

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

Ticker: 3189

Kinsus Interconnect Technology Corp. and Subsidiaries
Consolidated Financial Statements
With Review Report of Independent Auditors
As of September 30, 2019 and 2018
And For The Nine-month Periods 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

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REVIEW REPORT OF INDEPENDENT AUDITORS

To The Board of Directors of
Kinsus Interconnect Technology Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of Kinsus Interconnect Technology Corp. (the “Company”) and its subsidiaries as of September 30, 2019 and 2018, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month and nine-month periods then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

(To be continued)

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

(Continued)

Basis for Qualified Conclusion

As disclosed at Note 4.(3), we did not review the financial statements of the not-significant subsidiaries of the Company as of September 30, 2018, and for the three-month and nine-month periods then ended. The total assets of those un-reviewed subsidiaries as of September 30, 2018 were NT\$5,463,766 thousand, representing 12.59% of the total consolidated assets, and the total liabilities were NT\$2,510,419 thousand, representing 18.25% of the total consolidated liabilities, while the comprehensive incomes for the three-month period then ended were NT\$220,922 thousand, representing 110.22% of total consolidated comprehensive incomes and, for the nine-month period then ended, NT\$222,893 thousand, representing 73.09% of the total consolidated comprehensive incomes. As explained in Note 6.(8), the financial statements of the associate and joint venture accounted for under the equity method was not reviewed by independent auditors. The carrying values of the associate and joint venture under equity method amounted to NT\$557,419 thousand and NT\$679,325 thousand as of September 30, 2019 and 2018, respectively. The related shares of profits from the associate and joint venture under the equity method amounted to NT\$(29,121) thousand, NT\$46,053 thousand, NT\$(181,768) thousand and NT\$(151,328) thousand for the three-month and nine-month period then ended September 30, 2019 and 2018, respectively. The related shares of other comprehensive income from the associate and joint venture under the equity method amounted to NT\$173 thousand, NT\$3,803 thousand, NT\$3,912 thousand and NT\$8,118 thousand for the three-month and nine-month period then ended September 30, 2019 and 2018, respectively.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain not material subsidiaries, the associate and joint venture accounted for using equity method and the information disclosed in Note 13 been reviewed by independent auditors described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of September 30, 2019 and 2018, and their consolidated financial performance for the three-month and nine-month periods then ended and cash flows for the nine-month periods then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and issued into effect by Financial Supervisory Commission of the Republic of China.

Hong, Mao-Yi

Hong, Mao-Yi

Cheng, Ching-Piao

Cheng, Ching-Piao

Ernst & Young

Taiwan, R.O.C.

October 28th, 2019

Notices to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets

As of September 30, 2019, December 31, 2018 and September 30, 2018 (September 30, 2019 and 2018 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets			As of September 30, 2019		As of December 31, 2018		As of September 30, 2018	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	4,6(1)	\$9,686,594	24	\$10,068,669	24	\$10,074,353	23
1110	Financial assets at fair value through profit or loss	4,6(2)	1,021,238	2	1,017,095	2	1,015,889	2
1136	Financial assets carried at amortized cost	4,6(3)	436,223	1	498,338	1	540,922	1
1150	Notes receivable, net	4,6(5)	2,797	-	241	-	395	-
1170	Accounts receivable, net	4,6(6)	3,820,115	9	3,472,879	8	3,668,702	9
1180	Accounts receivable - related parties	6(6),7	166,155	-	349,315	1	459,776	1
1200	Other receivables		298,919	1	264,785	1	380,428	1
1210	Other receivables - related parties	7	6,738	-	5,781	-	6,625	-
1310	Inventories, net	4,6(7)	2,535,323	6	3,269,317	8	3,244,818	7
1410	Prepayments		208,125	1	158,390	-	232,035	1
1470	Other current assets		207,026	1	189,759	-	181,936	1
11xx	Total current assets		18,389,253	45	19,294,569	45	19,805,879	46
	Non-current assets							
1517	Financial asset at fair value through OCI	4,6(4)	50,000	-	50,000	-	50,000	-
1550	Investment accounted for under equity method	4,6(8)	557,419	1	735,275	2	679,325	2
1600	Property, plant and equipment, net	4,6(9),8	20,070,724	49	19,737,268	46	20,027,507	46
1755	Right-of-use asset	4,6(23)	420,505	1	-	-	-	-
1780	Intangible assets	4,6(10)	31,272	-	14,529	-	16,688	-
1840	Deferred income tax assets	4	10,205	-	12,411	-	10,504	-
1900	Other non-current assets	6(11),7,8	92,920	-	316,354	1	302,035	1
1915	Prepayment for acquiring machinery	6(9), 9	1,770,794	4	2,463,548	6	2,515,158	5
15xx	Total non-current assets		23,003,839	55	23,329,385	55	23,601,217	54
1xxx	Total Assets		\$41,393,092	100	\$42,623,954	100	\$43,407,096	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Balance Sheets-(Continued)

As of September 30, 2019, December 31, 2018 and September 30, 2018 (September 30, 2019 and 2018 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity			As of September 30, 2019		As of December 31, 2018		As of September 30, 2018	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
	Current liabilities							
2100	Short-term loans	6(12)	\$5,309,248	13	\$3,340,483	8	\$3,561,026	8
2130	Contract liability	4,6(21)	65,113	-	134,800	-	128,461	1
2150	Notes payable		33,734	-	39,505	-	31,002	-
2170	Accounts payable		1,989,612	5	2,233,609	6	2,527,504	6
2200	Other payables	6(13),7	2,622,575	7	3,110,009	7	3,202,169	7
2230	Current income tax liabilities	4	124,208	-	361,313	1	271,355	1
2280	Lease liability	4, 6(23)	134,945	1	-	-	-	-
2300	Other current liabilities	6(14)	1,319,267	3	931,741	2	887,147	2
2365	Refund liability	4, 6(15)	73,481	-	47,739	-	87,207	-
21xx	Total current liabilities		11,672,183	29	10,199,199	24	10,695,871	25
	Non-current liabilities							
2540	Long-term loans	6(16), 8	2,342,679	6	2,600,806	6	2,988,453	7
2570	Deferred income tax liabilities	4	4,317	-	5,563	-	2,034	-
2580	Lease liability	4, 6(23)	68,623	-	-	-	-	-
2600	Other non-current liabilities	6(17)	54,650	-	69,864	-	70,440	-
25xx	Total non-current liabilities		2,470,269	6	2,676,233	6	3,060,927	7
2xxx	Total liabilities		14,142,452	35	12,875,432	30	13,756,798	32
	Equity attributable to shareholders of the parent							
31xx	Capital							
3100	Capital	6(19)						
3110	Common stock		4,511,614	11	4,508,410	11	4,508,410	10
3200	Capital surplus	6(19)	6,148,824	15	6,140,942	14	6,140,203	14
3300	Retained earnings	6(19)						
3310	Legal reserve		3,647,505	9	3,612,556	8	3,612,556	8
3320	Special reserve		100,384	-	77,677	-	77,677	-
3350	Unappropriated earnings		10,882,205	26	13,646,659	32	13,646,172	32
3400	Other components of equity		(170,845)	-	(203,356)	-	(256,105)	(1)
3500	Treasury Stock	6(19)	(631)	-	(738)	-	-	-
36xx	Non-controlling interests	6(19)	2,131,584	4	1,966,372	5	1,921,385	5
3xxx	Total equity		27,250,640	65	29,748,522	70	29,650,298	68
	Total liabilities and equity		\$41,393,092	100	\$42,623,954	100	\$43,407,096	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the three-month and nine-month periods ended September 30, 2019 and 2018 (Reviewed but unaudited)

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

Code	Accounts	Notes	For the three-month period ended September 30, 2019		For the three-month period ended September 30, 2018		For the nine-month period ended September 30, 2019		For the nine-month period ended September 30, 2018	
			Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenues	4,6(21), 7	\$5,997,496	100	\$6,414,968	100	\$16,091,213	100	\$17,469,064	100
5000	Operating costs		(5,207,515)	(87)	(4,960,656)	(77)	(14,539,153)	(90)	(13,515,969)	(77)
5900	Gross profit		789,981	13	1,454,312	23	1,552,060	10	3,953,095	23
6000	Operating expenses	7								
6100	Sales and marketing		(197,329)	(3)	(181,040)	(3)	(996,982)	(6)	(610,055)	(4)
6200	General and administrative		(320,146)	(5)	(308,157)	(5)	(915,645)	(6)	(1,044,014)	(6)
6300	Research and development		(464,196)	(8)	(553,680)	(8)	(1,408,676)	(10)	(1,600,266)	(9)
6450	Expected credit gains (losses)	4,6(22)	(6,964)	-	142	-	(2,568)	-	(8,583)	-
	Total operating expenses		(988,635)	(16)	(1,042,735)	(16)	(3,323,871)	(22)	(3,262,918)	(19)
6900	Operating income (loss)		(198,654)	(3)	411,577	7	(1,771,811)	(12)	690,177	4
7000	Non-operating incomes and expenses									
7010	Other incomes	6(25), 7	55,514	1	43,038	1	134,177	1	200,772	1
7020	Other gains and losses	6(25)	(21,714)	-	(53,512)	(1)	(18,961)	-	(80,444)	-
7050	Finance costs	6(25), 7	(38,182)	(1)	(32,804)	(1)	(111,501)	(1)	(86,901)	(1)
7060	Share of profit or loss of associates and joint ventures	6(8)	(29,121)	-	46,053	1	(181,768)	-	(151,328)	(1)
	Total non-operating incomes and expenses		(33,503)	-	2,775	-	(178,053)	-	(117,901)	(1)
7900	Income (loss) before income tax		(232,157)	(3)	414,352	7	(1,949,864)	(12)	572,276	3
7950	Income tax expense	4, 6(27)	(26,644)	(1)	(106,327)	(2)	(79,959)	-	(204,032)	(1)
8200	Net income (loss)		(258,801)	(4)	308,025	5	(2,029,823)	(12)	368,244	2
8300	Other comprehensive income (loss)	6(26)								
8360	Items that may be reclassified subsequently to profit or loss									
8361	Exchange differences on translation of foreign operations		(74,092)	(1)	(111,387)	(2)	(41,490)	-	(71,405)	-
8370	Share of the other comprehensive profit or loss of joint ventures		173	-	3,803	-	3,912	-	8,118	-
	Total other comprehensive income, net of tax		(73,919)	(1)	(107,584)	(2)	(37,578)	-	(63,287)	-
8500	Total comprehensive income (loss)		\$(332,720)	(5)	\$200,441	3	\$(2,067,401)	(12)	\$304,957	2
8600	Net income (loss) attributable to:									
8610	Shareholders of the parent		\$(278,467)	(4)	\$241,698	4	\$(2,030,834)	(12)	\$345,686	2
8620	Non-controlling interests		19,666	-	66,327	1	1,011	-	22,558	-
			\$(258,801)	(4)	\$308,025	5	\$(2,029,823)	(12)	\$368,244	2
8700	Comprehensive income (loss) attributable to:									
8710	Shareholders of the parent		\$(336,328)	(5)	\$164,065	2	\$(2,061,480)	(12)	\$300,009	2
8720	Non-controlling interests		3,608	-	36,376	1	(5,921)	-	4,948	-
			\$(332,720)	(5)	\$200,441	3	\$(2,067,401)	(12)	\$304,957	2
9750	Earnings (losses) per share-basic (in NTD)	6(28)	\$(0.62)		\$0.54		\$(4.54)		\$0.78	
9850	Earnings (losses) per share-diluted (in NTD)	6(28)	\$(0.62)		\$0.54		\$(4.54)		\$0.77	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the nine-month periods ended September 30, 2019 and 2018 (Reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Code	Items	Equity Attributable to Shareholders of the Parent								Non-controlling Interests	Total Equity	
		Common Stock	Capital Surplus	Retained Earnings			Others		Treasury Stock			Total
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences arising on translation of foreign operations	Unearned Employee Benefit				
		3100	3200	3310	3320	3350	3410	3490	3500	31XX	36XX	3XXX
A1	Balance as of January 1, 2018	\$4,460,000	\$5,956,519	\$3,563,389	\$613	\$14,095,717	\$(77,677)	\$-	\$-	\$27,998,561	\$1,916,437	\$29,914,998
	Appropriation and distribution of 2017 earnings											
B1	Legal reserve			49,167		(49,167)				-		-
B3	Special reserve				77,064	(77,064)				-		-
B5	Cash dividends-common shares					(669,000)				(669,000)		(669,000)
C7	Change in investment accounted for using equity method		(845)							(845)		(845)
D1	Net income (loss) for the nine-month period ended September 30, 2018					345,686				345,686	22,558	368,244
D3	Other comprehensive income (loss), net of tax, for the nine-month period ended September 30, 2018						(45,677)			(45,677)	(17,610)	(63,287)
D5	Total comprehensive income (loss)	-	-	-	-	345,686	(45,677)	-	-	300,009	4,948	304,957
T1	Employee restricted shares for cancellation and others	48,410	184,529					(132,751)		100,188		100,188
Z1	Balance as of September 30, 2018	<u>\$4,508,410</u>	<u>\$6,140,203</u>	<u>\$3,612,556</u>	<u>\$77,677</u>	<u>\$13,646,172</u>	<u>\$(123,354)</u>	<u>\$(132,751)</u>	<u>\$-</u>	<u>\$27,728,913</u>	<u>\$1,921,385</u>	<u>\$29,650,298</u>
A1	Balance as of January 1, 2019	\$4,508,410	\$6,140,942	\$3,612,556	\$77,677	\$13,646,659	\$(100,383)	\$(102,973)	\$(738)	\$27,782,150	\$1,966,372	\$29,748,522
	Appropriation and distribution of 2018 earnings											
B1	Legal reserve			34,949		(34,949)				-		-
B3	Special reserve				22,707	(22,707)				-		-
B5	Cash dividends-common shares					(676,261)				(676,261)		(676,261)
D1	Net loss for the nine-month period ended September 30, 2019					(2,030,834)				(2,030,834)	1,011	(2,029,823)
D3	Other comprehensive income (loss), net of tax, for the nine-month period ended September 30, 2019						(30,646)			(30,646)	(6,932)	(37,578)
D5	Total comprehensive income (loss)	-	-	-	-	(2,030,834)	(30,646)	-	-	(2,061,480)	(5,921)	(2,067,401)
O1	Non-controlling interests increase (decrease)										171,133	171,133
T1	Employee restricted shares for cancellation and others	3,204	7,882	-	-	297	-	63,157	107	74,647		74,647
Z1	Balance as of September 30, 2019	<u>\$4,511,614</u>	<u>\$6,148,824</u>	<u>\$3,647,505</u>	<u>\$100,384</u>	<u>\$10,882,205</u>	<u>\$(131,029)</u>	<u>\$(39,816)</u>	<u>\$(631)</u>	<u>\$25,119,056</u>	<u>\$2,131,584</u>	<u>\$27,250,640</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Kinsus Interconnect Technology Corp. and Subsidiaries
Consolidated Statements of Cash Flows
For the nine-month periods ended September 30, 2019 and 2018 (Reviewed but unaudited)
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	For the nine-month period ended September 30,		Code	Items	For the nine-month period ended September 30,	
		2019	2018			2019	2018
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Income (loss) before income tax	\$(1,949,864)	\$572,276	B00040	Decrease (increase) in financial assets measured at amortized cost	62,115	(117,865)
A20000	Adjustments:			B02700	Acquisition of property, plant and equipment	(3,662,907)	(3,921,001)
A20010	Income and expense adjustments:			B02800	Proceeds from disposal of property, plant and equipment	458,440	691
A20100	Depreciation (including right-of-use asset)	3,438,667	3,095,054	B03800	Decrease (increase) in refundable deposits	(863)	1,496
A20200	Amortization	27,610	20,946	B04500	Acquisition of intangible assets	(40,753)	(14,876)
A20300	Expected credit losses (gain on recovery)	2,568	8,583	BBBB	Net cash provided by (used in) investing activities	(3,183,968)	(4,051,555)
A20400	Net gain of financial assets at fair value through P/L	(4,143)	(4,154)				
A20900	Interest expense	111,501	86,901				
A21200	Interest income	(44,916)	(47,210)	CCCC	Cash flows from financing activities:		
A21900	Cost of share based payment	71,407	52,746	C00100	Increase in (repayment of) short-term loans	1,968,765	263,629
A22300	Share of profit or loss of associates and joint ventures	181,768	151,328	C01600	Increase in long-term loans	1,200,000	1,900,000
A22500	Gain on disposal of property, plant and equipment	(8,526)	(381)	C01700	Repayments of long-term loans	(1,087,725)	(401,665)
A23700	Impairment loss on non financial assets	12,149	23,782	C03000	Increase (decrease) in deposits received	(12,124)	(3,002)
A30000	Changes in operating assets and liabilities:			C04020	Cash payments for the principal portion of the lease liability	(101,601)	-
A31110	Financial assets at fair value through P/L	-	542,098	C04500	Cash dividends	(676,261)	(669,000)
A31130	Notes receivable	(2,556)	1,361	C04600	Issuance of restricted stock	5,985	48,410
A31150	Accounts receivable	(349,791)	(324,216)		Increase (decrease) in non-controlling interests	171,133	-
A31160	Accounts receivable - related parties	183,160	(126,076)	CCCC	Net cash provided by (used in) financing activities	1,468,172	1,138,372
A31180	Other receivables	(34,837)	(167,123)				
A31190	Other receivables - related parties	(957)	(382)		Effect of exchange rate changes	4,160	(47,133)
A31200	Inventories	733,994	(1,117,104)				
A31220	Prepayments	(55,735)	28,531	DDDD	Increase (decrease) in cash and cash equivalents	(382,075)	(267,659)
A31240	Other current assets	(17,267)	(17,960)		Cash and cash equivalents at beginning of period	10,068,669	10,342,012
A31990	Long-term prepaid rents	-	10,493	EEEE	Cash and cash equivalents at end of period	\$9,686,594	\$10,074,353
A32125	Contract liabilities	(69,687)	(8,487)	E00100			
A32130	Notes payable	(5,771)	(13,802)	E00200			
A32150	Accounts payable	(243,997)	1,468				
A32180	Other payables	(299,898)	11,059				
A32230	Other current liabilities	14,077	35,111				
A32240	Net defined benefit liability	(3,090)	(3,097)				
A32990	Refund liability	25,742	87,207				
A33000	Cash generated from (used in) operations	1,711,608	2,898,952				
A33100	Interest received	45,617	45,878				
A33300	Interest paid	(111,572)	(85,101)				
A33500	Income tax paid	(316,092)	(167,072)				
AAAA	Net cash provided by (used in) operating activities	1,329,561	2,692,657				

