

**ZHEN DING TECHNOLOGY HOLDING  
LIMITED AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT  
ACCOUNTANTS  
MARCH 31, 2019 AND 2018**

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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.

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

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 of March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month period 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 March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three-month period 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

Feng, Min-Chuan

For and on behalf of PricewaterhouseCoopers, Taiwan  
May 10, 2019

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

**ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2019, DECEMBER 31, 2018 AND MARCH 31, 2018**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

			March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
Assets		Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 38,233,232	30	\$ 40,652,973	29	\$ 25,313,793	24
1110	Current financial assets at fair value through profit or loss	6(2)	1,918	-	3,437	-	-	-
1136	Current financial assets at amortised cost	6(6)	11,009,347	9	8,778,797	6	9,796,840	9
1170	Accounts receivable, net	6(3)	12,332,660	10	21,631,860	15	10,400,468	10
1180	Accounts receivable due from related parties, net	6(3) and 7	1,455,344	1	2,644,519	2	1,894,073	2
1200	Other receivables	6(4)	264,139	-	855,783	1	1,679,559	2
130X	Inventories	6(5)	7,245,344	6	10,083,882	7	7,983,381	8
1410	Prepayments	6(4)	4,214,982	3	3,673,318	3	3,697,423	3
1470	Other current assets		537,312	-	569,634	-	315,609	-
11XX	Total current assets		75,294,278	59	88,894,203	63	61,081,146	58
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(7)	79,617	-	52,473	-	109,348	-
1535	Non-current financial assets at amortised cost		-	-	-	-	147,433	-
1600	Property, plant and equipment	6(8)	42,866,655	33	41,913,166	30	38,615,295	36
1755	Right-of-use assets	6(9)	8,829,203	7	-	-	-	-
1780	Intangible assets	6(10)	92,019	-	91,721	-	86,914	-
1840	Deferred income tax assets		922,671	1	1,024,491	1	763,407	1
1990	Other non-current assets	6(11)	451,684	-	8,131,099	6	4,816,572	5
15XX	Total non-current assets		53,241,849	41	51,212,950	37	44,538,969	42
1XXX	Total assets		\$ 128,536,127	100	\$ 140,107,153	100	\$ 105,620,115	100

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**ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2019, DECEMBER 31, 2018 AND MARCH 31, 2018**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

	Liabilities and Equity	Notes	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>							
2100	Short-term borrowings	6(12)	\$ 7,890,825	6	\$ 9,184,066	7	\$ 10,014,019	10
2170	Accounts payable		9,550,827	7	17,056,824	12	11,301,131	11
2180	Accounts payable to related parties	7	572,609	1	1,022,641	1	487,624	-
2200	Other payables	6(13)	9,268,251	7	13,346,522	9	8,790,200	8
2230	Current income tax liabilities		1,237,545	1	2,391,519	2	1,148,480	1
2280	Current lease liabilities		70,988	-	-	-	-	-
2320	Long-term liabilities, current portion	6(14) (15)	8,704,639	7	8,699,319	6	4,361,712	4
2399	Other current liabilities		116,585	-	134,168	-	113,769	-
21XX	<b>Total current liabilities</b>		<u>37,412,269</u>	<u>29</u>	<u>51,835,059</u>	<u>37</u>	<u>36,216,935</u>	<u>34</u>
	<b>Non-current liabilities</b>							
2530	Bonds payable	6(14)	-	-	-	-	8,107,538	8
2540	Long-term borrowings	6(15)	9,226,737	7	9,194,880	6	4,361,712	4
2570	Deferred income tax liabilities		912,863	1	857,644	1	54,150	-
2580	Non-current lease liabilities		255,617	-	-	-	-	-
2645	Guarantee deposits received		96,430	-	110,990	-	93,070	-
25XX	<b>Total non-current liabilities</b>		<u>10,491,647</u>	<u>8</u>	<u>10,163,514</u>	<u>7</u>	<u>12,616,470</u>	<u>12</u>
2XXX	<b>Total liabilities</b>		<u>47,903,916</u>	<u>37</u>	<u>61,998,573</u>	<u>44</u>	<u>48,833,405</u>	<u>46</u>
	<b>Equity</b>							
	<b>Equity attributable to owners of parent</b>							
	<b>Share capital</b>	6(18)						
3110	Ordinary share		8,055,497	6	8,047,484	6	8,047,484	8
	<b>Capital surplus</b>	6(19)						
3200	Capital surplus		22,084,407	17	22,000,657	16	14,871,895	14
	<b>Retained earnings</b>	6(20)						
3310	Legal reserve		3,505,859	3	3,505,859	2	2,988,615	3
3320	Special reserve		1,717,913	1	1,717,913	1	1,688,354	1
3350	Unappropriated retained earnings		24,113,927	19	23,731,600	17	18,864,634	18
	<b>Other equity interest</b>	6(21)						
3400	Other equity interest		( 1,387,770)	( 1)	( 2,948,306)	( 2)	( 921,070)	( 1)
31XX	<b>Total equity attributable to owners of parent</b>		<u>58,089,833</u>	<u>45</u>	<u>56,055,207</u>	<u>40</u>	<u>45,539,912</u>	<u>43</u>
36XX	<b>Non-controlling interests</b>		<u>22,542,378</u>	<u>18</u>	<u>22,053,373</u>	<u>16</u>	<u>11,246,798</u>	<u>11</u>
3XXX	<b>Total equity</b>		<u>80,632,211</u>	<u>63</u>	<u>78,108,580</u>	<u>56</u>	<u>56,786,710</u>	<u>54</u>
	<b>Significant contingent liabilities and unrecognised contract commitments</b>	9						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 128,536,127</u>	<u>100</u>	<u>\$ 140,107,153</u>	<u>100</u>	<u>\$ 105,620,115</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**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019 AND 2018**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)  
(REVIEWED, NOT AUDITED)

Items		Notes	Three Months Ended March 31,			
			2019		2018	
			AMOUNT	%	AMOUNT	%
4000	<b>Operating revenue</b>	7 and 14	\$ 19,413,186	100	\$ 22,716,722	100
5000	<b>Operating costs</b>	6(5) and 7	( 16,313,054)	( 84)	( 19,244,051)	( 85)
5950	<b>Gross profit from operations</b>		<u>3,100,132</u>	<u>16</u>	<u>3,472,671</u>	<u>15</u>
	<b>Operating expenses</b>	6(22)				
6100	Selling expenses		( 303,932)	( 2)	( 242,382)	( 1)
6200	Administrative expenses		( 873,673)	( 4)	( 891,159)	( 4)
6300	Research and development expenses		( 818,971)	( 4)	( 1,062,323)	( 4)
6450	Expected credit loss in accordance with IFRS 9	12	<u>10,973</u>	<u>-</u>	<u>564</u>	<u>-</u>
6000	<b>Total operating expenses</b>		<u>( 1,985,603)</u>	<u>( 10)</u>	<u>( 2,195,300)</u>	<u>( 9)</u>
6900	<b>Net operating income</b>		<u>1,114,529</u>	<u>6</u>	<u>1,277,371</u>	<u>6</u>
	<b>Non-operating income and expenses</b>					
7010	Other income	6(24)	443,518	2	271,061	1
7020	Other gains and losses	6(25)	( 360,977)	( 2)	( 524,366)	( 2)
7050	Finance costs	6(26)	( 231,487)	( 1)	( 215,401)	( 1)
7000	<b>Total non-operating income and expenses</b>		<u>( 148,946)</u>	<u>( 1)</u>	<u>( 468,706)</u>	<u>( 2)</u>
7900	<b>Profit before income tax</b>		965,583	5	808,665	4
7950	Income tax expense	6(27)	( 332,683)	( 2)	( 254,122)	( 1)
8200	<b>Profit</b>		<u>\$ 632,900</u>	<u>3</u>	<u>\$ 554,543</u>	<u>3</u>
	<b>Other comprehensive income</b>					
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(21)	<u>\$ 27,448</u>	<u>-</u>	<u>( \$ 11,803)</u>	<u>-</u>
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Exchange differences on translation of foreign financial statements	6(21)	<u>1,763,015</u>	<u>9</u>	<u>957,195</u>	<u>4</u>
8300	<b>Other comprehensive income</b>		<u>\$ 1,790,463</u>	<u>9</u>	<u>\$ 945,392</u>	<u>4</u>
8500	<b>Total comprehensive income</b>		<u>\$ 2,423,363</u>	<u>12</u>	<u>\$ 1,499,935</u>	<u>7</u>
	<b>Profit attributable to:</b>					
8610	Owners of the parent		<u>\$ 382,327</u>	<u>2</u>	<u>\$ 378,438</u>	<u>2</u>
8620	Non-controlling interests		<u>\$ 250,573</u>	<u>1</u>	<u>\$ 176,105</u>	<u>1</u>
	<b>Comprehensive income attributable to:</b>					
8710	Owners of the parent		<u>\$ 1,942,863</u>	<u>10</u>	<u>\$ 1,175,281</u>	<u>6</u>
8720	Non-controlling interests		<u>\$ 480,500</u>	<u>2</u>	<u>\$ 324,654</u>	<u>1</u>
	<b>Earnings per share</b>					
9750	<b>Basic earnings per share</b>	6(28)	<u>\$ 0.48</u>		<u>\$ 0.47</u>	
9850	<b>Diluted earnings per share</b>	6(28)	<u>\$ 0.47</u>		<u>\$ 0.47</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**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019 AND 2018**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)**  
**(REVIEWED, NOT AUDITED)**

	Notes	Equity attributable to the owners of the parent							Non-controlling interest	Total equity	
		Ordinary shares	Capital surplus – additional paid-in capital	Retained Earnings			Other Equity Interest				Total
				Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income			
<u>Three-Month Period Ended March 31, 2018</u>											
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
Profit for the period		-	-	-	-	378,438	-	-	378,438	176,105	554,543
Other comprehensive income (loss) for the period		-	-	-	-	-	808,646	( 11,803 )	796,843	148,549	945,392
Total comprehensive income for the period		-	-	-	-	378,438	808,646	( 11,803 )	1,175,281	324,654	1,499,935
Compensation cost of employee restricted stock	6(17)	-	20,597	-	-	-	-	-	20,597	4,859	25,456
Balance at March 31, 2018		\$ 8,047,484	\$ 14,871,895	\$ 2,988,615	\$ 1,688,354	\$ 18,864,634	( \$ 909,267 )	( \$ 11,803 )	\$ 45,539,912	\$ 11,246,798	\$ 56,786,710
<u>Three-Month Period Ended March 31, 2019</u>											
Balance at January 1, 2019		\$ 8,047,484	\$ 22,000,657	\$ 3,505,859	\$ 1,717,913	\$ 23,731,600	( \$ 2,879,635 )	( \$ 68,671 )	\$ 56,055,207	\$ 22,053,373	\$ 78,108,580
Profit for the period		-	-	-	-	382,327	-	-	382,327	250,573	632,900
Other comprehensive income (loss) for the period	6(21)	-	-	-	-	-	1,533,088	27,448	1,560,536	229,927	1,790,463
Total comprehensive income for the period		-	-	-	-	382,327	1,533,088	27,448	1,942,863	480,500	2,423,363
Conversion of convertible bonds	6(14)	8,013	60,964	-	-	-	-	-	68,977	-	68,977
Compensation cost of employee restricted stock	6(17)	-	22,786	-	-	-	-	-	22,786	8,505	31,291
Balance at March 31, 2019		\$ 8,055,497	\$ 22,084,407	\$ 3,505,859	\$ 1,717,913	\$ 24,113,927	( \$ 1,346,547 )	( \$ 41,223 )	\$ 58,089,833	\$ 22,542,378	\$ 80,632,211

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019 AND 2018  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
(REVIEWED, NOT AUDITED)

	<u>Notes</u>	<u>Three Months Ended March 31,</u>	
		<u>2019</u>	<u>2018</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 965,583	\$ 808,665
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(22)	1,903,409	1,598,352
Amortisation expense	6(22)	30,985	20,219
Reversal of expected credit loss	12	( 10,973 )	( 564 )
Loss (gain) on disposal of property, plant and equipment	6(25)	2,820	( 6,924 )
Rental expense for land use right (long-term prepaid rents)		-	6,041
Interest income	6(24)	( 351,661 )	( 226,328 )
Interest expense	6(26)	231,487	215,401
Share-based payment	6(17)	31,291	25,456
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		1,519	7,935
Notes receivable		( 7,530 )	( 646 )
Accounts receivable		9,376,479	17,724,196
Accounts receivable due from related parties		1,198,535	271,648
Other receivables		618,848	1,045,525
Inventories		3,028,366	3,268,457
Prepayments		( 445,298 )	( 561,677 )
Other current assets		89,464	-
Changes in operating liabilities			
Accounts payable		( 7,917,667 )	( 11,464,963 )
Accounts payable to related parties		( 474,810 )	( 206,243 )
Other payables		( 2,222,701 )	( 1,372,309 )
Other current liabilities		( 20,993 )	( 11,458 )
Cash inflow generated from operations		<u>6,027,153</u>	<u>11,140,783</u>
Income taxes paid		( 1,367,332 )	( 722,520 )
Net cash flows from operating activities		<u>4,659,821</u>	<u>10,418,263</u>

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ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019 AND 2018  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
(REVIEWED, NOT AUDITED)

