceed 5% of the account balance. |
| Taiwan Uyemura Co., Ltd.                          | 119,140            |  |
| Hitachi Chemical International Co., (Taiwan) Ltd. | 92,382             |  |
| Jetchem International Co. Ltd.                    | 71,926             |  |
| JCU TAIWAN CORPORATION                            | 59,979             |  |
| Others  | 743,143            | 2. All accounts are not related parties.   |
| Total   | <u>\$1,235,140</u> |  |

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

Kinsus Interconnect Technology Corp.

## 10. Statement of Payables to Related Parties

As of December 31, 2019

(In Thousands of New Taiwan Dollars)

| Related Parties                             | Amount  | Note               |
|---|---|--------------------|
| Kinsus Interconnect Technology Suzhou Corp. | <div data-bbox="920 427 1026 459">\$240,392</div> | Purchase of goods. |

Kinsus Interconnect Technology Corp.

11. Statement of Other Payables

As of December 31, 2019

(In Thousands of New Taiwan Dollars)

| Item                                       | Amount             | Note  |
|--|--------------------|---|
| Employee Bonus                             | \$77,197           | The amount of individual vendor included in others does not exceed 5% of the account balance. |
| Accrued Payroll                            | 578,425            |   |
| Accrued Manufacturing Overhead—outsourced  | 78,439             |   |
| Accrued Repair And Maintenance Expense     | 270,237            |   |
| Accrued Interest Payable                   | 3,598              |   |
| Payables On Equipment                      | 410,020            |   |
| Accrued Commission Expense—related parties | 3,421              |   |
| Others                                     | 384,379            |   |
| Total                                      | <u>\$1,805,716</u> |   |
| Payables On Equipment                      |                    |   |
| ORC MANUFACTURING CO.,LTD                  | \$119,232          |   |
| WKK JAPAN LIMITED                          | 76,313             |   |
| Lih Hwa Construction Company Limited       | 21,399             |   |
| Others                                     | 193,076            |   |
| Total                                      | <u>\$410,020</u>   |   |

Kinsus Interconnect Technology Corp.

12. Statement of Changes in Current Tax Liabilities

For the Year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

| Item   | Amount           | Note |
|--|------------------|------|
| Balance as of January 1, 2019                                      | \$140,435        |      |
| Add: Adjustments in respect of current income tax of prior periods | 43,387           |      |
| Less : Income tax repayment for 2014                               | (29,297)         |      |
| Income tax repayment for 2016                                      | (19,897)         |      |
| Interest withheld  | (62)             |      |
| Balance as of December 31, 2019                                    | <u>\$134,566</u> |      |

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

Kinsus Interconnect Technology Corp.

13. Statement of Long-Term Loans

As of December 31, 2019

(In Thousands of New Taiwan Dollars)

| Lenders   | Description  | Year maturity             | Interest Rates | Amount      | Reimbursement   | Collateral |
|---|--------------|---------------------------|----------------|-------------|---|------------|
| Mega International Commercial Bank—LanYa Branch               | Credit loans | 2021.09.05-<br>2022.07.05 | Note           | \$948,125   | A term is defined as every 3 months starting from the initial draw-down date.<br>Grace period is 1 years (4 terms).<br>The rest is repayable in installments of equal amount for 16 terms.  | None       |
| Mega International Commercial Bank—LanYa Branch               | Credit loans | 2026.12.31                | Note           | 55,000      | Grace period is 3 years from the initial draw-down date.<br>A term is defined as every month since the forth years.<br>The principal and interest are repayable in installments of equal amount for 48 terms.   | None       |
| Shanghai Commercial & Saving Bank - ZhongLi Branch            | Credit loans | 2021.04.23                | Note           | 450,000     | A term is defined as every 3 months starting from the initial draw-down date.<br>Grace period is 1 years (4 terms).<br>The rest is repayable in installments of equal amount for 8 terms.   | None       |
| Shanghai Commercial & Saving Bank - ZhongLi Branch            | Credit loans | 2026.12.31                | Note           | 200,000     | A term is defined as every month starting from the initial draw-down date.<br>The principal and interest is repayable in installments of equal amount for 84 terms.   | None       |
| Standard Chartered International Commercial Bank—Xinwu Branch | Credit loans | 2021.09.28                | Note           | 600,000     | Grace period is 18 months from the initial draw-down date.<br>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. | None       |
| The Bank of Taiwan –Peitou Branch                             | Credit loans | 2026.11.04-<br>2026.12.31 | Note           | 681,000     | Grace period is 2 years from the initial draw-down date.<br>A term is defined as every month since the third years.<br>The principal and interest are repayable in installments of equal amount for 60 terms.   | None       |
| Total   |              |                           |                | 2,934,125   |   |            |
| Less: Current portion of long-term loans                      |              |                           |                | (1,046,072) |   |            |
| Non-current portion of long-term loans                        |              |                           |                | \$1,888,053 |   |            |

Note : As of December 31, 2019, the interest rate intervals for long-term loans were 0.6% ~1.15%.



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

Kinsus Interconnect Technology Corp.

14. Statement of Operating Revenues

For the Year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

| Item                         | Quantity                | Amount              | Note |
|------------------------------|-------------------------|---------------------|------|
| BGA Substrate                | 6,412,051 thousands PCS | \$13,384,991        |      |
| Others                       |                         | 2,731,166           |      |
| Total net operating revenues |                         | <u>\$16,116,157</u> |      |

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

Kinsus Interconnect Technology Corp.