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

1. HISTORY AND ORGANIZATION

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

Pegatron Corporation is the ultimate controller of the Group to which the Company belongs.

2. DATE AND PROCEDURE OF AUTHORIZATION FOR FINANCIAL STATEMENTS ISSUANCE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on October 28, 2019.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Group applied for the first time the International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

(a) IFRS 16 “Leases”

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

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

- A. Please refer to Note 4 for the accounting policies before or after January 1, 2019.
- B. For the definition of a lease, the Group elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Group need to assess whether 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 Group assessed most of the contracts are, or contain, leases and has no significant impact arised.
- C. The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(1) Leases previously classified as operating leases

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

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

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

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

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

- i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - ii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.
 - iii. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.
 - iv. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.
- (2) Please refer to Note 4, Note 5 and Note 6 for additional disclosure of lessee and lessor which required by IFRS 16.
- (3) As at January 1, 2019, the impacts arising from the adoption of IFRS 16 are summarised as follows:
- i. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the balance sheet on January 1, 2019 was 1.30%.
 - ii. For leases that were classified as operating leases applying IAS 17, lease payments are recognized as an expense on a straight-line basis over the lease term. After adopting IFRS 16, the Company expects to measure and recognize those leases, except for short-term or low-value asset lease exemptions, as lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Operating lease commitments under IAS 17 as of December 31, 2018 were NT\$316,408 thousand and the present value discounted at the incremental borrowing rate on January 1, 2019 were NT\$311,664 thousand. Thus, lease liabilities as of January 1, 2019 under IFRS 16 were recorded at NT\$311,664 thousand.

- (4) The Group is a lessor and has not made any adjustments. Please refer to Note 4, Note 5 and Note 6 for the information relating to the lessor.
2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
b	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020

(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. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2021
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

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

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture. 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) 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 issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group assesses that there will be no significant impact on the Group's financial statements then.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements for the nine-month periods ended September 30, 2019 and 2018 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," by the FSC of the Republic of China.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars ("NT\$") unless otherwise specified.

(3) Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) Exposure, or rights, to variable returns from its involvement with the investee, and
- (c) The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee
- (b) Rights arising from other contractual arrangements
- (c) The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the NCIs even if this results in a deficit balance of the NCIs.

If the Company loses control of a subsidiary, it:

- (a) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) Derecognizes the carrying amount of any non-controlling interest;
- (c) Recognizes the fair value of the consideration received;
- (d) Recognizes the fair value of any investment retained;
- (e) Recognizes any surplus or deficit in profit or loss; and
- (f) Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main business	Percentage of Ownership (%), as of		
			Sep. 30, 2019	Dec. 31, 2018	Sep. 30, 2018
The Company	KINSUS CORP. (USA)	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	100.00%	100.00%	100.00%
The Company	KINSUS HOLDING (SAMOA) LIMITED	Investing activities	100.00%	100.00%	100.00%
The Company	KINSUS INVESTMENT CO., LTD.	Investing activities	100.00%	100.00%	100.00%
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Investing activities	100.00%	100.00%	100.00%
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Investing activities	51.00%	51.00%	51.00%
KINSUS INVESTMENT CO., LTD.	PEGAVISION CORPORATION	Manufacture of medical equipment	36.81% (Note)	36.81% (Note)	36.81% (Note)

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KINSUS HOLDING (CAYMAN) LIMITED	KINSUS INTERCONNECT TECHNOLOGY SUZHOU CORP.	Manufacturing and selling printed circuit board (PCB) (not high- density fine-line)	100.00%	100.00%	100.00%
KINSUS HOLDING (CAYMAN) LIMITED	XIANG-SHOU (SUZHOU) TRADING LIMITED	Trading of PCB related products and materials (not high-density fine- line)	100.00%	100.00%	100.00%
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	Investing activities	100.00%	100.00%	100.00%
PIOTEK HOLDINGS LIMITED	PIOTEK COMPUTER (SUZHOU) CO., LTD.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	100.00%	100.00%	100.00%
PIOTEK HOLDINGS LIMITED	PIOTEK (H.K.) TRADING LIMITED	Trading activities	100.00%	100.00%	100.00%
PEGAVISION CORPORATION	PEGAVISION HOLDINGS CORPORATION	Investing activities	100.00%	100.00%	100.00%
PEGAVISION CORPORATION	PEGAVISION JAPAN INC.	Selling medical equipment	100.00%	100.00%	100.00%
PEGAVISION HOLDINGS CORPORATION	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	Selling medical equipment	100.00%	100.00%	100.00%
PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	Producing and selling medical equipment	100.00% (Note 1)	NA	NA

Note: The Group owned a compound 36.81% of ownership of Pegavision Corporation as of September 30, 2019, December 31, 2018 and September 30, 2018. The management decided to include Pegavision Corporation as a consolidated entity because the Group, in substance, possessed the control over this entity.

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

(4) Foreign currency transactions

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

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. At the reporting date, monetary items denominated in foreign currencies are retranslated at the prevailing functional currency closing rate of exchange; non-monetary items measured at fair value in a foreign currency are retranslated using the exchange rates at the date when the fair value is determined; and non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising from the settlement or translation of monetary items are taken to profit or loss in the period in which they arise, except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(5) Foreign currency transactions and translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

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

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

(6) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(8) Financial instruments

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

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

(a) Financial assets: Recognition and Measurement

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

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

- A. The Group's business model for managing the financial assets and
- B. The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

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

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

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

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

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

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

Financial asset measured at fair value through profit or loss

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

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

(b) Impairment of financial assets

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

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

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

The loss allowance is measures as follows:

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

- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16 (before January 1, 2019: IAS 17), the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(c) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(d) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

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

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(e) Offsetting of financial instruments

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

(9) Fair value measurement

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

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

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

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

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

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

(10) Inventories

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

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

Raw materials - At actual purchase cost, using weighted average method

Finished goods and work in progress -

Including cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity, using weighted average method.

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

Rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(11) Investments accounted for using the equity method

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

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

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

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

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

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

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

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

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

(12) Property, plant and equipment

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

recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

Buildings	10 to 25 years
Machinery	5 to 10 years
Vehicle	2 to 6 years
Office equipment	3 to 5 years
Other equipment	1 to 25 years

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

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

(13) Leasing

The accounting policy from January 1, 2019 as follow:

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

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

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

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

Group as a lessee

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

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments discount using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses 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 Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

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

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

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

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

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

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

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

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to

ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

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

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

Accounting policy before January 1, 2019

Group as a lessee

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

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

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

Group as a lessor

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

(14) Intangible assets

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

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

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

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

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

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

	<u>Cost of Computer Software</u>
Useful economic life	1 to 5 years
Amortization method	Straight-line method during the contract term
Internally generated or acquired externally	Acquired externally

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group

would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset's recoverable amount is the higher of an asset's net fair value or its value in use.

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

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

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

(16) Provisions

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

(17) Revenue recognition

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

Sale of goods

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

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

(18) Borrowing costs

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

(19) Post-employment benefits

All regular employees of Kinsus and its domestic subsidiaries are entitled to pension plans that are managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with Kinsus and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

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

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

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

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

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(20) Share-based payment transactions

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

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

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

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

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

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

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

(21) Income tax

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

Current income tax

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

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

Deferred income tax

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

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

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, and associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business

combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

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

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

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

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. Only current income tax expense is using the estimated average annual effective income tax rate while deferred income tax is recognized and measured in consistent with annual financial reporting in accordance with IAS 12, "Income Tax." The impact of tax rate change in interim period, if any, is recognized in earnings, other comprehensive income or directly equity.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

(1) Judgement

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

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

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

(2) Estimates and assumptions

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

A. Fair value of financial instruments

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

B. Accounts receivables-estimation of impairment loss

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

C. Inventory

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

D. Post-employment benefits

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

E. Share-based payment transactions

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

F. Revenue recognition - sale returns and allowances

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

G. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income

and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

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

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Cash and petty cash	4,164	5,682	6,453
Checking and saving	1,812,466	2,303,033	2,199,394
Time deposit	7,869,964	7,759,954	7,868,506
Total	9,686,594	10,068,669	10,074,353

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

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Mandatorily measured at fair value through profit or loss:			
Money market fund	980,063	980,063	980,063
Valuation adjustment	41,175	37,032	35,826
Total	1,021,238	1,017,095	1,015,889
Current	1,021,238	1,017,095	1,015,889

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Non-current	-	-	-
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No financial asset at fair value through profit or loss was pledged as collateral.