	Notes	Three Months Ended March 31, 2019	2018
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Proceeds from repayment of financial assets at amortised cost		( \$ 2,045,385 )	\$ 4,453,705
Proceeds from disposal of property, plant and equipment		16,723	114,669
Acquisition of property, plant and equipment		( 3,677,471 )	( 3,301,018 )
Acquisition of land use right (long-term prepaid rents)		( 974,498 )	( 285,733 )
Proceeds from disposal of land use right (recognise long-term prepaid rents)		-	5,193
Decrease (increase) in other non-current assets		( 65,955 )	27,652
Decrease (increase) in refundable deposits		( 567 )	( 25,101 )
Interest received		338,834	320,956
Net cash flows used in investing activities		( 6,408,319 )	1,310,323
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase (decrease) in short-term borrowings		( 1,471,820 )	( 5,858,658 )
Increase (decrease) in guarantee deposits received		( 17,320 )	( 54,196 )
Interest paid		( 161,430 )	( 160,209 )
Repayments of lease liabilities		( 23,604 )	-
Net cash flows from financing activities		( 1,674,174 )	( 6,073,063 )
Effect of exchange rate changes on cash and cash equivalents		1,002,931	510,882
Net increase (decrease) in cash and cash equivalents		( 2,419,741 )	6,166,405
Cash and cash equivalents at beginning of period		40,652,973	19,147,388
Cash and cash equivalents at end of period		\$ 38,233,232	\$ 25,313,793

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  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019 AND 2018  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT AS OTHERWISE INDICATED)  
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANIZATION

Zhen Ding Technology Holding Limited (the ‘Company’, formerly named as Foxconn Advanced Technology Limited) was incorporated in the Cayman Islands in June 2006. According to the resolution of the Board of Directors in May 2011, the Company was renamed to Zhen Ding Technology Holding Limited and related registration was completed in July 2011. The registration address is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands. The Company and its subsidiaries (collectively referred herein as the ‘Group’) are engaged in manufacturing and selling printed circuit board (the ‘PCB’). The Company has been listed on the Taiwan Stock Exchange since December 26, 2011.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

The consolidated financial statements were authorized for issuance by the Board of Directors on May 10, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission (‘FSC’) (collectively referred herein as the ‘IFRSs’).

New, Revised or Amended Standards and interpretations endorsed by FSC effective from 2019 are as follows:

<u>New Revised or Amended Standards and Interpretations</u>	<u>Effective date by International Accounting Standards Board</u>
Amendment 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

The impact of the above standards and interpretations on the Group’s financial position and financial performance based on the Group’s assessment is listed below:

IFRS 16, ‘Leases’

- A. IFRS 16, ‘Leases’, supersedes IAS 17, ‘Leases’ and related interpretations. The standard requires lessees to recognise a right-of-use asset and a lease liability (except for those

leases with lease terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify and account for a lease as either an operating lease or a finance lease, and this standard only requires enhanced disclosures to be provided by lessors.

- B. Upon the adoption of 2019-version of IFRSs as endorsed by the FSC, the Group does not intend to adopt IFRS 16 by restating the prior period financial statements (hereinafter, the “modified retrospective transition”). For lease contracts where the Group was a lessee, it is expected that right-of-use assets and lease liability will be increased by NT\$8,058,382 (including the reclassification of long-term prepaid rents of NT\$7,727,595) and NT\$623,563 (including the reclassification of payable on land use right of NT\$292,776) respectively on January 1, 2019.
- C. The Group applied the following practical expedients upon the first-time adoption of IFRS 16:
- (a) The Group elected not to re-evaluate whether contracts are (or contain) leases. Contracts previously identified as leases under IAS 17 and IFRS 4 are now subject to IFRS 16.
  - (b) The initial direct costs were excluded from the measurement of right-of-use assets.
  - (c) A single discount rate was applied to a portfolio of leases with reasonably similar characteristics.
  - (d) The Group elected to account for leases terminating before December 31, 2019 as short-term leases. Rental expenses recognised for the three-month period ended March 31, 2019 were NT\$36,077.
- D. The Group applied the Group's incremental borrowing rate to calculate the present value of lease liabilities. The interest rate ranged between 1.04% and 4.35%.
- E. The reconciliation of operating lease commitments disclosed under IAS 17 and discounted using the incremental borrowing rate as of the first-time adoption date and the lease liabilities recognised as of January 1, 2019 was as follows:

Operating lease commitments disclosed under IAS 17 as of December 31, 2018	\$	442,256
Less: Exemptions for short-term leases	(	9,560)
Less: Exemptions for low-value assets	(	48)
Less: Service contracts that were not leases upon re-judgement	(	83,329)
Total contract amount that shall recognise lease liabilities under IFRS 16 as of January 1, 2019	\$	<u>349,319</u>
Lease liabilities that shall be recognised under IFRS 16 as of January 1, 2019	\$	<u>330,787</u>

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

None.

(3) IFRSs issued by International Accounting Standard Board ('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:

<u>New Revised or Amended Standards and Interpretations</u>	<u>Effective date by International Accounting Standards Board</u>
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative - definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
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 above standards and interpretations have no significant impact to the Group's financial position and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as stated otherwise, the principal accounting policies applied in the preparation of these consolidated financial statements 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) Available-for-sale financial assets measured at fair value.
  - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with 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 items involving a higher degree of judgement or complexity, or items where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. Upon the first-time adoption of IFRS 16 effective January 1, 2019, the Group has elected to apply a modified retrospective transition to recognise right-of-use assets and lease liabilities on the financial statements as of January 1, 2019; and the financial statements for the year ended December 31, 2018, and for the three-month period ended March 31, 2018 were not restated.

(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 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 unrealised 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) The Profit or loss and each component of other comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, and total comprehensive income shall also be 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 are equity transactions (i.e. transactions with owners in their capacity as owners). It shall be recognised directly in equity and difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			March 31, 2019	December 31, 2018	March 31, 2018	
The Company	Zhen Ding Technology Co., Ltd.	Trading company	100	100	100	
The Company	Monterey Park Finance Limited (B.V.I.)	Holding company	100	100	100	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited (Cayman)	Holding company	100	100	100	
Monterey Park Finance Limited (B.V.I.)	Pacific Stand Enterprises Limited (Hongkong)	Holding company	100	100	100	(c)
Monterey Park Finance Limited (B.V.I.)	Coppertone Enterprises Limited (B.V.I.)	Holding company	100	100	100	
Monterey Park	Pacific Fair International	Holding company	100	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			March 31, 2019	December 31, 2018	March 31, 2018	
Finance Limited (B.V.I.)	Limited (Hongkong)					
Monterey Park Finance Limited (B.V.I.)	Light Flash International Limited (B.V.I.)	Holding company	-	-	100	(b)
Monterey Park Finance Limited (B.V.I.)	Henley International Limited (Hongkong)	Trading company	100	100	100	
Monterey Park Finance Limited (B.V.I.)	Qi Ding Technology Qinhuangdao Co., Ltd.	Manufacturing company	100	100	100	
Monterey Park Finance Limited (B.V.I.)	Jia Wei Industrial Development (Huaian) Co., Ltd.	Trading company	100	-	-	(e)
Coppertone Enterprises Limited (B.V.I.)	Mayco Industrial Limited (Hongkong)	Holding company	100	100	100	
Mayco Industrial Limited (Hongkong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	66.38	66.38	73.75	(d)
Pacific Fair International Limited (Hongkong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	6.44	6.44	7.16	(d)
Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Manufacturing company	100	100	100	
Avary	Hong Qi	Manufacturing	100	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			March 31, 2019	December 31, 2018	March 31, 2018	
Holding (Shenzhen) Co., Limited	Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	company				
Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Fu Bo Industrial (Shenzhen) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited (Hongkong)	Trading company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Yun Ding Technology (Shenzhen) Limited	Trading company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Kui Sheng Technology (Shenzhen) Limited	Trading company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited (Singapore)	Holding company	100	-	-	(f)

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			March 31, 2019	December 31, 2018	March 31, 2018	
Garuda International Limited (Hongkong)	Garuda Technology Co., Ltd.	Trading company	100	100	100	
Hong Heng Sheng Electronical Technology Co., Ltd. (Huaian)	New Creation Electronics (Huaian) Co., Ltd.	Manufacturing company	-	-	100	(a)

(a) The Group has restructured the investment structure. New Creation Electronics (Huaian) Co., Ltd. has completed the winding-up process in the second quarter of 2018.

(b) The Group has restructured the investment structure. Light Flash International Limited has completed the winding-up process in the third quarter of 2018.

(c) The Group has restructured the investment structure. Pacific Stand Enterprises Limited was in the winding-up process in the fourth quarter of 2018.

(d) Mayco Industrial Limited and Pacific Fair International Limited did not subscribe for the issuance of common stock by Avary Holding (Shenzhen) Co., Limited in percentage of their ownership ratios in 2018, thus their ownership ratios became 66.38% and 6.44%, respectively.

(e) The Group invested in Jia Wei Industrial Development (Huaian) Co., Ltd. at Huaian and included the entity in the consolidated financial statement on January 8, 2019. The entity mainly engages in construction-related business.

(f) The Group invested in Avary Singapore Private Limited at Singapore and included the entity in the consolidated financial statement s on March 18, 2019. The entity mainly engages in holding company business.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

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

As of March 31, 2019, December 31, 2018 and March 31, 2018, the non-controlling interests of the Group amounted to \$22,542,378, \$22,053,373 and \$11,246,798, respectively. The information on the non-controlling interests and their subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interests March 31, 2019		Description
		Amount	Ownership (%)	
Avary Holding (Shenzhen) Co., Limited	China	<u>\$ 22,542,378</u>	27.18%	

  

Name of subsidiary	Principal place of business	Non-controlling interests December 31, 2018		Description
		Amount	Ownership (%)	
Avary Holding (Shenzhen) Co., Limited	China	<u>\$ 22,053,373</u>	27.18%	

  

Name of subsidiary	Principal place of business	Non-controlling interests March 31, 2018		Description
		Amount	Ownership (%)	
Avary Holding (Shenzhen) Co., Limited	China	<u>\$ 11,246,798</u>	19.09%	

Summary of the financial information of subsidiaries

The balance sheets of Avary Holding (Shenzhen) Co., Limited

	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	\$ 61,068,573	\$ 75,194,305	\$ 47,944,465
Non-current assets	50,431,949	48,810,042	41,915,176
Current liabilities	( 27,733,688 )	( 42,386,256 )	( 30,794,541 )
Non-current liabilities	( 827,936 )	( 478,361 )	( 145,245 )
Total net assets	<u>\$ 82,938,898</u>	<u>\$ 81,139,730</u>	<u>\$ 58,919,855</u>

The statements of comprehensive income of Avary Holding (Shenzhen) Co., Limited

	For the three months ended March 31,	
	2019	2018
Revenue	\$ 19,254,929	\$ 22,364,321
Profit before income tax	1,229,273	1,134,189
Income tax expense	( 307,356 )	( 211,608 )
Profit	921,917	922,581
Other comprehensive income (loss), net of tax	( 45,580 )	( 53,879 )
Total comprehensive income	<u>\$ 876,337</u>	<u>\$ 868,702</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 480,500</u>	<u>\$ 324,654</u>



The statements of cash flows of Avary Holding (Shenzhen) Co., Limited

	For the three months ended March 31,	
	2019	2018
Net cash from operating activities	\$ 4,978,477	\$ 12,087,637
Net cash used in investing activities	( 5,126,684 )	( 3,077,078 )
Net cash from financing activities	( 1,943,424 )	( 6,087,374 )
Effect of exchange rate changes on cash and cash equivalents	807,350	( 124,669 )
Net increase (decrease) in cash and cash equivalents	( 1,284,281 )	2,798,516
Cash and cash equivalents at beginning of period	34,977,025	9,016,038
Cash and cash equivalents at end of period	\$ 33,692,744	\$ 11,814,554

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Company's functional currency is USD; however, the consolidated financial statements are presented in NTD because of 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 recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised 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 recognised 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 recognised in other comprehensive income. However, non-monetary 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 recognised in other comprehensive income.

When presenting the Group's functional currency denominated financial statements in NT dollars, the average exchange rates were NT\$30.83 (in dollars) to US\$1 (in dollar) and NT\$29.30 (in dollars) to US\$1 (in dollar) for the three-month period ended March 31, 2019 and 2018, respectively; the closing rates were NT\$30.82 (in dollars) to US\$1 (in dollar), NT\$30.72 (in dollars) to US\$1 (in dollar) and NT\$29.11 (in dollars) to US\$1 (in dollar) as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

(5) Classification of current and non-current items

- 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 realised within twelve months from the balance sheet date; or
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off 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 paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date; or
- (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 definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets measured at amortised cost or fair value through other comprehensive income are designated as the financial assets at fair value through profit or loss at initial recognition by the Group if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related

transaction costs are expensed in profit or loss. These financial assets are subsequently measured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

- D. The Group recognises the dividend income in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

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

- A. The Group may make irrevocable election at initial recognition to recognise the changes in fair value in other comprehensive income for the investments in equity instruments that is not held for trading or the investments in debt instruments meet both of the following conditions:
  - (a) The financial assets held within a business model whose objective is both collecting contractual cash flows and selling financial assets and
  - (b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
  - (a) The changes in fair value of equity instruments are recognised in other comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income shall be recorded to retained earnings and not be reclassified to profit or loss upon the derecognition. Dividends are recognised in profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.
  - (b) Except for the impairment losses, interest income and foreign exchange gains or losses which are recognised in profit or loss, the changes in fair value of debt instruments are recognised in other comprehensive income before derecognition. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are meet both of the following conditions:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not meet the condition of cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The 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 measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable or contract assets containing a significant financing component, lease receivables, loan commitments and financial guarantee contracts, at each balance sheet date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information (including forecasts). On the other hand, the Group recognises the impairment provision for lifetime ECLs for accounts receivable or contract assets containing a significant financing component.