15. Statement of Operating Costs

For the Year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

| Item  | Amount       | Note |
|---|--------------|------|
| Direct Materials                              |              |      |
| Beginning balance                             | \$330,424    |      |
| Add: Raw materials purchased                  | 3,366,773    |      |
| Less: Ending balance                          | (337,114)    |      |
| Raw materials scrapped                        | (22,838)     |      |
| Others  | (27,082)     |      |
| Direct materials used                         | 3,310,163    |      |
| Supplies and parts                            |              |      |
| Beginning balance                             | 40,042       |      |
| Add: Supplies and parts purchased             | 2,058,304    |      |
| Less: Ending balance                          | (42,788)     |      |
| Supplies and parts scrapped                   | (621)        |      |
| Others  | (6,227)      |      |
| Supplies and parts used                       | 2,048,710    |      |
| Direct labor                                  | 1,507,153    |      |
| Manufacturing overhead (Detailed list 16)     | 6,901,355    |      |
| Manufacturing cost                            | 13,767,381   |      |
| Add: Work in process, beginning balance       | 1,208,422    |      |
| Less: Work in process, ending balance         | (936,116)    |      |
| Work in process scrapped                      | (1,709)      |      |
| Others  | 389,672      |      |
| Cost of finished goods                        | 14,427,650   |      |
| Add: Finished goods, beginning balance        | 973,895      |      |
| Less: Finished goods, ending balance          | (524,549)    |      |
| Finished goods scrapped                       | (2,174,628)  |      |
| Others  | (1,378,728)  |      |
| Cost of goods sold at normal production level | 11,323,640   |      |
| Merchandise cost                              |              |      |
| Beginning balance                             | 47,477       |      |
| Add: Merchandise purchased                    | 2,177,771    |      |
| Less: Ending balance                          | (27,587)     |      |
| Merchandise scrapped                          | (3,053)      |      |
| Others  | 2,870        |      |
| Cost of merchandise sold                      | 2,197,478    |      |
| Gain from price recovery of inventory         | (233,329)    |      |
| Loss from inventory scrapped                  | 2,202,849    |      |
| Loss from inventory physical taking           | 10,482       |      |
| Revenue from sale of scraps                   | (491,568)    |      |
| Total   | \$15,009,552 |      |

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

Kinsus Interconnect Technology Corp.

16. Statement of Manufacturing Overhead

For the Year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

| Item                              | Amount             | Note |
|-----------------------------------|--------------------|------|
| Indirect labor                    | \$1,012,118        |      |
| Repair and maintenance            | 1,057,521          |      |
| Utilities                         | 851,637            |      |
| Manufacturing overhead—outsourced | 245,041            |      |
| Insurance                         | 263,077            |      |
| Depreciation                      | 3,026,384          |      |
| Others                            | 445,577            |      |
| Total                             | <u>\$6,901,355</u> |      |

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

Kinsus Interconnect Technology Corp.

17. Statement of Selling

For the Year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

| Item                | Amount           | Note |
|---------------------|------------------|------|
| Salaries and wages  | \$76,864         |      |
| Travelling          | 20,148           |      |
| Shipping            | 23,408           |      |
| Depreciation        | 16               |      |
| Sample fee          | 40,586           |      |
| Commission expenses | 65,721           |      |
| Import fee          | 22,764           |      |
| Others              | 495,235          |      |
| Total               | <u>\$744,742</u> |      |

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

Kinsus Interconnect Technology Corp.

18. Statement of General and Administrative

For the Year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

| Item                   | Amount           | Note |
|------------------------|------------------|------|
| Salaries and wages     | \$267,478        |      |
| Utilities              | 47,212           |      |
| Depreciation           | 196,861          |      |
| Amortization           | 31,765           |      |
| Miscellaneous purchase | 32,042           |      |
| Others                 | 282,672          |      |
| Total                  | <u>\$858,030</u> |      |

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

Kinsus Interconnect Technology Corp.

19. Statement of Research and Development

For the Year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

| Item                           | Amount             | Note |
|--------------------------------|--------------------|------|
| Salaries and wages             | \$192,585          |      |
| Depreciation                   | 12,757             |      |
| Materials utilized for testing | 974,735            |      |
| Testing                        | 186,701            |      |
| Others                         | 57,664             |      |
| Total                          | <u>\$1,424,442</u> |      |

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

Kinsus Interconnect Technology Corp.

20. Statement of Non-Operating Incomes and Expenses

For the Year ended December 31, 2019

(In Thousands of New Taiwan Dollars)

| Item   | Description   | Amount           | Note |
|--|---|------------------|------|
| Other incomes  |   |                  |      |
|  | Interest income   | \$49,256         |      |
|  | Rent revenue  | 47,438           |      |
|  | Other income—others   | 64,697           |      |
|  | Total   | <u>\$161,391</u> |      |
| Other gains and losses   |   |                  |      |
|  | Gain on disposal of property, plant and equipment             | \$12,942         |      |
|  | Foreign exchange losses, net                                  | (2,688)          |      |
|  | Gain of financial assets at fair value through profit or loss | 5,553            |      |
|  | Other expenses  | (559)            |      |
|  | Total   | <u>\$15,248</u>  |      |
| Finance costs  |   |                  |      |
|  | Interest on borrowings from banks                             | <u>\$76,884</u>  |      |
| Share of profit or loss of subsidiaries, associates and joint ventures |   |                  |      |
|  | Investment losses   | <u>\$207,484</u> |      |