(3) Financial assets measured at amortized cost

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Time deposits	436,223	498,338	540,922
Current	436,223	498,338	540,922
Non-current	-	-	-

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

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

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

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Equity instruments investments measured at fair value through other comprehensive income – Non-current:			
Unlisted company stocks	50,000	50,000	50,000

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

(5) Notes receivable

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Notes receivable arising from operating activities	2,797	241	395
Less: loss allowance	-	-	-

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Total	2,797	241	395
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Notes receivables were not pledged.

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

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

A. Accounts receivable, net

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Accounts receivable, gross	3,853,223	3,503,432	3,701,248
Less: allowance against doubtful accounts	(33,108)	(30,553)	(32,546)
Net of allowances	3,820,115	3,472,879	3,668,702
Accounts receivable - related parties, gross	166,155	349,315	459,776
Less: allowance against doubtful accounts	-	-	-
Net of allowances	166,155	349,315	459,776
Total accounts receivable, net	3,986,270	3,822,194	4,128,478

B. Account receivables were not pledged.

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

	Financial Institution	Accounts receivable de-recognized	Interest Rate	Advance received	Collateral	Credit Limit
		(NT\$'000)		(NT\$'000)		
9/30/2019	Mega International Commercial Bank - LanYa Branch	210,042	-	-	None	Note

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12/31/2018	Mega International Commercial Bank - LanYa Branch	214,285	-	-	None	Note
9/30/2018	Mega International Commercial Bank - LanYa Branch	256,085	-	-	None	Note

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

D. Accounts receivable are generally on 30-90 day terms. The total carrying amount for periods ended September 30, 2019, December 31, 2018 and September 30, 2018, are NT\$4,019,378, NT\$3,852,747 and NT\$4,161,024, respectively. Please refer to Note 6 (22) for more details on loss allowance of accounts receivable for the periods ended September 30, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

(7)Inventories

A. Details of inventory:

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Raw material	477,424	499,943	572,962
Supplies	33,641	38,781	39,268
Work in process	1,258,978	1,558,452	1,644,685
Finished goods	718,372	1,125,717	922,781
Merchandises	46,908	46,424	65,122
Total	<u>2,535,323</u>	<u>3,269,317</u>	<u>3,244,818</u>

B. For the three-month periods ended September 30, 2019 and 2018, the Group recognized NT\$5,207,515 thousand and NT\$4,960,656 thousand under the caption of costs of sale, respectively. For the nine-month periods ended September 30, 2019 and 2018, the Group recognized NT\$14,539,153 thousand and NT\$13,515,969 thousand under the caption of costs of sale, respectively. The following items were also included in cost

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Item	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2019	2018	2019	2018
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Loss from inventory market decline	202,178	212,548	346,708	261,281
Loss from physical	4,419	1,106	8,722	5,676
Loss from inventory write-off obsolescence	504,065	529,053	1,711,479	1,603,439
Total	710,662	742,707	2,066,909	1,870,396

C. The inventories were not pledged.

(8) Investments accounted for under the equity method

Investees	As of					
	9/30/2019		12/31/2018		9/30/2018	
	Carrying amount (NT\$'000)	Percentage of ownership (%)	Carrying amount (NT\$'000)	Percentage of ownership (%)	Carrying amount (NT\$'000)	Percentage of ownership (%)
Investments in associates:						
FuYang Technology Corp.	557,419	35.65%	735,275	35.65%	679,325	35.65%

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

In May 2017, the Company participated in FuYang's cash offering by unproportionately investing NT\$479,422 thousand for 19,176,872 shares of FuYang and, therefore, recognized a capital surplus amounting to NT\$7,484 thousand. As a result of the offering, the Company's share interest on FuYang decreased to 35.65%.

B. Investments in associates

As of September 30, 2019, December 31, 2018 and September 30, 2018, the aggregate carrying amount of the Group's interests in FuYang Technology Corp. is NT\$557,419

thousand, NT\$735,275 thousand, NT\$679,325 thousand, respectively. The aggregate financial information based on Group's share of FuYang Technology Corp. is as follows:

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2019 (NT\$'000)	2018 (NT\$'000)	2019 (NT\$'000)	2018 (NT\$'000)
Profit or loss from continuing operations	(29,121)	46,053	(181,768)	(151,328)
Other comprehensive income (post-tax)	173	3,803	3,912	8,118
Total comprehensive income	<u>(28,948)</u>	<u>49,856</u>	<u>(177,856)</u>	<u>(143,210)</u>

There were no contingent liabilities or capital commitments with respect to the investment in the associate as of September 30, 2019, December 31, 2018 and September 30, 2018. Nor any of the Group's share interest on FuYang was pledged as collateral.

C. The Group's investment accounted for under equity method as of September 30, 2019 and 2018 amounted to NT\$557,419 thousand and NT\$679,325 thousand while the related investment income/loss and joint venture income were NT\$(29,121) thousand, NT\$ 46,053 thousand, NT\$(181,768) thousand and NT\$(151,328) thousand for the three-month and nine-month period then ended September 30, 2019 and 2018, respectively. And other comprehensive income were NT\$173 thousand, NT\$3,803 thousand, NT\$3,912 thousand and NT\$8,118 thousand for the three-month and nine-month period then ended September 30, 2019 and 2018, respectively. Please note that the financial statements of the investee for the same correspondent periods were not reviewed.

D. No investment accounted for under equity method was pledged as collateral as of September 30, 2019, December 31, 2018 and September 30, 2018.

(9) Property, plant and equipment

	As of		
	9/30/2019 (NT\$'000) (Note)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Owner occupied property, plant and equipment	<u>20,070,724</u>		

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

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

	Land (NT\$'000)	Buildings (NT\$'000)	Machinery (NT\$'000)	Office Equipment (NT\$'000)	Vehicle (NT\$'000)	Other Equipment (NT\$'000)	Construction in progress and equipment awaiting inspection (including prepaid equipment) (NT\$'000)	Total (NT\$'000)
Cost:								
As of 1/1/2019	1,609,729	6,268,452	24,923,303	208,304	18,806	6,603,444	4,869,355	44,501,393
Addition	-	(858)	19,029	1,280	-	415,631	3,039,929	3,475,011
Disposals	-	-	(788,334)	(3,563)	(680)	(161,651)	-	(954,228)
Effect of EX rate	-	(51,317)	(120,326)	(1,134)	(194)	(24,861)	(786)	(198,618)
Reclassification	1,369,663	2,548,464	1,690,547	28,003	-	349,541	(5,989,814)	(3,596)
As of 9/30/2019	<u>2,979,392</u>	<u>8,764,741</u>	<u>25,724,219</u>	<u>232,890</u>	<u>17,932</u>	<u>7,182,104</u>	<u>1,918,684</u>	<u>46,819,962</u>
Depreciation and impairment:								
As of 1/1/2019	-	2,458,270	15,899,486	161,066	14,031	3,767,724	-	22,300,577
Depreciation	-	261,132	2,319,624	25,867	1,119	722,547	-	3,330,289
Impairment loss	-	-	12,149	-	-	-	-	12,149
Disposal	-	-	(339,983)	(3,562)	(680)	(160,089)	-	(504,314)
Effect of EX rate	-	(24,110)	(111,803)	(1,105)	(178)	(23,061)	-	(160,257)
Reclassification	-	-	(29)	-	-	29	-	-
As of 9/30/2019	<u>-</u>	<u>2,695,292</u>	<u>17,779,444</u>	<u>182,266</u>	<u>14,292</u>	<u>4,307,150</u>	<u>-</u>	<u>24,978,444</u>
Net carrying amount:								
As of 9/30/2019	<u>2,979,392</u>	<u>6,069,449</u>	<u>7,944,775</u>	<u>50,624</u>	<u>3,640</u>	<u>2,874,954</u>	<u>1,918,684</u>	<u>21,841,518</u>

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

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

	Land	Buildings	Machinery	Office Equipment	Vehicle	Other Equipment	Construction in progress and equipment awaiting inspection (including prepaid equipment)	Total
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Cost:								
As of 1/1/2018	1,609,729	6,288,629	21,495,023	189,137	17,558	5,617,873	5,398,850	40,616,799
Addition	-	28,000	7,656	1,089	310	241,137	3,233,194	3,511,386
Disposals	-	(9,904)	(106,780)	(86)	(525)	(82,254)	-	(199,549)
Effect of EX rate	-	(69,794)	(160,464)	(1,493)	(261)	(32,868)	56,177	(208,703)
Reclassification	-	15,619	3,034,259	14,692	1,640	703,573	(3,769,783)	-
As of 9/30/2018	<u>1,609,729</u>	<u>6,252,550</u>	<u>24,269,694</u>	<u>203,339</u>	<u>18,722</u>	<u>6,447,461</u>	<u>4,918,438</u>	<u>43,719,933</u>
Depreciation and impairment:								
As of 1/1/2018	-	2,214,267	13,016,978	128,173	12,836	3,082,814	-	18,455,068
Depreciation	-	211,846	2,267,712	25,375	1,142	588,979	-	3,095,054
Impairment loss	-	-	17,121	-	-	6,661	-	23,782
Disposal	-	(9,904)	(106,780)	(86)	(525)	(81,944)	-	(199,239)
Effect of EX rate	-	(28,956)	(138,748)	(1,378)	(228)	(28,087)	-	(197,397)
Reclassification	-	(332)	(57)	11	320	58	-	-
As of 9/30/2018	<u>-</u>	<u>2,386,921</u>	<u>15,056,226</u>	<u>152,095</u>	<u>13,545</u>	<u>3,568,481</u>	<u>-</u>	<u>21,177,268</u>
Net carrying amount:								
As of 12/31/2018	<u>1,609,729</u>	<u>3,810,182</u>	<u>9,023,817</u>	<u>47,238</u>	<u>4,775</u>	<u>2,835,720</u>	<u>4,869,355</u>	<u>22,200,816</u>
As of 9/30/2018	<u>1,609,729</u>	<u>3,865,629</u>	<u>9,213,468</u>	<u>51,244</u>	<u>5,177</u>	<u>2,878,980</u>	<u>4,918,438</u>	<u>22,542,665</u>

C. "Significant components" of buildings primarily comprised the main buildings and the facilities, which are depreciated based on their respective useful economic life of 20 to 25 years and 3 to 20 years.

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

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Property, plant and equipment	20,070,724	19,737,268	20,027,507
Prepayment for acquiring machinery	1,770,794	2,463,548	2,515,158
Total	<u>21,841,518</u>	<u>22,200,816</u>	<u>22,542,665</u>

E. The Group recognized an impairment loss amounting to NT\$12,149 thousand on certain real estate to an extent of the recoverable value in the third quarter of the year of 2019. The Group recognized an impairment loss amounting to NT\$ 23,782 thousand on certain real estate to an extent of the recoverable value in the third quarter of the year of 2018. These impairment loss or gain from recovery has been recorded in the Group's statements of comprehensive incomes. The reverable value is measured at usage values by the identified individual asset.

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

G. The Company purchased 40 parcels of land with a total area of 36,287.15 square meters. Lands are located at the addresses of No. 1113, 1114, 1438 to 1443,1479,1486 to 1487 at ShiLeiZi Sub-section, ShiLeiZi Section, No. 1044, 1047 to 1049 at QingHua Section, and No. 0001, 697 to 700 and 712 to 726 at RongHua Section, XinFeng Village. Due to regulatory restrictions, the agricultural land cannot be registered under the Company's name while it has been temporarily registered under the general manager's name and, to secure the Company's right to the land, mortgage registration has been set aside with the Company being the obligee.

(10) Intangible assets

	Computer software (NT\$'000)
<u>Cost:</u>	
As of 1/1/2019	41,461
Additions – acquired separately	40,753
Derecognized upon retirement	(11,636)
Reclassification	3,596
Effect of exchange rate changes	(326)
As of 9/30/2019	<u>73,848</u>
As of 1/1/2018	61,027
Additions – acquired separately	14,876
Derecognized upon retirement	(29,656)
Reclassification	-
Effect of exchange rate changes	(496)
As of 9/30/2018	<u>45,751</u>

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Amortization and Impairment:

As of 1/1/2019	26,932
Amortization	27,610
Derecognized upon retirement	(11,636)
Reclassification	-
Effect of exchange rate changes	(330)
As of 9/30/2019	<u>42,576</u>

As of 1/1/2018	38,177
Amortization	20,946
Derecognized upon retirement	(29,656)
Reclassification	-
Effect of exchange rate changes	(404)
As of 9/30/2018	<u>29,063</u>

Carrying amount, net:

As of 9/30/2019	<u>31,272</u>
As of 12/31/2018	<u>14,529</u>
As of 9/30/2018	<u>16,688</u>

Amounts of amortization recognized for intangible assets are as follows:

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2019 (NT\$'000)	2018 (NT\$'000)	2019 (NT\$'000)	2018 (NT\$'000)
Cost of goods sold	6	50	49	151
Selling	11	48	33	192
General and administrative	11,595	5,260	27,325	20,493
Research and development	76	25	203	110
Total	<u>11,688</u>	<u>5,383</u>	<u>27,610</u>	<u>20,946</u>

(11) Other non-current assets

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Refundable deposits	92,920	92,057	78,156
Long-term prepaid rent	(Note)	224,297	223,879
Total	92,920	316,354	302,035

As of December 31, 2018 and September 30, 2018, the right to used land, recorded under the caption of long-term prepaid rent, amounted to NT\$224,297 thousand and NT\$223,879 thousand, respectively.

