

ZHEN DING TECHNOLOGY HOLDING LIMITED
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
SEPTEMBER 30, 2018 AND 2017
(Stock Code: 4958)

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
Consolidated Financial Statements for the Nine-Month Periods Ended September 30,
2018 and 2017 and Review Report of Independent Accountants
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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

Cai-Shen-Bao-Zi No. 18001831 (2018)

To the Board of Directors and Shareholders of Zhen Ding Technology Holding Limited

Introduction

We have reviewed the accompanying consolidated balance sheets of Zhen Ding Technology Holding Limited and its subsidiaries as at September 30, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in 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 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.

Conclusion

Based on our reviews, 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 Zhen Ding Technology Holding Limited and its subsidiaries as at September 30, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the nine-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Hsu, Yung-Chien Hsu, Sheng-Chung
For and on behalf of PricewaterhouseCoopers, Taiwan
November 12, 2018

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2018, DECEMBER 31, 2017 AND SEPTEMBER 30, 2017
(REVIEWED, NOT AUDITED)

Expressed in Thousands of New Taiwan Dollars

	Assets	Notes	September 30, 2018		December 31, 2017		September 30, 2017	
			Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	6(1)	\$ 30,685,015	23	\$ 19,147,388	15	\$ 21,585,272	19
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	7,935	-	-	-
1130	Current held-to-maturity financial assets	6(8)	-	-	-	-	121,176	-
1136	Current financial assets at amortized cost	6(7)	12,362,908	9	-	-	-	-
1170	Accounts receivable, net	6(3)	23,197,297	17	28,480,474	23	23,042,549	20
1180	Accounts receivable due from related parties, net	6(3)	2,289,682	2	2,138,685	2	2,001,246	2
1200	Other receivables	6(4)	1,424,076	1	2,786,315	2	1,477,884	1
130X	Current inventories	6(5)	11,250,736	8	11,259,382	9	10,830,894	9
1410	Prepayments	6(4)	3,836,030	3	3,088,106	3	4,218,763	4
1470	Other current assets	6(6)	301,707	-	14,459,785	12	11,825,103	10
11XX	Total current assets		<u>85,347,451</u>	<u>63</u>	<u>81,368,070</u>	<u>66</u>	<u>75,102,887</u>	<u>65</u>
	Non-current assets							
1517	Non-current financial assets at fair value through other comprehensive income	6(9)	67,197	-	-	-	-	-
1527	Non-current held-to-maturity financial assets	6(8)	-	-	151,064	-	154,070	-
1535	Non-current financial assets at amortized cost	6(7)	153,931	-	-	-	-	-
1543	Non-current financial assets at cost	6(10)	-	-	120,992	-	120,828	-
1600	Property, plant and equipment	6(11)	40,154,981	30	36,681,453	30	34,823,398	30
1780	Intangible assets	6(12)	91,153	-	88,854	-	90,347	-
1840	Deferred tax assets		898,263	1	825,911	1	772,002	1
1990	Other non-current assets, others	6(13)	8,122,262	6	4,480,169	3	4,426,229	4
15XX	Total non-current assets		<u>49,487,787</u>	<u>37</u>	<u>42,348,443</u>	<u>34</u>	<u>40,386,874</u>	<u>35</u>
1XXX	Total assets		<u>\$ 134,835,238</u>	<u>100</u>	<u>\$ 123,716,513</u>	<u>100</u>	<u>\$ 115,489,761</u>	<u>100</u>

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ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2018, DECEMBER 31, 2017 AND SEPTEMBER 30, 2017
(REVIEWED, NOT AUDITED)

		Expressed in Thousands of New Taiwan Dollars					
		September 30, 2018		December 31, 2017		September 30, 2017	
Liabilities and Equity	Notes	Amount	%	Amount	%	Amount	%
Current liabilities							
2100 Current borrowings	6(14)	\$ 12,540,625	9	\$ 15,791,085	13	\$ 16,736,169	15
2120 Current financial liabilities at fair value through profit or loss	6(2)	-	-	-	-	1,973	-
2170 Accounts payable		17,003,054	13	22,503,648	18	20,042,440	17
2180 Accounts payable to related parties	7	810,739	1	704,783	-	517,873	1
2200 Other payables	6(15)	12,234,811	9	10,331,671	8	9,007,159	8
2230 Current tax liabilities		1,551,437	1	1,268,536	1	413,621	-
2320 Long-term liabilities, current portion	6(16)(17)	17,751,997	13	4,457,881	4	-	-
2399 Other current liabilities, others		142,642	-	123,505	-	125,719	-
21XX Total current liabilities		<u>62,035,305</u>	<u>46</u>	<u>55,181,109</u>	<u>44</u>	<u>46,844,954</u>	<u>41</u>
Non-current liabilities							
2530 Bonds payable	6(16)	-	-	8,242,274	7	8,333,679	7
2540 Non-current portion of non-current borrowings	6(17)	-	-	4,457,881	4	9,063,067	8
2570 Deferred tax liabilities		316,409	-	423,207	-	101,977	-
2645 Guarantee deposits received		110,632	-	150,723	-	91,647	-
2670 Other non-current liabilities, others	6(31)	-	-	-	-	7,806,470	7
25XX Total non-current liabilities		<u>427,041</u>	<u>-</u>	<u>13,274,085</u>	<u>11</u>	<u>25,396,840</u>	<u>22</u>
2XXX Total liabilities		<u>62,462,346</u>	<u>46</u>	<u>68,455,194</u>	<u>55</u>	<u>72,241,794</u>	<u>63</u>
Equity							
Equity attributable to owners of parent							
Share capital							
3110 Share capital – ordinary share	6(20)	8,047,484	6	8,047,484	7	8,047,484	7
Capital surplus							
3200 Capital surplus	6(21)	21,965,119	16	14,851,298	12	6,980,091	7
Retained earnings							
3310 Legal reserve	6(22)	3,505,859	3	2,988,615	2	2,988,615	3
3320 Special reserve		1,717,912	1	1,688,354	1	1,688,354	1
3350 Unappropriated retained earnings		20,169,308	15	18,486,196	15	15,560,396	13
Other equity interest							
3400 Other equity interest	6(23)	(3,357,286)	(2)	(1,717,913)	(1)	(2,000,434)	(2)
31XX Total equity attributable to owners of parent		<u>52,048,396</u>	<u>39</u>	<u>44,344,034</u>	<u>36</u>	<u>33,264,506</u>	<u>29</u>
36XX Non-controlling interests	6(31)	<u>20,324,496</u>	<u>15</u>	<u>10,917,285</u>	<u>9</u>	<u>9,983,461</u>	<u>8</u>
3XXX Total Equity		<u>72,372,892</u>	<u>54</u>	<u>55,261,319</u>	<u>45</u>	<u>43,247,967</u>	<u>37</u>
Significant contingent liabilities and unrecognized commitments							
3X2X Total liabilities and equity	9	<u>\$134,835,238</u>	<u>100</u>	<u>\$123,716,513</u>	<u>100</u>	<u>\$115,489,761</u>	<u>100</u>

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(REVIEWED, NOT AUDITED)

(Expressed in Thousands of New Taiwan Dollars,
except for earnings per share amounts)

Items	Notes	Three Months Ended on September 30 2018		Three Months Ended on September 30 2017		Nine Months Ended on September 30 2018		Nine Months Ended on September 30 2017	
		Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue	7 and 14	\$ 35,346,568	100	\$ 31,418,449	100	\$ 78,770,866	100	\$ 64,680,815	100
5000 Operating costs	6(5) and 7	(26,242,614)	(74)	(26,237,550)	(84)	(62,578,209)	(80)	(54,891,837)	(85)
5950 Gross profit from operations		9,103,954	26	5,180,899	16	16,192,657	20	9,788,978	15
Operating expenses	6(24)								
6100 Selling expenses		(449,167)	(1)	(328,734)	(1)	(1,050,804)	(1)	(817,334)	(2)
6200 Administrative expenses		(1,237,018)	(4)	(918,653)	(3)	(3,020,135)	(4)	(2,075,763)	(3)
6300 Research and development expenses		(1,680,174)	(5)	(1,253,535)	(4)	(3,945,889)	(5)	(3,327,961)	(5)
6450 Impairment loss determined in accordance with IFRS 9		(7,632)	-	-	-	(694)	-	-	-
6000 Total operating expenses		(3,373,991)	(10)	(2,500,922)	(8)	(8,017,522)	(10)	(6,221,058)	(10)
6900 Net operating income		5,729,963	16	2,679,977	8	8,175,135	10	3,567,920	5
Non-operating income and expenses									
7010 Other income	6(26)	479,610	2	299,048	1	1,069,765	1	858,770	1
7020 Other gains and losses	6(27)	78,045	-	(158,180)	-	(367,237)	-	(412,424)	-
7050 Finance costs	6(28)	(238,757)	(1)	(197,719)	(1)	(688,686)	(1)	(554,866)	(1)
7000 Total non-operating income and expenses		318,898	1	(56,851)	-	13,842	-	(108,520)	-
7900 Profit from continuing operations before tax		6,048,861	17	2,623,126	8	8,188,977	10	3,459,400	5
7950 Tax expense (income)	6(29)	(1,176,664)	(3)	(288,734)	(1)	(1,757,308)	(2)	(488,071)	(1)
8200 Profit of the period		\$ 4,872,197	14	\$ 2,334,392	7	\$ 6,431,669	8	\$ 2,971,329	4

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ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(REVIEWED, NOT AUDITED)

(Expressed in Thousands of New Taiwan Dollars,
except for earnings per share amounts)

Items	Notes	Three Months Ended on September 30 2018		Three Months Ended on September 30 2017		Nine Months Ended on September 30 2018		Nine Months Ended on September 30 2017	
		Amount	%	Amount	%	Amount	%	Amount	%
Other comprehensive income									
Other comprehensive income components of other comprehensive income that will not be reclassified to profit or loss									
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(\$ 12,636)	-	\$ -	-	(\$ 53,971)	-	\$ -	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		(12,636)	-	-	-	(53,971)	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Exchange differences on translation		(2,362,965)	(7)	826,091	3	(2,013,848)	(2)	(106,447)	-
8362 Unrealized gains (losses) on valuation of available-for-sale financial assets		-	-	-	-	-	-	5,014	-
8360 Components of other comprehensive income that will be reclassified to profit or loss		(2,362,965)	(7)	826,091	3	(2,013,848)	(2)	(101,433)	-
8300 Other comprehensive income, net		(\$ 2,375,601)	(7)	\$ 826,091	3	(\$ 2,067,819)	(2)	(\$ 101,433)	-
8500 Total comprehensive income		<u>\$ 2,496,596</u>	<u>7</u>	<u>\$ 3,160,483</u>	<u>10</u>	<u>\$ 4,363,850</u>	<u>6</u>	<u>\$ 2,869,896</u>	<u>4</u>
Profit (loss), attributable to:									
8610 Owners of parent		<u>\$ 3,757,593</u>	<u>11</u>	<u>\$ 1,703,329</u>	<u>5</u>	<u>\$ 4,885,584</u>	<u>6</u>	<u>\$ 2,252,281</u>	<u>3</u>
8620 Non-controlling interests		<u>\$ 1,114,604</u>	<u>3</u>	<u>\$ 631,063</u>	<u>2</u>	<u>\$ 1,546,085</u>	<u>2</u>	<u>\$ 719,048</u>	<u>1</u>
Comprehensive income, attributable to:									
8710 Owners of parent		<u>\$ 1,886,415</u>	<u>5</u>	<u>\$ 2,392,434</u>	<u>8</u>	<u>\$ 3,246,211</u>	<u>5</u>	<u>\$ 1,940,203</u>	<u>3</u>
8720 Non-controlling interests		<u>\$ 610,181</u>	<u>2</u>	<u>\$ 768,049</u>	<u>2</u>	<u>\$ 1,117,639</u>	<u>1</u>	<u>\$ 929,693</u>	<u>1</u>
Basic earnings per share									
9750 Basic earnings per share	6(30)	<u>\$ 4.67</u>		<u>\$ 2.12</u>		<u>\$ 6.07</u>		<u>\$ 2.80</u>	
Diluted earnings per share									
9850 Diluted earnings per share	6(30)	<u>\$ 4.21</u>		<u>\$ 1.95</u>		<u>\$ 5.55</u>		<u>\$ 2.66</u>	

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(REVIEWED, NOT AUDITED)

Expressed in Thousands of New Taiwan Dollars

Equity attributed to the owners of the parent												
		Retained Earnings					Other equities					
	Notes	Share capital-ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) from available for-sale financial assets	Total	Non-controlling interests	Total equity
2017												
Balance at January 1, 2017		\$ 8,047,484	\$11,942,690	\$ 2,642,996	\$ -	\$ 17,285,543	(\$ 1,683,342)	\$ -	(\$ 5,014)	\$38,230,357	\$ -	\$ 38,230,357
Net profit of this period		-	-	-	-	2,252,281	-	-	-	2,252,281	719,048	2,971,329
Other comprehensive income (loss) for the period		-	-	-	-	-	(317,092)	-	5,014	(312,078)	210,645	(101,433)
Total comprehensive income for the period		-	-	-	-	2,252,281	(317,092)	-	5,014	1,940,203	929,693	2,869,896
2016 earning appropriations and distribution:	6(22)											
Listed as regular surplus		-	-	345,619	-	(345,619)	-	-	-	-	-	-
Listed as special reserve		-	-	-	1,688,354	(1,688,354)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(1,770,446)	-	-	-	(1,770,446)	-	(1,770,446)
Debts redeemed		-	(7,843,211)	-	-	-	-	-	-	(7,843,211)	-	(7,843,211)
Cost of remuneration in restricted employee shares	6(19)	-	42,771	-	-	-	-	-	-	42,771	7,059	49,830
Changes in non-controlling interests	6(31)	-	2,837,841	-	-	(173,009)	-	-	-	2,664,832	9,046,709	11,711,541
Balance at September 30, 2017		\$ 8,047,484	\$ 6,980,091	\$ 2,988,615	\$ 1,688,354	\$ 15,560,396	(\$ 2,000,434)	\$ -	\$ -	\$33,264,506	\$ 9,983,461	\$ 43,247,967

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Equity attributed to the owners of the parent												
	Notes	Share capital- ordinary share	Capital surplus	Retained Earnings			Other equities			Total	Non- controlling interests	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) from available for-sale financial assets			
2018												
Balance at January 1, 2018		\$ 8,047,484	\$14,851,298	\$ 2,988,615	\$ 1,688,354	\$ 18,486,196	(\$ 1,717,913)	\$ -	\$ -	\$44,344,034	\$10,917,285	\$ 55,261,319
Net profit of this period		-	-	-	-	4,885,584	-	-	-	4,885,584	1,546,085	6,431,669
Other comprehensive income (loss) for the period	6(23)	-	-	-	-	-	(1,585,402)	(53,971)	-	(1,639,373)	(428,446)	(2,067,819)
Total comprehensive income for the period		-	-	-	-	4,885,584	(1,585,402)	(53,971)	-	3,246,211	1,117,639	4,363,850
2017 earning appropriations and distribution:	6(22)											
Listed as regular surplus		-	-	517,244	-	(517,244)	-	-	-	-	-	-
Listed as special reserve		-	-	-	29,558	(29,558)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(2,655,670)	-	-	-	(2,655,670)	-	(2,655,670)
Cost of remuneration in restricted employee shares	6(19)	-	61,107	-	-	-	-	-	-	61,107	14,946	76,053
Changes in non-controlling interests - earnings distribution of subsidiaries		-	-	-	-	-	-	-	-	-	(827,540)	(827,540)
Changes in non-controlling interests - cash capital increase of subsidiaries	6(31)	-	7,052,714	-	-	-	-	-	-	7,052,714	9,102,166	16,154,880
Balance at September 30, 2018		\$ 8,047,484	\$21,965,119	\$ 3,505,859	\$ 1,717,912	\$ 20,169,308	(\$ 3,303,315)	(\$ 53,971)	\$ -	\$52,048,396	\$20,324,496	\$ 72,372,892

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUNSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(RVIEWED, NOT AUDITED)

Expressed in Thousands of New Taiwan Dollars

	Notes	Nine Months Ended on September 30 2018	Nine Months Ended on September 30 2017
<u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</u>			
Profit before tax		\$ 8,188,977	\$ 3,459,400
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(24)	4,928,750	4,035,080
Amortization expense	6(24)	64,821	64,796
Impairment loss on non-financial assets	6(11)	355,957	-
Expected credit loss	12	694	-
Loss on disposal of property, plant and equipment	6(27)	64,051	34,455
Loss on disposal of land use rights		-	(17,719)
Rental expenses for land use right	6(13)	93,688	21,859
Interest income	6(26)	(726,382)	(538,008)
Interest expense	6(28)	688,686	554,866
Gain on disposal of investments	6(27)	-	(9,155)
Share-based payments	6(19)	76,053	49,830
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		7,935	-
Notes receivable		(62,263)	52,219
Accounts receivable		5,797,001	(6,599,435)
Accounts receivable due from related parties		(101,275)	(372,812)
Other receivables		1,251,428	652,941
Inventories		(163,908)	(3,865,069)
Prepayments		(846,258)	(2,114,827)
Other current assets		-	30,535
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss		-	1,861
Accounts payable		(4,992,693)	4,606,982
Accounts payable to related parties		131,596	(185,465)
Other payables		1,424,504	(174,530)
Other current liabilities		23,693	61,308
Cash inflow(outflow) generated from operations		16,205,055	(250,888)
Income taxes paid		(1,646,246)	(1,601,053)
Net cash flows from (used in) operating activities		14,558,809	(1,851,941)

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ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUNSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(REVIEWED, NOT AUDITED)

Expressed in Thousands of New Taiwan Dollars

	Notes	Nine Months Ended on September 30 2018	Nine Months Ended on September 30 2017
<u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</u>			
Proceeds from repayments of financial assets at amortized cost		\$ 1,901,248	\$ -
Increase in other financial assets		-	(3,504,132)
Acquisition of held-to-maturity financial assets		-	(275,830)
Proceeds from disposal of held-to-maturity financial assets		-	30,767
Proceeds from disposal of available-for-sale financial assets		-	103,842
Decrease in other financial assets		-	282,172
Acquisition of property, plant and equipment	6(32)	(9,814,234)	(6,343,094)
Proceeds from disposal of property, plant and equipment		34,050	648,451
Acquisition of land use rights	6(32)	(3,434,719)	(3,127,520)
Proceeds from disposal of land use rights		5,226	-
Increase in other non-current assets		(178,674)	(138,871)
Decrease (increase) in refundable deposits		4,480	(1,252)
Interest received		805,716	536,530
Net cash flows from (used in) investing activities		(10,676,907)	(11,788,937)
<u>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term loans		(3,159,650)	4,694,481
Proceeds from long-term debt		-	991,530
Repayments of long-term debt		-	(979,590)
(Decrease) increase in guarantee deposits received		(75,721)	57,837
Cash dividends paid	6(22)	(2,655,670)	(1,770,446)
Interest paid		(527,445)	(412,567)
Repayments of bonds		-	(471,901)
Cash paid on arranger fees of new syndicated loans		(22,898)	-
Change in non-controlling interests - cash capital increase of subsidiaries	6(31)	16,154,880	11,711,541
Change in non-controlling interests - earnings distribution of subsidiaries		(827,540)	-
Net cash flows from (used in) financing activities		8,885,956	13,820,885
Effect of exchange rate changes on cash and cash equivalents		(1,230,231)	(12,298)
Net increase in cash and cash equivalents		11,537,627	167,709
Cash and cash equivalents at beginning of period		19,147,388	21,417,563
Cash and cash equivalents at end of period		<u>\$ 30,685,015</u>	<u>\$ 21,585,272</u>

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

(REVIEWED, NOT AUDITED)

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

Zhen Ding Technology Holding Limited (the “Company”) was incorporated as a company limited by shares under the provision of Cayman Companies Law in June 2006. The Company was renamed Zhen Ding Technology Holding Limited based on a resolution of the meeting of the Board of Directors in May 2012. The Company registered the changes in July of the same year. The address of the company’s registered address is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The Company and its subsidiaries (collectively referred herein as the “Group”) are dedicated in the manufacturing, processing and sales of various types of printed circuit boards (“PCBs”). on December 26, 2011, The Company’s shares were listed on the Taiwan Stock Exchange.