(12) Derecognition of financial assets

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

(13) Leasing (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised 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 realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process 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 used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, 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 capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. 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. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted

if appropriate, at each financial year-end. 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 and structures	5~53 years
Machinery and equipment	2~10 years
Leased assets	20 years
Leasehold improvements	5 years
Other equipment	2~15 years

(16) Leasing (lessee)

Applicable for the years beginning on January 1, 2019

- A. The Group recognises lease assets as right-of-use assets and lease liabilities at the commencement date of the lease. For short-term leases or leases of low value assets, lease payments are recognised as expenses using the straight-line method during the lease term.
- B. The Group measures right-of-use assets at cost on the commencement date of the lease. The costs include the initial measurement amount of lease liabilities and any initial direct costs incurred. The right-of-use assets are subsequently measured by adopting the cost model. The Group depreciates the right-of-use assets at the earlier of the right-of-use assets' useful life or the end of lease term.
- C. On the commencement date, the Group measures lease liabilities by the present value of outstanding lease payments, using the Group's incremental borrowing rate. Lease payments include fixed payments less any lease incentives receivable. In subsequent periods, the Group measures lease liabilities at amortised cost using the effective interest method and recognises interest expense during the lease term. If the lease term or lease payment is changed due to reasons other than amendments to the lease contracts, the Group will remeasure the lease liabilities. The remeasurement amount is then recognised as an adjustment to the right-of-use assets.

Applicable for the year beginning on January 1, 2018

Payments under the operating lease, net of any incentives received from the lessors, are recognised in profit or loss on a straight-line basis over the lease term.

(17) Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(18) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there are any impairment indications. An impairment loss is recognised 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 recognising impairment loss for an asset in prior years 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 amortised historical cost would have been if the impairment had not been recognised.

- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated based on the operating segment 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.

(19) Borrowings

- A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.
- C. Extension option is not closed related to the host debt instruments, unless the rates are also adjusted close to current market rates when extending.

(20) Accounts payable

- A. Accounts payable are the liabilities for purchases of raw materials, goods or services.
- B. The short-term accounts payable without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged, cancelled, or expired.

(22) Financial liabilities and equity instruments

Convertible corporate bonds issued by the Group are embedded with conversion options (that is, the bondholders have the right to convert the bonds into the Group's ordinary shares by exchanging a fixed amount of cash for a fixed number of ordinary share), call options and put options. In accordance with the terms and conditions of the indenture, the Group classifies the convertible corporate bonds and the embedded derivative instruments on initial recognition as a financial asset, a financial liability or an equity instrument (the 'capital surplus-share options'). Convertible corporate bonds are accounted for as follows:

- A. The exercise price of call options and put options embedded in the convertible corporate bonds is approximately equal to the amortised cost of the host debt instrument on each exercise date; therefore, call options and put options are closely related to the host debt contract.
- B. Call options, put options and host debt of the convertible corporate bonds are initially recognised at fair value. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or

deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond outstanding 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 recognised in the 'capital surplus-share options' at the residual amount of total issue price less amounts of the 'bonds payable' 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 shall be remeasured on the conversion date. The carrying amount of ordinary shares issued due to the conversion shall be based on the remeasured carrying amount of the abovementioned liability component plus the carrying amount 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 exchange for that service, and shall be recognised as expenses when the employees have rendered service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions shall be recognised as pension expenses when they are due on an accrual basis. Prepaid contributions shall be recognised that excess as an asset to the extent that the prepayment will lead to a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is accrued from the present value of future benefits that employees have earned in return for their services in the current or prior periods. The Group recognised the present value of the defined benefit obligation deducting the fair value of plan assets at the balance sheet date. Net obligation of the defined benefit is calculated annually by independent actuaries using the projected unit credit method and is discounted by using the market yield on government bonds (at the balance sheet date).
- ii. Remeasurements arising on defined benefit plans are recognised 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 and significant curtailments, settlements, or other significant one-off events since that time. Also, relevant information will be disclosed in conjunction with the above policy.

C. Employees' remuneration and directors' remuneration

Employees' remuneration and directors' remuneration are recognised as expense and liabilities, 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 employees' remuneration (bonus) is distributed by shares, the Group calculates the number of shares based on the fair value per share (closing price) at the previous day of the Board of Directors' 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 at the grant date, and are recognised 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-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the quantity of equity instruments that are expected to vest under the non-market vesting conditions. Ultimately, the amount of compensation cost is recognised based on the number of equity instruments that eventually vest.

B. Employee restricted stocks:

(a) Employee restricted stocks measured at the fair value of the equity instruments at the grant date, and are recognised as compensation cost over the vesting period.

(b) Those restricted stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) Employees have to pay to acquire those restricted stocks. If employees resign during the vesting period, the Group must refund their payments in exchange for the restricted stocks return by the employees. The Group recognises the payments to the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments for the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised 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 Group operates and generates 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. Different tax regulations are applicable to the Group according to the countries where the companies are registered:

(a) Companies that are registered in Cayman Islands and British Virgin Islands are exempted from income tax in accordance with local regulations.

(b) For the companies that are registered in the Republic of China, except for income tax that is estimated in accordance with the tax laws, an additional 10% tax is levied on the



unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings. When calculating income tax, except for applying the tax laws to calculate regular tax, the basic tax is calculated under the 'Income Basic Tax Act.' If regular tax is lower than basic tax, the difference between the two shall be added to income tax payable. The aforementioned difference shall not be offset with investment tax credits under other regulations.

- (c) Income taxes of companies that are registered in Mainland China are calculated in accordance with 'Law of the People's Republic of China on Enterprise Income Tax' and its implementation and related notification letters.
  - (d) Income taxes of companies that are registered in the Government of the Hong Kong Special Administrative Region of the People's Republic of China are calculated based on the revenue earned in Hong Kong and in accordance with 'Hong Kong Inland Revenue Ordinance'.
  - (e) For companies registered in Singapore, they shall estimate business income tax of the current year pursuant to local laws and regulations.
- C. Deferred income tax is recognised, 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, 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 realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised 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 recognised amounts and there is an intention to settle on a net basis or realise 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 realise the asset and settle the liability simultaneously.
- F. The income tax expense of an interim period is recognised 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 relevant information is disclosed in conjunction with the above policy.
- G. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in

other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved 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 recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has 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 customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Sales of PCB and related products are recognised as the amount of contract price, net of the estimated discounts, credits and price concessions.

(b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Financial components

The contract between the Group and the customer, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(28) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. The grant is recognised as income over the period necessary to match it with the related costs of the Group, for which it is intended to compensate, on a systematic basis.

(29) Business combinations

A. The Group accounts for a business combination by applying the acquisition method, unless it is a combination involving entities or businesses under common control or the acquiree is a subsidiary of an investment entity, as defined in IFRS 10, 'Consolidated financial statements', which is required to be measured at fair value through profit or loss. 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 recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. If the total of the fair values of the consideration of acquisition, non-controlling interest in the acquiree, and previous equity interest in the acquiree is higher than the fair value of the identifiable assets and obligations acquired, the difference is recorded as goodwill; if the fair value of the identifiable assets and obligations acquired is higher than the total of the fair values of the consideration of acquisition, non-controlling interest in the acquiree, and previous equity interest in the acquiree, the difference is recognised directly in profit or loss as 'gain recognised in bargain purchase transaction'.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker, who is responsible for allocating resources to operating segments and evaluating their performance.

## 5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION 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. Such assumptions and estimates have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below:

### Critical accounting estimates and assumptions

Accounting estimates are based on the situation on the balance sheet date to estimate future events, though there could be differences between the actual events and estimation. Estimates and assumptions on the risk of possible critical adjustments to the carrying amount of assets and liabilities for the next fiscal year are as follows:

#### Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgments and estimates. Because of the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Since an evaluation of inventories is principally based on the demand for products within a specified period in the future. Therefore, there might be material changes to the evaluation

As of March 31, 2019, the carrying amount of inventories was \$7,245,344.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1)Cash and cash equivalents

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand and petty cash	\$ 3,300	\$ 3,232	\$ 260,941
Checking accounts and demand deposits	18,830,978	22,631,171	12,320,723
Cash equivalents			
Time deposits	19,398,954	18,018,570	12,732,129
	<u>\$ 38,233,232</u>	<u>\$ 40,652,973</u>	<u>\$ 25,313,793</u>

A. As of March 31, 2019, December 31, 2018 and March 31, 2018, the Group's time deposits over three months which are recognised within 'other current assets' are referred to Note 6(6).

B. The Group has no cash and cash equivalents pledged to others.

### (2)Current financial assets at fair value through profit or loss

Items	March 31, 2019	December 31, 2018	March 31, 2018
Current items - assets:			
Forward foreign exchange contracts	<u>\$ 1,918</u>	<u>\$ 3,437</u>	<u>\$ -</u>

A. The Group recognised net gain of \$7,779 and \$11,702 within 'financial assets at fair value through profit or loss held for trading' for the three-month period ended March 31, 2019 and

2018, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

Derivatives Instruments	March 31, 2019		
	Contract Amount (Notional Principal in thousands)		Contract Period
Current items:			
Forward foreign exchange contracts	RMB (BUY)	34,050	2019/1~2019/4
	USD (SELL)	( 5,000 )	
	December 31, 2018		
Current items:			
Forward foreign exchange contracts	RMB (BUY)	48,934	2018/11~2019/2
	USD (SELL)	( 7,000 )	

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of import and export transactions. However, these forward foreign exchange contracts do not meet the criteria of hedge accounting.

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

(3) Notes and accounts receivable

	March 31, 2019	December 31, 2018	March 31, 2018
Notes receivable	\$ 86,143	\$ 76,594	112,047
Accounts receivable	12,275,616	21,594,939	10,322,848
	12,361,759	21,671,533	10,434,895
Less: Allowance for bad debts	( 29,099 )	( 39,673 )	( 34,427 )
	<u>\$ 12,332,660</u>	<u>\$ 21,631,860</u>	<u>\$ 10,400,468</u>
Accounts receivable-due from related parties	\$ 1,477,299	\$ 2,666,750	\$1,908,251
Less: Allowance for bad debts	( 21,955 )	( 22,231 )	( 14,178 )
	<u>\$ 1,455,344</u>	<u>\$ 2,644,519</u>	<u>\$ 1,894,073</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Not past due	\$ 13,680,932	\$ 24,121,424	\$ 11,987,791
Between 1 and 90 days	155,729	205,009	352,773
Between 91 and 180 days	753	8,954	204
Over 180 days	1,644	2,896	2,378
	<u>\$ 13,839,058</u>	<u>\$ 24,338,283</u>	<u>\$ 12,343,146</u>

B. The Group does not hold any collateral as security.

C. Please refer to Note12(2) for relevant credit risk information.

(4) Other receivables and prepayments

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Other receivables</u>			
Business tax refundable	\$ 15,197	\$ 506,371	\$ 1,401,037
Others	248,942	349,412	278,522
	<u>\$ 264,139</u>	<u>\$ 855,783</u>	<u>\$ 1,679,559</u>
	March 31, 2019	December 31, 2018	March 31, 2018
<u>Prepayments</u>			
Excess business tax paid	\$ 3,221,340	\$ 2,940,840	\$ 2,847,132
Prepaid expenses	983,633	712,844	821,332
Others	10,009	19,634	28,959
	<u>\$ 4,214,982</u>	<u>\$ 3,673,318</u>	<u>\$ 3,697,423</u>

The Group's Mainland China subsidiaries are engaged in export sales. Under local regulations, the subsidiaries are entitled to tax benefits on business tax ('VAT') exemption, deduction and refund on the exports of goods. The subsidiaries calculate VAT refund and deductible amounts based on monthly sales by product types. The subsidiaries' counterparties and performing parties are mainly government organizations, so the possibility of default is remote. The subsidiaries recognise related refunds and deductibles within 'other receivables' and 'prepayments', respectively.