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

(12) Short-term loans

	Interest interval (%)	As of		
		9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Unsecured bank loans	0.68%~3.08%	5,309,248	3,340,483	3,561,026

As of September 30, 2019, December 31, 2018 and September 30, 2018, the line of unused short-term loan credit for the Group amounted to NT\$3,988,672 thousand, NT\$5,298,700 thousand and NT\$4,427,675 thousand, respectively.

(13) Other payable

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Accrued expense	2,076,350	2,373,503	2,319,776
Equipment payable	538,901	726,797	877,483
Accrued interest	7,324	9,709	4,910
Total	2,622,575	3,110,009	3,202,169

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(14) Other current liabilities

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Other current liabilities	93,046	78,969	105,444
Current portion of long-term loans	1,226,221	852,772	781,703
Total	1,319,267	931,741	887,147

(15) Refund liability

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Refund liability	73,481	47,739	87,207

(16) Long-term loans

Details of long-term loans were as follows:

Debtor	Type of Loan	Maturity	Loan Balance	Repayment
			As of 9/30/2019 (NT\$'000)	
Mega International Commercial Bank – LanYa Branch	Credit loan	2020.04.02- 2022.07.05	1,168,900	Note 1
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Secured bank loan	2034.01.08	900,000	Note 8
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Credit loan	2021.03.31- 2021.04.23	600,000	Notes 2 and 3
Standard Chartered Bank –Xinwu Branch	Credit loan	2021.09.28	600,000	Note 4
Chang Hwa Commercial Bank –Beitou Branch	Credit loan	2023.10.09- 2024.08.05	200,000	Note 1

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E.Sun Commercial Bank –Lisin Branch	Credit loan	2022.05.06	100,000	Note 7
Total			3,568,900	
Less: current portion			(1,226,221)	
Non-current portion			2,342,679	

Debtor	Type of Loan	Maturity	As of 12/31/2018 (NT\$'000)	Repayment
Mega International Commercial Bank – LanYa Branch	Credit loan	2020.04.02-2023.06.29	1,953,578	Note 1
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Credit loan	2021.03.31-2021.04.23	800,000	Notes 2 and 3
Standard Chartered Bank –Xinwu Branch	Credit loan	2021.09.28	600,000	Note 4
Chang Hwa Commercial Bank –Beitou Branch	Credit loan	2023.10.09	100,000	Note 1
Total			3,453,578	
Less: current portion			(852,772)	
Non-current portion			2,600,806	

Debtor	Type of Loan	Maturity	As of 9/30/2018 (NT\$'000)	Repayment
Mega International Commercial Bank – LanYa Branch	Secured bank loan	2020.05.07-2023.03.16	248,000	Notes 5 and 6
Mega International Commercial Bank – LanYa Branch	Credit loan	2020.04.02-2023.06.29	2,113,406	Note 5
The Shanghai Commercial & Savings Bank – ZhongLi Branch	Secured bank loan	2019.01.15	8,750	Note 5

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The Shanghai Commercial & Savings Bank – ZhongLi Branch	Credit loan	2021.03.31-2021.04.23	800,000	Notes 2 and 3
Standard Chartered Bank –Xinwu Branch	Credit loan	2021.09.28	600,000	Note 4
Total			<u>3,770,156</u>	
Less: current portion			<u>(781,703)</u>	
Non-current portion			<u>2,988,453</u>	

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

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

Note 3: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 1 years (4 terms). The rest is repayable in installments of equal amount for 6 terms.

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

Note 5: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 1 year (4 terms). The rest is repayable in installments of equal amount for 16 terms.

Note 6: Grace period is 1 year. The loan principal is to repay in 16 installments starting the second year with 4% for the first to fifteenth repayment, and repays the remaining principal of 40% for the sixteenth.

Note 7: Grace period is 12 months from the initial draw-down date. 12 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 5 terms.

Note 8: A term is defined as every 3 months starting from the initial draw-down date. Grace period is 2 years (8 terms). The rest is repayable in installments of equal amount for 52 terms.

A. A portion of property, plant and equipment were pledged to Mega International Commercial Bank and Shanghai Commercial & Savings Bank (the first-priority mortgagors) as collaterals for secured bank loans. Please refer to Note 8 for more details.

B. As of September 30, 2019, December 31, 2018 and September 30, 2018, the interest rate intervals for long-term loans were 1.074%~3.5%, 1.074%~3.296% and 1.074%~3.85%, respectively.

(17) Other non-current liabilities

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Net defined benefit liability	22,066	25,156	22,865
Deposits received	32,584	44,708	47,575
Total	54,650	69,864	70,440

(18) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended September 30, 2019 and 2018 were NT\$35,934 thousand and NT\$36,530 thousand, respectively, while for the nine-month periods ended September 30, 2019 and 2018 were NT\$107,779 thousand and NT\$105,337 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three-month periods ended September 30, 2019 and 2018 were NT\$90 thousand and NT\$118 thousand, respectively, while for the nine-month periods ended September 30, 2019 and 2018 were NT\$270 thousand and NT\$355 thousand, respectively.

(19)Equity

A. Common shares

As of September 30, 2019, December 31, 2018 and September 30, 2018, the Company's authorized capital were NT\$6,000,000 thousand, NT\$5,500,000 thousand and NT\$5,500,000 thousand, respectively, each share at par value of NT\$10, divided into 600,000 thousand shares, 550,000 thousand shares and 550,000 thousand shares, respectively. As of September 30, 2019, December 31, 2018 and September 30, 2018, the Company's paid-in capital were NT\$4,511,614 thousand, NT\$4,508,410 thousand and NT\$4,460,000 thousand, respectively, divided into 451,161 thousand shares, 450,841 thousand shares and 446,000 thousand shares, respectively. Each share represents a voting right and a right to receive dividends.

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

On February 18, 2019, the board of directors resolved to retire 786,000 shares of restricted stock and the measurement date was at March 17, 2019.

On April 29, 2019, the board of directors resolved to retire 600,000 shares of restricted stock and the measurement date was at May 2, 2019.

On July 29, 2019, the board of directors resolved to retire 1,395,000 shares of restricted stock and the measurement date was at August 1, 2019.

In addition, on February 18, 2019, the board of directors resolved to issue 659,000 shares of restricted stock. The measurement date was at March 18, 2019 and issued 598,500 shares of restricted stock.

As of September 30, 2019, the restricted stocks plan has expired while there were 63 thousand shares to be cancelled yet.

B. Capital surplus

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Additional paid-in capital	5,959,846	5,887,857	5,887,857
Differences between purchase price and carrying amount arising from acquisition or disposal of subsidiaries	50,925	50,925	50,925
All changes in interests in subsidiaries	38,894	38,894	38,894
Change in joint ventures accounted for using equity method	7,484	7,484	7,484
Shared-Based Payment	8,371	8,371	8,371
Restricted stocks for employees	83,304	147,411	146,672
Total	6,148,824	6,140,942	6,140,203

According to the Taiwan Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them. Capital surplus related to long-term equity investments cannot be used for any purpose.

C. Treasury stock

No treasury stock was held by the Company as of September 30, 2018, while treasury stock amounted to NT\$631 thousand and NT\$738 thousand, respectively, divided into 63 thousand shares, and 74 thousand shares, respectively, as of September 30, 2019, and December 31, 2018.

Purpose of repurchase	Beginning balance	Addition	Decrease	Ending balance
<u>For the nine-month period ended September 30, 2019</u>				
Recover failed restricted stocks	74	267	278	63
<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 September 30, 2019 were 45,116 thousand shares, with the maximum payments of NT\$20,489,556 thousand.

In compliance with Securities and Exchange Law of the R.O.C., treasury stock should not be pledged, nor should it be entitled to voting rights or receiving dividends.

D. Appropriation of earnings and dividend policies

(a) Earning distribution

According to the Company's Articles of Incorporation revised by the shareholders' meetings on May 29, 2019, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount as legal reserve.
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

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

(b) Dividend policies

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

(c) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(d) Special reserve

Following the adoption of T-IFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company did not incur any special reserve upon the first-time adoption of T-IFRS.

(e) The appropriations of earnings for the Year 2018 and 2017 were approved through the Board of Directors' meetings and shareholders' meetings held on May 29, 2019 and May 29, 2018, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT\$)	
	2018 (NT\$'000)	2017 (NT\$'000)	2018	2017
Legal reserve	34,949	49,167		
Special reserve	22,707	77,064		
Cash dividend	676,261	669,000	1.50	1.50
Total	733,917	795,231		

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

E. Non-controlling interests

	For the nine-month period ended September 30,	
	2019 (NT\$'000)	2018 (NT\$'000)
Beginning balance	1,966,372	1,916,437
Net loss attributable to NCIs	1,011	22,558
Other comprehensive income attributable to NCIs:		
Exchange differences arising on translation of foreign operations	(6,932)	(17,610)
Non-controlling interests increase/(decrease)	171,133	-
Ending balance	2,131,584	1,921,385

(20) Share-based payment plans

Restricted stocks plan for employees

A. On May 29, 2018, the shareholders' meetings resolved to issue of 5,500 thousand shares of restricted stocks for employees. The grantee is limited to employees who meet certain conditions. The restricted stocks have been approved by the Securities and Futures Bureau. On July 30, 2018, the board of directors resolved to issue 4,947 thousand shares.

The measurement date was at August 28, 2018 and total shares issued were 4,841 thousand. The unit market price as of the granted date was NT\$49.1.

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

The employees who acquire the above shares can subscribe shares at the price of NT\$10 per shares while the vesting conditions are as below.

Vesting conditions	Proportion of vested shares
Within one month starting the granted date	20%
April 25, 2019	20%
September 25, 2019	15%
April 25, 2020	15%
September 25, 2020	15%
April 25, 2021	15%

Restriction on employee's right after granted but before vested:

- (a) The granted employee commit to the custodian institution, and shall not sell, pledge, transfer, donate, or dispose in any other ways, the right of restricted stocks before achieving the vesting conditions.
- (b) After new shares of restricted stock are issued, the granted employee should immediately commit to the custodian institution, and not to ask the trustee to return the restricted stock in any other reasons or ways before achieving the vesting conditions.
- (c) The restricted stock for employees can participate in receiving dividends during the vesting period.
- (d) The right to vote and elect in a shareholders' meeting shall be executed by custodian institution in accordance with related regulations.

On August 28, 2018, the issuance of 4,841 thousand restricted shares for employees resulted in the increase of capital reserve—employee stock option amounting to

NT\$184,530 thousand. The restricted stocks plan was invalidated as of September 30, 2019 and 355 thousand shares were recalled. As a result, capital reserve increased by NT\$3,550 thousand and the unearned employee compensation was NT\$34,574 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 September 30, 2019 and 11 thousand shares were recalled. As a result, capital reserve increased by NT\$107 thousand and the unearned employee compensation was NT\$5,242 thousand.

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

	For the nine-month period ended	
	September 30,	
	2019	2018
	(NT\$'000)	(NT\$'000)
Total expense arising from equity-settled share-based payment transactions	71,407	52,746

C. The Company did not modify the share-based payment plan for the nine-month period ended September 30, 2019.

(21) Sales

	For the three-month		For the nine-month	
	period ended September 30,		period ended September 30,	
	2019	2018	2019	2018
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Revenue from customer contracts				
Sales of goods	5,947,484	6,379,073	15,955,662	17,345,459
Other operating revenue	50,012	35,895	135,551	123,605
Total	5,997,496	6,414,968	16,091,213	17,469,064

Analysis of revenue from contracts with customers during the nine-month periods ended September 30, 2019 and 2018 are as follows:

A. Disaggregation of revenue

	For the three-month period ended September 30, 2019			
	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Total (NT\$'000)
Sale of goods	4,347,394	743,872	856,218	5,947,484
Other	50,012	-	-	50,012
Total	4,397,406	743,872	856,218	5,997,496

The timing for revenue recognition:

At a point in time	4,397,406	743,872	856,218	5,997,496
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	For the three-month period ended September 30, 2018			
	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Total (NT\$'000)
Sale of goods	4,505,478	1,006,593	867,002	6,379,073
Other	35,895	-	-	35,895
Total	4,541,373	1,006,593	867,002	6,414,968

The timing for revenue recognition:

At a point in time	4,541,373	1,006,593	867,002	6,414,968
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	For the nine-month period ended September 30, 2019			
	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Total (NT\$'000)
Sale of goods	11,502,222	2,097,020	2,356,420	15,955,662
Other	135,551	-	-	135,551
Total	11,637,773	2,097,020	2,356,420	16,091,213

The timing for revenue recognition:

At a point in time	11,637,773	2,097,020	2,356,420	16,091,213
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	For the nine-month period ended September 30, 2018			
	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Total (NT\$'000)
Sale of goods	12,459,383	2,603,481	2,282,595	17,345,459
Other	123,605	-	-	123,605
Total	12,582,988	2,603,481	2,282,595	17,469,064

The timing for revenue recognition:

At a point in time	12,582,988	2,603,481	2,282,595	17,469,064
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B. Contract balances

(a) Contract liabilities

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Sales of goods	55,219	124,061	120,515
Customer loyalty programs	9,894	10,739	7,946
Total	65,113	134,800	128,461

For the nine-month period ended September 30, 2019, contract liabilities decreased because certain performance obligations included in the beginning contract liability balance were satisfied and therefore recognized for revenues.

(22) Expected credit losses/ (gains)

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2019	2018	2019	2018
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Operating expenses – Expected credit losses/(gains)				
Account receivables	6,964	(142)	2,568	8,583

Please refer to Note 12 for more details on credit risk.