2. THE AUTHORISATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issuance by the Board of Directors on November 12, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS"), International Accounting Standards, IFRIC interpretations, and SIC interpretations as endorsed by the Financial Supervisory Commission ("FSC")

IFRSs endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective Date of Publication by IASB
Amendment to IFRS 2, ‘Classification and Measurement of Share-based Payment Transactions’	January 1, 2018
Amendment to IFRS 4, ‘Application of IFRS 4 “Financial Instruments” under IFRS 4 “Insurance Contracts”’	January 1, 2018
IFRS 9, ‘Financial Instruments’	January 1, 2018
IFRS 15, ‘Revenue from Contracts with Customers’	January 1, 2018
Amendment to IFRS 15, ‘Clarifications to IFRS 15 “Revenue from Contracts with Customers”’	January 1, 2018
Amendment to IAS 7, ‘Disclosure Initiative’	January 1, 2018
Amendment to IAS 12, ‘Recognition of Deferred Tax Assets for Unrealized Losses’	January 1, 2018
Amendment to IAS 40, ‘Transfers of Investment property’	January 1, 2018
IFRIC 22, ‘Foreign Currency Transactions and Advance Consideration’	January 1, 2018
Annual Improvements to IFRSs 2014-2016 Cycle - IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’	January 1, 2018

New Standards, Interpretations and Amendments	Effective Date of Publication by IASB
Annual Improvements to IFRSs 2014-2016 Cycle - IFRS 12 'Disclosure of Interests in Other Entities'	January 1, 2018
Annual Improvements to IFRSs 2014-2016 Cycle - IAS 28 'Investments in Associates and Joint Ventures'	January 1, 2018

Based on the Group's assessment, the major impacts of the above standards and interpretations to the Group's financial condition and financial performance based on the Group's assessment are as follows:

IFRS 9, 'Financial Instruments'

- A. Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- B. The impairment losses of debt instruments are assessed using an expected credit loss approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue should be calculated on the gross carrying amount of the asset before impairment losses occur); or if the instrument has objective evidence of impairment. Interest revenue after the impairment should be calculated on the carrying amount, net of credit allowance. The loss allowance should be measured at an amount equal to the lifetime expected credit losses for accounts receivables that do not contain a significant financing component.
- C. The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as of January 1, 2018, please refer to Note 12(4).

(2) Effects of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective Date of Publication by IASB
Amendments to IFRS 9, 'Prepayment Features with Negative Compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendment to IAS 19, 'Plan Amendment, Curtailment or Settlement'	January 1, 2019
Amendment to IAS 28, 'Long-term Interests in Associates and Joint Ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over Income Tax Treatments'	January 1, 2019
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019

Except for the following items, the Groups believe the adoption of the above standards and interpretations will not have significant impacts on the Group's financial condition and financial performance. The related impact will be disclosed when the Company completes the evaluation.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has had no material impact on the Group.

The Group expects to recognize the lease contract of lessees in line with IFRS 16. As the Group intends not to restate the financial statements of the prior period (referred to herein as the "modified retrospective approach"), relevant impacts will be adjusted on January 1, 2019.

(3) IFRSs Issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective Date of Publication by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined by IASB
IFRS 17, 'Insurance Contracts'	January 1, 2021

The Groups believe the adoption of the above standards and interpretations will not have significant impacts on the Group's financial condition and financial performance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the principal accounting policies applied in the preparation of these consolidated financial statements set out below have been consistently applied to all the periods presented.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the IAS 34 “Interim Financial Reporting” as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less the present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS), International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 for the first time on January 1, 2018, the Group has elected to apply a modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018; and the financial statements for the year ended December 31, 2017, and the three-month period ended September 30, 2017 were not restated. The financial statements for the year ended December 31, 2017 and the three-month period ended September 30, 2017 were prepared in compliance with IAS 39 and the related IFRIC and SIC interpretations. Please refer to Note 12(4) for details regarding significant accounting policies.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights,

to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main Business Activities	Ownership (%)			Note
			June 30, 2018	December 31, 2017	June 30, 2017	
The Company	Zhen Ding Technology Co., Ltd.	Trading company	100	100	100	
The Company	Speedtech Holdings Limited (B.VI.)	Holding company	-	-	100	(1)
The Company	Monterey Park Finance Limited (B.VI.)	Holding company	100	100	100	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited (Cayman)	Holding company	100	100	100	
Speedtech Holdings Limited (B.VI.)	IRIS World Enterprises Limited (B.VI.)	Trading company	-	-	100	(1)
Monterey Park Finance Limited (B.VI.)	Pacific Stand Enterprises Limited (Hongkong)	Holding company	100	100	100	
Monterey Park Finance Limited (B.VI.)	Coppertone Enterprises Limited (B.VI.)	Holding company	100	100	100	
Monterey Park Finance Limited (B.VI.)	Pacific Fair International Limited	Holding company	100	100	100	

Investor	Subsidiary	Main Business Activities	Ownership (%)			Note
			June 30, 2018	December 31, 2017	June 30, 2017	
	(Hongkong)					
Monterey Park Finance Limited (B.VI.)	Forever Growth Investments Limited (Bahamas)	Holding company	-	-	100	(1)
Monterey Park Finance Limited (B.VI.)	Light Flash International Limited (B.VI.)	Holding company	-	100	100	(3)
Monterey Park Finance Limited (B.VI.)	Henley International Limited (Hongkong)	Trading company	100	100	100	
Monterey Park Finance Limited (B.VI.)	Qiding Technology Qinhuangdao Co., Ltd.	Manufacturer	100	100	100	
Coppertone Enterprises Limited (B.VI.)	Mayco Industrial Limited (Hongkong)	Holding company	100	100	100	
Mayco Industrial Limited (Hongkong)	Avary Holding (Shenzhen) Co., Ltd.	Manufacturer	66.38	73.75	73.75	(4)
Pacific Fair International Limited (Hongkong)	Avary Holding (Shenzhen) Co., Ltd.	Manufacturer	6.44	7.16	7.16	(4)
Avary Holding (Shenzhen) Co., Ltd.	Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	Manufacturer	100	100	100	
Avary Holding (Shenzhen) Co., Ltd.	Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacturer	100	100	100	
Avary Holding (Shenzhen) Co., Ltd.	Honghengsheng Electronical Technology (Huai'an) Co., Ltd.	Manufacturer	100	100	100	
Avary Holding (Shenzhen) Co., Ltd.	Yuding Precision Electronics (Huai'an) Co., Ltd.	Manufacturer	100	100	100	
Avary Holding (Shenzhen) Co., Ltd.	Qingding Precision Electronics (Huai'an) Co., Ltd.	Manufacturer	100	100	100	
Avary Holding (Shenzhen) Co., Ltd.	Fubo Industry (Shenzhen) Co., Ltd.	Manufacturer	100	100	100	

Investor	Subsidiary	Main Business Activities	Ownership (%)			Note
			June 30, 2018	December 31, 2017	June 30, 2017	
Ltd.	Ltd.					
Avary Holding (Shenzhen) Co., Ltd.	Garuda International Limited (Hongkong)	Trading company	100	100	100	
Avary Holding (Shenzhen) Co., Ltd.	Yunding Technology (Shenzhen) Co., Ltd.	Trading company	100	100	100	
Avary Holding (Shenzhen) Co., Ltd.	Kuisheng Technology (Shenzhen) Co., Ltd.	Trading company	100	100	100	
Garuda International Limited (Hongkong)	Garuda Technology Co., Ltd.	Trading company	100	100	100	
Honghengsheng Electronical Technology (Huai'an) Co., Ltd.	Chuangxinli Electronics (Huai'an) Co., Ltd.	Manufacturer	-	100	100	(2)

- (a) The Group adjusted its investment structure in 2017 and completed liquidation procedures for Speedtech Holdings Limited (B.V.I.), IRIS World Enterprises Limited (B.V.I.), and Forever Growth Investments Limited (Bahamas) in the fourth quarter due to reorganization.
- (b) The Group adjusted its investment structure in 2018, and completed liquidation procedures for Chuangxinli Electronics (Huai'an) Co., Ltd. in the second quarter due to reorganization.
- (c) The Group adjusted its investment structure in 2018 and completed liquidation procedures for Light Flash International Limited (B.V.I.) in the third quarter due to reorganization.
- (d) In the third quarter of 2018, Mayco Industrial Limited (Hong Kong) and Pacific Fair International Limited (Hong Kong) did not acquire the new shares issued by Avary Holding (Shenzhen) Co., Ltd. for cash capital increase by their shareholding percentages, and the resulting shareholding percentages were 66.38% and 6.44%, respectively.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interest that are material to the Group:

As of September 30th, 2018, December 31st, 2017 and September 30th, 2017, the non-controlling interest amounted to NT\$20,324,496, NT\$10,917,285 and NT\$9,983,461, respectively. The information on non-controlling interest and respective subsidiaries are as follows:

Subsidiary	Principal place of business	Non-controlling Interests September 30, 2018		Note
		Amount	Ownership (%)	
Avary Holding (Shenzhen) Co., Ltd.	China	\$ 20,324,496	27.18%	

Subsidiary	Principal place of business	Non-controlling Interests December 31, 2017		Note
		Amount	Ownership (%)	
Avary Holding (Shenzhen) Co., Ltd.	China	\$ 10,917,285	19.09%	

Subsidiary	Principal place of business	Non-controlling Interests September 30, 2017		Note
		Amount	Ownership (%)	
Avary Holding (Shenzhen) Co., Ltd.	China	\$ 9,983,461	19.09%	

Summarized financial information of the subsidiary:

Avary Holding (Shenzhen) Co., Ltd. Balance Sheets

	September 30, 2018	December 31, 2017	September 30, 2017
Current assets	\$ 71,614,174	\$ 67,877,432	\$ 48,261,528
Non-current assets	46,813,341	39,702,893	27,636,993
Current liabilities	(43,236,859)	(50,170,152)	(22,672,357)
Non-current liabilities	(411,610)	(216,573)	(924,696)
Total assets, net	\$ 74,779,046	\$ 57,193,600	\$ 52,301,468

Avary Holding (Shenzhen) Co., Ltd. Statements of Comprehensive Income

	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Revenue	\$ 77,849,946	\$ 39,406,535
Profit before tax	9,118,899	4,635,784
Income tax expense	(1,529,901)	(559,984)
Net income	7,588,998	4,075,800
Other comprehensive income(loss) (after tax)	101,661	(26,021)
Total comprehensive income(loss)	\$ 7,690,659	\$ 4,049,779
Comprehensive income(loss) attributable to non-controlling interests	\$ 1,117,639	\$ 929,693

Avary Holding (Shenzhen) Co., Ltd. Cash Flow Statement

	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Net cash provided by (used in) operating activities	\$ 14,561,213	(\$ 4,734,188)
Net cash used in investing activities	(5,730,178)	(3,783,607)
Net cash provided by financing activities	8,660,256	5,223,383
Effect of exchange rate changes on cash and cash equivalents	(621,077)	128,008
Increase (decrease) in cash and cash equivalents	16,870,214	(3,412,420)
Cash and cash equivalents, beginning of period	9,016,038	7,429,709
Cash and cash equivalents, end of period	<u>\$ 25,886,252</u>	<u>\$ 4,017,289</u>

(4) Foreign currency translation

All items on the financial statements of each entity of the Group are measured at the currency of the principal economic environment in which the entity operates (i.e. functional currency). The Company's functional currency is "USD". However, the Consolidated Financial Report is presented in "NTD" due to regulatory requirements.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses".

B. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

When the functional currency in the financial statements for the nine-month periods that ended September 30, 2018 and 2017 were converted to NTD, the average exchange rates were US\$1=NT\$29.92 and US\$1=NT\$30.54, respectively. The closing exchange rate as of the balance sheet dates on September 30, 2018, December 31, 2017 and September 30, 2017 were US\$1=NT\$30.53, US\$1=NT\$29.76, and US\$1=NT\$30.26, respectively.

(5) Classification of current and non-current assets and liabilities

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settle within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6) Cash equivalents

Cash equivalents refer to 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. Time deposits that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Financial assets/liabilities at fair value through profit or loss

- A. Financial assets and financial liabilities at fair value through profit or loss are financial assets that are not measured at amortized cost or measured at fair value through other comprehensive income. Financial assets at amortized cost or fair value through other comprehensive income are designated as at fair value through profit or loss on initial recognition when doing so can eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and gains or losses are recognized in profit or loss.
- D. When the right to receive dividends is established, the future economic benefits related to dividends will flow to the Group, and when the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities not held for trading and for which the Group made an irrevocable election at initial recognition to recognize their changes in fair value in other comprehensive income and debt instruments which meet the following criteria:
 - (a) The financial assets are held in a business model for the purpose of collecting contractual cash flows and selling financial assets.
 - (b) The assets' contractual cash flows represent solely for the payment of principal and interest on the outstanding principal balance.
- B. Through a regular purchase or sale basis, financial assets at fair value through other comprehensive income are accounted for using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs and subsequently at fair value.
 - (a) Changes in the fair value of equity instruments are recognized in other comprehensive income. Upon derecognition, cumulative gains or losses recognized previously under other comprehensive income cannot be

reclassified to profit or loss subsequently. They are reclassified to retained earnings. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow to the Group, and when the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

- (b) Changes in the fair value of debt instruments are recognized in other comprehensive income. Impairment loss, interest income, and foreign exchange gains or loss are recognized in profit or loss before derecognition. Upon derecognition, cumulative gains or losses recognized previously under other comprehensive income are reclassified to profit or loss.

(9) Financial assets at amortized cost

- A. Assets that meet one of the following criteria are classified as financial assets at amortized cost:
 - (a) Assets held in a business model for the purpose of collecting contractual cash flows.
 - (b) The contractual terms of the financial assets generate cash flows on specific dates, which are solely for the payment of principal and interest on the outstanding principal balance.
- B. Through a regular purchase or sale basis, financial assets at amortized cost are accounted for using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. In subsequent periods, interest income is recognized using the effective interest method and impairment loss is accounted for. Upon derecognition, the gain or loss is recognized in profit or loss.
- D. The Group holds time deposits that do not meet the definition of cash equivalents. Due to their short maturity periods, the impact of discounting is not significant. Thus, they are measured by the investment amount.

(10) Notes and accounts receivable

- A. These are accounts and notes receivable that give the Group an unconditional right to receive consideration in exchange for transferred goods or rendered services.
- B. Short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments at fair value through other comprehensive income, financial assets at amortized cost, accounts receivable, and contract assets with significant financing components, lease receivables, loan commitments and financial guarantee contracts, the Group takes into account all reasonable and verifiable information (including forecasts)

at each balance sheet date and recognizes the impairment provision as 12 months expected credit losses (ECLs) if the credit risk has not increased significantly since initial recognition or as lifetime ECLs if such credit risk has increased significantly since initial recognition. For accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision as lifetime ECLs.

(12) Derecognition of Financial Assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Leasing (as lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is employed when evaluating the lower of costs and net realizable value. Net realizable value is the balance of estimated selling price in the normal operating course less the estimated cost of completion and applicable variable selling expenses.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. The cost model is applied to other property, plant and equipment and these are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the property, plant and equipment comprise any significant components, they are depreciated individually.
- D. The Group reviews each assets' residual values, useful lives and depreciation methods at the end of each financial year. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8

“Accounting Policies, Changes in Accounting Estimates and Errors” from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	5~53 years
Equipment	2~10 years
Leased assets	20 years
Leasehold improvements	5 years
Other equipment	2~15 years

(16) Leasing (as lessee)

Lease payments from an operating lease (net of any incentives received from the lessor) is recognized in profit or loss on a straight-line basis over the lease term.

(17) Goodwill

Goodwill arises on an acquisition of a business.