(5) Inventories

	March 31, 2019		
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	\$ 1,963,088	( \$ 218,323 )	\$ 1,744,765
Work in process	1,548,756	( 96,564 )	1,452,192
Finished goods	4,428,706	( 380,319 )	4,048,387
	<u>\$ 7,940,550</u>	<u>( \$ 695,206 )</u>	<u>\$ 7,245,344</u>
	December 31, 2018		
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	\$ 2,305,687	( \$ 294,428 )	\$ 2,011,259
Work in process	1,703,362	( 79,178 )	1,624,184
Finished goods	6,706,002	( 257,563 )	6,448,439
	<u>\$ 10,715,051</u>	<u>( \$ 631,169 )</u>	<u>\$ 10,083,882</u>
	March 31, 2018		
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	\$ 2,612,481	( \$ 234,065 )	\$ 2,378,416
Work in process	1,919,635	( 74,074 )	1,845,561
Finished goods	3,978,004	( 218,600 )	3,759,404
	<u>\$ 8,510,120</u>	<u>( \$ 526,739 )</u>	<u>\$ 7,983,381</u>

Expenses and losses incurred on inventories for the three-month period ended March 31, 2019 and 2018 are as follows:

	For the three-month period ended March 31,	
	2019	2018
Cost of goods sold	\$ 16,394,407	\$ 19,300,656
Losses (reversal of) on valuation of inventory	49,739	26,913
Income from sale of scraps and wastes	( 131,092 )	( 83,518 )
	<u>\$ 16,313,054</u>	<u>\$ 19,244,051</u>

(6) Current financial assets at amortised cost

	March 31, 2019	December 31, 2018	March 31, 2018
Current items:			
Time deposits with maturity of over three months	\$ 8,882,154	\$ 6,658,081	\$ 9,100,942
Guaranteed income financial products	1,849,200	1,843,200	695,898
Corporate bonds	277,993	277,516	-
	<u>\$ 11,009,347</u>	<u>\$ 8,778,797</u>	<u>\$ 9,796,840</u>
Non-current items:			
Corporate bonds	\$ -	\$ -	\$ 147,433

A. The Group recognised interest income of \$83,569 and \$112,638 in profit or loss for amortised cost for the three-month period ended March 31, 2019 and 2018, respectively.

B. The Group has no financial assets at amortised cost pledged to others.

C. Please refer to Table 2 for the information of corporate bonds as of March 31, 2019.

(7) Non-current financial assets at fair value through other comprehensive income

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Equity instruments</u>			
SynPower Co., Ltd.	\$ 120,992	\$ 120,992	\$ 120,992
Valuation adjustment	( \$ 41,223 )	( \$ 68,671 )	( \$ 11,803 )
Net exchange differences	( 152 )	( 152 )	( 159 )
	<u>\$ 79,617</u>	<u>\$ 52,473</u>	<u>\$ 109,348</u>

A. The Group has elected to classify the investment in the shares of SynPower Co., Ltd. that is considered to be the strategic investment as financial assets at fair value through other comprehensive income.

B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the Three-Month Period Ended March 31,	
	2019	2018
Equity instruments	<u>\$ 27,448</u>	<u>\$ 11,803</u>

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

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2019</u>						
Cost	\$ 51,075	\$ 17,641,398	\$ 40,296,156	\$ 12,424,359	\$ 5,118,832	\$ 75,531,820
Accumulated depreciation and impairment	-	( 6,908,160 )	( 20,274,370 )	( 6,341,540 )	( 94,584 )	( 33,618,654 )
	<u>\$ 51,075</u>	<u>\$ 10,733,238</u>	<u>\$ 20,021,786</u>	<u>\$ 6,082,819</u>	<u>\$ 5,024,248</u>	<u>\$ 41,913,166</u>
<u>2019</u>						
Opening net carrying amount	\$ 51,075	\$ 10,733,238	\$ 20,021,786	\$ 6,082,819	\$ 5,024,248	\$ 41,913,166
Additions (transfers)	-	271,533	396,172	625,034	516,842	1,809,581
Disposals	-	-	( 7,492 )	( 1,994 )	( 10,057 )	( 19,543 )
Depreciation charge	-	( 283,826 )	( 1,059,384 )	( 469,335 )	-	( 1,812,545 )
Net exchange differences	( 148 )	275,925	412,044	155,691	132,484	975,996
Closing net carrying amount	<u>\$ 50,927</u>	<u>\$ 10,996,870</u>	<u>\$ 19,763,126</u>	<u>\$ 6,392,215</u>	<u>\$ 5,663,517</u>	<u>\$ 42,866,655</u>
<u>At March 31, 2019</u>						
Cost	\$ 50,927	\$ 18,361,416	\$ 40,816,284	\$ 13,265,950	\$ 5,760,559	\$ 78,255,136
Accumulated depreciation and impairment	-	( 7,364,546 )	( 21,053,158 )	( 6,873,735 )	( 97,042 )	( 35,388,481 )
	<u>\$ 50,927</u>	<u>\$ 10,996,870</u>	<u>\$ 19,763,126</u>	<u>\$ 6,392,215</u>	<u>\$ 5,663,517</u>	<u>\$ 42,866,655</u>



	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2018</u>						
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>						
Opening net carrying amount	\$ 50,997	\$ 10,451,369	\$ 18,442,802	\$ 4,612,063	\$ 3,124,222	\$ 36,681,453
Additions (transfers)	-	258,353	1,405,306	339,399	1,100,287	3,103,345
Disposals	-	- (	85,516 )	( 22,229 )	- (	107,745 )
Depreciation charge	- (	273,118 )	( 980,560 )	( 344,674 )	- (	1,598,352 )
Net exchange differences	74	149,594	269,507	66,235	51,184	536,594
Closing net carrying amount	<u>\$ 51,071</u>	<u>\$ 10,586,198</u>	<u>\$ 19,051,539</u>	<u>\$ 4,650,794</u>	<u>\$ 4,275,693</u>	<u>\$ 38,615,295</u>
<u>At March 31, 2018</u>						
Cost	\$ 51,071	\$ 17,502,225	\$ 36,725,222	\$ 10,235,204	\$ 4,275,693	\$ 68,789,415
Accumulated depreciation and impairment	- (	6,916,027 )	( 17,673,683 )	( 5,584,410 )	- (	30,174,120 )
	<u>\$ 51,071</u>	<u>\$ 10,586,198</u>	<u>\$ 19,051,539</u>	<u>\$ 4,650,794</u>	<u>\$ 4,275,693</u>	<u>\$ 38,615,295</u>

A. The significant parts of the Group's buildings and structures include main plants and auxiliary improvements, which are depreciated over 20~53 years and 5~10 years, respectively.

B. The Group has no property, plant and equipment pledged to others.

(9) Right-of-use assets/lease liabilities

A. The underlying assets leased by the Group include land use rights, buildings and company cars. Except for the land use rights' lease term which is 50 years, the terms of other lease contracts range between 2 to 8 years. Lease contracts are individually negotiated and include various terms and conditions. Except for the term where the leased assets cannot be used as collateral for loans, there are no other restrictions.

B. Information on the carrying amount and depreciation expense of the right-of-use assets is as follows:

	March 31, 2019	For the three-month period ended March 31, 2019
	Carrying amount	Depreciation expense
Land use rights	\$ 8,503,771	\$ 66,091
Buildings	290,348	20,460
Transportation equipment (company cars)	35,084	4,313
	<u>\$ 8,829,203</u>	<u>\$ 90,864</u>

Jia Wei Industrial (Huaian) Co., Ltd., a Group's subsidiary entered into a land use right contract with local government and the land will be return to the local government once the lease term expires. As of March 31, 2019, the amount of \$675,225 was still under the settlement process.

C. The additions to right-of-use assets for the three-month period ended March 31, 2019 amounted to \$690,481.

D. For lease contract with terms less than 12 months or leases of low value assets, the lease payments are recognised as rental expenses for the period. Profit and loss items associated with lease contracts are as follows:

	For the three-month period ended March 31, 2019
<u>Items affecting the profit and loss of the period</u>	
Interest expense of lease liabilities	\$ 2,440
Rent expense of short-term leases	<u>\$ 36,077</u>

E. Cash outflows from leases for the three-month period ended March 31, 2019 amounted to \$1,036,619.

(10) Intangible assets

	March 31, 2019	December 31, 2018	March 31, 2018
Goodwill	<u>\$ 92,019</u>	<u>\$ 91,721</u>	<u>\$ 86,914</u>
	For the three-month period ended March 31, 2019		For the three-month period ended March 31, 2018
Beginning balance	\$ 91,721		\$ 88,854
Net exchange differences	298		( 1,940 )
Ending balance	<u>\$ 92,019</u>		<u>\$ 86,914</u>

The Group acquired 100% shares of Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd. in 2008, and recognised as goodwill under the acquisition method.

(11) Other non-current assets

	March 31, 2019	December 31, 2018	March 31, 2018
Long-term prepaid rents (land use rights)	\$ -	\$ 7,727,595	\$ 4,491,814
Refundable deposits	46,556	44,842	77,211
Others	405,128	358,662	247,547
	<u>\$ 451,684</u>	<u>\$ 8,131,099</u>	<u>\$ 4,816,572</u>

A. The Group's subsidiaries signed land use rights contracts with local governments, whom the subsidiaries will return the right to when the contract expires. Since January 1, 2019, the land use rights were reclassified to right-of-use assets. Please refer to Note 6(9) for details.

B. The Group recognised rent expense of \$6,041 for the three-month period ended on March 31, 2018.

(12) Short-term borrowings

	March 31, 2019	December 31, 2018	March 31, 2018
Credit loans	<u>\$ 7,890,825</u>	<u>\$ 9,184,066</u>	<u>\$ 10,014,019</u>
Interest rate range	<u>2.86%~4.79%</u>	<u>2.23%~4.79%</u>	<u>2.18%~4.80%</u>

(13) Other payables

	March 31, 2019	December 31, 2018	March 31, 2018
Wages and bonuses payable	\$ 2,552,003	\$ 3,289,246	\$ 2,464,427
Payable on machinery and equipment	2,420,949	4,190,436	2,912,236
Payable on mold and jig	1,145,024	1,864,188	906,872
Repairs and maintenance fees payable	719,474	928,325	572,611
Payable on consumable goods	364,233	500,549	565,922
Payable on land use right	-	292,776	-
Others	2,066,568	2,281,002	1,368,132
	<u>\$ 9,268,251</u>	<u>\$ 13,346,522</u>	<u>\$ 8,790,200</u>

(14) Bonds payable

	March 31, 2019	December 31, 2018	March 31, 2018
2 <sup>nd</sup> of overseas unsecured convertible bonds:			
Bonds payable	\$ 8,752,198	\$ 8,794,901	\$ 8,333,970
Less: discount on bonds payable	( 47,559 )	( 95,582 )	( 226,432 )
	<u>8,704,639</u>	<u>8,699,319</u>	<u>8,107,538</u>
Less: Current portion of bonds payable (within 'long-term liabilities, current portion')	( 8,704,639 )	( 8,699,319 )	-
Bonds payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,107,538</u>

A. Conditions for issuance of 2nd overseas unsecured convertible bonds are as follows:

(a) The competent authority has approved the Company's second issuance of overseas unsecured corporate bonds on June 6, 2014. The total issue amount of the bonds is USD 300,000 thousand, at a coupon rate of 0% and maturity of 5 years from June 26, 2014 to June 26, 2019.

- (b) The conversion price of the bonds is adjusted based on the pricing model in the terms of the bonds. As of March 31, 2019, the conversion price was NTD 86.1660 (exchange rate of NTD 30.02 (in dollars) to USD 1 (in dollar)).
- (c) The bondholders have the right to require the Company to repurchase all or any portion of bonds at the price of the bonds' principal amount with an annual rate of 0.125% (calculated semi-annually) as interest compensation (100.38% of the principal amount of the corporate bonds) on June 26, 2017. On June 26, 2017, the bondholders redeemed a total of USD 15,500 thousand.
- (d) Except for bonds redeemed before maturity, repurchased and retired, or converted by the bondholders, the Company will fully redeem the bonds at the maturity date with an annual rate of 0.125% based on the principal amount (calculated semi-annually). The redemption amount is about 100.63% of the principal amount of the corporate bonds, and the bonds will be redeemed in full.
- (e) According to the terms of the bonds, all bonds repurchased (including bonds repurchased from the secondary market), redeemed before or at maturity, or converted by the bondholders are retired and not to be re-issued.
- (f) According to the terms of the bonds, the rights and obligations of newly issued shares after conversion are the same as other issued ordinary shares. As of March 31, 2019, the Company's second issuance of overseas unsecured convertible corporate bonds with the amount of USD 2,300 thousand was converted at the conversion price then into ordinary shares of \$8,013 (i.e. 801,313 shares) at a par value of \$10 and resulted in 'capital surplus-premium of convertible bonds' of \$67,701.
- (g) The effective rate of the corporate bonds is 2.3%.

B. Regarding the issuance of 1st overseas unsecured corporate bonds in 2012, the equity conversion options were separated from the liability component in accordance with IAS 32. As of June 7, 2015, the maturity date of convertible bonds, the remaining unconverted shared options were recognised within 'capital surplus-expired share options' of \$258.

C. Regarding the issuance of the 2nd overseas unsecured corporate bonds in 2014, the equity conversion options were separated from the liability component in accordance with IAS 32 and were recognised as 'capital surplus-stock options' of \$826,595 as of March 31, 2019.