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The Group measures the loss allowance of its contract assets and trade receivables (including note receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance are as follow:

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

As of September 30, 2019,

Group 1	Not past due (Note) (NTS'000)	Past due					Total (NTS'000)
		<=30 days (NTS'000)	31-60 days (NTS'000)	61-90 days (NTS'000)	91-120 days (NTS'000)	>=120 days (NTS'000)	
		Gross carrying amount	3,257,261	450,503	51,439	256	
Loss ratio	-%	5%	15%	30%	50%	75%	
Lifetime expected credit losses	-	(22,525)	(7,716)	(77)	-	-	(30,318)
Subtotal	3,257,261	427,978	43,723	179	-	-	3,729,141
Group 2	Not past due (Note) (NTS'000)	Past due					Total (NTS'000)
		<=30 days (NTS'000)	31-60 days (NTS'000)	61-90 days (NTS'000)	91-120 days (NTS'000)	>=120 days (NTS'000)	
		Gross carrying amount	238,437	\$24,279	-	-	
Loss ratio	1.07%	1.00%	-%	-%	-%	-%	
Lifetime expected credit losses	(2,547)	(243)	-	-	-	-	(2,790)
Subtotal	235,890	24,036	-	-	-	-	259,926
Carrying amount of trade receivables	3,493,151	452,014	43,723	179	-	-	3,989,067

As of December 31, 2018,

Group 1	Not past due (Note) (NTS'000)	Past due					Total (NTS'000)
		<=30 days (NTS'000)	31-60 days (NTS'000)	61-90 days (NTS'000)	91-120 days (NTS'000)	>=120 days (NTS'000)	
		Gross carrying amount	3,249,699	345,796	60,682	323	
Loss ratio	-%	5%	15%	30%	50%	75%	
Lifetime expected credit losses	-	(17,290)	(9,102)	(97)	-	-	(26,489)
Subtotal	3,249,699	328,506	51,580	226	-	-	3,630,011

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Group 2	Not past due (Note) (NT\$'000)	Past due					Total (NT\$'000)
		<=30 days (NT\$'000)	31-60 days (NT\$'000)	61-90 days (NT\$'000)	91-120 days (NT\$'000)	>=120 days (NT\$'000)	
		Gross carrying amount	196,488	-	-	-	
Loss ratio	2.07%	-%	-%	-%	-%	-%	
Lifetime expected credit losses	(4,064)	-	-	-	-	(4,064)	
Subtotal	192,424	-	-	-	-	192,424	
Carrying amount of trade receivables	3,442,123	328,506	51,580	226	-	3,822,435	

As of September 30, 2018,

Group 1	Not past due (Note) (NT\$'000)	Past due					Total (NT\$'000)
		<=30 days (NT\$'000)	31-60 days (NT\$'000)	61-90 days (NT\$'000)	91-120 days (NT\$'000)	>=120 days (NT\$'000)	
		Gross carrying amount	3,433,697	461,883	38,694	1,534	
Loss ratio	-%	5%	15%	30%	50%	75%	
Lifetime expected credit losses	-	(23,094)	(5,804)	(460)	-	(29,358)	
Subtotal	3,433,697	438,789	32,890	1,074	-	3,906,450	

Group 2	Not past due (Note) (NT\$'000)	Past due					Total (NT\$'000)
		<=30 days (NT\$'000)	31-60 days (NT\$'000)	61-90 days (NT\$'000)	91-120 days (NT\$'000)	>=120 days (NT\$'000)	
		Gross carrying amount	225,611	-	-	-	
Loss ratio	1.413%	-%	-%	-%	-%	-%	
Lifetime expected credit losses	(3,188)	-	-	-	-	(3,188)	
Subtotal	222,423	-	-	-	-	222,423	
Carrying amount of trade receivables	3,656,120	438,789	32,890	1,074	-	4,128,873	

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

B. The movement in the provision for impairment of note receivables and trade receivables during the nine-month periods ended September 30, 2019 and 2018 is as follows:

	Note receivables (NT\$'000)	Account receivables (NT\$'000)
Beginning balance as of January 1, 2019	-	30,553
Addition/(reversal) for the current period	-	2,568

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Effect of exchange rate	-	(13)
Ending balance as of September 30, 2019	-	33,108
	Note receivables (NT\$'000)	Account receivables (NT\$'000)
Beginning balance as of January 1, 2018 (in accordance with IAS 39)	-	23,972
Transition adjustment to retained earnings as of January 1, 2018	-	-
Beginning balance as of January 1, 2018 (in accordance with IFRS 9)	-	23,972
Addition/(reversal) for the current period	-	8,583
Effect of exchange rate	-	(9)
Ending balance as of September 30, 2018	-	32,546

(23) Leases

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

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

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

(a) Amounts recognized in the balance sheet

a. Right-of-use asset

The carrying amount of right-of-use asset

	As of	
	12/31/2018	9/30/2018
9/30/2019	(Note)	(Note)
(NT\$'000)	(NT\$'000)	(NT\$'000)
Land	222,873	
Buildings	183,656	

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Machinery	12,627
Transportation	1,349
Total	420,505

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

b. Lease liability

	As of		
	9/30/2019	12/31/2018	9/30/2018
	(NT\$'000)	(Note) (NT\$'000)	(Note) (NT\$'000)
Lease liability	203,568		
Current	134,945		
Non-current	68,623		
Total	203,568		

Please refer to Note 6(25) (C) for the interest on lease liability recognized during the three-month and nine-month period ended September 30, 2019 and refer to Note 12(5) for the maturity analysis for lease liabilities as of September 30, 2019.

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

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2019	2018	2019	2018
	(NT\$'000)	(Note) (NT\$'000)	(NT\$'000)	(Note) (NT\$'000)
Land	1,786		4,850	
Buildings	32,540		97,803	
Machinery	1,722		5,166	

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Transportation	208	559
Total	<u>36,256</u>	<u>108,378</u>

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

(c) Income and costs relating to leasing activities

	<u>For the three-month</u> <u>period ended September 30,</u>		<u>For the nine-month</u> <u>period ended September 30,</u>	
	2019	2018	2019	2018
	(NT\$'000)	(Note) (NT\$'000)	(NT\$'000)	(Note) (NT\$'000)
The expense relating to short-term leases (rent expenses)	(11,830)		(36,373)	
The expense relating to leases of low-value assets (Not including the expense relating to short-term leases of low-value assets)	(335)		(899)	
Income from subleasing right-of-use assets	257		413	

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

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

(d) Cash outflow relating to leasing activities

During the nine-month period ended September 30, 2019, the Group's total cash outflow for leases amounting to NT\$138,873 thousand.

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

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

Future minimum rentals payable under non-cancellable operating leases as of September 30, 2019, December 31, 2018 and September 30, 2018 are as follows:

	As of		
	9/30/2019 (Note) (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Less than one year		161,310	111,482
More than one year but less than five years		169,585	117,237
Total		330,895	228,719

Operating lease expenses recognized are as follows:

	For the three-month period ended September 30, 2019 (Note) (NT\$'000)		For the nine-month period ended September 30, 2019 (Note) (NT\$'000)	
	2018 (NT\$'000)	2018 (NT\$'000)	2018 (NT\$'000)	2018 (NT\$'000)
Minimum lease payment		47,192		137,502

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

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

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

	For the three-month period ended September 30, 2019 (Note) (NT\$'000)		For the nine-month period ended September 30, 2019 (Note) (NT\$'000)	
	2018 (NT\$'000)	2018 (Note) (NT\$'000)	2018 (Note) (NT\$'000)	2018 (Note) (NT\$'000)
Lease income for operating leases				
Income relating to fixed lease payments		14,056		39,206

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

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as of September 30, 2019 are as follow:

	As of	
	12/31/2018	9/30/2018
9/30/2019	(Note)	(Note)
(NT\$'000)	(NT\$'000)	(NT\$'000)
Less than one year	4,240	

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

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

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

Future minimum rentals receivable under non-cancellable operating leases as of September 30, 2019, December 31, 2018 and September 30, 2018 are as follows:

	As of	
	12/31/2018	9/30/2018
9/30/2019		
(Note)		
(NT\$'000)	(NT\$'000)	(NT\$'000)
Less than one year	38,154	43,094
More than one year but less than five years	-	3,532
Total	38,154	46,626

For the three-month periods ended September 30, 2018, rent incomes of the Group amounted to NT\$12,625 thousand. For the nine-month periods ended September 30, 2018, rent incomes of the Group amounted to NT\$ 38,989 thousand.

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

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

Function Nature	For the three-month period ended September 30, 2019 (NT\$'000)			For the three-month period ended September 30, 2018 (NT\$'000)		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Employee benefit						
Salaries & wages	922,207	263,344	1,185,551	1,103,876	272,137	1,376,013
Labor and health insurance	69,134	17,667	86,801	71,658	14,641	86,299
Pension	26,436	9,588	36,024	28,187	8,460	36,647
Other employee benefit	45,693	12,899	58,592	41,494	13,393	54,887
Depreciation	1,060,892	83,420	1,144,312	998,757	64,129	1,062,886
Amortization	6	11,682	11,688	50	5,333	5,383

Function Nature	For the nine-month period ended September 30, 2019 (NT\$'000)			For the nine-month period ended September 30, 2018 (NT\$'000)		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefit						
Salaries	2,730,674	741,069	3,471,743	2,842,397	682,520	3,524,917
Labor and health insurance	210,732	49,659	260,391	200,873	47,451	248,324
Pension	81,176	26,873	108,049	80,108	25,583	105,691
Other employee benefit	134,472	37,093	171,565	142,106	43,840	185,946
Depreciation	3,196,692	241,975	3,438,667	2,721,086	373,968	3,095,054
Amortization	49	27,561	27,610	151	20,795	20,946

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 nine-month period ended September 30, 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 nine-month period ended September 30, 2018 and recorded them as employee benefits. As such, employees’ compensation and remuneration to directors and supervisors for the three-month period ended September 30, 2018 amounted to NT\$ 37,306 thousand and NT\$ 2,270 thousand, respectively, and, for the nine-month period ended September 30, 2018, NT\$51,002 thousand and NT\$3,104 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.

No material differences exist between the estimated amount and the actual distribution of the employee bonuses and remuneration to directors and supervisors for the year ended December 31, 2017.

(25) Non-operating incomes and expenses

A. Other incomes

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2019 (NT\$'000)	2018 (NT\$'000)	2019 (NT\$'000)	2018 (NT\$'000)
Interest income				
Financial assets measured at amortized cost	14,173	15,515	44,916	47,210
Other income – others	41,341	27,523	89,261	153,562
Total	55,514	43,038	134,177	200,772

B. Other gains and losses

	For the three-month		For the nine-month	
	period ended September 30,		period ended September 30,	
	2019	2018	2019	2018
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Gain (loss) from disposal of property, plant and equipment	(5,065)	65	8,526	381
Foreign exchange gain (loss), net	(10,841)	(32,988)	4,135	(26,447)
Lease modification gains	-	-	183	-
Net gain of financial assets at fair value through profit or loss	1,410	1,292	4,143	4,154
Impairment losses – Property, plant and equipment	-	(6,891)	(12,149)	(23,782)
Other expenses	(7,218)	(14,990)	(23,799)	(34,750)
Total	(21,714)	(53,512)	(18,961)	(80,444)

C. Finance costs

	For the three-month		For the nine-month	
	period ended September 30,		period ended September 30,	
	2019	2018	2019	2018
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Interest on bank loans	37,523	32,804	109,242	86,901
Interests on lease liabilities	659	(Note)	2,259	(Note)
Total	38,182	32,804	111,501	86,901

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

(26) Components of other comprehensive income (OCI)

For the three-month period ended September 30, 2019

	Arising during the period (NT\$'000)	Reclassification during the period (NT\$'000)	Subtotal (NT\$'000)	Income tax benefit (expense) (NT\$'000)	OCI, Net of tax (NT\$'000)
<u>May be reclassified to profit or loss in subsequent period:</u>					
Exchange differences arising on translation of foreign operations	(74,092)	-	(74,092)	-	(74,092)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	173	-	173	-	173
Total OCI	<u>(73,919)</u>	<u>-</u>	<u>(73,919)</u>	<u>-</u>	<u>(73,919)</u>

For the three-month period ended September 30, 2018

	Arising during the period (NT\$'000)	Reclassification during the period (NT\$'000)	Subtotal (NT\$'000)	Income tax benefit (expense) (NT\$'000)	OCI, Net of tax (NT\$'000)
<u>May be reclassified to profit or loss in subsequent period:</u>					
Exchange differences arising on translation of foreign operations	(111,387)	-	(111,387)	-	(111,387)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	3,803	-	3,803	-	3,803
Total OCI	<u>(107,584)</u>	<u>-</u>	<u>(107,584)</u>	<u>-</u>	<u>(107,584)</u>

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	Arising during the period (NT\$'000)	Reclassification during the period (NT\$'000)	Subtotal (NT\$'000)	Income tax benefit (expense) (NT\$'000)	OCI, Net of tax (NT\$'000)
<u>May be reclassified to profit or loss in subsequent period:</u>					
Exchange differences arising on translation of foreign operations	(41,490)	-	(41,490)	-	(41,490)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	3,912	-	3,912	-	3,912
Total OCI	<u>(37,578)</u>	<u>-</u>	<u>(37,578)</u>	<u>-</u>	<u>(37,578)</u>

For the nine-month period ended September 30, 2018

	Arising during the period (NT\$'000)	Reclassification during the period (NT\$'000)	Subtotal (NT\$'000)	Income tax benefit (expense) (NT\$'000)	OCI, Net of tax (NT\$'000)
<u>May be reclassified to profit or loss in subsequent period:</u>					
Exchange differences arising on translation of foreign operations	(71,405)	-	(71,405)	-	(71,405)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	8,118	-	8,118	-	8,118
Total OCI	<u>(63,287)</u>	<u>-</u>	<u>(63,287)</u>	<u>-</u>	<u>(63,287)</u>

(27) Income tax

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

Based on an amendment to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate changes from 17% to 20% and the surtax rate on undistributed earnings from 10% to 5% effective the year of 2018.