(18) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior periods no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
- B. The recoverable amount of goodwill shall be evaluated periodically. An impairment is recognized when recoverable amount is lower than carrying amount. Impairment loss should not be reversed in the future.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

- A. Borrowings comprise long-term and short-term bank loans. Borrowings are recognized initially at fair value, net of transaction costs incurred. In subsequent periods, the difference between the proceeds (net of transaction costs) and the redemption value is amortized and recognized as interest expense in profit or loss over the loan period using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs

of the loan, when it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs and recognized as an adjustment on the effective interest rates. When there is no evidence of the possibility that some or all the facility will be drawn down, the fee is recognized as a prepayment and amortized over the period of the facility.

- C. The extension of the option is not closely related to the main debt instrument unless the interest rate is modified to be very close to the current market interest rate.

(20) Accounts payable

- A. These are liabilities incurred as a result of purchasing raw materials, goods, or services.
- B. Short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

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

(22) Financial liabilities and equity instruments

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ("Capital surplus - options") in accordance with the conditions of issuance price for initial issuance. Convertible corporate bonds are accounted for as follows:

- A. The valuation of the call options and put options embedded in convertible corporate bonds issued by the Group is highly connective to the main debt instrument contract attached, as the execution price of options is almost the same as the book value of amortized cost of the main debt instrument on each execution date.
- B. Bonds payable of convertible corporate bonds is initially recognized at fair value and subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable liabilities and presented as an addition to or deduction from bonds payable liabilities, which is amortized in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
- C. Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognized in 'capital surplus—share options' at the residual amount of total issue price less amounts of

‘financial assets or financial liabilities at fair value through profit or loss’ and ‘bonds payable—net’ as stated above. Conversion options are not subsequently remeasured.

- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component of the bonds (including ‘bonds payable/ preference share liabilities’ and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus- share options.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plans are recognized in other

comprehensive income in the period in which they arise and are recorded as retained earnings.

- iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.
- B. Restricted employee shares:
 - (a) Equity products measured at fair value granted on the grant date are recognized as cost of employee services received.
 - (b) The Company does not impose restrictions on employees' right to participate in the dividend distribution and employees that depart within the vesting period do not have to repay dividends they have received. The dividends that are expected to be distributed to departing employees within the vesting period on the dividend announcement date shall be recognized as remuneration cost through fair value of the dividends.
 - (c) Employees are required to pay for the restricted employee shares. If the employee quit or are dismissed during the vesting period, the employee shall be required to return the stocks and the Group shall also be required to refund

the payment. The payment expected to be paid to departing employees within the vesting period on the granting date shall be recognized as debt and parts attributable to the final payment to vested employees shall be recognized as “capital surplus – other”.

(25) Income tax

- A. Income tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. The companies of the Group are applicable to different income tax varied with the countries registered.
 - (a) Companies registered in the Cayman Islands, British Virgin Islands, and Bahamas are exempted from income taxes in accordance with local laws and regulations.
 - (b) Companies registered in the Republic of China, unless otherwise specified in the Income Tax Act, shall recognize the business income tax of the current year. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings. When calculating the income tax, in addition to the general income tax amount calculated in accordance with the Income Tax Act, the basic income tax shall be calculated in accordance with the “Income Basic Tax Act”. If the general income tax is lower than the basic income tax, the difference between the basic income tax and general income tax shall be added to the payable income tax. The aforementioned difference may not be offset with other investment tax credit specified in other laws.
 - (c) The income taxes of companies registered in the People's Republic of China shall be calculated in accordance with the “Law of the People's Republic of China on Enterprise Income Tax”, its Implementation Regulations, and related notifications and letters.
 - (d) The income taxes of companies registered in Hong Kong Special Administrative Region of the People's Republic of China shall be restricted to income that originate from Hong Kong in accordance with the “Inland Revenue Ordinance” of Hong Kong.
- C. Deferred income tax is recognized, using the balance sheet liability method, on

temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. The income tax expense of an interim period is recognized based on the estimated average annual effective tax rate expected for the full financial year applied to the profit before income tax of the interim period, and the related information is disclosed accordingly.
- G. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(26) Dividend distribution

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(27) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells PCB and related products. Sales are recognized when control of the products has transferred to the customers, i.e. when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. Sales revenue of PCB products is recognized based on the contractual price minus the estimated volume discount, sales discount(s), and allowances.
- (b) Receivables are recognized when the goods are delivered as the Group now has unconditional rights to the consideration and only the passage of time is required before the payment is due.

B. Financial components

For the Group's contracts with customers, as the time between delivery of committed goods or services to customers and payments from customers is less than one year, the Group does not adjust the transaction prices to reflect the time value of money.

(28) Business combinations

- A. The Group uses the acquisition method to account for business combinations, except for jointly-controlled entities, merged business operations, or subsidiaries of an investor entity (invested subsidiaries should be measured by investor entity at fair value through profit or loss) as defined by IFRS 10, 'Consolidated financial statements.' The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be

measured at the acquisition-date fair value.

- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS ON UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the actual results. The estimates and assumptions that may significantly adjust the carrying amounts of assets and liabilities within the next financial year are addressed below:

(1) Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date based on judgments and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventories consumption, obsolete inventories or inventories without market selling value on the balance sheet date, and writes down the cost of inventories to the net realizable value. Since the inventories evaluation is based on demands for products within a specific future period, it may cause significant changes to inventories evaluation.

As of September 30, 2018, the carrying amount of the Group's inventories was NT\$11,250,736.

(2) Assessment of tangible asset impairments

The Group assesses impairment based on its subjective judgment and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilized and industrial characteristics. Any changes in economic circumstances or in the estimates due to the Group's strategy might cause material impairment of assets in the future.

As of September 30, 2018, the carrying amount of property, plant and equipment after the Group's recognition of impairment loss was NT\$40,154,981.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand and petty cash	\$ 3,199	\$ 3,334	\$ 2,871
Checking deposits and demand deposits	17,926,627	10,532,034	14,489,001
Cash equivalents			
Time deposits	12,755,189	8,612,020	7,093,400
	<u>\$ 30,685,015</u>	<u>\$ 19,147,388</u>	<u>\$ 21,585,272</u>

- A. The Group's time deposits due for more than three months had been transferred to financial assets at amortized costs as of September 30, 2018. Please refer to Note 6(7) for details.
- B. The Group's time deposits due for more than three months had been transferred to other current assets as of December 31, 2017 and September 30, 2017. Please refer to Note 6(6) for details.
- C. The Group's cash and cash equivalents had not been provided to pledge.

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

Item	September 30, 2018	December 31, 2017	September 30, 2017
Current items - assets (liabilities)			
Forward foreign exchange contracts	\$ -	\$ 7,935	(\$ 1,973)

- A. For the three-month and nine-month periods that ended on September 30, 2018 and 2017, the net profit of financial assets and liabilities at fair value through profit or loss was NT\$0, NT\$25,409, NT\$11,702 and NT\$45,726, respectively.
- B. The non-hedging derivative instruments transaction and contract information are as follows:

Derivatives	December 31, 2017	
	Contract Amount (Nominal Principal in NT\$1,000)	Term of Contract
Current items:		
Forward foreign exchange contract	RMB (BUY) 80,034	2017/9 - 2018/2
	USD (SELL) (12,000)	

Derivatives	September 30, 2017	
	Contract Amount (Nominal Principal in NT\$1,000)	Term of Contract
Current items:		
Forward foreign exchange contract	RMB (BUY) 113,187	2017/9~2018/1
	USD (SELL) (17,000)	

The Group entered into foreign exchange forward transactions to hedge the exchange

rate risk of import and export sales, but no hedge accounting was applied.

C. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Notes and accounts receivable

	September 30, 2018	December 31, 2017	September 30, 2017
Notes receivable	\$ 166,589	\$ 109,810	\$ 45,757
Accounts receivable	23,060,348	28,406,499	23,014,634
	<u>23,226,937</u>	<u>28,516,309</u>	<u>23,060,391</u>
Less: Allowance for sales returns	-	(1,779)	(1,776)
Allowance for doubtful accounts	(29,640)	(34,056)	(16,066)
	<u>\$ 23,197,297</u>	<u>\$ 28,480,474</u>	<u>\$ 23,042,549</u>
Accounts receivable due from related parties	\$ 2,312,295	\$ 2,153,811	\$ 2,001,246
Less: Allowance for doubtful accounts	(22,613)	(15,126)	-
	<u>\$ 2,289,682</u>	<u>\$ 2,138,685</u>	<u>\$ 2,001,246</u>

A. The aging analysis of the Group's accounts receivable is as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Not overdue	\$ 25,280,803	\$ 30,316,105	\$ 24,966,898
1-90 days	225,315	353,179	93,139
91-180 days	23,881	626	125
Over 181 days	9,233	210	1,475
	<u>\$ 25,539,232</u>	<u>\$ 30,670,120</u>	<u>\$ 25,061,637</u>

The aging analysis above is done based on the number of overdue days. Please refer to Note 12(4) for aging analysis as of December 31, 2017 and September 30, 2017.

B. The Group did not hold collateral for any accounts receivable.

C. Please refer to Notes 12(2) and (4) for the relevant credit risk information.

(4) Other receivables and prepayments

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Other receivables</u>			
Export drawback receivable	\$ 1,167,175	\$ 2,356,900	\$ 883,454
Land use right refund receivable	-	-	309,748
Others	256,901	429,415	284,682
	<u>\$ 1,424,076</u>	<u>\$ 2,786,315</u>	<u>\$ 1,477,884</u>

	September 30, 2018	December 31, 2017	September 30, 2017
<u>Prepayments</u>			
Tax overpaid retained	\$ 3,102,391	\$ 2,227,880	\$ 3,137,921
Prepaid expenses	701,117	835,444	1,054,381
Others	32,522	24,782	26,461
	<u>\$ 3,836,030</u>	<u>\$ 3,088,106</u>	<u>\$ 4,218,763</u>

The Group's subsidiaries in China mainly manufacture products for export and are entitled

to tax exemption, deduction and refund according to local laws and regulations. Tax refunds and tax credit are calculated on a monthly basis according to the type of goods sold. As the Group's other receivables are due from government agencies, there have been no significant concerns for default.

(5) Inventories

September 30, 2018			
	Costs	Allowance for Valuation Loss	Carrying amount
Raw materials	\$ 3,133,872	(\$ 353,299)	\$ 2,780,573
Work in process	2,303,063	(77,606)	2,225,457
Finished goods	6,546,969	(302,263)	6,244,706
	<u>\$ 11,983,904</u>	<u>(\$ 733,168)</u>	<u>\$ 11,250,736</u>

December 31, 2017			
	Costs	Allowance for Valuation Loss	Carrying amount
Raw materials	\$ 2,888,155	(\$ 226,603)	\$ 2,661,552
Work in process	2,339,181	(76,873)	2,262,308
Finished goods	6,526,282	(190,760)	6,335,522
	<u>\$ 11,753,618</u>	<u>(\$ 494,236)</u>	<u>\$ 11,259,382</u>

September 30, 2017			
	Costs	Allowance for Valuation Loss	Carrying amount
Raw materials	\$ 3,021,537	(\$ 260,141)	\$ 2,761,396
Work in process	2,987,226	(67,875)	2,919,351
Finished goods	5,313,552	(163,405)	5,150,147
	<u>\$ 11,322,315</u>	<u>(\$ 491,421)</u>	<u>\$ 10,830,894</u>

Expenses and losses incurred on inventories for the period:

	For the three- month period ended on September 30, 2018	For the three- month period ended on September 30, 2017	For the nine- month period ended on September 30, 2018	For the nine- month period ended on September 30, 2017
Cost of goods sold	\$ 26,028,224	\$ 26,342,741	\$ 62,261,640	\$ 55,169,390
Impairment loss	180,468	-	355,957	-
Loss on inventory valuation (gain from price recovery)	142,577	(104,801)	259,021	(262,915)
Revenue from sale of scraps	(108,655)	(390)	(298,409)	(14,638)
	<u>\$ 26,242,614</u>	<u>\$ 26,237,550</u>	<u>\$ 62,578,209</u>	<u>\$ 54,891,837</u>

The Group sold the inventories of which the allowances for valuation loss have been provided for the three-month and nine-month periods ended on September 30, 2017, which resulted in a decrease in the allowance for valuation loss and the gain from price recovery of inventories.

(6) Other current assets

	September 30, 2018	December 31, 2017	September 30, 2017
Time deposits due for more than three months	\$ -	\$ 14,148,555	\$ 10,001,460
Guaranteed wealth management products	-	-	1,821,305
Others	301,707	311,230	2,338
	<u>\$ 301,707</u>	<u>\$ 14,459,785</u>	<u>\$ 11,825,103</u>

- A. The Group selected to classify time deposits with maturity over three months that generated steady interest income and capital guarantee financial products as financial assets at amortized cost as of September 30, 2018. Please refer to Note 6(7) for details.
- B. Information relating to the above other financial assets pledged as collateral is provided in Note 8.

(7) Financial assets at amortized cost

	September 30, 2018
Current items:	
Time deposits due for more than three months	\$ 10,408,818
Guaranteed wealth management products	1,831,800
Bonds	
GZINFU	122,290
	<u>\$ 12,362,908</u>
Non-current items:	
<u>Bonds</u>	
BOND OF BABA	\$ 30,658
HUAHK	92,364
HACOMM	30,909
	<u>\$ 153,931</u>

- A. Interest revenue recognized in profit or loss at amortized cost for the three-month and nine-month periods ended on September 30, 2018 were NT\$112,742 and NT\$423,982, respectively.
- B. The Group has no financial assets at amortized cost pledged to others.
- C. Please refer to Note 6(6) and 6(8) for details as of December 31, 2017 and September 30, 2017.

(8) Held-to-maturity financial assets

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Current items:		
Bonds		
ZHENGY	<u>\$ -</u>	<u>\$ 121,176</u>
Non-current items:		
<u>Bonds</u>		
BOND OF BABA	\$ 29,965	\$ 30,496
HUAHK	90,713	92,593
HACOMM	30,386	30,981
	<u>\$ 151,064</u>	<u>\$ 154,070</u>

A. Interest revenue recognized in profit or loss at amortized cost for the three-month and nine-month periods ended on September 30, 2018 were NT\$1,659 and NT\$1,912, respectively.

B. The Group has no held-to-maturity financial assets pledged to others.

(9) Financial assets measured at fair value through other comprehensive income - non-current

	<u>September 30, 2018</u>
Equity instruments	
SynPower Co., Ltd.	\$ 120,992
Valuation adjustment	(53,971)
Net exchange differences	176
	<u>\$ 67,197</u>

A. The Group selected to classify its strategic investment in shares of SynPower Co., Ltd. as financial assets at fair value through other comprehensive income.

B. Details of financial assets at fair value through other comprehensive income recognized in the comprehensive income are as follows:

	<u>For the three-month period ended on September 30, 2018</u>	<u>For the three-month period ended on September 30, 2018</u>
Equity instruments	(\$ 12,636)	(\$ 53,971)

C. The Group has no financial assets at fair value through other comprehensive income pledged to others.

D. Please refer to Note 6(10) for details as of December 31, 2017 and September 30, 2017.

(10) Financial assets carried at cost

	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Shares of non-publicly listed companies		
SynPower Co., Ltd.	\$ 121,000	\$ 121,000
Net exchange differences	(8)	(172)
	<u>\$ 120,992</u>	<u>\$ 120,828</u>

- A. The equity of SynPower Co., Ltd. held by the Group should have been classified as available-for-sale financial assets according to the Group's investing purposes. However, such equity investment is classified as "financial assets carried at cost" since their fair value cannot be reliably measured due to the fact that they are not traded in an active market, and that neither industrial information on similar companies nor financial information on the invested company was sufficiently available.
- B. The Group has no financial assets carried at cost pledged to others.

(11) Property, plant and equipment

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and To-be- inspected Equipment	Total
January 1, 2018						
Cost	\$ 50,997	\$ 17,000,094	\$ 35,240,022	\$ 9,798,157	\$ 3,124,222	\$ 65,213,492
Accumulated depreciation and impairment	-	(6,548,725)	(16,797,220)	(5,186,094)	-	(28,532,039)
	<u>\$ 50,997</u>	<u>\$ 10,451,369</u>	<u>\$ 18,442,802</u>	<u>\$ 4,612,063</u>	<u>\$ 3,124,222</u>	<u>\$ 36,681,453</u>
<u>2018</u>						
January 1	\$ 50,997	\$ 10,451,369	\$ 18,442,802	\$ 4,612,063	\$ 3,124,222	\$ 36,681,453
Additions (transfer)	-	1,223,077	5,798,151	1,851,329	1,239,622	10,112,179
Disposals	-	(65,354)	(25,771)	(6,976)	-	98,101
Depreciation charge	-	(819,677)	(3,065,023)	(1,044,050)	-	(4,928,750)
Impairment loss	-	-	(355,957)	-	-	(355,957)
Net exchange differences	74	(300,735)	(657,407)	(160,210)	(137,565)	(1,255,843)
September 30	<u>\$ 51,071</u>	<u>\$ 10,488,680</u>	<u>\$ 20,136,795</u>	<u>\$ 5,252,156</u>	<u>\$ 4,226,279</u>	<u>\$ 40,154,981</u>
September 30, 2018						
Cost	\$ 51,071	\$ 17,334,029	\$ 39,381,877	\$ 11,158,048	\$ 4,226,279	\$ 72,151,304
Accumulated depreciation and impairment	-	(6,845,349)	(19,245,082)	(5,905,892)	-	(31,996,323)
	<u>\$ 51,071</u>	<u>\$ 10,488,680</u>	<u>\$ 20,136,795</u>	<u>\$ 5,252,156</u>	<u>\$ 4,226,279</u>	<u>\$ 40,154,981</u>

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and To-be-inspected Equipment	Total
January 1, 2017						
Cost	\$ 50,987	\$ 16,994,481	\$ 31,461,747	\$ 7,265,470	\$ 3,012,295	\$ 58,784,980
Accumulated depreciation and impairment	-	(6,542,005)	(15,620,131)	(4,360,927)	-	(26,523,063)
	<u>\$ 50,987</u>	<u>\$ 10,452,476</u>	<u>\$ 15,841,616</u>	<u>\$ 2,904,543</u>	<u>\$ 3,012,295</u>	<u>\$ 32,261,917</u>
2017						
January 1	\$ 50,987	\$ 10,452,476	\$ 15,841,616	\$ 2,904,543	\$ 3,012,295	\$ 32,261,917
Additions (transfer)	-	798,603	4,201,566	847,221	1,998,711	7,846,101
Disposals	-	(51,876)	(613,688)	(17,156)	(186)	(682,906)
Depreciation charge	-	(762,516)	(2,598,989)	(673,575)	-	(4,035,080)
Net exchange differences	(59)	(200,078)	(283,834)	(54,364)	(28,299)	(566,634)
September 30	<u>\$ 50,928</u>	<u>\$ 10,236,609</u>	<u>\$ 16,546,671</u>	<u>\$ 3,006,669</u>	<u>\$ 4,982,521</u>	<u>\$ 34,823,398</u>
September 30, 2017						
Cost	\$ 50,928	\$ 16,856,312	\$ 32,550,363	\$ 7,715,613	\$ 4,982,521	\$ 62,155,737
Accumulated depreciation and impairment	-	(6,619,703)	(16,003,692)	(4,708,944)	-	(27,332,339)
	<u>\$ 50,928</u>	<u>\$ 10,236,609</u>	<u>\$ 16,546,671</u>	<u>\$ 3,006,669</u>	<u>\$ 4,982,521</u>	<u>\$ 34,823,398</u>

- A. The major components of the Group's property, plant and equipment include buildings and improvement works for buildings, which are depreciated based on a period of 20~53 years and 5~10 years, respectively.
- B. The Group assesses the recoverable amount of assets based on the value in use and the fair value less costs to sell at the end of the reporting period. The discount rate used to estimate the value in use is 7.17%. Based on the results of the aforesaid assessment, the Group's impairment loss on property, plant and equipment for the three-month and nine-month periods that ended on September 30, 2018 was NT\$180,468 and NT\$355,957, respectively. For the three-month and nine-month periods that ended on September 30, 2018, the amount recognized was listed as cost of sales. The aforesaid impairment loss was attributed to the Printed Circuit Board Division.