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	March 31, 2019
Syndicated loans	Borrowing period is from October 4, 2018 to October 4, 2021; principal is repayable semiannually from April 4, 2021 in two installments; 50% of principal has to be repaid respectively.	\$ 9,246,000
Less: Syndicated loan arrangement fees		( 19,263 )
		<u>\$ 9,226,737</u>
Interest rate		<u>3.79%</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>December 31, 2018</u>
Syndicated loans	Borrowing period is from October 4, 2018 to October 4, 2021; principal is repayable semiannually from April 4, 2021 in two installments; 50% of principal has to be repaid respectively.	\$ 9,216,000
Less: Syndicated loan arrangement fees		( 21,120 )
		<u>\$ 9,194,880</u>
Interest rate		<u>3.41%</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>March 31, 2018</u>
Syndicated loans	Borrowing period is from December 28, 2016 to April 4, 2019; principal is repayable semiannually from October 4, 2018 in two installments; 50% of principal has to be repaid respectively.	\$ 8,733,000
Less: Syndicated loan arrangement fees		( 9,576 )
Current portion of long-term borrowings (within 'Long-term liabilities, current portion')		( 4,361,712 )
		<u>\$ 4,361,712</u>
Interest rate		<u>3.45%</u>

During the terms of the syndicated loans, in accordance with the syndicated loan agreement, the Company is required to calculate and maintain certain level of current ratio, liability ratio, times-interest-earned ratio and net tangible asset balance based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements.

#### (16) Pensions

##### A. Defined benefit plan

(a) The Group's subsidiary in Taiwan, Zhen Ding Technology Co., Ltd., 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 Standards Act. Under the defined benefit pension 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. The company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the 'Fund'). Before the end of each year, the Taiwan subsidiary assesses the balance in the aforementioned Fund. If the balance in the Fund is inadequate to pay the retirement benefits of employees who are eligible for retirement in the following year by the aforementioned method, the Taiwan subsidiary is required to fund the deficit in one appropriation before the end of next March.

(b) The pension costs recognised by the Group in accordance with the above pension plan were \$14 and \$13 for the three-month period ended March 31, 2019 and 2018,

respectively.

- (c) Expected contributions to the defined benefit pension plans of the Group are \$15 for the year ended December 31, 2019.

B. Defined contribution plan

- (a) Effective July 1, 2005, the Taiwan subsidiary of the Group has established a defined contribution pension plan (the 'New Plan') under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Taiwan subsidiaries of the Group 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 contribution plan accrued dividends from an employee's individual account is paid monthly or in lump sum upon retirement of an employee. The pension expenses recognised in accordance with the New Plan were \$6,707 and \$5,909 for the three-month period ended March 31, 2019 and 2018, respectively.
- (b) The Mainland China subsidiaries of the Group have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China are based on certain percentage of employees' monthly salaries and wages with the contribution percentage of 10%~20%, and pension is contributed to the employees' individual pension accounts. Pension of each employee is managed by the government. Other than the monthly contributions, the Group has no further obligations. The pension expenses recognised in accordance with local regulations were \$231,685 and \$209,708 for the three-month period ended March 31, 2019 and 2018, respectively.

(17) Share-based payment

- A. The share-based payment arrangements of the Company's subsidiary, Avary Holding (Shenzhen) Co., Limited, are as follows:

Type of arrangements	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	2017.02.27	185,080 thousand shares	7 years	(A)(B)

- (A) The restricted stocks have not vested until an employee remains the employ in the Avary Holding (Shenzhen) Co., Limited for 7 years starting from the purchase date and achieves the performance goal. For an employee who does not satisfy the vesting conditions, the employee's investment would be refunded net by the Group at the lower of the investment amount or the carrying amount of assets. However, appropriated dividend is not required to be returned.
- (B) Until the achievement of the vesting conditions, the right and obligation: cannot sell, pledge, transfer, give to others, create a right in rem over it or any other disposal.

B. Employee restricted stocks

The numbers of employees restricted stocks are as follows (in thousand shares):

	For the three-month period ended March 31,	
	2019	2018
Outstanding at January 1	185,080	185,080
Numbers granted for the period	-	-
Outstanding at March 31	185,080	185,080

C. Expenses incurred on the share-based payment are as follows:

	For the Three-Month Period Ended March 31	
	2019	2018
Expenses incurred on employees restricted shares	\$ 31,291	\$ 25,456

(18) Share capital

A. As of March 31, 2019, the Company's authorised capital was \$16,000,000, and the issued capital is \$8,055,497, consisting of 805,549 thousand shares of ordinary share with a par value of \$10 (in New Taiwan dollars) per share.

Numbers of the Company's outstanding ordinary shares at the beginning and ending of periods were reconciled as follows:

	For the three-month period ended March 31,	
	2019	2018
	Shares (thousand shares)	Shares (thousand shares)
At January 1	804,748	804,748
Shares of bond conversion	801	-
At March 31	805,549	804,748

B. For the three-month period ended March 31, 2019, the Company's second issuance of overseas unsecured convertible corporate bonds with the amount of USD 2,300 thousand was converted into 801 thousand ordinary shares at a par value of \$10 (in New Taiwan dollars) and the paid-in capital increased by \$8,013.

(19) Capital surplus

For the three-month period ended March 31, 2019						
	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bonds conversion	Share options	Expired share options	Changes in non-controlling interests	Total
At January 1	\$ 5,690,348	\$ 5,373,351	\$ 833,332	\$ 45,659	\$ 10,057,967	\$ 22,000,657
Employee restricted stocks	-	-	-	-	22,786	22,786
Conversion of convertible bonds	-	67,701	(6,737)	-	-	60,964
At March 31	\$ 5,690,348	\$ 5,441,052	\$ 826,595	\$ 45,659	\$ 10,080,753	\$ 22,084,407

  

For the three-month period ended March 31, 2018						
	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bonds conversion	Share options	Expired share options	Changes in non-controlling interests	Total
At January 1	\$ 5,690,348	\$ 5,373,351	\$ 833,332	\$ 45,659	\$ 2,908,608	\$ 14,851,298
Employee restricted stocks	-	-	-	-	20,597	20,597
At March 31	\$ 5,690,348	\$ 5,373,351	\$ 833,332	\$ 45,659	\$ 2,929,205	\$ 14,871,895

A. Capital surplus arising from paid-in capital in excess of par value on issuance of ordinary share is used to offset accumulated losses incurred in previous years or distribute dividends to shareholders.

B. Please refer to Note 6(14) for the details of capital surplus-share options, capital surplus-expired share options and capital surplus-additional paid-in capital arising from bond conversion.

(20) Retained earnings

A. In accordance with the Company's Articles of Incorporation, the Board of Directors shall set aside out of the current year's earnings sequentially as follows:

- (a) A reserve for payment of tax for the relevant financial year;
- (b) An amount to offset losses incurred in previous years;
- (c) Ten percent (10%) as a general reserve, and
- (d) A special surplus reserve as required by the applicable securities authority under the Applicable Public Company Rules or a reserve as determined by the Board of Directors.

The remainder shall be distributed pursuant to the proposal of the Board of Directors in accordance with the Company's dividend policy and resolved by the shareholders' meeting.

B. The appropriations of 2018 earnings have been proposed by the Board of Directors on May 10, 2019 and the appropriations of 2017 earnings have been approved by the shareholders' meetings on June 4, 2018. Details are summarised as follows:

	For the years ended of December 31,			
	2018		2017	
	Amount	Dividends per share (in New Taiwan dollars)	Amount	Dividends per share (in New Taiwan dollars)
General reserve	\$ 844,779		\$ 517,244	
Special reserve	1,230,393		29,559	
Cash dividends	4,023,742	4.46	2,655,670	3.30
Total	<u>\$ 6,098,914</u>		<u>\$ 3,202,473</u>	

Information on the appropriation of the Company's earnings as resolved at the shareholders' meeting is posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

C. Regarding employees' remuneration and directors' remuneration, please refer to Note 6(23).

(21) Other equity interest

	Total unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
At January 1, 2019	( \$ 68,671 )	( \$ 2,879,635 )	( \$ 2,948,306 )
Valuation adjustment	27,448	-	27,448
Currency translation differences: — Group	-	1,533,088	1,533,088
At March 31, 2019	<u>( \$ 41,223 )</u>	<u>( \$ 1,346,547 )</u>	<u>( \$ 1,387,770 )</u>



	Total unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
At January 1, 2018	\$ - )	( \$ 1,717,913 )	( \$ 1,717,913 )
Valuation adjustment	( 11,803 )	-	( 11,803 )
Currency translation differences: — Group	-	808,646	808,646
At March 31, 2018	( \$ 11,803 )	( \$ 909,267 )	( \$ 921,070 )

(22) Expenses by nature

	For the three-month period ended March 31,	
	2019	2018
Employee benefit expenses	\$ 2,906,905	\$ 3,089,756
Depreciation	1,903,409	1,598,352
Amortisation	30,985	20,219
	<u>\$ 4,841,299</u>	<u>\$ 4,708,327</u>

(23) Employee benefit expense

	For the three-month period ended March 31,	
	2019	2018
Wages and salaries	\$ 2,227,737	\$ 2,456,045
Employee's remuneration	8,201	9,230
Labor and health insurance fees	127,178	115,622
Pension expenses	238,406	215,630
Other personnel expenses	305,383	293,229
	<u>\$ 2,906,905</u>	<u>\$ 3,089,756</u>

- A. In accordance with the Company's Articles of Incorporation, the Company shall distribute employee's remuneration between zero point five percent (0.5%) and twenty percent (20%) and distribute directors' remuneration no higher than zero point five percent (0.5%) of the distributed earnings covering accumulated losses.
- B. For the three-month period ended March 31, 2019 and 2018, employees' remunerations were accrued both of \$8,201 and \$9,230, respectively; while directors' remunerations were accrued both of \$1,757 and \$2,608, respectively.
- C. Employees' remuneration and directors' remuneration of the Board of Directors' resolution for the year ended December 31, 2018 were equal to the amount recognised in the financial statements for the year ended December 31, 2018.
- D. Information on employees' remuneration and directors' remuneration of the Company as resolved by the Board of Directors and shareholders is posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(24) Other income

	For the three-month period ended March 31,	
	2019	2018
Interest income		
Interest income from bank deposits	\$ 268,092	\$ 113,690
Interest income from financial assets measured at amortised cost	83,569	112,638
Government grants revenue	74,638	8,894
Others	17,219	35,839
Total	<u>\$ 443,518</u>	<u>\$ 271,061</u>

(25) Other gains and losses

	For the three-month period ended March 31,	
	2019	2018
Net currency exchange losses	(\$ 352,248 )	(\$ 540,864 )
Net gains on financial assets at fair value through profit or loss	7,779	11,702
Net gains (losses) on disposal of property, plant and equipment	( 2,820 )	6,924
Others	( 13,688 )	( 2,128 )
Total	<u>(\$ 360,977 )</u>	<u>(\$ 524,366 )</u>

(26) Finance costs

	For the three-month period ended March 31,	
	2019	2018
Interest expenses		
Bank borrowings	\$ 179,287	\$ 167,409
Amortisation of convertible bond discounts	47,833	45,582
Amortisation of syndicated loan arrangement fees	1,927	2,410
Interest on lease liabilities	2,440	-
Total	<u>\$ 231,487</u>	<u>\$ 215,401</u>

(27) Income tax

A. Components of income tax expense

	For the three-month period ended March 31,	
	2019	2018
Current tax:		
Tax payable arising from the current period	\$ 251,379	\$ 221,184
Deferred tax:		
Origination and reversal of temporary differences	81,304	41,084
Effect from tax rate change	-	(8,146)
Total deferred tax	81,304	32,938
Income tax expense	\$ 332,683	\$ 254,122

B. The income tax returns of the Group's subsidiary, Zhen Ding Technology Co., Ltd., have been assessed and approved through 2017 by the Tax Authority.

C. The income tax returns of the Group's subsidiary, Garuda Technology Co., Ltd., have been assessed and approved through 2016 by the Tax Authority.

D. Under the amendments to the Income Tax Act of Taiwan issued into effect on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(28) Earnings per share

	For the three-month period ended March 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in New Taiwan dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 382,327	804,784	\$ 0.48
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 382,327	804,784	
Assumed conversion of all dilutive potential ordinary shares			
Employees' remuneration	-	894	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	\$ 382,327	805,678	\$ 0.47

For the three-month period ended March 31, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in New Taiwan dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 378,438	804,748	\$ 0.47
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 378,438	804,748	
Assumed conversion of all dilutive potential ordinary shares			
Employees' remuneration	-	1,161	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	\$ 378,438	805,909	\$ 0.47

As employees' remuneration might be distributed in the form of shares, the diluted EPS is calculated based on the assumption that all distribution will be in the form of shares in the calculation of the weighted-average number of ordinary shares outstanding during the reporting period, taking into account the dilutive effects of stock bonus on potential ordinary shares.

(29) Additional information of cash flows

A. Investing activities with partial cash payment:

For the three-month period ended March 31			
	2019	2018	
Acquisition of property, plant and equipment	\$ 1,809,581	\$ 3,103,345	
Add: opening balance of payable on machinery and equipment (within 'other payables')	4,190,436	3,066,678	
Less: ending balance of payable on machinery and equipment (within 'other payables')	( 2,420,949 )	( 2,912,236 )	
Net exchange differences	98,403	43,231	
Cash paid during the period	\$ 3,677,471	\$ 3,301,018	

	For the three-month period ended March 31	
	2019	2018
Acquisition of land use rights (within 'right-of-use assets')	\$ 675,225	\$ 287,339
Add: opening balance of payable on land use rights (within 'other payables')	292,776	-
Net exchange differences	6,497 (	1,606 )
Cash paid during the period	<u>\$ 974,498</u>	<u>\$ 285,733</u>

B. Financing activities that do not affect cash flow

	For the three-month period ended March 31, 2019
Share capital of ordinary shares converted from convertible bonds	\$ 8,013
Capital surplus	
Additional paid-in capital from bonds conversions	67,701
Shares options	( 6,737 )
Equity from convertible bonds	<u>\$ 68,977</u>

C. Changes in liabilities from financing activities

The change of the Group in liabilities from financing activities for the three-month period ended March 31, 2019 and 2018 were all caused by changes in the cash flows from financing activities and exchange rate fluctuations. There were no non-cash changes. Please refer to the consolidated statements of cash flows.