Income tax expense (benefit) recognized in profit or loss

	<u>For the three-month</u>		<u>For the nine-month</u>	
	<u>period ended September 30,</u>		<u>period ended September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>(NT\$'000)</u>	<u>(NT\$'000)</u>	<u>(NT\$'000)</u>	<u>(NT\$'000)</u>
Current income tax expense (benefit):				
Current income tax expense	27,647	106,991	97,116	202,041
Adjustments in respect of current income tax of prior periods	(1,417)	-	(18,129)	(119,377)
Deferred tax expense (benefit):				
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	414	(664)	972	142,625
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	-	-	-	(21,257)
Total income tax expense	<u>26,644</u>	<u>106,327</u>	<u>79,959</u>	<u>204,032</u>

B. The assessment of income tax return

As of September 30, 2019, the assessment status of income tax returns of the Company and subsidiaries was as follows:

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

(28) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity 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.

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A. Basic earnings per share

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2019	2018	2019	2018
Net income (loss) attributable to common shareholders of the parent (in NT\$'000)	(278,467)	241,698	(2,030,834)	345,686
Weighted average number of common shares outstanding (in thousand shares)	447,661	446,011	447,661	446,011
Basic earnings (loss) per share (in NT\$)	(0.62)	0.54	(4.54)	0.78

B. Diluted earnings per share

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2019	2018	2019	2018
Net income (loss) attributable to common shareholders of the parent (in NT\$'000)	(278,467)	241,698	(2,030,834)	345,686
Net income (loss) attributable to common shareholders of the parent after dilution (in NT\$'000)	(278,467)	241,698	(2,030,834)	345,686
Weighted average number of common shares outstanding after dilution (in thousand shares)	447,661	446,011	447,661	446,011
Effect of dilution:				
Employee bonus – stock (in thousand shares)	(Note)	981	(Note)	1,671
Restricted stocks (in thousand shares)	(Note)	151	(Note)	151
Weighted average number of common shares outstanding after dilution (in thousand shares)	447,661	447,143	447,661	447,833
Diluted earnings (loss) per share (in NT\$)	(0.62)	0.54	(4.54)	0.77

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

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

(29) Subsidiary that has material non-controlling interests

Proportion of equity interest held by non-controlling interests:

Name	Country	As of		
		9/30/2019	12/31/2018	9/30/2018
PIOTEK HOLDINGS LTD. and its subsidiary	China	49.00%	49.00%	49.00%
Pegavision Corporation and its subsidiary	Taiwan	63.19%	63.19%	63.19%

Accumulated balances of material non-controlling interest:

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
PIOTEK HOLDINGS LTD. and its subsidiaries	504,064	697,708	748,804
Pegavision Corporation and its subsidiary	1,627,520	1,268,664	1,172,581

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

	For the nine-month period ended September 30,	
	2019 (NT\$'000)	2018 (NT\$'000)
PIOTEK HOLDINGS LTD. and its subsidiaries	(187,296)	(223,765)
Pegavision Corporation and its subsidiary	188,307	246,323

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarized Piotek Holdings Ltd. and its subsidiaries information of profit or loss is as follows:

	For the nine-month period ended September 30,	
	2019 (NT\$'000)	2018 (NT\$'000)
Operating revenue	2,097,136	2,606,251
Profit/loss from continuing operation	(382,245)	(456,664)
Total comprehensive income for the period	(395,189)	(490,686)

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

	For the nine-month period ended September 30,	
	2019 (NT\$'000)	2018 (NT\$'000)
Operating revenue	2,356,420	2,282,594
Profit/loss from continuing operation	298,023	389,842
Total comprehensive income for the period	297,099	388,347

Summarized Piotek Holdings Ltd. And its subsidiaries information of financial position is as follows:

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Current assets	1,276,861	1,527,580	1,734,888
Non-current assets	1,488,615	1,715,709	1,787,483
Current liabilities	1,588,534	1,488,787	1,605,249
Non-current liabilities	148,245	330,616	388,949

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

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Current assets	1,729,691	1,560,422	1,760,049
Non-current assets	3,451,909	2,586,982	2,604,535
Current liabilities	1,562,311	1,645,351	1,865,484
Non-current liabilities	1,176,348	494,211	643,321

Summarized Pirotek Holdings Ltd. And its subsidiaries cash flows information is as follows:

	For the nine-month period ended September 30,	
	2019 (NT\$'000)	2018 (NT\$'000)
Operating activities	(83,528)	(125,011)
Investing activities	(69,292)	(59,854)
Financing activities	(51,061)	32,636
Net increase/(decrease) in cash and cash equivalents	(192,480)	(145,991)

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

	For the nine-month period ended September 30,	
	2019 (NT\$'000)	2018 (NT\$'000)
Operating activities	503,257	813,648
Investing activities	(1,154,164)	(1,671,040)
Financing activities	945,193	938,388
Net increase/(decrease) in cash and cash equivalents	293,468	79,408

7. RELATED PARTY TRANSACTIONS

(1) Deal with related parties as of the end of the reporting period

Related parties and Relationship

Related parties	Relationship
Pegatron Corporation	Parent company
FuYang Technology Corp.	Associate
AzureWave Technologies, Inc	Other related parties
AzureWave Technologies (Shanghai) Inc.	Other related parties
PEGATRON JAPAN INC	Other related parties
Maintek Computer (Suzhou) Co., Ltd	Other related parties
GNDC Co., Ltd.	Other related parties
DIGITEK (CHONGQING) LIMITED	Other related parties
COTEK ELECTRONICS(SUZHOU) CO., LTD.	Other related parties

(2) Significant transactions with related parties

A. Sales to

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2019	2018	2019	2018
	(NT\$'000)	(NT\$'000)	(NT\$'000)	(NT\$'000)
Parent company	31,064	428,942	175,838	1,149,733
Other related parties	124,880	12,440	479,751	29,099
Total	<u>155,944</u>	<u>441,382</u>	<u>655,589</u>	<u>1,178,832</u>

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

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B. Lease-related parties

(a) Right-of-use asset

Related parties	Nature	9/30/2019 (NT\$'000)	As of	
			12/31/2018 (Note) (NT\$'000)	9/30/2018 (Note) (NT\$'000)
Parent company	Buildings	81,887		
Other related parties	Buildings	4,533		
Total		86,420		

(b) Lease liability

Related parties		9/30/2019 (NT\$'000)	As of	
			12/31/2018 (Note) (NT\$'000)	9/30/2018 (Note) (NT\$'000)
Parent company		86,380		
Other related parties		4,564		
Total		90,944		

(c) Lease payment

Related parties	Nature of lease	For the three-month period ended September 30,		For the nine-month period ended September 30,	
		2019 (NT\$'000)	2018 (NT\$'000)	2019 (NT\$'000)	2018 (NT\$'000)
Parent company	Plants	(Note)	24,035	(Note)	78,059
Parent company	Various acilities	235	280	749	749
Other related parties	offices	(Note)	292	(Note)	874

(d) Interest expense

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2019 (NT\$'000)	2018 (Note) (NT\$'000)	2019 (NT\$'000)	2018 (Note) (NT\$'000)
Related parties				
Parent company	303		1,166	
Other related parties	16		50	
Total	319		1,216	

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

- C. For the nine-month periods ended September 30, 2019 and 2018, the Group recognized operating expenses of NT\$2,439 thousand and NT\$2,557 thousand, respectively, for services provided by other related parties.

Moreover, for the nine-month periods ended September 30, 2019 and 2018, the Group recognized operating expenses of NT\$344 thousand and NT\$4,270 thousand (tax included), respectively, for services provided by the Parent.

In addition, for the nine-month periods ended September 30, 2019 and 2018, the Group incurred operating expenses of NT\$55,620 thousand and NT\$70,057 thousand (tax included), respectively, for utility bills paid by the Parent on behalf of the Group.

For the nine-month periods ended September 30, 2019 and 2018, the Group recognized operating expense of NT\$1,933 thousand and NT\$1,968 thousand, respectively, due to subcontracting maintenance and repair on factories to its associate.

- D. For the nine-month periods ended September 30, 2019 and 2018, the Group recognized rent income of NT\$862 thousand and NT\$1,629 thousand, respectively, for plants leased to other related parties.

For the nine-month periods ended September 30, 2019 and 2018, the Group recognized rent income of NT\$32,750 thousand and NT\$32,744 thousand, respectively, for plants leased to the associate.

E. For the nine-month periods ended September 30, 2019 and 2018, the Group recognized other income in amount of NT\$17,401 thousand and NT\$14,367 thousand, respectively, due to paying utilities on behalf of associate.

For the nine-month periods ended September 30, 2019, the Group recognized other income in amount of NT\$34 thousand due to providing services to other related parties.

F. Accounts receivable - related parties

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Parent company	33,084	343,824	450,269
Other related parties	133,071	5,491	9,507
Total	166,155	349,315	459,776
Less: loss allowance	-	-	-
Net	166,155	349,315	459,776

G. Other receivables

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Associate	6,407	5,492	6,336
Other related parties	331	289	289
Total	6,738	5,781	6,625

H. Refundable deposits

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Parent company	10,000	10,000	10,000

I. Accrued expenses

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Parent company	18,235	16,513	19,382
Associate	450	447	486
Other related parties	596	594	550
Total	19,281	17,554	20,418

J. Salaries and rewards to key management of the Group

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2019 (NT\$'000)	2018 (NT\$'000)	2019 (NT\$'000)	2018 (NT\$'000)
Short-term employee benefit	9,621	17,386	32,008	49,705
Post-employee benefit	193	189	571	567
Total	9,814	17,575	32,579	50,272

8. PLEDGED ASSETS

The following assets of the Group are pledged as collaterals:

Item	Carrying Amount As of			Purpose
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)	
Property, plant and equipment – machinery (carrying amount)	-	-	808,049	Long-term secured loans
Property, plant and equipment – other equipment (carrying amount)	-	-	240,463	Long-term secured loans
Property, plant and equipment – land	1,317,564	-	-	Long-term secured loans
Property, plant and equipment – buildings (carrying amount)	66,529	-	-	Long-term secured loans
Refundable deposits	2,000	2,000	2,000	Security deposit to custom authority
Total	1,386,093	2,000	1,050,512	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) The Group's unused letters of credit (LC) as of September 30, 2019 were as follows:

<u>Currency</u>	<u>LC Amount (in thousand)</u>	<u>Security (in thousand)</u>
JPY	JPY 1,078,685	-
USD	USD 3,988	-

(2) Details of significant constructions in progress and outstanding contracts of property, plant and equipment as of September 30, 2019 were as follows:

<u>Nature of Contract</u>	<u>Contract Amount (NT\$'000)</u>	<u>Amount Paid (NT\$'000)</u>	<u>Outstanding Balance (NT\$'000)</u>
Machinery and construction contracts	3,420,660	1,618,805	1,801,855

10. SIGNIFICANT DISASTER LOSS

None

11. SIGNIFICANT SUBSEQUENT EVENT

None

12. OTHERS

(1) Categories of financial instruments

Financial assets

	<u>As of</u>		
	<u>9/30/2019 (NT\$'000)</u>	<u>12/31/2018 (NT\$'000)</u>	<u>9/30/2018 (NT\$'000)</u>
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through P/L	1,021,238	1,017,095	1,015,889
Financial assets at fair value through OCI	50,000	50,000	50,000
Financial assets measured at amortized cost	14,417,541	14,660,008	15,131,201
Total	15,488,779	15,727,103	16,197,090

Financial liabilities

	As of		
	9/30/2019 (NT\$'000)	12/31/2018 (NT\$'000)	9/30/2018 (NT\$'000)
Financial liabilities at amortized cost:			
Short-term borrowings	5,309,248	3,340,483	3,561,026
Trade and other payables	4,645,921	5,383,123	5,760,675
Long-term borrowings (including current portion with maturity less than 1 year)	3,568,900	3,453,578	3,770,156
Lease liabilities (including current portion with maturity less than 1 year)	203,568	(Note)	(Note)
Total	<u>13,727,637</u>	<u>12,177,184</u>	<u>13,091,857</u>

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

(2) Objectives and policies of financial risk management

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the risks based on its policy and risk preferences.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies always.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk, interest rate risk and other price risk (e.g. equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign operations. The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted.

Foreign currency sensitivity analysis of possible change in foreign exchange rates on the Group's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Group's foreign currency risk is mainly related to volatility in the exchange rates of US dollars. It is stated as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, net income (loss) for the nine-month periods ended September 30, 2019 and 2018 would increase/decrease by NT\$869 thousand and NT\$2,780 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans and receivables.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the nine-month periods ended September 30, 2019 and 2018 would decrease/increase by NT\$7,078 thousand and decrease/increase by NT\$5,173 thousand, respectively.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and from its financing activities including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions and the Group's internal credit ratings. The Group also employs some credit enhancement instruments (e.g. prepayment or insurance) to reduce certain customers' credit risk.