(12) Intangible assets

	September 30, 2018	December 31, 2017	September 30, 2017
Goodwill	<u>\$ 91,153</u>	<u>\$ 88,854</u>	<u>\$ 90,347</u>
	For the nine-month period ended on September 30, 2018		For the nine-month period ended on September 30, 2017
January 1	\$ 88,854		\$ 96,289
Net exchange differences	2,299		(5,942)
September 30	<u>\$ 91,153</u>		<u>\$ 90,347</u>

The above goodwill arose from the Group's acquisition of 100% equity of Honghengsheng Electronical Technology (Hua'an) Co., Ltd. in 2008.

(13) Other non-current assets – others

	September 30, 2018	December 31, 2017	September 30, 2017
Long-term prepaid rent (land use rights)	\$ 7,723,066	\$ 4,155,550	\$ 4,143,331
Refundable deposits	45,462	51,277	27,882
Others	353,734	273,342	255,016
	<u>\$ 8,122,262</u>	<u>\$ 4,480,169</u>	<u>\$ 4,426,229</u>

The Group's subsidiaries have entered into land use rights contracts with local governments, and the land will be returned to local governments upon expiration of the leases. The Group recognized the rental expense of NT\$62,846, NT\$7,136, NT\$93,688 and NT\$21,859 for the three-month and nine-month periods that ended on September 30, 2018 and 2017, respectively.

(14) Short-term loans

	September 30, 2018	December 31, 2017	September 30, 2017
Credit loans	\$ 12,540,625	\$ 15,791,085	\$ 14,997,811
Secured loans	-	-	1,738,358
Total	<u>\$ 12,540,625</u>	<u>\$ 15,791,085</u>	<u>\$ 16,736,169</u>
Interest rates	<u>2.44%~4.80%</u>	<u>1.80%~4.70%</u>	<u>1.61%~4.70%</u>

Details of short-term loans pledged as collateral are provided in Note 8.

(15) Other payables

	September 30, 2018	December 31, 2017	September 30, 2017
Salary and bonus payable	\$ 3,287,568	\$ 3,060,896	\$ 2,468,662
Equipment payable	3,271,554	3,066,678	3,145,425
Modular fixture payable	1,543,501	1,267,275	1,207,083
Repairing charges payable	672,321	543,084	321,098
Tax payable	662,653	160,287	163,637
Consumable payable	602,278	531,162	719,614
Land use rights payable	474,621	-	-
Others	1,720,315	1,702,289	981,640
	<u>\$ 12,234,811</u>	<u>\$ 10,331,671</u>	<u>\$ 9,007,159</u>

(16) Corporate bonds payable

	September 30, 2018	December 31, 2017	September 30, 2017
Second issue of overseas unsecured bonds			
Bonds payable	\$ 8,740,505	\$ 8,520,060	\$ 8,663,207
Less: Discount on bonds payable	(142,486)	(277,786)	(329,528)
	<u>8,598,019</u>	<u>8,242,274</u>	<u>8,333,679</u>
Less: Current portion (recognized in long-term liabilities - current portion)	(8,598,019)	-	-
Bonds payable	<u>\$ -</u>	<u>\$ 8,242,274</u>	<u>\$ 8,333,679</u>

A. The conditions for the second issuance of unsecured overseas convertible bonds are as follows:

- (a) The Company issued the second unsecured overseas convertible bonds totaling US\$300,000 thousand with the approval of the competent authority on June 6, 2014. The bonds carry zero coupon rate over 5 years. The circulation period is from June 26, 2014 to June 26, 2019.
- (b) The conversion price is adjusted in line with the model specified in the conversion rules. As of September 30, 2018, there has not been any converted common stock at the conversion price of NT\$86.1660 (using the exchange rate of 1 USD:30.02 TWD).
- (c) The bondholders may request the Company to redeem part or all of bonds at the interest compensation calculated based on the nominal amount of the bonds plus an annual interest rate of 0.125% (calculated every six months), that is, 100.38% of the nominal amount of the bonds, on the expiration date of three-year issuance of bonds. On June 26, 2017, the redemption amount totaled US\$15,500 thousand.
- (d) Except where the bonds have been redeemed, repurchased and cancelled or converted by the bondholders, the Company should repay the bonds in full based on the nominal amount of the bonds plus the annual interest rate of

0.125% (calculated every six months) on the maturity date of the bonds. The redemption amount due is calculated based on 100.63% of the nominal amount of the bonds.

- (e) In accordance with the conversion rules, if the convertible bond is purchased (including purchased from the secondary market), early redeemed, or repaid at maturity by the Company, or if the convertible bond is converted into common stocks or redeemed by the bondholder, the bond is to be cancelled and will not be reissued.
 - (f) In accordance with the conversion rules, the rights and obligations of common stocks converted are the same as the outstanding ones previously subscribed.
 - (g) The effective interest rate of the convertible bonds is 2.3% per annum.
- B. In accordance with IAS 32, the conversion options for the first issuance of unsecured overseas convertible bonds in 2012 were separated from the liabilities upon issuance, and the expired unconverted stock warrants were recognized as "capital surplus – expired stock warrants" totaling NT\$258 on the due date of June 7, 2015.
- C. In accordance with IAS 32, the conversion options for the second issuance of unsecured overseas convertible bonds in 2014 were separated from the liabilities upon issuance. As of September 30, 2018, US\$15,500 thousand of the second unsecured overseas convertible bonds issued by the Company was redeemed, resulting in "capital surplus – expired stock warrants" totaling NT\$45,401. The unexpired unconverted bonds were recognized as "capital surplus – stock warrants" totaling NT\$833,332.

(17) Long-term loans

<u>Type of Loan</u>	<u>Loan Period and Repayment Method</u>	<u>September 30, 2018</u>
Syndicated loan	From December 28, 2016 to April 4, 2019; starting from October 4, 2018, the principal will be repaid semiannually in 2 installments, with 50% repaid per installment.	\$ 9,159,000
Less: Arranger fees		(5,022)
Less: Current portion (recognized in long-term liabilities - current portion)		(9,153,978)
		\$ -
Interest rate range		<u>3.54%</u>

Type of Loan	Loan Period and Repayment Method	December 31, 2017
Syndicated loan	From December 28, 2016 to April 4, 2019; starting from October 4, 2018, the principal will be repaid semiannually in 2 installments, with 50% repaid per installment.	\$ 8,928,000
Less: Arranger fees		(12,238)
Less: Current portion (recognized in long-term liabilities - current portion)		(4,457,881)
		<u>\$ 4,457,881</u>
Interest rate range		<u>3.01%</u>

Type of Loan	Loan Period and Repayment Method	September 30, 2017
Syndicated loan	From December 28, 2016 to April 4, 2019; starting from October 4, 2018, the principal will be repaid semiannually in 2 installments, with 50% repaid per installment.	\$ 9,078,000
Less: Arranger fees		(14,933)
		<u>\$ 9,063,067</u>
Interest rate range		<u>2.44%</u>

- A. Details of long-term loans pledged as collateral are provided in Note 13.
- B. In accordance with the syndicated loan agreement, the Company is required to calculate and maintain a certain current ratio, liability ratio, times-interest-earned ratio and net tangible asset balance based on the audited annual consolidated financial statements and the reviewed semiannual consolidated financial statements during the terms of the syndicated loans.

(18) Pensions

A. Defined benefit plan

- (a) Zhen Ding Technology Co., Ltd., a subsidiary of the Group in Taiwan, has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Pension Act. Under the defined benefit plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. Zhen Ding Technology Co., Ltd. contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the Supervisory Committee of Labor Retirement Reserve. Prior to the end of each annual period, Zhen Ding Technology Co., Ltd. assesses the balance of the aforementioned designated account for the labor pension fund. If the balance is

determined insufficient to pay off the pension amount computed by the aforementioned approach for employees qualified for retirement within next year, the Company will make a lump sum contribution to make up the shortfall before the end of March of the following year.

- (b) The pension costs recognized by the Group in accordance with the above pension scheme were NT\$14, NT\$14, NT\$40 and NT\$81 for three-month and nine-month periods that ended on September 30, 2018 and 2017, respectively.
- (c) The Group expects to make a contribution of NT\$15 to the pension plans for the year that ends on December 31, 2019.

B. Defined Contribution Plan

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension expenses under the Labor Pension Act for three-month and nine-month periods that ended on September 30, 2018 and 2017 were NT\$6,410, NT\$5,383, NT\$18,368 and NT\$15,665, respectively.
- (b) The Group's subsidiaries in mainland China have defined contribution plans and contribute an amount monthly based on 10%~20% of employees' monthly salaries and wages to an independent fund administered by a government agency. Each employee's pension is managed by the government. The Group is under no further obligation beyond the monthly contribution. The pension costs under the local laws and regulations for three-month and nine-month periods ended on September 30, 2018 and 2017 were NT\$354,523, NT\$180,812, NT\$793,239 and NT\$553,729, respectively.

(19) Share-based payment

- A. The share-based payment agreement of the Company's subsidiary, Avary Holding (Shenzhen) Co., Ltd., is as follows:

Type of Agreement	Grant Date	Quantity Granted	Term of Contract	Vesting Conditions
Plan of restricted employee shares	2017.02.27	185,080 thousand shares	7 years	(1)(2)

- (a) The share-based payment is vested in employees having served for Avary Holding (Shenzhen) Co., Ltd. for seven years consecutively from the date of subscription and having met the performance requirements. For employees failing to meet the vesting conditions, their investment share is fully redeemed by the Group at the lower of amount of investment or carrying value of net assets; however, return of dividends already distributed is not required.
- (b) The rights and obligations of issuance of investment shares should not be sold, pledged, transferred, donated to others, set obligations or otherwise disposed before employees meet the vesting conditions.

B. Restricted employee shares

The quantity of restricted employee shares is as follows (unit: 1,000 shares):

	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Outstanding as of January 1	185,080	-
Granted for the period	-	185,080
Outstanding as of September 30	185,080	185,080

C. Expenses arising from the share-based payment are as follows:

	For the three-month period ended on September 30, 2018	For the three-month period ended on September 30, 2017	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Expenses arising from restricted employee shares	\$ 24,821	\$ 21,386	\$ 76,053	\$ 49,830

(20) Share capital

As of September 30, 2018, the Company's authorized share capital amounted to NT\$16,000,000, consisting of 804,748 thousand of issued and outstanding common stocks, with a par value of NT\$10 per share. The paid-in capital was NT\$8,047,484.

(21) Capital surplus

For the nine-month period ended on September 30, 2018						
	Premium on Issuance of Common Stocks	Premium on Conversion of Convertible Bonds	Stock Options	Expired Stock Options	Changes in Non- controlling Interests	Total
January 1	\$ 5,690,348	\$ 5,373,351	\$ 833,332	\$ 45,659	\$ 2,908,608	\$ 14,851,298
Restricted employees shares	-	-	-	-	61,107	61,107
Changes in non- controlling interests	-	-	-	-	7,052,714	7,052,714
September 30	<u>\$ 5,690,348</u>	<u>\$ 5,373,351</u>	<u>\$ 833,332</u>	<u>\$ 45,659</u>	<u>\$ 10,022,429</u>	<u>\$ 21,965,119</u>

For the nine-month period ended on September 30, 2017						
	Premium on Issuance of Common Stocks	Premium on Conversion of Convertible Bonds	Stock Options	Expired Stock Options	Changes in Non- controlling Interests	Total
January 1	\$ 5,690,348	\$ 5,373,351	\$ 878,733	\$ 258	\$ -	\$ 11,942,690
Restricted employees shares	-	-	-	-	42,771	42,771
Changes in non- controlling interests	-	-	-	-	2,837,841	2,837,841
Redemption of debts	(2,469,860)	(5,373,351)	-	-	-	(7,843,211)
Redemption of bonds payable	-	-	(45,401)	45,401	-	-
September 30	<u>\$ 3,220,488</u>	<u>\$ -</u>	<u>\$ 833,332</u>	<u>\$ 45,659</u>	<u>\$ 2,880,612</u>	<u>\$ 6,980,091</u>

- A. The capital surplus of the Company arising from paid-in capital in excess of par value on issuance of common stocks may be used to cover accumulated deficit or issue new stocks or cash to shareholders based on the resolution of the shareholders' meeting.
- B. Details of capital surplus - stock warrants, capital surplus - expired stock warrants and capital surplus - premium of convertible bonds are provided in Note 6(16).
- C. Details of changes in capital surplus - non-controlling interest are provided in Note 6(31).

(22) Retained earnings

- A. In accordance with the Company's Articles of Incorporation, the current year's earnings should be distributed in the following order:

The Company should provide the following from the earnings in each fiscal year:

- Pay all tax accruals and payables arising from the current year;
- Offset prior years' losses;
- Set aside 10% of the remaining amount after deducting items from (a) and (b) above as general reserve, and
- Appropriate special reserve based on the resolution of the Board of Directors in accordance with the Company's Articles of Incorporation or as required by the securities exchange regulations.

The distribution of dividends or others distributions in each fiscal year should be proposed by the Board of Directors and resolved in the shareholders' meeting.

- B. The distribution of earnings for 2017 and 2016 had been resolved in the stockholders' meetings on June 4, 2018 and June 20, 2017, respectively. The distribution of earnings is as follows:

	2017		2016	
	Amount	Dividend per Share (NT\$)	Amount	Dividend per Share (NT\$)
Capital surplus	\$ 517,244		\$ 345,619	
Special capital surplus	29,558		1,688,354	
Cash dividends	2,655,670	3.30	1,770,446	2.20
Total	<u>\$ 3,202,472</u>		<u>\$ 3,804,419</u>	

Information on the distribution of earnings resolved in the shareholders' meeting is available on the Market Observation Post System of Taiwan Stock Exchange Corporation.

- C. Details of employees' bonus and directors' and supervisors' remuneration are provided in Note 6(25).

(23) Other equity items

	Unrealized Profit or Loss on Financial Assets at Fair Value through Other Comprehensive Income.	Exchange Differences on Translation of Foreign Financial Statements	Total
January 1, 2018	\$ -	(\$ 1,717,913)	(\$ 1,717,913)
Valuation adjustment	(53,971)	-	(53,971)
Foreign exchange differences:			
- Group	-	(1,585,402)	(1,585,402)
September 30, 2018	<u>(\$ 53,971)</u>	<u>(\$ 3,303,315)</u>	<u>(\$ 3,357,286)</u>

	Unrealized Profit or Loss on Available- for-sale Financial Assets	Exchange Differences on Translation of Foreign Financial Statements	Total
January 1, 2017	(\$ 5,014)	(\$ 1,683,342)	(\$ 1,688,356)
Disposal of financial assets	5,014	-	5,014
Foreign exchange differences:			
- Group	-	(317,092)	(317,092)
September 30, 2017	<u>\$ -</u>	<u>(\$ 2,000,434)</u>	<u>(\$ 2,000,434)</u>

(24) Additional information on expenses by nature

	For the three-month period ended on September 30, 2018	For the three-month period ended on September 30, 2017	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Employee benefit expenses	\$ 4,133,053	\$ 3,482,979	\$ 10,506,006	\$ 8,607,019
Depreciation expenses	1,679,441	1,406,672	4,928,750	4,035,080
Amortization expenses	25,034	27,568	64,821	64,796
	<u>\$ 5,837,528</u>	<u>\$ 4,917,219</u>	<u>\$ 15,499,577</u>	<u>\$ 12,706,895</u>

(25) Employee benefit expense

	For the three-month period ended on September 30, 2018	For the three-month period ended on September 30, 2017	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Wages and salaries	\$ 3,215,230	\$ 2,875,288	\$ 8,203,102	\$ 6,831,929
Employee remuneration	52,174	11,726	65,644	45,535
Labor and health insurance expenses	161,401	123,926	409,217	324,034
Pension expenses	360,947	186,209	811,647	569,475
Other personnel costs	343,301	285,830	1,016,396	836,046
	<u>\$ 4,133,053</u>	<u>\$ 3,482,979</u>	<u>\$ 10,506,006</u>	<u>\$ 8,607,019</u>

- A. In accordance with the Company's Articles of Incorporation, a ratio of distributable profit for the current year, after covering accumulated losses, shall be distributed as employees' bonus, directors' and supervisors' remuneration. The ratio shall be between 0.5% and 20% for employees' compensation and up to 0.5% for directors' and supervisors' remuneration.
- B. For the three-month and nine-month periods that ended on September 30, 2018 and 2017, employees' bonus was accrued at NT\$52,174, NT\$11,726, NT\$65,644 and NT\$45,535, and directors' and supervisors' remuneration was accrued at NT\$2,611, NT\$2,633, NT\$7,869 and NT\$7,818, respectively.
- C. The amounts of employees' bonus and directors' and supervisors' remuneration for 2017 that had been resolved by the Board of Directors are the same as those stated in the financial statements of 2017.
- D. Information on employees' bonus, directors' and supervisors' remuneration approved by the Board of Directors is available on the Market Observation Post System.