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	The entity has significant influence over
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 related parties transactions and balances

#### A. Sales

		For the three-month period ended March 31,	
		2019	2018
Sale of goods:			
Entity with significant influence over the Company	\$	1,130,496	\$ 1,356,548
Other related parties		167,265	361,776
	\$	<u>1,297,761</u>	<u>\$ 1,718,324</u>

Unless the prices and terms were determined in accordance with mutual agreements due to no similar transactions, the sale prices and credit terms to related parties were similar to third parties. The normal credit term is around 1 to 4 months.

#### B. Purchases

		For the three-month period ended March 31,	
		2019	2018
Purchase of goods:			
Entity with significant influence over the Company	\$	133,572	\$ 371,259
Other related parties		305,624	-
	\$	<u>439,196</u>	<u>\$ 371,259</u>

### C. Accounts receivable

Unless the prices and terms were determined in accordance with mutual agreements due to no similar transactions, the purchase prices and payment terms to related parties were similar to third parties. The normal payment term is around 1 to 4 months. Accounts receivable

	March 31, 2019	December 31, 2018	March 31, 2018
Accounts receivable - related parties:			
Entity with significant influence over the Company	\$ 1,344,171	\$ 2,409,295	\$ 1,605,666
Other related parties	133,128	257,455	302,585
	1,477,299	2,666,750	1,908,251
Allowance for bad debts	( 21,955 )	( 22,231 )	( 14,178 )
	<u>\$ 1,455,344</u>	<u>\$ 2,644,519</u>	<u>\$ 1,894,073</u>

### D. Accounts payable

	March 31, 2019	December 31, 2018	March 31, 2018
Accounts payable - related parties:			
Entity with significant influence over the Company	\$ 93,530	\$ 139,496	\$ 487,624
Other related parties	479,079	883,145	-
	<u>\$ 572,609</u>	<u>\$ 1,022,641</u>	<u>\$ 487,624</u>

### (3) Key management remuneration

	For the three-month period ended March 31,	
	2019	2018
Short-term employee benefits	\$ 19,259	\$ 17,099

### 8. PLEDGED ASSETS

None.

### 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

#### (1) Contingencies

None.

#### (2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet paid is as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Property, plant and equipment	\$ 262,757	\$ 2,817,011	\$ 420,962

B. Operating lease agreement

The Group entered into 5-year office and equipment contracts with third parties. Under the contracts, the Group's future minimum lease payments are as follows:

	December 31, 2018	March 31, 2018
Within one year	\$ 155,534	\$ 126,392
Between one and five years	286,722	94,914
	<u>\$ 442,256</u>	<u>\$ 221,306</u>

The Group adopted IFRS 16 since January 1, 2019 and recognised right-of-use assets and lease liabilities for lease contracts pursuant to relevant standards, IFRIC interpretations, and SIC interpretations. Please refer to Note 6(9) for details. Short-term leases have terms less than one year.

- C. The amount of unused letters of credit for the acquisition of property, plant and equipment is as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Unused letters of credit	<u>\$ 1,102,912</u>	<u>\$ 1,152,059</u>	<u>\$ 1,558,850</u>

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

#### 12. OTHERS

##### (1)Capital management

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares when convertible bonds are converted, or issue new shares for consideration to achieve optimal structure.

##### (2)Financial instruments

##### A. Financial instruments by category

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Financial assets</u>			
Financial assets at amortised cost	\$ 63,832,034	\$ 75,133,566	\$ 49,547,775
Financial assets at fair value through profit or loss	1,918	3,437	-
Financial assets at fair value through other comprehensive income	79,617	52,473	109,348
	<u>\$ 63,913,569</u>	<u>\$ 75,189,476</u>	<u>\$ 49,657,123</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost	\$ 45,636,923	\$ 58,615,242	\$ 47,517,006

Note: Financial assets at amortised cost include cash and cash equivalents, accounts receivable (including to related parties), other receivables and other current assets; financial liabilities at amortised cost including short-term borrowings, accounts payable (including due from related parties), other payables, long-term liabilities current portion, lease liabilities, long-term borrowings, bonds payable and guarantee deposits received.



## B. 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 eliminated via internal control or operational procedures. Therefore, the goal in managing each of these risks is to reduce them to zero.
- ii. As for market risk, the goal is to optimise its overall position through strict analysis, suggestion, execution and audit processes, and proper consideration of 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. The Group uses derivative financial instruments. Please refer to Note 6 for details.

### (c) Management system

- i. Risk management is carried out by a central treasury department (the Group treasury) under policies approved by the Board of Directors. The Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.
- ii. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from (a) the timing of recognition for accounts receivable, accounts payable, borrowings, and payables on machinery and equipment denominated in non-functional currencies is different, (b) recognised assets and liabilities and (c) net investments in foreign operations. Since the transacting currencies are different from functional currencies, foreign exchange risks arise.
- ii. Management has set up a policy to require all subsidiaries within the Group to manage their foreign exchange risk against their functional currency. However, the overall foreign exchange risk is managed by the Group treasury for hedging.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings

denominated in the relevant foreign currencies.

- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: USD; other certain subsidiaries' functional currency: RMB or NTD) so it is impacted by the exchange rate fluctuations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	March 31, 2019			For the three-month period ended March 31, 2019	
	Foreign currency (In thousands)	Exchange rate	Carrying amount (In thousands of NTD )	Sensitivity analysis	
				Degree of variation	Effect on comprehensive income
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	187,148	30.82	\$ 5,767,901	1%	\$ 57,679
USD:RMB	1,037,495	6.7335	32,059,329	1%	320,593
<u>Net effect in consolidated entities with foreign currencies</u>					
USD:NTD	2,318,255	30.82	71,448,619	1%	714,486
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	126,109	30.82	3,886,679	1%	38,867
USD:RMB	661,790	6.7335	20,449,778	1%	204,498
JPY:RMB	1,347,485	0.0609	376,384	1%	3,764

  

(Foreign currency: functional currency)	December 31, 2018			For the year ended December 31, 2017	
	Foreign currency (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	Sensitivity analysis	
				Degree of variation	Effect on comprehensive income
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	248,050	30.72	\$ 7,620,096	1%	\$ 76,201
USD:RMB	1,460,211	6.8632	44,825,149	1%	448,251
<u>Net effect in consolidated entities with foreign currency</u>					
USD:NTD	2,205,165	30.72	67,742,669	1%	677,427
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	182,577	30.72	5,608,765	1%	56,088
USD:RMB	950,743	6.8632	29,185,642	1%	291,856
JPY:RMB	2,383,504	0.0619	659,774	1%	6,598

(Foreign currency: functional currency)	March 31, 2018			For the three-month period ended March 31, 2018		
	Foreign currency (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	Sensitivity analysis		
				Degree of variation		Effect on comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	224,327	29.11	\$ 6,530,159	1%	\$	65,302
USD:RMB	707,043	6.2881	20,616,792	1%		206,168
<u>Net effect in consolidated entities with foreign currency</u>						
USD:NTD	2,067,157	29.11	60,174,940	1%		601,749
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	150,426	29.11	4,378,901	1%		43,789
USD:RMB	557,777	6.2881	16,264,321	1%		162,643
JPY:RMB	2,466,324	0.0591	675,529	1%		6,755

- v. Please refer to Note 6(25) for the total exchange gain including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month period ended March 31, 2019 and 2018.

#### Interest rate risk for cash flow and fair value

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

Based on the simulations performed, the impact on after-tax profit of a quarter-point shift would be a maximum increase or decrease of \$10,711 and \$11,717 for the three-month period ended March 31, 2019 and 2018, respectively. The simulation is based on a quarterly basis to ensure that the maximum potential loss is within the limit given by the management.

The financial assets at amortised cost held by the Group are fixed-rate products, and their changes of fair value arise from changes in market interest rate. However, the Group would hold the financial assets to the maturity because of the return at the effective rates for the duration, thus, there are no gains or losses on disposal or valuation arising from change in fair value.

#### Price risk

The Group's investments in equity securities comprise domestic listed stocks which are classified as investments in financial assets at fair value through other comprehensive income. The price of equity securities would be affected by the uncertainty of the future value of underlying investment. However, the Group expects the price fluctuations do not have significant impact on the price of equity securities.

#### (b)Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments.

According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before

standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and other financial instruments, and is managed and monitored by the Group treasury. The clients and counterparties are government organisations, banks with high credit quality and financial institutions with investment grade; thus, there is no significant default risk and critical credit risk.

- ii. The Group assess whether there has been significant increase in credit risk on that instrument since initial recognition:
  - (i) If the contract payments were an underlying more than 30 days past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
  - (ii) If the credit rating grade of an underlying investment degrades two grades, there has been a significant increase in credit risk on that instrument since initial recognition.
- 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 reorganisation due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Delinquency or default in interest or principal payments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- iv. The default occurs when the contract payment are more than 90 days past due.
- v. The credit quality information of financial assets that are neither overdue nor impaired is as follows:

#### Cash and cash equivalents

The Group transacts with a variety of financial institutions with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

#### Financial assets at amortised cost

The Group's investments in debt classified as financial assets at amortised are low credit risk, and the carrying amount is measured as the expected credit loss for the 12 months following the balance sheet date.

#### Financial assets at fair value through profit or loss

The counterparties are banks with high credit quality and financial institutions with investment grade, so it expects that the probability of counterparty default is remote.

The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of 'financial assets at fair value through profit or loss'.

#### Accounts receivable (including from related parties)

- (i) The Group applies the following approaches to assess the expected credit losses

(the 'ECLs') of accounts receivable:

1. Assess the ECLs on an individual basis if a significant default has been occurred to the certain customers.
2. Classifies the other customers' accounts receivables based on the Group's credit rating standards and estimates the ECLs using loss rate methodology or provision matrix.
3. 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.
4. As of March 31, 2019, December 31, 2018, and March 31, 2018, the individual provision for impairment of accounts receivable using loss rate methodology or provision matrix is as follows:

	Individual	Group 1	Group 2	Group 3	Group 4	Total
As of March 31, 2019						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total book value	\$ -	\$ 9,739,204	\$ 2,417,239	\$ -	\$ 1,682,615	\$ 13,839,058
Loss allowance	\$ -	( \$ 2,922 )	( \$ 1,692 )	\$ -	( \$ 46,440 )	( \$ 51,054 )
As of December 31, 2018						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total book value	\$ -	\$ 17,427,762	\$ 3,766,937	\$ -	\$ 3,143,584	\$ 24,338,283
Loss allowance	\$ -	( \$ 5,228 )	( \$ 2,637 )	\$ -	( \$ 54,039 )	( \$ 61,904 )
As of March 31, 2018						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total book value	\$ -	\$ 8,790,311	\$ 1,935,188	\$ -	\$ 1,617,647	\$ 12,343,146
Loss allowance	\$ -	( \$ 2,637 )	( \$ 1,355 )	\$ -	( \$ 44,613 )	( \$ 48,605 )

Group 1: Standard Poor's, Fitch Ratings or Moody's ratings in A category, or A category rated based on the Group's Credit Quality Control Policy for those that have no external credit ratings.

Group 2: Standard Poor's or Fitch Ratings in BBB category, Moody's ratings in Baa category, or in B or C category rated based on the Group's Credit Quality Control Policy for those that have no external credit ratings.

Group 3: Standard Poor's or Fitch Ratings in BB+ category or below, or Moody's ratings in Bal category or below.

Group 4: Having no external agency rating. Ratings other than A, B, or C based on the Group's Credit Quality Control Policy.

(ii) Movements on allowance for accounts receivable adopting the modified approach (including due from related parties) as follows:

	For the three-month period ended March 31	
	2019	2018
Opening balance	\$ 61,904	\$ 49,182
Reversal of impairment loss	( 10,973 )	( 564 )
Net exchange differences	123	( 13 )
Ending balance	<u>\$ 51,054</u>	<u>\$ 48,605</u>

#### Other receivables

The Group's subsidiaries incorporated in Mainland China are engaged in export sales. Under local regulations, the subsidiaries are entitled to tax benefits on VAT exemption, deduction and refund on the exports of goods. The subsidiaries calculate VAT refund and deductible amounts based on monthly sales by product types. The subsidiaries' counterparties and performing parties are mainly government organisations, so the possibility of default is remote.

#### Financial assets at fair value through other comprehensive income

The equity securities issuer has high credit quality and the Group controls its credit risk through transaction limits control and critical assessment of credit rating levels, so it expects that the probability of default is remote.