As of September 30, 2019, December 31, 2018 and September 30, 2018, receivables from the top ten customers were accounted for 34.79%, 44.74% and 44.75% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

Credit risk from balances with banks, fixed-income securities and other financial instruments is managed by the Group's finance division in accordance with the Group's policy. The counterparties that the Group transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Conclusively, no significant credit risk is expected by the Group.

The Group adopted IFRS 9 to assess the expected credit losses. Except for trade receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories. The Group makes an assessment at each reporting date as to whether the credit risk still meets the conditions of low credit risk and then further determines the method of measuring the loss allowance and the loss ratio.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5) Liquidity risk management

The Group maintains financial flexibility using cash and cash equivalents, highly-liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Less than 1 year (NT\$'000)	1 to 2 years (NT\$'000)	2 to 3 years (NT\$'000)	3 to 4 years (NT\$'000)	4 to 5 years (NT\$'000)	Total (NT\$'000)
<u>As of September 30, 2019</u>						
Loans	6,678,702	1,114,562	403,861	142,435	788,296	9,127,856
Payables	4,645,921	-	-	-	-	4,645,921
Lease liabilities	136,892	-	60,380	8,425	992	206,689
<u>As of December 31, 2018</u>						
Loans	4,327,665	2,321,679	267,019	63,323	-	6,979,686
Payables	5,383,123	-	-	-	-	5,383,123
<u>As of September 30, 2018</u>						
Loans	4,474,706	2,566,305	330,102	146,125	-	7,517,238
Payables	5,760,675	-	-	-	-	5,760,675

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the nine-month period ended September 30, 2019:

	Short-term borrowings (NT\$'000)	Long-term borrowings (NT\$'000)	Refundable deposits (NT\$'000)	Leases liabilities (NT\$'000)	Total liabilities from financing activities (NT\$'000)
As of January 1, 2019	3,340,483	3,453,578	44,708	311,664	7,150,433
Cash flows	1,968,765	112,275	(12,124)	(101,601)	1,967,315
Non-cash changes					
Lease range changes	-	-	-	(8,666)	(8,666)
Interests on lease liabilities	-	-	-	2,259	2,259
Currency rate change	-	3,047	-	(88)	2,959
As of September 30, 2019	<u>5,309,248</u>	<u>3,568,900</u>	<u>32,584</u>	<u>203,568</u>	<u>9,114,300</u>

Movement schedule of liabilities for the nine-month period ended September 30, 2018:

	Short-term borrowings (NT\$'000)	Long-term borrowings (NT\$'000)	Refundable deposits (NT\$'000)	Leases liabilities (Note) (NT\$'000)	Total liabilities from financing activities (NT\$'000)
As of January 1, 2018	3,297,397	2,258,912	50,577	-	5,606,886
Cash flows	263,629	1,498,335	(3,002)	-	1,758,962
Currency rate change	-	12,909	-	-	12,909
As of September 30, 2018	<u>3,561,026</u>	<u>3,770,156</u>	<u>47,575</u>	<u>-</u>	<u>7,378,757</u>

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

(7) Fair values of financial instruments

A. The evaluation methods and assumptions applied in determining the fair value

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between willing market participants (not under coercion or liquidation). The following methods and assumptions are used by the Group in estimating the fair values of financial assets and liabilities:

- (a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to their short maturity terms.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed equity securities, beneficiary certificates, bonds and futures etc.) at the report date.
- (c) Fair value of equity instruments without active markets (including listed companies' shares from private placement, stocks of public companies not traded in an active market and unlisted stocks) are estimated using the market approach. Under the approach, factors, such as the trading prices of comparable equity instruments in an active market, and other relevant information (i.e. discount due to lack of liquidity, stock price-to-earning ratio (PER) and price-to-book ratio (PBR) of similar companies) are input into the pricing model for its fair value.
- (d) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using

interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of September 30, 2019

	Level 1 (NT\$'000)	Level 2 (NT\$'000)	Level 3 (NT\$'000)	Total (NT\$'000)
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Funds	1,021,238	-	-	1,021,238
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	50,000	50,000

As of December 31, 2018

	Level 1 (NT\$'000)	Level 2 (NT\$'000)	Level 3 (NT\$'000)	Total (NT\$'000)
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Funds	1,017,095	-	-	1,017,095
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	50,000	50,000

As of September 30, 2018

	Level 1 (NT\$'000)	Level 2 (NT\$'000)	Level 3 (NT\$'000)	Total (NT\$'000)
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Funds	1,015,889	-	-	1,015,889
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	50,000	50,000

Transfers between Level 1 and Level 2 during the period

For the nine-month period ended September 30, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value hierarchy.

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

For the nine-month period ended September 30, 2019 and 2018, there were not movement of fair value measurements.

(9) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the Group's significant financial assets and liabilities denominated in foreign currencies was listed below: (In Thousands)

	As of					
	9/30/2019			12/31/2018		
Foreign Currencies (\$'000)	Exchange Rate	NTD (NT\$'000)	Foreign Currencies (\$'000)	Exchange Rate	NTD (NT\$'000)	
<u>Financial assets</u>						
Monetary items:						
USD	134,158	31.032	4,163,202	137,692	30.715	4,229,204
CNY	70,518	4.3886	309,475	73,560	4.4753	329,202

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Financial liabilities

Monetary items:

USD	124,982	31.04	3,879,456	130,689	30.715	4,014,089
CNY	202,845	4.3886	890,202	117,755	4.4753	526,989

As of
9/30/2018

Foreign Currencies (\$'000)	Exchange Rate	NTD (NT\$'000)
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Financial assets

Monetary items:

USD	151,804	30.525	4,633,750
CNY	88,538	4.4373	392,867

Financial liabilities

Monetary items:

USD	137,531	30.525	4,198,113
CNY	158,927	4.4373	705,207

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 nine-month period ended September 30,	
Foreign currency resulting in exchange gain or loss	2019 (NT\$'000)	2018 (NT\$'000)
USD	4,920	(25,023)
Other	(785)	(1,424)

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. The Group manages and adjusts its capital structure considering changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

- A. Financing provided to others: None.
- B. Endorsement/Guarantee provided to others: Please refer to attachment 1.
- C. Marketable securities held as of September 30, 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 nine-month period ended September 30, 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 nine-month period ended September 30, 2019: None.
- F. Disposal of individual real estate with amount of at least NT\$100 million or 20 percent of the paid-in capital for the nine-month period ended September 30, 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 nine-month period ended September 30, 2019: Please refer to attachment 3.
- H. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of September 30, 2019: Please refer to attachment 4.
- I. Derivative instrument transactions: None.
- J. Intercompany relationships and significant intercompany transactions for the nine-month period ended September 30, 2019: Please refer to attachment 10.

(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 September 30, 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 nine-month period ended September 30, 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 nine-month period ended September 30, 2019: Please refer to attachment 7.
- (f) Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the nine-month period ended September 30, 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 nine-month period ended September 30, 2019: Please refer to attachment 8.
- (h) Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of September 30, 2019: Please refer to attachment 9.
- (i) Derivative instrument transactions: None.

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(3) Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars)

Name of Investee in China	Main Business	Paid-in Capital (NT\$'000)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2019 (NT\$'000)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Sep. 30, 2019 (NT\$'000)	Profit/ Loss of Investee (NT\$'000)	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss (NT\$'000)	Carrying Amount as of Sep. 30, 2019 (NT\$'000)	Accumulated Inward Remittance of Earnings as of Sep. 30, 2019 (NT\$'000)	Accumulated Outflow of Investment from Taiwan to Mainland China as of Sep. 30, 2019 (NT\$'000)	Investment Amounts Authorized by Investment Commission, MOEA (NT\$'000)	Upper Limit on Investment in China by Investment Commission, MOEA (NT\$'000)
					Outflow (NT\$'000)	Inflow (NT\$'000)									
Kinsus Interconnect Technology Suzhou Corp.	Manufacturing and selling PCB (not high-density fine-line)	2,172,800 (Note 2)	(Note 1)	2,172,800 (Note 2)	-	-	2,172,800 (Note 2)	31,250 (Note 2 and Note 5)	100%	31,250 (Note 2, Note 5 and Note 8)	1,340,844 (Note 2, Note 5 and Note 8)	-	2,172,800 (Note 2)	2,172,800 (Note 2)	No upper limit (Note 6)

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Piotek Computer (Suzhou) Co., Ltd.	Researching, developing, producing and selling electronic components, PCBs and related products and providing after-sale services	5,174,368 (Note 2)	(Note 1)	2,925,635 (Note 2)	-	-	2,925,635 (Note 2)	(386,495) (Note 2 and Note 5)	51%	(197,112) (Note 2, Note 5 and Note 8)	483,023 (Note 2, Note 5 and Note 8)	-	2,925,635 (Note 2)	2,925,635 (Note 2)	No upper limit (Note 6)
Xiang-Shuo (Suzhou) Trading Limited	Trading of PCB (not high-density fine-line) and material for related products	62,080 (Note 2)	(Note 1)	62,080 (Note 2)	-	-	62,080 (Note 2)	127 (Note 2 and Note 5)	100%	127 (Note 2, Note 5 and Note 8)	61,231 (Note 2, Note 5 and Note 8)	-	62,080 (Note 2)	62,080 (Note 2)	No upper limit (Note 6)
Pegavision Contact Lenses (Shanghai) Corporation	Selling medical equipment	112,559 (Note 3)	(Note 1)	65,062	47,497	-	112,559	(19,418) (Note 2 and Note 5)	36.81%	(7,148) (Note 2, Note 5 and Note 8)	32,293 (Note 2, Note 5 and Note 8)	-	112,559	112,559	1,465,764 (Note 7)

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GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	Producing and Selling medical equipment	43,886 (Note 2 and Note 4)	(Note 1)	-	-	-	-	(6,933) (Note 2 and Note 5)	36.81%	(2,552) (Note 2, Note 5 and Note 8)	13,685 (Note 2, Note 5 and Note 8)	-	-	-	1,465,764 (Note 7)
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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 reviewed 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: Transactions are eliminated upon preparation of consolidated financial statements.

B. Significant transactions with investees in China:

- (a) Purchase and balances of related accounts payable as of September 30, 2019: Please refer to attachment 10 for details.
- (b) Sale and balance of related accounts receivable as of September 30, 2019: Please refer to attachment 10 for details.
- (c) Property transaction amounts and resulting gain or loss:

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

For the nine-month ended, September 30, 2019, the Company wrote off NT\$38,556 thousand due to the unrealized gain on disposal of property, plant and equipment. As of September 30, 2019, unrealized gain on disposal of property, plant and equipment is NT\$37,359 thousand, and recongnized as the credit balance of investments accounted for using the equity method.

- (d) Ending balance of endorsements/guarantees or collateral provided and the purposes: Please refer to attachment 1.
- (e) Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.
- (f) Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 10 for details.
- (g) Above transactions are eliminated upon preparation of consolidated financial statements. Please refer to attachment 10 for details.

14. OPERATING SEGMENT

For management purposes, the Group is organized into operating segments based on different products and services and has three reportable operating segments as follows:

IC Substrate: This segment produces and manufactures BGA substrates and sells the products to manufacturers of electronic products.

Printed Circuit Board (PCB): This segment produces and manufactures PCBs and sells the products to manufacturers of electronic products.

Optics: This segment produces, manufactures and sells contact lens.

No operating segments have been aggregated to form the above reportable operating segments.

The Group's operating segments adopts the same accounting policies as the ones in Note 4. Management monitors the operating results of its business units separately for decision-making on resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and measured consistently with methods applied to operating profit or loss in the consolidated financial statements.

(1) Segment income (loss), assets and liabilities

For the three-month period ended September 30, 2019

	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Elimination (NT\$'000)	Consolidated (NT\$'000)
External customer	4,397,406	743,872	856,218	-	5,997,496
Inter-segment	-	-	-	-	-
Total revenue	4,397,406	743,872	856,218	-	5,997,496
Segment income (loss)	(268,134)	(98,363)	107,696	-	(258,801)

For the nine-month period ended September 30, 2019

	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Elimination (NT\$'000)	Consolidated (NT\$'000)
External customer	11,637,773	2,097,020	2,356,420	-	16,091,213
Inter-segment	-	-	-	-	-
Total revenue	11,637,773	2,097,020	2,356,420	-	16,091,213
Segment income (loss)	(1,948,094)	(379,752)	298,023	-	(2,029,823)

For the three-month period ended September 30, 2018

	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Elimination (NT\$'000)	Consolidated (NT\$'000)
External customer	4,541,373	1,006,593	867,002	-	6,414,968
Inter-segment	-	-	-	-	-
Total revenue	4,541,373	1,006,593	867,002	-	6,414,968
Segment income (loss)	197,972	(69,979)	180,032	-	308,025

For the nine-month period ended September 30, 2018

	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Elimination (NT\$'000)	Consolidated (NT\$'000)
External customer	12,582,988	2,603,481	2,282,595	-	17,469,064
Inter-segment	-	-	-	-	-
Total revenue	12,582,988	2,603,481	2,282,595	-	17,469,064
Segment income (loss)	412,559	(434,157)	389,842	-	368,244

Details of assets and liabilities under the Group's operating segments are as follows:

<u>Segment assets</u>	IC Substrate (NT\$'000)	PCB (NT\$'000)	Optics (NT\$'000)	Elimination (NT\$'000)	Consolidated (NT\$'000)
As of 09/30/2019	33,376,017	2,835,475	5,181,600	-	41,393,092
As of 12/31/2018	35,145,835	3,330,715	4,147,404	-	42,623,954
As of 09/30/2018	35,435,257	3,607,255	4,364,584	-	43,407,096

<u>Segment liabilities</u>	<u>IC Substrate</u> <u>(NT\$'000)</u>	<u>PCB</u> <u>(NT\$'000)</u>	<u>Optics</u> <u>(NT\$'000)</u>	<u>Elimination</u> <u>(NT\$'000)</u>	<u>Consolidated</u> <u>(NT\$'000)</u>
As of 09/30/2019	9,658,250	1,745,543	2,738,659	-	14,142,452
As of 12/31/2018	8,903,968	1,831,902	2,139,562	-	12,875,432
As of 09/30/2018	9,254,263	1,993,730	2,508,805	-	13,756,798

For the nine-month period ended September 30, 2019

Attachment I

(In Thousands of Foreign Currency / New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note 1)	Name	Name	Nature of Relationship										
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	Investee accounted for using equity method indirectly	The overall amount of guarantees/ endorsements provided to a subsidiary in which the Company holds directly over 50% (inclusive) of common equity interest shall not exceed 20% of the net worth in the current financial statements. \$5,023,811	\$474,912 USD 15,300 (Note 2)	\$474,912 USD 15,300 (Note 2)	\$59,364	\$-	1.89%	Shall not exceed 50% of the net worth in the current financial statements. \$12,559,528	Y	N	Y

Note 1: Kinsus Interconnect Technology Corp. is coded "0".