(26) Other income

	For the three-month period ended on September 30, 2018	For the three-month period ended on September 30, 2017	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Interest revenue				
Interests on bank deposits	\$ 136,076	\$ 206,221	\$ 302,400	\$ 492,471
Interest on financial assets at amortized cost	112,742	-	423,982	-
Interest on held-to-maturity financial assets	-	1,659	-	1,912
Interest on wealth management products	-	14,854	-	43,625
Government grants	208,598	46,347	278,032	209,949
Others	22,194	29,967	65,351	110,813
Total	<u>\$ 479,610</u>	<u>\$ 299,048</u>	<u>\$ 1,069,765</u>	<u>\$ 858,770</u>

(27) Other gains and losses

	For the three-month period ended on September 30, 2018	For the three-month period ended on September 30, 2017	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Net gain (loss) on foreign exchange	\$ 176,724	(\$ 112,373)	(\$ 262,149)	(\$ 347,422)
Net loss on disposal of property, plant and equipment	(73,783)	(17,012)	(64,051)	(34,455)
Gain on financial assets at fair value through profit or loss	-	25,409	11,702	45,726
Gain on disposal of investments	-	-	-	9,155
Others	(24,896)	(54,204)	(52,739)	(85,428)
Total	<u>\$ 78,045</u>	<u>(\$ 158,180)</u>	<u>(\$ 367,237)</u>	<u>(\$ 412,424)</u>

(28) Financing costs

	For the three-month period ended on September 30, 2018	For the three-month period ended on September 30, 2017	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Interest expenses:				
Bank loans	\$ 188,504	\$ 143,625	\$ 541,663	\$ 395,067
Amortization of convertible bonds discount	47,729	47,052	139,640	147,710
Amortization of arranger fees	2,524	2,489	7,383	7,536
Amortization of debt redeemed	-	4,553	-	4,553
	<u>\$ 238,757</u>	<u>\$ 197,719</u>	<u>\$ 688,686</u>	<u>\$ 554,866</u>

(29)

Income tax

A. Components of income tax expense

	For the three- month period ended on September 30, 2018	For the three- month period ended on September 30, 2017	For the nine- month period ended on September 30, 2018	For the nine- month period ended on September 30, 2017
Current tax				
Current tax payable for the period	\$ 1,041,579	\$ 351,984	\$ 1,953,416	\$ 1,295,141
Tax on unappropriated surplus earnings	-	-	-	13,643
Adjustments in respect of prior years	(39,980)	(117)	(51,383)	(33,149)
Total current tax	<u>1,001,599</u>	<u>351,867</u>	<u>1,902,033</u>	<u>1,275,635</u>
Deferred tax				
Origination and reversal of temporary differences	175,048	(63,133)	(136,577)	(787,564)
Impact of tax rate changes	17	-	(8,148)	-
Income tax expense	<u>\$ 1,176,664</u>	<u>\$ 288,734</u>	<u>\$ 1,757,308</u>	<u>\$ 488,071</u>

- B. The tax returns of Zhen Ding Technology Co., Ltd. through 2016 have been assessed and approved by the tax authorities.
- C. The tax returns of Garuda Technology Co., Ltd. through 2016 have been assessed and approved by the tax authorities.
- D. The amendments to the Income Tax Act of the Republic of China came into effect on February 7, 2018, and the profit-making enterprise income tax rate was increased from 17% to 20% effective January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(30) Earnings per share (EPS)

For the three-month period ended on September 30, 2018			
	Amount after Tax	Weighted Average Number of Shares Outstanding (in Thousands)	Earnings per Share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,757,593	804,748	\$ 4.67
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 3,757,593	804,748	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds - overseas	47,729	99,119	
Employee compensation	-	963	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 3,805,322	904,830	\$ 4.21

For the three-month period ended on September 30, 2017			
	Amount after Tax	Weighted Average Number of Shares Outstanding (in Thousands)	Earnings per Share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,703,329	804,748	\$ 2.12
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,703,329	804,748	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds - overseas	47,052	94,125	
Employee compensation	-	733	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 1,750,381	899,606	\$ 1.95

For the nine-month period ended on September 30, 2018			
	Amount after Tax	Weighted Average Number of Shares Outstanding (in Thousands)	Earnings per Share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 4,885,584	804,748	\$ 6.07
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 4,885,584	804,748	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds - overseas	139,640	99,119	
Employee compensation	-	1,301	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 5,025,224	905,168	\$ 5.55

For the nine-month period ended on September 30, 2017			
	Amount after Tax	Weighted Average Number of Shares Outstanding (in Thousands)	Earnings per Share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,252,281	804,748	\$ 2.80
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,252,281	804,748	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds - overseas	147,710	94,125	
Employee compensation	-	2,506	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 2,399,991	901,379	\$ 2.66

As employees' bonus could be distributed in the form of stocks, the diluted EPS computation shall assume that distribution will be in the form of stocks in the calculation of the weighted-average number of ordinary shares outstanding during the reporting year, taking into account the dilutive effect of stock bonus on potential ordinary shares.

(31) Non-controlling interest

- A. Avary Holding (Shenzhen) Co., Ltd. issued new stocks on February 28, 2017, June 23, 2017 and September 11, 2018. The Group did not subscribe for additional stocks in proportion to its ownership and thus its equity decreased by 9.91%, 9.18% and 8.09%, respectively. The non-controlling interest of the Group increased by NT\$3,872,158, NT\$5,174,551 and NT\$9,102,166, respectively, and equity attributable to owners of the parent decreased by NT\$173,009, increased by NT\$2,837,841 and increased by NT\$7,052,714, respectively.
- B. The effect of changes in the equity of the Group for the nine-month periods that ended on September 30, 2018 and 2017 on equity attributable to owners of the parent is as follows:

	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Cash increase investment	\$ 16,154,880	\$ 11,711,541
Increase in carrying amount of non-controlling interests	(9,102,166)	(9,046,709)
Effect of attributable to shareholders of the parent	\$ 7,052,714	\$ 2,664,832
Adjustment of attributable to shareholders of the parent:		
Retained earnings	-	(\$ 173,009)
Capital surplus - changes in non-controlling interests	\$ 7,052,714	\$ 2,837,841

- C. The Group entered into an investment agreement with a certain non-controlling interest in the second quarter of 2017, and recognized the redemption liabilities in accordance with the agreed terms and conditions under “other non-current liabilities, others”. The agreement lapsed automatically when the competent authority of China officially accepted Avary Holding (Shenzhen) Co., Ltd. for the initial public offering (IPO) of RMB common stocks (Class A) and applied for listing-related materials on November 3, 2017.

(32) Additional information regarding cash flows

A. Investing activities with partial cash payments:

	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Purchase of property, plant and equipment	\$ 10,112,179	\$ 7,846,101
Add: Equipment payable, beginning of period (recognized in other payables)	3,066,678	1,656,187
Less: Equipment payable, end of period (recognized in other payables) (	3,271,554) (	3,145,425)
Net exchange differences (	93,069) (	13,769)
Cash paid for the period	\$ 9,814,234	\$ 6,343,094
	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Acquisition of land use rights (recognized in other non-current assets)	\$ 3,926,446	\$ 3,127,520
Less: Land use rights payable, end of period (recognized in other payables) (	474,621)	-
Net exchange differences (	17,106)	-
Cash paid for the period	\$ 3,434,719	\$ 3,127,520

B. Changes in liabilities from financing activities

Regarding changes in liabilities from financing activities, the effect of discount amortization, repayments, and changes in the exchange rate for the nine-month period ended on September 30, 2018 were NT\$147,023, NT\$3,159,650 and NT\$387,204, respectively.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Related Parties</u>	<u>Relationship with the Group</u>
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	A group that has a significant influence on the Group
CyberTAN Technology Inc. and its subsidiaries	Other related parties
Foxconn Interconnect Technology Limited and its subsidiaries	Other related parties
General Interface Solution Holding Limited and its subsidiaries	Other related parties

(2) Significant transactions between related parties

A. Sales

	For the three-month period ended on September 30, 2018	For the three-month period ended on September 30, 2017	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Sale of goods:				
- Enterprises that have a significant influence on the Company	\$ 1,910,894	\$ 1,663,377	\$ 4,572,057	\$ 4,128,140
- Other related parties	341,457	281,372	988,264	1,015,996
	<u>\$ 2,252,351</u>	<u>\$ 1,944,749</u>	<u>\$ 5,560,321</u>	<u>\$ 5,144,136</u>
Sale of services:				
- Enterprises that have a significant influence on the Company	\$ -	\$ -	\$ -	\$ 8,508

The selling prices to related parties were similar to those unrelated customers. Other particular related party transactions, prices and credit terms are determined in accordance with mutual agreements. The common credit term is 1~4 month(s).

B. Purchases

	For the three-month period ended on September 30, 2018	For the three-month period ended on September 30, 2017	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Purchase of goods:				
- Enterprises that have a significant influence on the Company	\$ 787,576	\$ 553,958	\$ 1,804,005	\$ 1,182,736

The Group purchased goods from the above related parties at market prices. Other particular related party transactions, prices and payment terms are determined in accordance with mutual agreements. The common payment term is 1~4 month(s).

C. Accounts receivable

	September 30, 2018	December 31, 2017	September 30, 2017
Accounts receivable - related parties (net):			
- Enterprises that have a significant influence on the Company	\$ 2,051,886	\$ 2,000,005	\$ 1,801,519
- Other related parties	260,409	153,806	199,727
	2,312,295	2,153,811	2,001,246
Less: Allowance for bad debts	(22,613)	(15,126)	-
Total	\$ 2,289,682	\$ 2,138,685	\$ 2,001,246

D. Accounts payable

	September 30, 2018	December 31, 2017	September 30, 2017
Accounts payable - related parties:			
- Enterprises that have a significant influence on the Company	\$ 810,739	\$ 704,783	\$ 517,873

E. Property transactions

Acquisition of property, plant and equipment:

	For the three-month period ended on September 30, 2018	For the three-month period ended on September 30, 2017	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Purchase of property, plant and equipment				
- Enterprises that have a significant influence on the Company	\$ 4,831	\$ 15,228	\$ 7,307	\$ 145,009

(3) Key management compensation

	For the three-month period ended on September 30, 2018	For the three-month period ended on September 30, 2017	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Short-term employee benefits	\$ 15,803	\$ 9,242	\$ 40,785	\$ 34,680

8. PLEDGED ASSETS

Assets pledged as collateral by the Group are as follows:

Assets	Nature	September 30, 2018	December 31, 2017	September 30, 2017
Time deposits due for more than three months (recognized in 'other current assets')	Short-term loans	\$ -	\$ -	\$ 1,738,358

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Capital expenditure contracted but not yet incurred

	September 30, 2018	December 31, 2017	September 30, 2017
Property, plant and equipment	\$ 276,290	\$ 443,821	\$ 896,401

B. Operating lease contracts

The Group entered into 5-year plant and equipment lease contracts with non-related parties. According to the contracts, the Group's future leases payable are as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Less than one year	\$ 120,334	\$ 110,364	\$ 25,172
More than one year but less than five years	237,010	137,516	12,373
	\$ 357,354	\$ 247,880	\$ 37,545

C. The amount of unused letters of credit issued by the Group for the purchase of fixed assets is as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Letters of credit issued but not yet used	\$ 1,449,252	\$ 2,124,770	\$ 1,959,665

D. Details of endorsements & guarantees made by the Group to related parties are provided in Note 13.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to operate with the goal to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue share capital in response to the conversion of bonds and issue new shares.

(2) Financial Instruments

A. Financial instruments by category

	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Monetary assets			
Financial assets at amortized cost	\$ 70,414,616	\$ 67,012,647	\$ 59,932,054
Financial assets at fair value through profit or loss	-	7,935	-
Financial assets at fair value through other comprehensive income	67,197	-	-
Held-to-maturity financial assets	-	151,064	275,246
Financial assets carried at cost	-	120,992	120,828
	<u>\$ 70,481,813</u>	<u>\$ 67,292,638</u>	<u>\$ 60,328,128</u>
<u>Financial liabilities</u>			
Financial liabilities at amortized cost	(\$ 60,451,858)	(\$ 66,639,946)	(\$ 63,792,034)
Financial assets at fair value through profit or loss	-	-	(1,973)
	<u>(\$ 60,451,858)</u>	<u>(\$ 66,639,946)</u>	<u>(\$ 63,794,007)</u>

Note: Financial assets at amortized cost include cash and cash equivalents, accounts receivable (including related parties), other receivables and other current assets; financial liabilities at amortized cost include short-term loans, accounts payable (including related parties), other payables, current portion of long-term liabilities, long-term loans, corporate bonds payable, and deposits received.

B. Financial risk management policies

(a) Risk categories

The Group employs a comprehensive risk management and control system to clearly identify, measure, and control various kinds of financial risk it faces, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk.

(b) Management objectives

- i. Except for market risk, which is controlled by outside factors, the remainder of the foregoing types of risks can be controlled internally or removed from business processes. Therefore, the goal in managing each of these risks is to reduce them to zero.
- ii. As for market risk, the goal is to optimize its overall position through strict analysis, suggestion, execution and audit processes, and proper consideration of long-term trends in the external economic/financial environment, internal operating conditions, and the actual effects of market fluctuations.
- iii. The Group's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the risk that potentially pose adverse effects on the Group's financial position and financial performance.
- iv. For information on the derivatives that the Group uses, please refer to Note 6.

(c) Management system

- i. Risk management is executed by the Group's finance department following policies approved by the Board of Directors. Through cooperation with the Group's operating units, the finance department is responsible for identifying, evaluating and hedging financial risks.
- ii. The Board of Directors has a written policy covering overall risk management. It also has written policies covering specific issues, such as exchange rate risk, interest rate risk, credit risk, derivative and non-derivative financial instruments used, and the investment of excess working capital.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group is a multinational group. Its exchange rate risk mainly comes from USD and RMB. Most of the exchange rate risks from operating activities come from different exchange rates to functional currencies as the invoice dates of accounts receivable and payable, loans and payables on equipment denominated in nonfunctional foreign currency are different. Assets and liabilities recognized in the balance sheet and the net investment in foreign operations also result in the exchange rate risk.
- ii. The Group has set up policies requiring subsidiaries within the Group to manage their own exchange rate risks of functional currencies; however, the overall exchange rate risk is hedged by the Group's finance department.
- iii. The Group has investments in several foreign operations and its net assets

are subject to the risk of foreign currency translations. The exchange rate risk arising from the foreign operations of the Group is mainly hedged through liabilities denominated in relevant foreign currencies.

- iv. The Group's business involves the use of various non-functional currencies (the Company and some subsidiaries' functional currency is USD, whereas some subsidiaries' functional currency is RMB or NTD); as a consequence, it is subject to changes in exchange rates. Assets and liabilities that are denominated in foreign currencies and significantly affected by changes in exchange rates are as follows:

	September 30, 2018			Sensitivity Analysis for the Nine-month Period Ended September 30, 2018	
	Foreign Currency (in Thousands)	Exchange Rate	Book value (NT\$1,000)	Extent of variation	Effect on Comprehensive Income
(Foreign currency: functional currency)					
Monetary assets					
<u>Monetary items</u>					
USD:NTD	251,914	30.53	\$ 7,690,934	1%	\$ 76,909
USD:RMB	1,317,751	6.8792	40,185,469	1%	401,855
<u>Net effect in consolidated entities with foreign currency</u>					
USD:NTD	2,082,954	30.53	63,592,586	1%	635,926
Financial liabilities					
<u>Monetary items</u>					
USD:NTD	172,686	30.53	5,272,104	1%	52,721
USD:RMB	1,043,453	6.8792	31,820,615	1%	318,206
JPY:RMB	2,314,407	0.0607	622,819	1%	6,228
	December 31, 2017			2017 Sensitivity analysis	
	Foreign Currency (in Thousands)	Exchange Rate	Book value (NT\$1,000)	Extent of variation	Effect on Comprehensive Income
(Foreign currency: functional currency)					
Monetary assets					
<u>Monetary items</u>					
USD:NTD	368,597	29.76	\$ 10,969,447	1%	\$ 109,694
USD:RMB	1,383,992	6.5342	41,337,742	1%	413,377
<u>Net effect in consolidated entities with foreign currency</u>					
USD:NTD	1,988,602	29.76	59,180,796	1%	591,808
Financial liabilities					
<u>Monetary items</u>					
USD:NTD	285,178	29.76	8,486,897	1%	84,869
USD:RMB	923,723	6.5342	27,590,204	1%	275,902
JPY:RMB	3,477,770	0.0579	920,181	1%	9,202

	September 30, 2017			Sensitivity analysis for the nine-month period ended on September 30, 2017	
	Foreign Currency (in Thousands)	Exchange Rate	Book value (NT\$1,000)	Extent of variation	Effect on Comprehensive Income
(Foreign currency: functional currency)					
<u>Monetary assets</u>					
<u>Monetary items</u>					
USD:NTD	455,383	30.26	\$ 13,779,890	1%	\$ 137,799
USD:RMB	1,081,982	6.6369	32,681,476	1%	326,815
<u>Net effect in consolidated entities with foreign currency</u>					
USD:NTD	1,671,332	30.26	50,574,506	1%	505,745
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	404,642	30.26	12,244,467	1%	122,445
USD:RMB	873,802	6.6369	26,393,358	1%	263,934
JPY:RMB	1,389,113	0.0591	373,632	1%	3,736

- v. For the total exchange gain or loss (including realized and unrealized) arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods that ended on September 30, 2018 and 2017, please refer to Note 6(27).

Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risks which is partially offset by cash and cash equivalents held at variable rates.

Based on the simulations performed, the impact on post-tax profit of a 0.25% shift would be a maximum increase or decrease of NT\$40,687 and NT\$48,402 for the nine-month periods that ended on September 30, 2018 and 2017, respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

The Group's financial assets at amortized cost are fixed-rate products. The change in the market rate will change the fair value of the financial products. As the Group's financial assets are held to maturity date to seek the returns on the effective interest rate in the duration, no gain or loss on disposal or valuation may occur due to fluctuations in fair value.

Price risk

The Group's investments are mainly equity instruments classified as financial assets at fair value through other comprehensive income. The prices of equity instruments would change due to the changes in the future value of investment; however, price fluctuations have no significant impact on the value of the investment.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the customers or counterparties of financial instruments on the contract obligations.

According to the Group's established internal credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new customers before standard payment and delivery terms and conditions are offered. The Group assesses the credit quality of the customers by taking into account their financial position, past experience and other factors to conduct its internal risk management.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Major credit risk arises from cash and cash equivalents, derivative financial instruments and other financial instruments, and is measured and monitored by the finance department of the Group. The counterparties are government agencies, banks with good credit quality and financial institutions with investment grade, so there is no significant compliance concern or credit risk.

- ii. The Group applies the following criteria in judging whether there is a significant increase in the credit risk of financial instruments since initial recognition:
 - (i) When the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk is deemed to have significantly increased since the initial recognition of the financial assets.
 - (ii) When the rating of investment target with an independent credit rating is down by two grades, the investment's credit risk is deemed to have significantly increased.
- iii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
 - (iii) Default or delinquency in interest or principal payments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- iv. If the contract payments are past due over 90 days based on the terms, it is deemed that a default has occurred.

- v. The credit quality of the Group's financial assets that have not been overdue and have not been impaired is as follows:

Cash and cash equivalents

The Group deals with financial institutions with good credit quality. The Group also deals with various financial institutions to diversify credit risks. Therefore, the expected risk of default is pretty low.

Financial assets at amortized cost

The Group's investments in debt instruments at amortized cost had a low credit risk as of September 30, 2018. Thus, their carrying amount is measured by 12-month ECL after the balance sheet date.

Financial assets at fair value through profit or loss

The counterparties of the Group's derivatives are banks with good credit quality or financial institutions with investment grade or above. Therefore, the expected risk of default is pretty low.

The maximum amount of credit risk as of the balance sheet date is the carrying amount of financial assets at fair value through profit or loss.

Accounts receivable (including related parties)

- (i) The Group applies the following approaches to assess the ECLs of accounts receivable:
- Assess the ECLs on an individual basis if a significant default has occurred to certain customers.;
 - Classify the other customers' accounts receivable based on the Group's credit rating standards and estimate the ECLs using loss rate methodology or a provision matrix.
 - Adjust the loss rates constructed from historical and recent information by taking into account the business cycle indicators of the National Development Council and forecasts of the Basel Committee on Banking Supervision.
 - As of September 30, 2018, the individual allowance for impairment of accounts receivable and ones estimated using loss rate methodology or a provision matrix are as follows:

	Individual	Group 1	Group 2	Group 3	Group 4	Total
September 30, 2018						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total book value	\$ -	\$ 19,743,116	\$ 2,879,561	\$ -	\$ 2,916,555	\$ 25,539,232
Loss allowance	\$ -	(\$ 5,922)	(\$ 2,016)	\$ -	(\$ 44,315)	(\$ 52,253)

Group 1: A Standard Poor's, Fitch's, or Moody's rating of A-level, or rated as A-level in accordance with the Group's credit policies for those that have no external credit ratings.

Group 2: Standard Poor's or Fitch's rating of BBB, Moody's rating of Baa, or rated as B or C in accordance with the Group's credit policies for those that have no external credit ratings.

Group 3: Standard Poor's or Fitch's rating of BB + and below, or Moody's rating of Ba1 and below.

Group 4: Rated as other than A, B, or C in accordance with the Group's credit policies for those that have no external credit ratings.

(ii) Movements of loss allowance for accounts receivable (including related parties) provided by the Group applying the simplified approach are as follows:

	For the nine-month period ended on September 30, 2018	
Beginning balance	\$	49,182
Reversal of impairment loss		694
Net exchange difference		2,377
Ending balance	\$	52,253

Other receivables

The Group's subsidiaries in China mainly manufacture products for export and are entitled to tax exemption, deduction and refund according to local laws and regulations. Tax refunds and tax credit are calculated on a monthly basis according to the type of goods sold. As the Group's other receivables are due from government agencies, there have been no significant concerns for default.

Financial assets at fair value through other comprehensive income

The equity security issuers have good credit quality, and the Group controls credit risk through the control of transaction limits and the stringent evaluation of credit ratings. Therefore, the expected risk of default is pretty low.

- vi. Additional information on credit risks as of December 31, 2017 and September 30, 2017 is provided in Note 12(4).

(c) Liquidity risk

- i. Cash flow forecasting is performed by each operating entity of the Group and aggregated by the finance department. The finance department of the Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant

compliance, compliance with internal balance sheet ratio targets and statutory requirements, such as exchange control.

- ii. Details of the Group's undrawn borrowing facilities to be due are as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Due within 1 year	\$ 31,390,187	\$ 21,243,102	\$ 15,159,757
Due for more than 1 year	6,001,192	3,156,849	4,126,322
	<u>\$ 37,391,379</u>	<u>\$ 24,399,951</u>	<u>\$ 19,286,079</u>

- iii. The table below analyzes the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table below are the contractual undiscounted cash flows. The remaining period of bonds payable is from the balance sheet date to the date when the bonds can be redeemed by bondholders. Except as described in the following table, the Group's non-derivative financial liabilities are due within the following 12 months:

Non-derivative financial liabilities:

September 30, 2018	Less than 1 year	1~2 Years	Total
Bonds payable	\$ 8,740,505	\$ -	\$ 8,740,505
Long-term loans	9,159,000	-	9,159,000
Deposits received	-	110,632	110,632
	<u>\$ 17,899,505</u>	<u>\$ 110,632</u>	<u>\$ 18,010,137</u>

Non-derivative financial liabilities:

December 31, 2017	Less than 1 year	1~2 Years	Total
Bonds payable	\$ -	\$ 8,520,060	\$ 8,520,060
Long-term loans	4,464,000	4,464,000	8,928,000
Deposits received	-	150,723	150,723
	<u>\$ 4,464,000</u>	<u>\$ 13,134,783</u>	<u>\$ 17,598,783</u>

Non-derivative financial liabilities:

September 30, 2017	Less than 1 year	1~2 Years	Total
Bonds payable	\$ -	\$ 8,663,207	\$ 8,663,207
Long-term loans	-	9,078,000	9,078,000
Deposits received	-	91,647	91,647
	<u>\$ -</u>	<u>\$ 17,832,854</u>	<u>\$ 17,832,854</u>

iv. The Group does not expect a maturity analysis of which the cash flows timing would be significantly earlier, or the actual amount would be significantly different.

(d) Cash flow risk of interest rate changes

The Group's borrowings at floating interest rates will change the effective interest rate as the market interest rate changes; however, the funds generated by the Group's operations are sufficient to avoid the cash flow risk of interest rate changes. For the Group's borrowings at a fixed interest rate and lease payments, there is no cash flow risk arising from changes in market rates.

(3) Fair value information

A. The different levels of valuation techniques used to measure and disclose the fair value of financial instruments are defined as follows:

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is a market that meets all of the conditions set below: the items traded in the market are homogeneous, willing buyers and sellers can normally be found at any time and prices are available to the public. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair value of the Group's investment in derivatives is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data.

B. Financial instruments not measured at fair value

(a) Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value including cash and cash equivalents, financial assets at amortized cost - time deposits due for more than three months, financial assets at amortized cost - capital guarantee financial products, accounts receivable (including related parties), other receivables, other current assets, short-term loans, accounts payable (including related parties), other payables and long-term loans approximate to their fair value:

	September 30, 2018			
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Monetary assets:				
Financial assets at amortized cost - bonds	\$ 276,221	\$ 269,306	\$ -	\$ -
Financial liabilities:				
Bonds payable	\$ 8,598,019	\$ -	\$ 8,675,861	\$ -
Deposits received	110,632	-	110,400	-
Total	\$ 8,708,651	\$ -	\$ 8,786,261	\$ -

December 31, 2017				
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Monetary assets:				
Held-to-maturity financial assets	\$ 151,064	\$ 148,373	\$ -	\$ -
Financial liabilities:				
Bonds payable	\$ 8,242,274	\$ -	\$ 8,378,750	\$ -
Deposits received	150,723	-	150,407	-
Total	\$ 8,392,997	\$ -	\$ 8,529,157	\$ -

September 30, 2017				
	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
Monetary assets:				
Held-to-maturity financial assets	\$ 275,246	\$ 272,531	\$ -	\$ -
Financial liabilities:				
Bonds payable	\$ 8,333,679	\$ -	\$ 8,488,877	\$ -
Deposits received	91,647	-	91,455	-
Total	\$ 8,425,326	\$ -	\$ 8,580,332	\$ -

(b) Methods and assumptions used by the Group to disclose the fair value are as follows:

- i. Financial assets at amortized cost - bonds: The fair value is the quoted price in active markets.
- ii. Bonds payable: The fair value of the Group's convertible bonds is estimated using the present value of the expected cash flows and the market rate.
- iii. Deposits received: The fair value of deposits received is estimated using the present value of the expected cash flows. The discount rate is based on the fixed interest rate for the one-year term time deposit of the Postal Savings and Remittance Bureau at the end of period.

C. Financial instruments measured at fair value

(a) Below states the information on the Group's financial instruments measured at fair value that have been classified in accordance with the nature, characteristics, risks and fair values of assets or liabilities:

September 30, 2018	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ 67,197	\$ 67,197

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit or loss	\$ -	\$ 7,935	\$ -	\$ 7,935

September 30, 2017	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through other comprehensive income	\$ -	\$ 1,973	\$ -	\$ 1,973

(b) Methods and assumptions used by the Group to measure the fair value are as follows:

- i. The Group adopted market quoted prices as their fair value (that is, Level 1).
- ii. Except for the financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including the one calculated by applying model using market information available at the consolidated balance sheet date.
- iii. When evaluating financial instruments that are non-standard and with lower complexity, such as foreign exchange swap contracts, the Group adopts valuation techniques that are commonly used by market participants. The parameters used in the valuation models for those financial instruments are normally observable data in the market.
- iv. The valuation of derivatives adopts valuation models that are commonly used by market participants, such as discounted cash flow method or option pricing model. Forward foreign exchange contracts are usually valued based on the current forward exchange rates.
- v. Outputs of valuation models is estimated and valuation techniques may not be able to capture all relevant factors of the Group's financial instruments. Therefore, when needed, the estimated value derived using valuation model is adjusted accordingly with additional inputs, such as model risk or liquidity risk. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of

financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

- vi. The Group takes in to account the adjustment of credit risk valuation into the fair value measurement of financial instruments to reflect the credit risk of counterparties and the credit quality of the Group.

D. The following table shows the movements of Level 3 for the nine-month period ended on September 30, 2018:

	For the nine-month period ended on September 30, 2018	
	Equity securities	
Beginning balance	\$	120,992
Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income.	(	53,971)
Net exchange difference		176
Ending balance	\$	67,197

- (a) The Group commissions external appraisers to evaluate the fair value measurements categorized within Level 3, which is to verify the independent fair value of financial instruments. Such an assessment is to ensure the valuation results are reasonable by applying independent information to make the results close to current market conditions, confirming the information resource is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing and updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- (b) The following is the qualitative information of significant unobservable inputs and the sensitivity analysis of changes in significant unobservable inputs to the valuation model used in Level 3 fair value measurement:

	Fair value as of September 30, 2018	Valuation techniques	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments:					
Unlisted stocks	\$ 67,197	Market comparable companies	Enterprise value to EBIT multiple	8.86~18.05	The higher the long-term EBIT, the higher the fair value

- (c) The Group has carefully assessed the valuation models and parameters used to measure fair value. However, use of different valuation models or parameters may result in different measurements. The following is the effect on profit or loss or other comprehensive income from financial assets and liabilities categorized as Level 3 if the parameters used in the valuation models have changed:

		September 30, 2018			
		Recognized in other comprehensive income			
	Input	Change	Favorable change	Unfavorable change	
Monetary assets					
	Equity instruments	\$ 67,197	±1%	\$ 672	(\$ 672)
E.	For the nine-month periods that ended on September 30, 2018 and 2017, there was no transfer between Level 1 and Level 2.				
F.	For the nine-month periods that ended on September 30, 2018 and 2017, there was no transfers into or out from Level 3.				

(4) Effects on the Initial Application of IFRS 9

- A. Information on significant accounting policies used in the year that ended on December 31, 2017 and the three-month period ended on September 30, 2017 is provided in Note 4 of the Group's consolidated financial statements for the year that ended on December 31, 2017.
- B. The reconciliations of the carrying amount of financial assets transited from December 31, 2017 under IAS 39, to January 1, 2018 under IFRS 9, were as follows:
- Debt instruments classified as "other financial assets" (listed under "other current assets") and "held-to-maturity financial assets" were NT\$14,148,555 and NT\$151,064 under IAS 39, respectively. As their cash flows met the condition that they are intended to settle the principal and interest on the outstanding principal balance and the Group held those instruments to collect contractual cash flows, they were classified as "financial assets at amortized cost" upon the initial application of IFRS 9.
 - For the equity instruments classified as "financial assets carried at cost" of NT\$120,992 under IAS 39, as they were not held for the purpose of trading, they were classified as "financial assets at fair value through other comprehensive income (equity instruments)" upon the initial application of IFRS 9.
 - The Group has assessed that the above adjustments have no impact on retained earnings and other equity interests.
- C. The credit risk information as of December 31, 2017 and September 30, 2017 is as follows:
- Credit risk refers to the risk of financial loss to the Group arising from default by the customers or counterparties of financial instruments on the contract obligations. According to the Group's established internal credit policy, each

local entity in the Group is responsible for managing and analyzing the credit risk for each of their new customers before standard payment and delivery terms and conditions are offered. The Group assesses the credit quality of the customers by taking into account their financial position, past experience and other factors to conduct its internal risk management. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Major credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. There are also credit risks from wholesale and retail customers and outstanding accounts receivables. For banks and financial institutions, only institutions with an independent credit rating of at least "A" will be accepted as trading counterparties.

- (b) No credit limits were exceeded for the nine-month period ended on September 30, 2017, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The credit quality of the Group's financial assets that have not been overdue and have not been impaired is as follows:

Accounts receivable (including related parties)

The Group's accounts receivable are not overdue or impaired. The credit quality of the Group based on the credit standards is as follows:

	December 31, 2017	September 30, 2017
Group 1	\$ 24,163,614	\$ 14,426,077
Group 2	3,315,730	3,673,936
Group 3	-	-
Group 4	2,834,982	6,865,109
	<u>\$ 30,314,326</u>	<u>\$ 24,965,122</u>

Group 1: Standard Poor's, Fitch's, or Moody's rating of A-level, or rated as A-level in accordance with the Group's credit policies for those that have no external credit ratings.

Group 2: Standard Poor's or Fitch's rating of BBB, Moody's rating of Baa, or rated as B or C in accordance with the Group's credit policies for those that have no external credit ratings.

Group 3: Standard Poor's or Fitch's rating of BB + and below, or Moody's rating of Ba1 and below.

Group 4: Rated as other than A, B, or C in accordance with the Group's credit policies for those that have no external credit ratings.

Other Current Assets

The counterparties of the Group's time deposits due for more than three months, guaranteed wealth management products and private equity funds are banks with good credit quality or financial institutions with investment grade or above. Therefore, the expected risk of default is pretty low.

Held-to-maturity Financial Assets

The bond issuers have good credit quality, and the Group controls credit risk through the control of transaction limits and the stringent evaluation of credit ratings. Therefore, the expected risk of default is pretty low.

- (d) The aging analysis of accounts receivable that have been overdue but not impaired is as follows:

	December 31, 2017	September 30, 2017
≤ 30 days	\$ 295,625	\$ 67,440
31-90 days	8,488	9,904
91-180 days	539	104
Over 181 days	181	1,225
	<u>\$ 304,833</u>	<u>\$ 78,673</u>

The above aging analysis is based on the number of days overdue.

- (e) The analysis of changes in accounts receivable that have been impaired is as follows:

As of September 30, 2017, the Group's accounts receivable that have been impaired amounted to NT\$16,066. The change in the allowance for bad debts is as follows:

	For the nine-month period ended on September 30, 2017
Balance, beginning of the period	\$ 16,085
Net exchange differences	(19)
Balance, end of the period	<u>\$ 16,066</u>

The above amounts of impaired accounts receivable were assessed separately.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

(The required disclosure of invested companies comes from the financial statements that were prepared by invested companies and audited by the CPA. Besides, transactions with subsidiaries have been eliminated in consolidation of the financial statements. The disclosed information below is for reference.)

- A. Loans to others: Please refer to Appendix 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (excluding subsidiaries, associates and joint ventures): Please refer to Appendix 2.
- D. Acquisition or sale of the same securities with the accumulated cost reaching NT\$300 million or 20% of paid-in capital or more: Please refer to Appendix 3.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more:

None.

- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchase or sale of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to Appendix 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to Appendix 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to Appendix 6.

(2) Information on invested companies

(The required disclosure of invested companies comes from the financial statements that were prepared by invested companies and audited by the CPA. Besides, transactions with subsidiaries have been eliminated in consolidation of the financial statements. The disclosed information below is for reference.)

Names, locations and other information of invested companies (excluding invested companies in mainland China): Please refer to Appendix 7.

(3) Information on investments in mainland China

- A. Basic information: Please refer to Appendix 8.
- B. Significant transactions with invested companies in mainland China, either directly or indirectly through a third area: None.