#### (c) Liquidity risk

- i. Cash flow forecasting is performed by each Group entity and aggregated by the Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient undrawn committed borrowing facilities (Note 6) at all times so that the Group does not breach borrowing limits or covenants 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 applicable external regulatory or legal requirements, such as foreign currency restrictions.
- ii. The Group has the following undrawn borrowing facilities:

	March 31, 2019	December 31, 2018	March 31, 2018
Expiring within one year	\$ 42,745,722	\$ 35,316,650	\$ 39,606,122
Expiring beyond one year	9,650,686	5,233,200	7,378,832
	<u>\$ 52,396,408</u>	<u>\$ 40,549,850</u>	<u>\$ 46,984,954</u>

- iii. The following table analyses 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 following table are the contractual undiscounted cash flows:

Non-derivative financial liabilities:

<u>March 31, 2019</u>	<u>Less than one year</u>	<u>Over one year</u>	<u>Total</u>
Bonds payable	\$ 8,752,198	\$ -	\$ 8,752,198
Long-term borrowings	-	9,246,000	9,246,000
Guarantee deposits received	-	96,430	96,430
Lease liabilities	70,988	255,617	326,605
	<u>\$ 8,823,186</u>	<u>\$ 9,598,047</u>	<u>\$ 18,421,233</u>

Non-derivative financial liabilities:

<u>December 31, 2018</u>	<u>Less than one year</u>	<u>Over one year</u>	<u>Total</u>
Bonds payable	\$ 8,794,901	\$ -	\$ 8,794,901
Long-term borrowings	-	9,216,000	9,216,000
Guarantee deposits received	-	110,990	110,990
	<u>\$ 8,794,901</u>	<u>\$ 9,326,990</u>	<u>\$ 18,121,891</u>

Non-derivative financial liabilities:

<u>March 31, 2018</u>	<u>Less than one year</u>	<u>Between one and two years</u>	<u>Total</u>
Bonds payable	\$ -	\$ 8,333,970	\$ 8,333,970
Long-term borrowings	4,366,500	4,366,500	8,733,000
Guarantee deposits received	-	93,070	93,070
	<u>\$ 4,366,500</u>	<u>\$ 12,793,540</u>	<u>\$ 17,160,040</u>

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date will be significantly earlier, nor expect the actual cash flow amount would be significantly different.

(d) Cash flow risk of changes from interest rate

For the Group's borrowings at floating rates, the effective interest rate changes according to market interest rates. However, the working capital of the Group is sufficient to hedge the cash flow risk due to changes in interest rate. Furthermore, the Group's borrowings as fixed rates and lease payable have no cash flow risk due to changes in market interest rate.

(3) Fair value estimation

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if it meets all the following conditions: 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 (e.g., as prices) or indirectly (e.g., derived from prices). The fair value of the Group's investment in derivative instruments 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 amortised cost-time deposits due for more than three months, financial assets at amortised cost-guaranteed income financial products, accounts receivable (including due from related parties), other receivables, other current assets, short-term borrowings, accounts payable (including related parties), other payables, lease liabilities, and long-term borrowings (including current portion). The fair value of financial assets measured at cost is not disclosed because it cannot be reliably measured:

March 31, 2019				
	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Financial assets:				
Financial assets at amortised cost-corporate bonds	\$ 277,993	\$ 276,339	\$ -	\$ -
Financial liabilities:				
Bonds payable	\$ 8,704,639	\$ -	\$ 8,732,984	\$ -
Guarantee deposits received	96,430	-	96,228	-
Total	\$ 8,801,069	\$ -	\$ 8,829,212	\$ -
December 31, 2018				
	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Financial assets:				
Financial assets at amortised cost-corporate bonds	\$ 277,516	\$ 271,806	\$ -	\$ -
Financial liabilities:				
Bonds payable	\$ 8,699,319	\$ -	\$ 8,752,891	\$ -
Guarantee deposits received	110,990	-	110,757	-
Total	\$ 8,810,309	\$ -	\$ 8,863,648	\$ -
March 31, 2018				
	Carrying value	Fair value		
		Level 1	Level 2	Level 3
Financial assets:				
Financial assets at amortised cost-corporate bonds	\$ 147,433	\$ 143,229	\$ -	\$ -
Financial liabilities:				
Bonds payable	\$ 8,107,538	\$ -	\$ 8,222,917	\$ -
Guarantee deposits received	93,070	-	92,875	-
Total	\$ 8,200,608	\$ -	\$ 8,315,792	\$ -



(b)The methods and assumptions of fair value measurement are as follows:

- i. Financial assets at amortised cost-corporate bonds: The fair value is the quoted price in active markets.
- ii. Bonds payable: Regarding the convertible bonds issued by Group, the fair value is estimated based on the expected cash flows using the present value and market rate.
- iii. Guarantee deposits received: The fair value is estimated using the present value of the expected cash flows. The discount rate refers to the fixed interest rate of postal savings for a one-year time deposit.

C. Financial instruments measured at fair value

(a)The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

March 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ -	\$ 1,918	\$ -	\$ 1,918
Financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ 79,617	\$ 79,617
December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ -	\$ 3,437	\$ -	\$ 3,437
Financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ 52,473	\$ 52,473
March 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ 109,348	\$ 109,348

(b)The methods and assumptions thatthe Group used to measure the fair value are as follows:

- i. The instruments the Group used market quoted prices as their fair values (i.e., 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 calculated by applying model using market information available at the consolidated balance sheet date.

- iii. When assessing non-standard and low-complexity financial instruments, for example, foreign exchange swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. 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 into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. The movement on Level 3 for the three-month period ended March 31, 2019 and 2018 is as follows:

	For the three-month period ended March 31, 2019	For the three-month period ended March 31, 2018
	<u>Equity securities</u>	<u>Equity securities</u>
Opening balance	\$ 52,473	\$ 120,992
Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	27,448 (	11,803 )
Net exchange differences	( 304 )	159
Ending balance	<u>\$ 79,617</u>	<u>\$ 109,348</u>

- (a) External appraiser is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in accordance with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, 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 sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value as of March 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	\$ 79,617	Market comparable companies	Enterprise value to EBIT multiple	8.06~19.57 [9.54]	The higher the EBIT, the higher the fair value
			Price to net value multiple	1.18~8.39 [2.09]	The higher the net value of shares, the higher the fair value
	Fair value as of December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	\$ 52,473	Market comparable companies	Enterprise value to EBIT multiple	8.69~14.68 [10.29]	The higher the EBIT, the higher the fair value
			Price to net value multiple	[1.53]	The higher the net value of shares, the higher the fair value
	Fair value as of March 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	\$ 109,348	Comparable listing companies	Enterprise value to operating profit multiple	[15.8]	The higher the long-term revenue growth and EBT, the higher the fair value

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

		For the three-month period ended March 31, 2019		
		Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	\$ 79,617	± 1%	\$ 796	( \$ 796 )

			December 31, 2018	
			Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	\$ 52,473	± 1%	\$ 525	( \$ 525 )
			For the three-month period ended March 31, 2018	
			Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	\$ 109,348	± 1%	\$ 1,093	( \$ 1,093 )

E. For the three-month period ended March 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. For the three-month period ended March 31, 2019 and 2018, there was no transfers into or out from Level 3.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

(The portions of transaction information with the investees were based on the financial statements of the investees for the same period which were audited by independent accountants. All the transactions with subsidiaries disclosed below had been eliminated in the consolidated financial statements. The disclosure information below is for reference only.)

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (excluding investment in subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exxceding NT\$300 million or 20% of paid-in capital or more: None.

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 table 3.

H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative financial instruments: Please refer to Note 6(2).

J. The business relationship and significant transactions between the inter-companies: Please refer to table 5.

#### (2) Information on investees

(The portions of transaction information with the investees were based on the financial statements of the investees for the same period which were audited by independent accountants. All the transactions with subsidiaries disclosed below had been eliminated in the consolidated financial statements. The disclosure information below is for reference only.)

Names, locations and other information of investee companies (excluding the investees in Mainland China): Please refer to table 6.

#### (3) Information on investments in mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions with the investees in Mainland China either directly or indirectly through other companies in the third areas: None.

#### 14. SEGMENT INFORMATION

##### (1)General information

The Group is engaged in the manufacturing of various types of PCB products. The chief operating decision-maker considered the business and operations from the product perspective. Currently, the Group only discloses one reportable segment as all operating segments meet the aggregation criteria. In allocating resources and assessing performance of the Group, the chief operating decision-maker uses operating segments' revenue and net income which reflects internal cost and expense allocation. Except for inter-segment charges which were determined based on the Group's internal policy, accounting policies of operating segments are in agreement with Note 4, 'Summary of significant accounting policies'.

##### (2)Reportable segment information

Information on reportable segment provided to the chief operating decision maker is as follows:

	For the three-month period ended March 31	
	2019	2018
Revenue from external customers	\$ 19,400,592	\$ 22,710,959
Inter-segment revenue	-	-
Segments' revenue	\$ 19,400,592	\$ 22,710,959
Measure of segment profit	\$ 1,330,647	\$ 1,314,713

##### (3)Reconciliation of reportable segment's revenue and measure of profit and loss

Sales between segments are carried out at fair value. 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.

The reconciliation from total reportable segment's revenue to the enterprise income and from segment profit from reportable segment to the net income for the period is as follows:

	For the three-month period ended March 31	
	2019	2018
Reportable segment's revenue	\$ 19,400,592	\$ 22,710,959
Other operating segments' revenue	12,594	5,763
Total segment revenue (i.e., the consolidated revenue)	\$ 19,413,186	\$ 22,716,722

  

	For the three-month period ended March 31	
	2019	2018
Reportable segment's profit	\$ 1,330,647	\$ 1,314,713
Other operating segments' profit	4,751	1,937
Total segment profit	1,335,398	1,316,650
Interest income and finance costs	120,174	10,927
Net foreign exchange losses	( 352,248 )	( 540,864 )
Net gains on financial assets at fair value through profit or loss	7,779	11,702
Others	( 478,203 )	( 243,872 )
Profit (losses)	\$ 632,900	\$ 554,543

**ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES**

**LOANS TO OTHERS**

**FROM JANUARY 1 TO MARCH 31, 2019**

Table1 Expressed in thousands of NTD  
(Except as otherwise indicated)

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the period (Note 5)	Balance at March 31, 2019 (Note 6)	Actual amount drawn down	Interest rate	Nature of loan	Amount of Transaction	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item Value	Limit on loans granted to a single party (Notes 3&4)	Limit on total lender's loans granted (Notes 1&4)	Footnote
0	The Company	Monterey Park Finance Limited	Other receivables	Yes	\$ 616,400	\$ 616,400	-	-	Short-term financing	\$ -	Operation requirements	\$ -	-None\$ -	23,235,933\$	23,235,933	
0	The Company	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	308,200	308,200	-	-	Short-term financing	-	Operation requirements	-	-None -	23,235,933	23,235,933	
1	FAT Holdings Limited	Monterey Park Finance Limited	Other receivables	Yes	739,680	739,680	736,598	2.83%	Short-term financing	-	Operation requirement	-	-None -	3,763,749	5,269,249	
1	FAT Holdings Limited	Henley International Limited	Other receivables	Yes	616,400	616,400	-	-	Short-term financing	-	Operation requirements	-	-None -	3,763,749	5,269,249	
2	Mayco Industrial Limited	The Company	Other receivables	Yes	5,054,480	5,054,480	986,240	2.70%	Short-term financing	-	Operation requirements	-	-None -	22,324,384	22,324,384	
3	Pacific Fair International Limited	The Company	Other receivables	Yes	2,773,800	2,773,800	2,425,534	2.70%	Short-term financing	-	Operation requirements	-	-None -	3,556,835	3,556,835	
4	Monterey Park Finance Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	1,232,800	1,232,800	616,400	2.23%	Short-term financing	-	Operation requirements	-	-None -	342,939,260	480,114,964	
5	Garuda International Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	1,541,000	1,541,000	-	-	Short-term financing	-	Operation requirements	-	-None -	10,774,811	15,084,735	
5	Garuda International Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Other receivables	Yes	1,541,000	1,541,000	-	-	Short-term financing	-	Operation requirements	-	-None -	10,774,811	15,084,735	
6	Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Other receivables	Yes	3,671,278	3,671,278	1,147,275	4.35%	Short-term financing	-	Operation requirements	-	-None -	414,694,490	580,572,286	
6	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Other receivables	Yes	18,356,392	18,356,392	5,529,863	4.35%	Short-term financing	-	Operation requirements	-	-None -	414,694,490	580,572,286	
6	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	5,506,918	5,506,918	3,028,805	4.35%	Short-term financing	-	Operation requirements	-	-None -	414,694,490	580,572,286	
6	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industrial (Shenzhen) Co., Ltd.	Other receivables	Yes	917,820	917,820	380,895	4.35%	Short-term financing	-	Operation requirements	-	-None -	414,694,490	580,572,286	
6	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	11,472,745	11,472,745	1,431,799	4.35%	Short-term financing	-	Operation requirements	-	-None -	414,694,490	580,572,286	
6	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	2,294,549	2,294,549	647,063	4.35%	Short-term financing	-	Operation requirements	-	-None\$ -	414,694,490	580,572,286	
6	Avary Holding (Shenzhen) Co., Limited	Kui Sheng Technology (Shenzhen) Limited	Other receivables	Yes	367,128	367,128	-	-	Short-term financing	-	Operation requirements	-	-None -	414,694,490	580,572,286	

Note 1: Financial limit on total loans granted to others by the Group is 50% of the lent company's net assets based on their most recent audited or reviewed consolidated financial statements.