Note 2: Amounts in foreign currencies are converted to New Taiwan Dollars using the exchange rates as of the balance sheet date.

Note 3: The endorsement and guaranteed amount of the Company and the consolidated subsidiary is NT\$80,166 thousand.

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Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held as of September 30, 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	September 30, 2019			Fair Value	Note
				Shares / Units	Carrying Amount	Shareholding %		
Kinsus Interconnect Technology Corp.	Money market funds:							
	Taishin Ta Chong Money Market Fund	-	Financial assets at fair value through profit or loss	18,812,748	\$255,796	-%	\$267,918	
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss	1,168,258	200,000	-%	208,955	
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss	21,355,432	257,509	-%	268,482	
	Jih Sun Money Market Fund	-	Financial assets at fair value through profit or loss	17,776,549	255,443	-%	264,076	
	Subtotal				968,748		\$1,009,431	
	Add: Valuation adjustments of financial assets at fair value through profit or loss				40,683			
Total				\$1,009,431				

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Kinsus Interconnect Technology Corp. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NT\$ 100 Million or 20% of the Paid-in Capital

For the nine-month period ended September 30, 2019

Attachment 3

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note	
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance		% to Total
Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	Investee accounted for using equity method indirectly	Purchase	\$1,611,279	29.29%	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 \$(198,094)	(15.38)%	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

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Kinsus Interconnect Technology Corp. and Subsidiaries

Receivables from Related Parties of at Least NT\$ 100 Million or 20% of the Paid-in Capital

As of September 30, 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	\$262,365 <u>(Note 1 and Note 2)</u>	<u>-</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>

Note 1: Other receivable.

Note 2: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

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

As of September 30, 2019

Attachment 5

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Business Location	Main Business and Product	Original Investment Amount		Ending balance			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of Dec. 31, 2018	As of Sep. 30, 2019	Shares	%	Carrying Value			
Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	CA U.S.A.	Designing substrates, formulating marketing strategy analysis, developing new customers, researching and development new product technology	USD500	USD500	500,000	100.00%	\$54,515	\$5,564	\$5,564	Note
Kinsus Interconnect Technology Corp.	KINSUS HOLDING (SAMOA) LIMITED	Samoa	Investing activities	USD166,309	USD166,309	166,308,720	100.00%	\$1,926,713	\$(163,578)	\$(163,578)	Note
Kinsus Interconnect Technology Corp.	Kinsus Investment Co., Ltd.	Taoyuan City	Investing activities	\$1,600,000 (Note 1)	\$1,600,000 (Note 1)	160,000,000	100.00%	\$1,775,561	\$(76,548)	\$(76,548)	Note
Kinsus Investment Co., Ltd.	Pegavision Corporation	Taoyuan City	Manufacturing medical equipment	\$286,418	\$286,418	22,088,736	36.81%	\$815,421	\$298,023	\$109,716	Note
Kinsus Investment Co., Ltd.	FuYang Technology Corp.	Hsinchu County	Electronic Parts and Components Manufacturing	\$929,422	\$929,422	64,176,872	35.65%	\$557,419	\$(509,815)	\$(181,768)	Note
KINSUS HOLDING (SAMOA) LIMITED	KINSUS HOLDING (CAYMAN) LIMITED	Cayman Islands	Investing activities	USD72,000	USD72,000	72,000,000	100.00%	USD 45,170	USD 1,011	USD 1,011	Note
KINSUS HOLDING (SAMOA) LIMITED	PIOTEK HOLDINGS LTD. (CAYMAN)	Cayman Islands	Investing activities	USD94,309	USD94,309	95,755,000	51.00%	USD 16,902	USD (12,320)	USD (6,283)	Note
PIOTEK HOLDINGS LTD. (CAYMAN)	PIOTEK HOLDING LIMITED	British Virgin Islands	Investing activities	USD139,841	USD139,841	139,840,790	100.00%	USD 33,141	USD (12,320)	USD (12,320)	Note
PIOTEK HOLDING LIMITED	PIOTEK (H.K.) TRADING LIMITED	Hong Kong	Trading activities	USD26	USD26	200,000	100.00%	USD 2,624	USD 139	USD 139	Note
Pegavision Corporation	PEGAVISION HOLDINGS CORPORATION	Samoa	Investing activities	USD2,130	USD3,630	3,630,000	100.00%	\$10,832	\$(19,444)	\$(19,444)	Note
Pegavision Corporation	PEGAVISION JAPAN INC.	JAPAN	Selling Medical facility	JPY 9,900	JPY 9,900	198	100.00%	\$22,899	\$12,206	\$12,206	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

Note 1: The Company's original investment in Kinsus Investment Co., Ltd. was NT\$500,000 thousand. Kinsus Investment Co., Ltd. reduced capital by NT\$102,000 thousand to offset deficits in 2013,

And increased capital by NT\$602,000 thousand and NT\$600,000 thousand in 2016 and 2017, respectively. After the increases, the Company's investment amount increased to NT\$1,600,000 thousand.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Marketable Securities Held as of September 30, 2019 (Excluding Investments in Subsidiaries, Associates and Jointly Controlled Entities)

As of September 30, 2019

Attachment 6

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Issuer	Financial Statement Account	As of September 30, 2019				(In Thousands of New Taiwan Dollars)		
				Shares (Unit)	Carrying Amount	%	Fair Value	Guarantee, Pledge or Other Restricted Conditions	Shares	Carrying Amount
Kinsus Investment Co., Ltd.	Money market funds:	-	Financial assets at fair value through profit or loss	829,070	\$11,315	-%	<u>\$11,807</u>	-	<u>\$-</u>	
	Taishin Ta Chong Money Market Fund Valuation adjustments of financial assets held for trading				492					
	Total				<u>\$11,807</u>					
Kinsus Investment Co., Ltd.	Stocks:	-	Measured at fair value through other comprehensive income	5,000,000	<u>\$50,000</u>	7.49%	<u>\$50,000</u>	-	<u>\$-</u>	
Yi-Shuo Creative Co., Ltd.										

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 NTS 300 million or 20% of the Paid-in Capital

For the nine-month period ended September 30, 2019

Attachment 7

(In Thousands of New Taiwan Dollars)

Acquiring Company	Name of Property	Transaction Date (Note 1)	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the 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
	Houses and 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.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NTS 100 Million or 20% of the Paid-in Capital

As of September 30, 2019

Attachment 8

(In Thousands of US/NTD Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Piotek Computer (Suzhou) Co., Ltd.	Pegatron Corporation	Parent company	Sales	USD 5,667	8.45%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 1,066	4.17%	
Piotek Computer (Suzhou) Co., Ltd.	Piotek (H.K.) Trading Limited	Also a subsidiary under the Company's control	Sales	USD 8,638	12.89%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 2,091	8.18%	Note
Piotek (H.K.) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	Also a subsidiary under the Company's control	Purchase	USD 8,638	100.00%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts payable (USD 2,091)	(100.00)%	Note
Kinsus Interconnect Technology Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	Sales	USD 52,506	95.46%	Payment within 30 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 6,971	74.08%	Note
Piotek Computer (Suzhou) Co., Ltd.	Maintek Computer (Suzhou) Co., Ltd	Other related parties	Sales	USD 8,379	12.50%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 2,374	9.29%	
Piotek Computer (Suzhou) Co., Ltd.	DIGITEK (CHONGQING) LIMITED	Other related parties	Sales	USD 6,106	9.11%	Payment within 60 days from the end of delivery month	Specs of goods sold are different from others. Cannot be reasonably compared.	No non-related parties to be compared with.	Accounts receivable USD 1,851	7.24%	
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	Sales	\$1,013,636	42.26%	Payment within 90 days from the end of delivery month	Similar to those to third party customers.	Payment within 90 days from telegraphic transfer.	Accounts receivable \$183,987	39.59%	Note
Pegavision Japan Inc.	Pegavision Corporation	Parent company	Purchase	\$1,013,636	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 \$183,987	100.00%	Note

Note: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Kinsus Interconnect Technology Corp. and Subsidiaries

Receivables from Related Parties of at Least NT\$ 100 Million or 20% of the Paid-in Capital

As of September 30, 2019

Attachment 9

(In Thousands of US/NTD 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 Suzhou Corp.	Kinsus Interconnect Technology Corp.	Parent company	USD 6,971 <u>(Note and Note 1)</u>	<u>11.39</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>
Pegavision Corporation	Pegavision Japan Inc.	Subsidiary	\$183,387 <u>(Note and Note 1)</u>	<u>9.33</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>
Pegavision Corporation	Pegavision Contact Lenses (SHANGHAI) Corporation	Subsidiary	\$173,024 <u>(Note and Note 1)</u>	<u>0.57</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>

Note: Accounts receivable.

Note 1: Transactions are eliminated when preparing the consolidated financial statements.

(In Thousands of Foreign Currency / New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction			Percentage to Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statement Account	Amount	Terms	
	2019.01.01-2019.09.30						
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Accrued expense	\$3,413	Payment within 30 days from the end of delivery month by TT	0.01%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Accounts payable	\$198,094	Payment within 30 days from the end of delivery month	0.48%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Other receivables	\$262,365	-	0.63%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Purchase	\$1,611,279	Payment within 30 days from the end of delivery month	10.01%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Commission expense	\$30,610	Payment within 30 days from the end of delivery month by TT	0.19%
0	Kinsus Interconnect Technology Corp.	KINSUS CORP. (USA)	1	Travel expense	\$162	Payment within 30 days from the end of delivery month by TT	-%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Sales revenue	\$32,996	Payment within 30 days from the end of delivery month	0.21%
0	Kinsus Interconnect Technology Corp.	Kinsus Interconnect Technology Suzhou Corp.	1	Other income	\$17,312	-	0.11%
0	Kinsus Interconnect Technology Corp.	Piotek Computer (Suzhou) Co., Ltd.	1	Other income	\$819	-	0.01%
0	Kinsus Interconnect Technology Corp.	PIOTEK (H.K.) TRADING LIMITED	1	Other income	\$1,649	-	0.01%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Sales revenue	USD 8,638	Payment within 60-90 days from the end of delivery month	1.67%
1	Piotek Computer (Suzhou) Co., Ltd.	PIOTEK (H.K.) TRADING LIMITED	3	Accounts receivable	USD 2,091	Payment within 60-90 days from the end of delivery month	0.16%
1	Piotek Computer (Suzhou) Co., Ltd.	Xiang-Shuo (Suzhou) Trading Limited	3	Sales revenue	USD 32	Payment within 60 days from the end of delivery month	0.01%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Sales revenue	RMB 19	Payment within 60-90 days from the end of delivery month	-%
1	Piotek Computer (Suzhou) Co., Ltd.	Kinsus Interconnect Technology Suzhou Corp.	3	Other income	RMB 6	Payment within 60-90 days from the end of delivery month	-%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Accounts receivable	RMB 228	Payment within 60 days from the end of delivery month	-%
2	Xiang-Shuo (Suzhou) Trading Limited	Piotek Computer (Suzhou) Co., Ltd.	3	Sales revenue	RMB 8,146	Payment within 60 days from the end of delivery month	0.22%
3	Pegavision Corporation	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	1	Sales revenue	\$80,304	Payment within 180 days from the end of delivery month	0.50%
3	Pegavision Corporation	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	1	Accounts receivable	\$173,024	Payment within 180 days from the end of delivery month	0.42%
3	Pegavision Corporation	Pegavision Japan Inc.	1	Sales revenue	\$1,013,636	Payment within 90 days from the end of delivery month	6.30%
3	Pegavision Corporation	Pegavision Japan Inc.	1	Accounts receivable	\$183,987	Payment within 90 days from the end of delivery month	0.44%
3	Pegavision Corporation	Pegavision Japan Inc.	1	Unearned sales revenue	\$3,069	-	0.01%
4	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	3	Sales revenue	\$73,044	Payment within 180 days from the end of delivery month	0.45%
4	PEGAVISION CONTACT LENSES (SHANGHAI) CORPORATION	GEMVISION TECHNOLOGY (ZHEJIANG) LIMITED	3	Accounts receivable	\$62,113	Payment within 180 days from the end of delivery month	0.15%

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

(1) Parent company is coded "0".

(2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items;

and based on interim accumulated amount to consolidated net revenue for income statement items.