14. SEGMENT INFORMATION

(1) General information

The Group's scope of business is manufacturing of various printed circuit boards. The operating decision makers operate business by product. Currently, the operating segments have similar gross profit margins, and expected growth rates are in line with the aggregate reporting conditions. Therefore, only a single operating segment is disclosed. The operating decision makers assess performance and allocate resources of the operating segments based on each operating segment's revenue and operating income after adjusting the internal costs and allocated expenses. Except for the recognition of internal costs which should be in accordance with the Group's related internal calculation basis, the operating segments' accounting policies are the same as disclosed in Note 4.

(2) Reportable segment information

The information of reportable segments provided for chief operating decision maker is as follows:

	For the three-month period ended on September 30, 2018	For the three-month period ended on September 30, 2017	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
External revenue	\$ 35,327,198	\$ 31,386,267	\$ 78,745,733	\$ 64,636,089
Revenue from internal customers	-	-	-	-
Segment revenue	\$ 35,327,198	\$ 31,386,267	\$ 78,745,733	\$ 64,636,089
Segment profit or loss	\$ 5,199,943	\$ 2,469,629	\$ 7,988,346	\$ 3,424,458

(3) Reconciliation of segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment revenue and total revenue, reportable segment profit or loss and net income is as follows:

	For the three-month period ended on September 30, 2018	For the three-month period ended on September 30, 2017	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Reportable segment revenue	\$ 35,327,198	\$ 31,386,267	\$ 78,745,733	\$ 64,636,089
Other operating segment revenue	19,370	32,182	25,133	44,726
Total segment revenue (Corporate revenue)	\$ 35,346,568	\$ 31,418,449	\$ 78,770,866	\$ 64,680,815

	For the three-month period ended on September 30, 2018	For the three-month period ended on September 30, 2017	For the nine-month period ended on September 30, 2018	For the nine-month period ended on September 30, 2017
Reportable segment profit or loss	\$ 5,199,943	\$ 2,469,629	\$ 7,988,346	\$ 3,424,458
Other operating segment profit or loss	9,104	(25,537)	5,840	(11,818)
Total segment profit or loss	5,209,047	2,444,092	7,994,186	3,412,640
Interest revenue and finance costs	10,061	25,015	37,696	(16,858)
Net gain (loss) on foreign exchange	176,724	(112,373)	(262,149)	(347,422)
Others	(523,635)	(22,342)	(1,338,064)	(77,031)
Net income	\$ 4,872,197	\$ 2,334,392	\$ 6,431,669	\$ 2,971,329

Zhen Ding Technology Holding Limited and Subsidiaries
Loans to Others
From January 1 to September 30, 2018

Appendix 1

Expressed in Thousands of New Taiwan Dollars
(Unless otherwise specified)

No.	Creditor	Borrower	General Ledger Account	Related Party (Y/N)	Maximum Outstanding Balance for the Period (Note 5)	Balance at September 30, 2018 (Note 6)	Actual Amount Drawn down	Interest Rate	Nature of Loan	Amount of Transaction	Reason for Short-term Financing	Allowance for Bad Debts	Collateral		Limit on Loans to a Single Party (Notes 3 and 4)	Ceiling on Total Loans Granted (Notes 1 and 4)	Note
													Item	Value			
0	The Company	Monterey Park Finance Limited	Other receivables	Yes	\$ 610,500	\$ 610,500	\$ -	-	Short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 20,819,358	\$ 20,819,358	
0	The Company	Qiding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	305,250	305,250	305,250	2.23%	Short-term financing	-	Operating capital	-	None	-	20,819,358	20,819,358	
1	FAT Holdings Limited FAT Holdings Limited	Monterey Park Finance Limited	Other receivables	Yes	732,600	732,600	729,548	2.83%	Short-term financing	-	Operating capital	-	None	-	3,682,116	5,154,962	
1	FAT Holdings Limited FAT Holdings Limited	Henley International Limited Henley International Limited	Other receivables	Yes	610,500	610,500	-	-	Short-term financing	-	Operating capital	-	None	-	3,682,116	5,154,962	
2	Mayco Industrial Limited Mayco Industrial Limited	The Company	Other receivables	Yes	5,006,100	5,006,100	976,800	2.70%	Short-term financing	-	Operating capital	-	None	-	20,231,698	20,231,698	
3	Pacific Fair International Limited Pacific Fair International Limited	The Company	Other receivables	Yes	2,747,250	2,747,250	2,402,318	2.70%	Short-term financing	-	Operating capital	-	None	-	3,321,482	3,321,482	
4	Pacific Stand Enterprises Limited Pacific Stand Enterprises Limited	Monterey Park Finance Limited Monterey Park Finance Limited	Other receivables	Yes	702,075	702,075	675,183	2.40%	Short-term financing	-	Operating capital	-	None	-	3,432,295	4,805,213	
5	Monterey Park Finance Limited Monterey Park Finance Limited	Qiding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	1,221,000	1,221,000	610,500	2.23%	Short-term financing	-	Operating capital	-	None	-	307,822,864	430,952,009	
6	Garuda International Limited Garuda International Limited	Honghengsheng Electronical Technology (Huai'an) Co., Ltd.	Other receivables	Yes	1,526,250	1,526,250	-	-	Short-term financing	-	Operating capital	-	None	-	8,774,712	12,284,597	
6	Garuda International Limited Garuda International Limited	Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	Other receivables	Yes	1,526,250	1,526,250	-	-	Short-term financing	-	Operating capital	-	None	-	8,774,712	12,284,597	

No.	Creditor	Borrower	General Ledger Account	Related Party (Y/N)	Maximum Outstanding Balance for the Period (Note 5)	Balance at September 30, 2018 (Note 6)	Actual Amount Drawn down	Interest Rate	Nature of Loan	Amount of Transaction	Reason for Short-term Financing	Allowance for Bad Debts	Collateral		Limit on Loans to a Single Party (Notes 3 and 4)	Ceiling on Total Loans Granted (Notes 1 and 4)	Note
													Item	Value			
7	Avary Holding (Shenzhen) Co., Ltd.	Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	Other receivables	Yes	\$ 3,545,784	\$ 3,545,784	\$ 1,663,368	1.80%~4.79%	Short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 373,895,226	\$ 523,453,317	
7	Avary Holding (Shenzhen) Co., Ltd.	Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	Other receivables	Yes	17,728,920	17,728,920	6,666,074	4.35%	Short-term financing	-	Operating capital	-	None	-	373,895,226	523,453,317	
7	Avary Holding (Shenzhen) Co., Ltd.	Honghengsheng Electronic Technology (Huai'an) Co., Ltd.	Other receivables	Yes	5,318,676	5,318,676	2,099,991	4.35%	Short-term financing	-	Operating capital	-	None	-	373,895,226	523,453,317	
7	Avary Holding (Shenzhen) Co., Ltd.	Fubo Industry (Shenzhen) Co., Ltd.	Other receivables	Yes	886,446	886,446	367,875	4.35%	Short-term financing	-	Operating capital	-	None	-	373,895,226	523,453,317	
7	Avary Holding (Shenzhen) Co., Ltd.	Qingding Precision Electronics (Huai'an) Co., Ltd.	Other receivables	Yes	11,080,575	11,080,575	2,278,166	4.35%	Short-term financing	-	Operating capital	-	None	-	373,895,226	523,453,317	
7	Avary Holding (Shenzhen) Co., Ltd.	Yuding Precision Electronics (Huai'an) Co., Ltd.	Other receivables	Yes	2,216,115	2,216,115	768,992	4.35%	Short-term financing	-	Operating capital	-	None	-	373,895,226	523,453,317	
7	Avary Holding (Shenzhen) Co., Ltd.	Kuisheng Technology (Shenzhen) Co., Ltd.	Other receivables	Yes	354,578	354,578	-	-	Short-term financing	-	Operating capital	-	None	-	373,895,226	523,453,317	

Note 1: The total loans made by the Company and its subsidiaries to others should be less than 50% of the net worth of the lender stated in the latest CPA-audited or reviewed consolidated financial statements.

Note 2: For companies or firms having business dealings with the Company, the loans made to each company or firm should be less than the amount of purchases or sales, whichever is higher, as of lending in the past year or for the period, and should be less than 10% of the net worth of the Company stated in the latest CPA-audited or reviewed financial statements.

Note 3: For companies or firms requiring short-term financing, the loans made to each company or firm should be less than 40% of the net worth of the Company stated in the latest CPA-audited or reviewed financial statements.

Note 4: When loans are made between overseas subsidiaries of which the Company holds, directly or indirectly, 100% voting shares for necessary financing, they are not subject to 40% of the net worth of the lender. When loans are made between foreign subsidiaries of which the Company holds, directly or indirectly, 100% voting shares for necessary financing, the total loans should be limited to 100% of the net worth of each subsidiary stated in the latest CPA-audited or reviewed financial statements. When loans are made between foreign subsidiaries of which the Company holds, directly or indirectly, 100% voting shares for necessary financing, the loans made to a subsidiary should be limited to 5% of the net worth of the lender stated in the latest CPA-audited or reviewed financial statements.

Note 5: Maximum balance of loans to others as of the balance sheet date.

Note 6: Limit on loans to the borrower as resolved by the Board of Directors.

Zhen Ding Technology Holding Limited and Subsidiaries
Holding of Marketable Securities at the End of the Period (excluding Subsidiaries, Associates and Joint Ventures)
September 30, 2018

Appendix 2

Expressed in Thousands of New Taiwan Dollars
(Unless otherwise specified)

Holding Company	Type and Name of Marketable Securities (Note 1)	Relationship with Securities Issuer (Note 2)	General Ledger Account	As of September 30, 2018				Note (Note 4)
				Number of Shares	Carrying Amount (Note 3)	Ownership (%)	Fair Value	
Zhen Ding Technology Co., Ltd.	SynPower Co., Ltd.	None	Financial assets at fair value through other comprehensive income	2,200	\$ 67,197	9.02%	\$ 67,197	
The Company	BOND OF BABA	None	Financial assets at amortized cost - non-current	-	30,658	-	30,337	
The Company	HUAHK	None	Financial assets at amortized cost - non-current	-	92,364	-	88,364	
The Company	HACOMM	None	Financial assets at amortized cost - non-current	-	30,909	-	29,055	
The Company	GZINFU	None	Financial assets at amortized cost - current	-	122,290	-	121,550	

Note 1: Marketable securities in the appendix refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9, 'Financial Instruments'.

Note 2: If the securities issuer is not a related party, the field may be left blank.

Note 3: For securities measured at fair value, the carrying amount should be the balance after the adjustment of fair value valuation and the deduction of accumulative impairment. For securities not measured at fair value, the carrying amount should be the balance of original acquisition cost or amortized cost less accumulated impairment.

Note 4: If securities are provided for guarantee, pledged for loans or limited for use under other agreements, the number of shares guaranteed or pledged, the amount of guarantee or pledge or the limitation for use should be indicated in the note.

Zhen Ding Technology Holding Limited and Subsidiaries
Acquisition or Sale of the Same Securities with the Accumulated Cost Reaching NT\$300 Million or 20% of Paid-in capital or More
From January 1 to September 30, 2018

Appendix 3

Unit: Thousand dollars in foreign currency

Buyer/ Seller	Type and Name of Marketable Securities (Note 1)	General Ledger Account	Counterparty (Note 2)	Relationship with Buyer/Seller (Note 2)	Beginning of the Period		Acquisition (Note 3)		Sell (Note 3)			End of the Period		
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Selling Price	Cost of Book Value	Gain or Loss on Disposal	Number of Shares	Amount
Avary Holding (Shenzhen) Co., Ltd.	RMB open-end wealth management products	Financial assets at amortized cost	Bank of China	None	-	RMB -	-	RMB 700,000	-	RMB 701,135	RMB 700,000	Note 4	-	RMB -
The Company	FuYi Excellence Pilot Revenue Note 2018-1 Series	Financial assets at amortized cost	FuYi Asset-Backed Notes Independent Portfolio Company	None	-	USD -	-	USD 30,000	-	-	-	-	-	USD 30,000
The Company	FuYi Advantage Revenue Note 2018-1 Series	Financial assets at amortized cost	FuYi Asset-Backed Notes Independent Portfolio Company	None	-	USD -	-	USD 30,000	-	-	-	-	-	USD 30,000

Note 1: The securities in this appendix refer to stocks, bonds, beneficiary certificates and securities derived therefrom.

Note 2: For securities recognized using equity method, the two fields must be filled in.

Note 3: The acquisition or sale of the same securities should be calculated separately at the market price as to whether the accumulated cost reaches NT\$300 million or 20% of paid-in capital or more.

Note 4: The gain on disposal of financial assets at amortized cost at maturity is accounted for as interest revenue.

Note 5: Paid-in capital refers to the parent's paid-in capital.

Zhen Ding Technology Holding Limited and Subsidiaries
Purchase or Sale of Goods from or to Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More
From January 1 to September 30, 2018

Appendix 4

Expressed in Thousands of New Taiwan Dollars
(Unless otherwise specified)

Purchaser/Seller	Related Party	Relationship	Transaction				Differences in Transaction Terms Compared to Third Party Transactions		Notes and Accounts Receivable (Payable)		Note
			Purchase (Sale)	Amount	Percentage of Total Purchase (Sale)	Credit Term	Unit Price	Credit Term	Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
Avary Holding (Shenzhen) Co., Ltd.	Garuda International Limited Garuda International Limited	The invested company and its trading partners are subsidiaries invested by the Company indirectly	Sales	\$ 33,380,576	79	60 days from the shipment date	Note 2	Note 2	\$ 16,086,961	77	
Avary Holding (Shenzhen) Co., Ltd.	Garuda Technology Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	Sales	7,682,896	18	60 days from the date of shipment	Note 2	Note 2	4,279,313	21	
Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	Honghengsheng Electronical Technology (Huai'an) Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	Sales	562,105	36	60 days from the date of shipment	Note 2	Note 2	235,648	43	
Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	Garuda International Limited Garuda International Limited	The invested company and its trading partners are subsidiaries invested by the Company indirectly	Sales	992,576	63	60 days from the date of shipment	Note 2	Note 2	318,330	57	
Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited Garuda International Limited	The invested company and its trading partners are subsidiaries invested by the Company indirectly	Sales	19,652,143	90	60 days from the date of shipment	Note 2	Note 2	6,427,022	88	
Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	Sales	2,043,415	9	90 days from the invoice date	Note 2	Note 2	839,990	11	
Honghengsheng Electronical Technology (Huai'an) Co., Ltd.	Garuda International Limited Garuda International Limited	The invested company and its trading partners are subsidiaries invested by the Company indirectly	Sales	2,607,536	96	30 days	Note 2	Note 2	511,065	95	

Purchaser/Seller	Related Party	Relationship	Transaction				Differences in Transaction Terms Compared to Third Party Transactions		Notes and Accounts Receivable (Payable)		Note
			Purchase (Sale)	Amount	Percentage of Total Purchase (Sale)	Credit Term	Unit Price	Credit Term	Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
Qingding Precision Electronics (Huai'an) Co., Ltd.	Garuda International Limited Garuda International Limited	The invested company and its trading partners are subsidiaries invested by the Company indirectly	Sales	\$ 20,339,212	98	60 days from the date of shipment	Note 2	Note 2	\$ 5,489,839	98	
Qingding Precision Electronics (Huai'an) Co., Ltd.	Garuda Technology Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	Sales	274,836	1	60 days from the date of acceptance	Note 2	Note 2	113,302	2	
Qiding Technology Qinhuangdao Co., Ltd.	Henley International Limited	The invested company and its trading partners are subsidiaries invested by the Company indirectly	Sales	518,167	55	60 days from the date of acceptance	Note 2	Note 2	149,744	100	
Kuisheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	Sales	1,100,802	100	60 days from the date of acceptance	Note 2	Note 2	245,221	100	
Henley International Limited	Zhen Ding Technology Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	Sales	536,946	100	90 days from the month following the date of shipment	Note 2	Note 2	99,633	100	
Garuda International Limited	Avary Holding (Shenzhen) Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	Sales	9,699,622	12	90 days from the month following the date of shipment	Note 2	Note 2	8,407,124	26	
Garuda International Limited	Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	Sales	580,440	1	90 days from the month following the date of shipment	Note 2	Note 2	496,538	2	
Garuda International Limited	Qingding Precision Electronics (Huai'an) Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	Sales	3,267,130	4	90 days from the month following the date of shipment	Note 2	Note 2	3,312,762	10	
Garuda International Limited	Foxconn (FarEast) and its subsidiaries	The counterparty of the invested company is a subsidiary of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	Sales	4,525,306	6	90 days from the month following the date of shipment	Note 2	Note 2	2,040,950	6	

Purchaser/Seller	Related Party	Relationship	Transaction				Differences in Transaction Terms Compared to Third Party Transactions		Notes and Accounts Receivable (Payable)		Note
			Purchase (Sale)	Amount	Percentage of Total Purchase (Sale)	Credit Term	Unit Price	Credit Term	Balance	Percentage of Total Notes/Accounts Receivable (Payable)	
Garuda International Limited	Interface Technology (ChengDu) Co., Ltd.	The counterparty of the invested company is an invested company valued by Hon Hai Precision Industry Co., Ltd. using the equity method	Sales	\$ 829,344	1	60 days from the month following the date of shipment	Note 2	Note 2	\$ 207,893	1	
Garuda International Limited	CyberTAN Technology Inc.	The counterparty of the invested company is an invested company valued by Hon Hai Precision Industry Co., Ltd. using the equity method	Sales	105,204	0	60 days from the month following the date of shipment	Note 2	Note 2	42,583	0	

Note 1: The corresponding related party transactions are not disclosed.

Note 2: Except for transactions where similar circumstances are unavailable and whose trading conditions are determined by both parties, the credit term is under the general trading conditions.

Note 3: Advance on sales.