Note 2: For parties having business relationship with the Group's subsidiaries, the financial limit on loans granted to a single party is the higher of the year-to-date purchased amount or sales amount.

Note 3: For parties necessary for short-term financing, financial limit on loans granted to a single party is 40% of the lent company's net assets based on their most recent audited or reviewed consolidated financial statements.

Note 4: The policy for loans granted mutually between subsidiaries (except for Zhen Ding Technology Holding Limited and Zhen Ding Technology Co., Ltd.) of which the Company directly or indirectly holds 100% of the voting shares is limited to 700% of the lending company's net assets based on the latest audited or reviewed consolidated financial statements; limit on loans granted by a subsidiary to a single subsidiary of which the Company directly or indirectly holds 100% of its voting shares is limited to 500% of the lending company's net assets based on the latest audited or reviewed consolidated financial statements.

Note 5: Maximum amount for the period ended on the balance sheet date.

Note 6: The amount of loans granted as resolved by the Company's Board of Directors.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

HOLDING OF MARKETABLE SECURITIES AT THE END OF THE PERIOD (EXCLUDING THE INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

MARCH 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with securities issuer (Note 2)	General ledger account	As of March 31, 2019				Footnote (Note 4)
				Number of shares	Carrying amount (Note 3)	Ownership (%)	Fair value	
Zhen Ding Technology Co., Ltd.	SynPower Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	2,200	\$ 79,617	9.02%	\$ 79,617	
The Company	GZINFU	None	Current financial assets at amortised cost, net	-	123,300	-	123,176	
The Company	BOND OF BABA	None	Current financial assets at amortised cost, net		30,894	-	30,785	
The Company	HUAHK	None	Current financial assets at amortised cost, net	-	92,773	-	1,915	
The Company	HACOMM	None	Current financial assets at amortised cost, net	-	31,026	-	30,463	

Note 1: In accordance with IFRS 9, 'Financial Instruments', marketable securities in the table refer to shares, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

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 MARCH 31, 2019

Table 3

Expressed in thousands of NTD  
(Unless otherwise specified)

Purchaser/Seller	Counterparty	Relationship	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sale)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/ accounts receivable (payable)	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	\$ 6,242,820	72	60 days from the shipping date	Note 2	Note 2	\$ 11,784,176	77	
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	1,974,881	23	60 days from the shipping date	Note 2	Note 2	2,994,990	20	
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	183,879	47	60 days from the shipping date	Note 2	Note 2	141,904	42	
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	290,813	74	60 days from the shipping date	Note 2	Note 2	192,657	58	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	4,609,995	85	60 days from the shipping date	Note 2	Note 2	5,144,273	87	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	825,221	15	90 days from the invoice date	Note 2	Note 2	780,597	13	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	563,515	90	30 days from end of month	Note 2	Note 2	281,808	83	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	2,806,064	97	60 days from the shipment date	Note 2	Note 2	1,986,309	93	
Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	An indirect wholly-owned subsidiary	Sales	114,811	76	60 days from the date of acceptance	Note 2	Note 2	104,932	63	
Kui Sheng Technology (Shenzhen) Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	267,941	100	60 days from the date of acceptance	Note 2	Note 2	237,063	100	



Purchaser/Seller	Counterparty	Relationship	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sale)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Henley International Limited	Zhen Ding Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	\$ 117,685	100	90 days from the month following the shipping date	Note 2	Note 2	\$ 53,452	100	
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	898,350	5	90 days from the month following the shipping date	Note 2	Note 2	3,662,724	20	
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	478,279	3	90 days from the month following the shipping date	Note 2	Note 2	4,212,922	23	
Garuda International Limited	Foxconn (FarEast) and its subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	1,121,033	7	90 days from the month following the shipping date	Note 2	Note 2	1,332,430	7	

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

Note 2: Unless the transaction terms were determined in accordance with mutual agreements due to no similar transactions, the transaction terms to related parties were similar to third parties.

Note 3: Advance sales receipts.

**ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES**  
**RECEIVABLES FROM RELATED PARTIES REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE**  
**MARCH 31, 2019**

Table 4

Creditor	Counterparty	Relationship	Receivables from related parties at March 31, 2019	Turnover rate	Overdue receivables		Expressed in thousands of NTD (Except as otherwise indicated)	
					Amount	Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly-owned subsidiary	\$ 11,784,176	0	\$ -	-	\$ 16,807,972	\$ -
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	2,994,990	1	-	-	2,153,723	-
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	141,904	1	-	-	-	-
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	192,657	2	-	-	-	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	5,144,273	1	2,449,800	Subsequent collection	7,926,301	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	780,597	1	362,080	Subsequent collection	1,704,974	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	281,808	2	-	-	153,732	-
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	1,986,309	1	-	-	1,432,762	-
Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	An indirect wholly-owned subsidiary	104,932	1	29,288	Subsequent collection	126,799	-
Kui Sheng Technology (Shenzhen) Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	237,063	1	185,310	Intensify collection	-	-
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	3,662,724	0	246,834	Subsequent collection	6,221,685	-
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	An indirect wholly-owned subsidiary	132,997	0	23,060	Intensify collection	-	-
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	4,212,922	0	4,030,671	Subsequent collection	1,037,772	-
Garuda International Limited	Foxconn (FarEast) and its subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	1,332,430	1	35,552	Intensify collection	-	-

As to receivables from loans to related parties exceeding NT\$100 million or 20% of issued capital, please refer to Table 1.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIODS  
FROM JANUARY 1 TO MARCH 31, 2019

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)		
1	Mayco Industrial Limited	The Company	2	Other receivables	\$ 986,240	Note 5	1
2	Pacific Fair International Limited	The Company	2	Other receivables	2,425,534	"	2
3	FAT Holdings Limited	Monterey Park Finance Limited	3	Other receivables	736,598	"	1
4	Monterey Park Finance Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	3	Other receivables	616,400	"	-
5	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industrial (Shenzhen) Co., Ltd.	3	Other receivables	380,895	"	-
5	Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	3	Other receivables	1,147,275	"	1
5	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Other receivables	5,529,863	"	4
5	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Other receivables	3,028,805	"	2
5	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	1,431,799	"	1
5	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	647,063	"	1
5	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Sales	6,242,820	Note 8	32
5	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Accounts receivable	11,784,176	"	9
5	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Sales	1,974,881	"	10
5	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Accounts receivable	2,994,990	"	2
6	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Sales	183,879	"	1
6	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Accounts receivable	141,904	"	-
6	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Garuda International Limited	3	Sales	290,813	"	2
6	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Garuda International Limited	3	Accounts receivable	192,657	"	-
7	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Sales	4,609,995	"	24
7	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Accounts receivable	5,144,273	"	4
7	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	825,221	Note 11	4
7	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	780,597	"	1
8	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	563,515	"	3

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)		
8	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	\$ 281,808	"	-
9	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	2,806,064	Note 8	15
9	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	1,986,309	"	2
10	Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	3	Sales	114,811	Note 8	1
10	Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	3	Accounts receivable	104,932	"	-
11	Kui Sheng Technology (Shenzhen) Limited	Avary Holding (Shenzhen) Co., Limited	3	Sales	267,941	"	1
11	Kui Sheng Technology (Shenzhen) Limited	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	237,063	"	-
12	Henley International Limited	Zhen Ding Technology Co., Ltd.	3	Sales	117,685	Note 6	1
13	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Sales	898,350	"	5
13	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	3,662,724	"	3
13	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Accounts receivable	132,997	"	-
13	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Sales	478,279	"	2
13	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Accounts receivable	4,212,922	"	3

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

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

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is calculated based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts. All the transactions had been eliminated in the consolidated financial statements.

Note 5: Nature of other receivables and other payables are loans to (from) others. Please refer to Note 13(1) A for interest rate and limit on loans. Note 6: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the first day of next month of shipping. Note 7: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the shipping date.

Note 8: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the shipping date. Note 9: The prices and terms to related parties were similar to third parties. Credit term is 30 days from the received date. Note 10: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the received date. Note 11: The prices and terms to related parties were similar to third parties. Credit term is 90 days from invoice date.

Note 12: The prices and terms to related parties were similar to third parties. Credit term is advance sales receipts.

**ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES**  
**NAMES, LOCATIONS AND OTHER INFORMATION ON INVESTEE COMPANIES (EXCLUDING THE INVESTEE COMPANIES IN MAINLAND CHINA)**  
**FROM JANUARY 1 TO MARCH 31, 2019**

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at March 31, 2019			Net profit (loss) of the investee at March 31, 2019	Investment income (loss) recognised by the Company at March 31, 2019		Footnote
				Balance as at March 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Carrying amount				
The Company	Monterey Park Finance Limited	British Virgin Islands	Investment holding	\$ 26,321,821	\$ 24,725,345	854,050,000	100	\$ 68,250,873	\$ 524,942	\$ 524,942		
The Company	Zhen Ding Technology Co., Ltd.	Taiwan	Trading	125,488	125,488	12,548,800	100	3,197,748	( 34,958 )	( 34,958 )		
Monterey Park Finance Limited	Pacific Stand Enterprises Limited	Hong Kong	Investment holding	-	-	-	100	-	-	-		
Monterey Park Finance Limited	Coppertone Enterprises Limited	British Virgin Islands	Investment holding	3,167,859	3,167,859	102,785,806	100	55,866,848	608,559	608,559		
Monterey Park Finance Limited	Pacific Fair International Limited	Hong Kong	Investment holding	8,429,270	8,429,270	2,133,300,000	100	8,892,087	83,586	83,586		
Monterey Park Finance Limited	Henley International Limited	Hong Kong	Trading	-	-	1	100	16,256	1,888	1,888		
Coppertone Enterprises Limited	Mayco Industrial Limited	Hong Kong	Investment holding	36,833,227	36,833,227	9,321,841,932	100	55,810,961	608,559	608,559		
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited	Cayman Islands	Investment holding	154	154	5,000	100	751,672	5,204	5,204		
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	Hong Kong	Trading	308,200	308,200	78,000,000	73	1,167,830	51,843	360,861		
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited	Singapore	Investment holding	3	-	100	73	2	-	-		
Garuda International Limited	Garuda Technology Co., Ltd.	Taiwan	Trading	25,000	25,000	2,500,000	73	( 248,071 )	( 6,529 )	( 4,754 )		

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES  
INFORMATION ON THE INVESTMENTS IN MAINLAND CHINA  
FROM JANUARY 1 TO MARCH 31, 2019

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investees in Mainland China	Main business activities	Paid-in capital	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan as of March 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2019	Net profit (loss) of investee as of March 31, 2019	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company as of March 31, 2019 (Note 3)	Carrying amount of investments as of March 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Manufacture and sales of PCB	\$ 3,275,248	2	\$ -	-	-	-	( \$ 171,151 )	73 (	\$ 124,633 )	\$ 99,435	-	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacture and sales of PCB	7,972,309	2	-	-	-	-	174,671	73	179,993	12,181,197	-	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacture and sales of PCB	4,251,740	2	-	-	-	-	( 183,540 )	73 (	133,655 )	510,656	-	
Avary Holding (Shenzhen) Co., Limited	Manufacture and sales of PCB	10,607,383	2	-	-	-	-	921,917	73	671,344	60,396,520	-	
Fu Bo Industrial (Shenzhen) Co., Ltd.	Manufacture and sales of PCB	505,122	2	-	-	-	-	7,337	73	5,343	459,098	-	
Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	1,105,698	2	-	-	-	-	( 8,968 )	73 (	6,531 )	714,575	-	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	7,115,515	2	-	-	-	-	( 283,232 )	73 (	126,978 )	8,173,118	-	
Qi Ding Technology Qinhuangdao Co., Ltd.	Development, manufacture and sales of electronic products	2,189,119	2	-	-	-	-	( 176,023 )	100 (	176,023 )	1,939,303	-	
Kui Sheng Technology (Shenzhen) Limited	Manufacture and sales of PCB	91,782	2	-	-	-	-	( 824 )	73 (	600 )	79,479	-	
Yun Ding Technology (Shenzhen) Limited	Manufacture and sales of PCB	22,945	2	-	-	-	-	463	73	337	16,762	-	

Investees in Mainland China	Main business activities	Paid-in capital	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan as of March 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2019	Net profit (loss) of investee as of March 31, 2019	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company as of March 31, 2019 (Note 3)	Carrying amount of investments as of March 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Jia Wei Industrial (Huaian) Co., Ltd.	Production and sale of construction materials, furniture and hardware tools	679,329	2	\$ -	-	-	\$ -	-	100	\$ -	679,329	\$ -	

Note 1: The amounts in the table are shown in New Taiwan Dollars. Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the spot exchange rates at the balance sheet date. Note 2: The methods of investments to PRC are as follows:

- (1) The Group remits its own funds directly to the investee companies located in PRC
- (2) Investee company, Monterey Park Finance Limited (B.V.I.), established by the Company that is located outside of Taiwan and PRC remits its own funds directly to the investee companies located in PRC.
- (3) Others

Note 3: The columns investment income (loss) recognised by the Company for the year ended December 31, 2018 were based on the audited financial statements of the investees in Mainland China for the same period.