Zhen Ding Technology Holding Limited and Subsidiaries
Receivables from Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More
September 30, 2018

Appendix 5

Expressed in Thousands of New Taiwan Dollars
(Unless otherwise specified)

Creditor	Counterparty	Relationship with the Counterparty	Balance of Receivables from Related Parties	Turnover Rate	Overdue Receivables from Related Parties		Amount Collected Subsequent to the Balance Sheet Date	Allowance for Bad Debts
					Amount	Action Taken		
Avary Holding (Shenzhen) Co., Ltd.	Garuda International Limited	The invested company and its trading partners are subsidiaries invested by the Company indirectly	\$ 16,086,961	2	\$ -	-	\$ -	\$ -
Avary Holding (Shenzhen) Co., Ltd.	Garuda Technology Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	4,279,313	1	-	-	-	-
Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	Honghengsheng Electronical Technology (Huai'an) Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	235,648	3	-	-	-	-
Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	Garuda International Limited	The invested company and its trading partners are subsidiaries invested by the Company indirectly	318,330	5	-	-	-	-
Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	The invested company and its trading partners are subsidiaries invested by the Company indirectly	6,427,022	3	-	-	-	-
Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	839,990	2	-	-	-	-
Honghengsheng Electronical Technology (Huai'an) Co., Ltd.	Garuda International Limited	The invested company and its trading partners are subsidiaries invested by the Company indirectly	511,065	5	-	-	-	-
Qingding Precision Electronics (Huai'an) Co., Ltd.	Garuda International Limited	The invested company and its trading partners are subsidiaries invested by the Company indirectly	5,489,839	4	-	-	-	-
Qingding Precision Electronics (Huai'an) Co., Ltd.	Garuda Technology Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	113,302	2	-	-	-	-
Qiding Technology Qinhuangdao Co., Ltd.	Henley International Limited	The invested company and its trading partners are subsidiaries invested by the Company indirectly	149,744	4	-	-	-	-
Kuisheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	245,221	4	-	-	-	-

Creditor	Counterparty	Relationship with the Counterparty	Balance of Receivables from Related Parties	Turnover Rate	Overdue Receivables from Related Parties		Amount Collected Subsequent to the Balance Sheet Date	Allowance for Bad Debts
					Amount	Action Taken		
Garuda International Limited	Avary Holding (Shenzhen) Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	\$ 8,407,124	2	\$ -	-	\$ -	\$ -
Garuda International Limited	Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	496,538	2	-	-	-	-
Garuda International Limited	Qingding Precision Electronics (Huai'an) Co., Ltd.	The invested company and its trading partners are subsidiaries invested by the Company indirectly	3,312,762	2	-	-	-	-
Garuda International Limited	Foxconn (FarEast) and its subsidiaries	The counterparty of the invested company is a subsidiary of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	2,040,950	2	-	-	-	-
Garuda International Limited	Interface Technology (ChengDu) Co., Ltd.	The counterparty of the invested company is a subsidiary of Hon Hai Precision Industry Co., Ltd. and its subsidiaries	207,893	6	-	-	-	-

For receivables from related parties arising from loans reaching NT\$100 million or 20% of paid-in capital or more, please refer to Appendix 1.

Zhen Ding Technology Holding Limited and Subsidiaries
Significant Inter-company Transactions during the Reporting Periods
From January 1 to September 30, 2018

Appendix 6

Expressed in Thousands of New Taiwan Dollars
(Unless otherwise specified)

No. (Note 1)	Company Name	Counterparty	Relationship with Counterparty (Note 2)	Transaction			Percentage of Consolidated Total Revenue or Total Assets (Note 4)
				General Ledger Account	Amount (Note 3)	Transaction Terms	
0	The Company	Qiding Technology Qinhuangdao Co., Ltd.	1	Other receivables	\$ 305,250	Note 5	-
1	Mayco Industrial Limited Mayco Industrial Limited	The Company	2	Other receivables	976,800	"	1
2	Pacific Fair International Limited Pacific Fair International Limited	The Company	2	Other receivables	2,402,318	"	2
3	Pacific Stand Enterprises Limited Pacific Stand Enterprises Limited	Monterey Park Finance Limited Monterey Park Finance Limited	3	Other receivables	675,183	"	1
4	FAT Holdings Limited FAT Holdings Limited	Monterey Park Finance Limited Monterey Park Finance Limited	3	Other receivables	729,548	"	1
5	Monterey Park Finance Limited Monterey Park Finance Limited	Qiding Technology Qinhuangdao Co., Ltd.	3	Other receivables	610,500	"	-
6	Avary Holding (Shenzhen) Co., Ltd.	Fubo Industry (Shenzhen) Co., Ltd.	3	Other receivables	367,875	"	-
6	Avary Holding (Shenzhen) Co., Ltd.	Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	3	Other receivables	1,663,368	"	1
6	Avary Holding (Shenzhen) Co., Ltd.	Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Other receivables	6,666,074	"	5
6	Avary Holding (Shenzhen) Co., Ltd.	Honghengsheng Electronical Technology (Huai'an) Co., Ltd.	3	Other receivables	2,099,991	"	2
6	Avary Holding (Shenzhen) Co., Ltd.	Qingding Precision Electronics (Huai'an) Co., Ltd.	3	Other receivables	2,278,166	"	2
6	Avary Holding (Shenzhen) Co., Ltd.	Yuding Precision Electronics (Huai'an) Co., Ltd.	3	Other receivables	768,992	"	1
6	Avary Holding (Shenzhen) Co., Ltd.	Garuda International Limited Garuda International Limited	3	Sale	33,380,576	Note 8	42
6	Avary Holding (Shenzhen) Co., Ltd.	Garuda International Limited Garuda International Limited	3	Accounts receivable	16,086,961	"	12
6	Avary Holding (Shenzhen) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sale	7,682,896	"	10
6	Avary Holding (Shenzhen) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	4,279,313	"	3
7	Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	Honghengsheng Electronical Technology (Huai'an) Co., Ltd.	3	Sale	562,105	"	1
7	Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	Honghengsheng Electronical Technology (Huai'an) Co., Ltd.	3	Accounts receivable	235,648	"	-

No. (Note 1)	Company Name	Counterparty	Relationship with Counterparty (Note 2)	Transaction			Percentage of Consolidated Total Revenue or Total Assets (Note 4)	
				General Ledger Account	Amount (Note 3)	Transaction Terms		
7	Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	Garuda International Limited	Garuda International Limited	3	Sale	\$ 992,576	"	1
7	Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	Garuda International Limited	Garuda International Limited	3	Accounts receivable	\$318,330	"	-
8	Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	Garuda International Limited	3	Sale	19,652,143	"	25
8	Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	Garuda International Limited	3	Accounts receivable	6,427,022	"	5
8	Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.		3	Sale	2,043,415	Note 11	3
8	Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.		3	Accounts receivable	839,990	"	1
9	Honghengsheng Electrical Technology (Huai'an) Co., Ltd.	Garuda International Limited	Garuda International Limited	3	Sale	2,607,536	"	3
9	Honghengsheng Electrical Technology (Huai'an) Co., Ltd.	Garuda International Limited	Garuda International Limited	3	Accounts receivable	511,065	"	-
10	Qingding Precision Electronics (Huai'an) Co., Ltd.	Garuda International Limited	Garuda International Limited	3	Sale	20,339,212	Note 8	26
10	Qingding Precision Electronics (Huai'an) Co., Ltd.	Garuda International Limited	Garuda International Limited	3	Accounts receivable	5,489,839	"	4
10	Qingding Precision Electronics (Huai'an) Co., Ltd.	Garuda Technology Co., Ltd.		3	Sale	274,836	Note 10	-
10	Qingding Precision Electronics (Huai'an) Co., Ltd.	Garuda Technology Co., Ltd.		3	Accounts receivable	113,302	"	-
11	Qiding Technology Qinhuangdao Co., Ltd.	Henley International Limited	Henley International Limited	3	Sale	518,167	"	1
11	Qiding Technology Qinhuangdao Co., Ltd.	Henley International Limited	Henley International Limited	3	Accounts receivable	149,744	"	-
12	Kuisheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Ltd.		3	Sale	1,100,802	"	1
12	Kuisheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Ltd.		3	Accounts receivable	245,221	"	-
13	Henley International Limited	Zhen Ding Technology Co., Ltd.		3	Sale	536,946	Note 6	1
14	Garuda International Limited	Avary Holding (Shenzhen) Co., Ltd.		3	Sale	9,699,622	"	12
14	Garuda International Limited	Avary Holding (Shenzhen) Co., Ltd.		3	Accounts receivable	8,407,124	"	6
14	Garuda International Limited	Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.		3	Sale	580,440	"	1
14	Garuda International Limited	Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.		3	Accounts receivable	496,538	"	-

No. (Note 1)	Company Name	Counterparty	Relationship with Counterparty (Note 2)	Transaction			Percentage of Consolidated Total Revenue or Total Assets (Note 4)
				General Ledger Account	Amount (Note 3)	Transaction Terms	
14	Garuda International Limited	Qingding Precision Electronics (Huai'an) Co., Ltd.	3	Sale	\$ 3,267,130	"	4
14	Garuda International Limited	Qingding Precision Electronics (Huai'an) Co., Ltd.	3	Accounts receivable	3,312,762	"	2

Note 1: Information on business contacts between the parent and subsidiaries should be specified in the "No." column as follows:

- (1) For the parent, fill in 0.
- (2) Subsidiaries are numbered by company type starting from 1 in sequence.

Note 2: The relationship with related parties is categorized into the following three categories. Please specify the category number. (The same transaction shall not be disclosed repetitively. For example, for transactions between the parent and its subsidiaries, if the parent discloses the information, the subsidiaries are exempted from doing so. The same applies to transactions between subsidiaries where only one subsidiary needs to disclose the same transaction.

- (1) A parent company to a subsidiary.
- (2) A subsidiary to a parent company.
- (3) A subsidiary to a subsidiary.

Note 3: Only related party transactions reaching NT\$100 million or 20% of paid-in capital or more are disclosed, and the corresponding related party transactions are not disclosed.

Note 4: Regarding the percentage of consolidated total revenue 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 profit or loss items. However, the above related party transactions have been written off on consolidation.

Note 5: Other receivables (payables) belong to loans to others. For the interest rate and limit of loans, please refer to Note 13(1) A.

Note 6: The transaction price is similar to that of a general customer, and the credit term is 90 days from the month following the date of shipment.

Note 7: The transaction price is similar to that of a general customer, and the credit term is 90 days from the date of shipment.

Note 8: The transaction price is similar to that of a general customer, and the credit term is 60 days from the date of shipment.

Note 9: The transaction price is similar to that of a general customer, and the credit term is 30 days from the date of acceptance.

Note 10: The transaction price is similar to that of a general customer, and the credit term is 60 days from the date of acceptance.

Note 11: The transaction price is similar to that of a general customer, and the credit term is 90 days from the invoice date.

Note 12: The transaction price is similar to that of a general customer, and the credit term is advance on sales.

Zhen Ding Technology Holding Limited and Subsidiaries
Names, Locations and Other Information on Investees (excluding Invested Companies in Mainland China)
From January 1 to September 30, 2018

Appendix 7

Expressed in Thousands of New Taiwan Dollars
(Unless otherwise specified)

Investor	Investee	Location	Main Business Activities	Initial Investment Amount		Shares held as at the end of the period			Current profit or loss of the investee company	Investment Profit or Loss	Note
				Balance as at September 30, 2018	Balance as at December 31, 2017	Number of Shares	Percentage (%)	Carrying Amount			
The Company	Monterey Park Finance Limited	British Virgin Islands	Holding company	\$ 24,492,693	\$ 24,492,693	\$ 802,250,000	100	\$ 60,336,411	\$ 5,316,177	\$ 5,316,177	
The Company	Zhen Ding Technology Co., Ltd.	Taiwan	Trading company	125,488	125,488	12,548,800	100	3,256,166	(97,141)	(97,141)	
Monterey Park Finance Limited	Pacific Stand Enterprises Limited	Hong Kong	Holding company	915,900	915,900	234,000,000	100	686,459	10,942	10,942	
Monterey Park Finance Limited	Coppertone Enterprises Limited	British Virgin Islands	Holding company	3,138,051	3,138,051	102,785,806	100	50,635,161	5,215,891	5,215,176	
Monterey Park Finance Limited	Light Flash International Limited	British Virgin Islands	Holding company	-	30,530	-	-	-	8,151	8,151	
Monterey Park Finance Limited	Pacific Fair International Limited	Hong Kong	Holding company	8,349,955	8,349,955	2,133,300,000	100	8,303,705	621,770	621,770	
Monterey Park Finance Limited	Henley International Limited	Hong Kong	Trading company	-	-	1	100	10,169	11,131	11,131	
Coppertone Enterprises Limited	Mayco Industrial Limited	Hong Kong	Holding company	36,486,645	36,486,645	9,321,841,932	100	50,579,246	5,216,135	5,216,135	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited	Cayman Islands	Holding company	153	153	5,000	100	737,442	4,214	4,214	
Avary Holding (Shenzhen) Co., Ltd.	Garuda International Limited	Hong Kong	Trading company	305,300	305,300	78,000,000	73	1,366,643	270,963	316,221	
Garuda International Limited	Garuda Technology Co., Ltd.	Taiwan	Trading company	25,000	25,000	2,500,000	73	(292,953)	(415,903)	(331,173)	

Zhen Ding Technology Holding Limited and Subsidiaries
Information on Investments in Mainland China - Basic Information
From January 1 to September 30, 2018

Appendix 8

Expressed in Thousands of New Taiwan Dollars
(Unless otherwise specified)

Investee Company in Mainland China	Main Business Activities	Paid-in Capital	Investment Method (Note 2)	Aggregate Investment Amount Remitted from Taiwan at the beginning of the period	The amount of investment remitted or recovered during the current period		Aggregate Investment Amount Remitted from Taiwan at the beginning of the period	Current profit or loss of the investee company	Percentage of Ownership (Direct or Indirect)	Investment Profit or Loss (Note 3)	Carrying Amount of Investment by the end of the period	Accumulated Inward Remittance of Earnings at the end of the period	Note
					Outflow	Inflow							
Hongqunsheng Precision Electronics (Yingkou) Co., Ltd.	Production and sale of rigid single- layer (double)-layer PCBs, rigid multi- layer PCBs, flexible multi-layer PCBs and other PCBs	\$ 3,163,809	2	\$ -	\$ -	\$ -	\$ -	(\$ 340,607)	73	(\$ 271,216)	\$ 374,470	\$ -	
Hongqisheng Precision Electronics (Qinhuangdao) Co., Ltd.	Production and sale of rigid single-layer (double-layer) PCBs, rigid multi- layer PCBs, flexible multi-layer PCBs and other PCBs	5,041,281	2	-	-	-	-	2,664,709	73	2,010,963	8,257,634	-	
Honghengsheng Electronical Technology (Huai'an) Co., Ltd.	Production and sale of rigid single-layer (double-layer) PCBs, rigid multi- layer PCBs, flexible multi-layer PCBs and other PCBs	4,107,077	2	-	-	-	-	(383,539)	73	(305,402)	743,166	-	
Chuangxinli Electronics (Huai'an) Co., Ltd.	Production and sale of rigid single-layer (double-layer) PCBs, rigid multi- layer PCBs, flexible multi-layer PCBs and other PCBs	-	2	-	-	-	-	(4,201)	73	(3,345)	-	-	
Avary Holding (Shenzhen) Co., Ltd.	Production and sale of rigid single-layer (double-layer) PCBs, rigid multi- layer PCBs, flexible multi-layer PCBs and other PCBs	10,246,471	2	-	-	-	-	7,588,998	73	6,042,913	54,454,475	-	

Investee Company in Mainland China	Main Business Activities	Paid-in Capital	Investment Method (Note 2)	Aggregate Investment Amount Remitted from Taiwan at the beginning of the period	The amount of investment remitted or recovered during the current period		Aggregate Investment Amount Remitted from Taiwan at the beginning of the period	Current profit or loss of the investee company	Percentage of Ownership (Direct or Indirect)	Investment Profit or Loss (Note 3)	Carrying Amount of Investment by the end of the period	Accumulated Inward Remittance of Earnings at the end of the period	Note
					Outflow	Inflow							
Fubo Industry (Shenzhen) Co., Ltd.	Production and sale of rigid single-layer (double-layer) PCBs, rigid multi- layer PCBs, flexible multi-layer PCBs and other PCBs	\$ 487,935	2	\$ -	\$ -	\$ -	\$ -	\$ 22,323	73	\$ 17,775	\$ 432,959	\$ -	
Yuding Precision Electronics (Huai'an) Co., Ltd.	Production and sale of rigid single-layer (double-layer) PCBs, rigid multi- layer PCBs, flexible multi-layer PCBs and other PCBs	1,068,077	2	-	-	-	-	(45,532)	73	(36,256)	668,158	-	
Qingding Precision Electronics (Huai'an) Co., Ltd.	Production and sale of rigid single-layer (double-layer) PCBs, rigid multi- layer PCBs, flexible multi-layer PCBs and other PCBs	2,883,753	2	-	-	-	-	1,108,161	73	888,850	3,829,087	-	
Qiding Technology Qinhuangdao Co., Ltd.	Design, development, production, sale and wholesale of electronic products and import/export of related goods	1,215,073	2	-	-	-	-	(546,338)	100	(546,338)	1,447,929	-	
Kuisheng Technology (Shenzhen) Co., Ltd.	Production and sale of rigid single-layer (double-layer) PCBs, rigid multi- layer PCBs, flexible multi-layer PCBs and other PCBs	88,659	2	-	-	-	-	9,707	73	7,729	73,558	-	
Yunding Technology (Shenzhen) Co., Ltd.	Production and sale of rigid single-layer (double-layer) PCBs, rigid multi- layer PCBs, flexible multi-layer PCBs and other PCBs	22,165	2	-	-	-	-	(67)	73	(54)	15,770	-	

- Note 1: The amounts in this appendix are shown in New Taiwan Dollars. For investments denominated in foreign currencies, they have been converted into NTD at the exchange rate on the reporting date.
- Note 2: The investment methods are divided into the following three categories:
- (1) Direct investment in mainland China.
 - (2) Indirect investment in mainland China through Monterey Park Finance Limited (B.V.I) in a third region.
 - (3) Others.
- Note 3: Investment profit or loss is recognized in the CPA-audited financial statements of the invested company in China for the same period.