

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

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.

REPORT OF INDEPENDENT ACCOUNTANTS

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

Opinion

We have audited the accompanying consolidated balance sheets of Zhen Ding Technology Holding Limited and its subsidiaries (the ‘Group’) as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the ‘Regulations Governing the Preparation of Financial Reports by Securities Issuers’ and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the ‘Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants’, ‘Enforcement Letter No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020’ and generally accepted auditing standards in the Republic of China; and of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the ‘Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants’ and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code

of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters on the consolidated financial statements of the Group for the year ended December 31, 2019 were as follows:

Cutoff of hub warehouse sales revenue

Description

Refer to Note 4(28) for accounting policies on revenue recognition.

The Group recognises revenue when the goods are directly shipped from factories and when customers accept the goods (the transfer of control) if picked up from hub warehouses. For pick-ups from hub warehouses, the Group recognises sales revenue based on movements of inventory records contained in the statements or other information provided by the warehouse custodians. The hub warehouses are located around the world with numerous warehouse custodians, the frequency and contents of statements provided by custodians are different, and the process of revenue recognition may involve manual procedures. These factors may potentially result in inaccurate timing of sales revenue recognition.

As there are numerous daily sales transactions from hub warehouses and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, we consider the cutoff of hub warehouse sales revenue a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Assessed and tested internal controls over regular record verification between the Group and customers.

- B. Assessed and checked the appropriateness of cutoff of sales revenue prior to or after the balance sheet date, and verified the statements provided by the hub warehouse custodians.
- C. Performed confirmation of the storage quantities or observed physical counts in warehouse, compared against inventory records, and determined whether differences, if any, are properly adjusted.

Estimation of allowance for inventory valuation losses

Description

Refer to Note 4(14) for accounting policies on inventory valuation, Note 5 for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(5) for details of inventory. As of December 31, 2019, the Group's inventory cost and allowance for valuation losses were NT\$9,226,326 thousand and NT\$709,464 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of printed circuit board. Due to rapid technological innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due to market value decline or obsolescence. The Group measures inventories at the lower of cost and net realisable value and recognises the allowance for inventory valuation losses based on the inventories over normal age and those individually identified as obsolete or damaged.

As the amounts of inventories are material, the types of inventories are numerous, and the estimation of net realisable value for individually obsolete or damaged inventories are subject to judgement, we consider the estimation of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in relation to the estimation of allowance for inventory valuation losses:

- A. Assessed the reasonableness of accounting policy on allowance for inventory valuation losses and checked whether it has been consistently applied.
- B. Checked whether the logic in calculating inventory aging report was appropriate and confirmed whether inventory over normal age has been included in the aging report.
- C. Assessed the reasonableness of individually obsolete or damaged inventory identified by the Group

against related supporting documents, reviewed scrap inventory before and after the balance sheet date, and verified the information obtained from physical count.

- D. For net realisable value of inventories over normal age and those individually identified as obsolete and damaged inventory, discussed with the Group, obtained supporting documents and reviewed calculation of inventory loss.

Impairment assessment of property, plant and equipment

Description

Refer to Notes 4(16) and 4(19) for accounting policies on property, plant and equipment, Note 5 for the uncertainty of accounting estimates and assumptions applied on the impairment assessment valuation of property, plant and equipment, and Note 6(8) for details of property, plant and equipment. As of December 31, 2019, the property, plant and equipment cost and accumulated depreciation and impairment were NT\$83,376,117 thousand and NT\$37,133,504 thousand, respectively.

Certain property, plant and equipment of the Group are used for the manufacture of printed circuit boards. As the market demand changes, the risk of asset impairment also increases. The impairment assessment involves several subjective judgements, such as the determination of the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on asset utilisation and industrial characteristic.

As the assessment is subject to judgement, the accounting estimates may not be reasonable. Thus, we consider the impairment assessment of property, plant and equipment a key audit matter.

How our audit addressed the matter

We performed the following audit procedures and verified the recoverable amount calculation in regard to the Group's impairment assessment of property, plant and equipment at the balance sheet:

- A. Assessed whether the assets impairment assessment procedures and accounting policies are reasonable and have been applied consistently and reviewed the method used by the Group in determining the recoverable amount of individual assets.
- B. Obtained the information used by the Group in determining the recoverable amount, such as the determination of the separate cash flows of a specific group of assets, useful lives of assets and the

future possible income and expenses arising from the assets and ascertained whether it is reasonable.

C. Compared the expected future sales revenue growth and profitability with historical data, the trend of economic and industrial forecasts and checked whether it has been consistent.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the ‘Regulations Governing the Preparation of Financial Reports by Securities Issuers’ and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Group’s financial reporting process.

Auditors’ responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected

to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsu, Yung-Chien

Feng, Min-Chuan

For and on behalf of PricewaterhouseCoopers, Taiwan
March 30, 2020

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
DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 38,280,304	27	\$ 40,652,973	29
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	3,437	
1136	Current financial assets at amortised cost	6(6)	4,790,922	4	8,778,797	6
1170	Accounts receivable, net	6(3)	24,259,541	17	21,631,860	15
1180	Accounts receivable due from related parties, net	6(3) and 7	2,828,109	2	2,644,519	2
1200	Other receivables	6(4)	1,306,347	1	855,783	1
130X	Inventories	6(5)	8,516,862	6	10,083,882	7
1410	Prepayments	6(4)	3,060,037	2	3,673,318	3
1460	Non-current assets or disposal groups classified as held for sale, net	6(12)	161,211	-	-	-
1470	Other current assets		383	-	569,634	-
11XX	Total current assets		83,203,716	59	88,894,203	63
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(7)	193,804	-	52,473	-
1600	Property, plant and equipment	6(8)	46,242,613	33	41,913,166	30
1755	Right-of-use assets	6(9)	8,035,650	6	-	-
1780	Intangible assets	6(10)	360,370	-	185,615	-
1840	Deferred income tax assets	6(29)	1,408,038	1	1,024,491	1
1990	Other non-current assets	6(11)	437,144	1	8,037,205	6
15XX	Total non-current assets		56,677,619	41	51,212,950	37
1XXX	Total assets		\$ 139,881,335	100	\$ 140,107,153	100

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

	Liabilities and Equity	Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(13)	\$ 9,682,812	7	\$ 9,184,066	7
2170	Accounts payable		13,838,755	10	17,056,824	12
2180	Accounts payable to related parties	7	579,010	1	1,022,641	1
2200	Other payables	6(14)	12,449,520	9	13,346,522	9
2230	Current income tax liabilities		1,848,643	1	2,391,519	2
2260	Liabilities related to non-current assets or disposal groups classified as held for sale	6(12)	480,371	-	-	-
2280	Current lease liabilities		88,495	-	-	-
2320	Long-term liabilities, current portion	6(15)(16)	-	-	8,699,319	6
2399	Other current liabilities		65,273	-	134,168	-
21XX	Total current liabilities		<u>39,032,879</u>	<u>28</u>	<u>51,835,059</u>	<u>37</u>
	Non-current liabilities					
2540	Long-term borrowings	6(16)	8,980,884	6	9,194,880	6
2570	Deferred income tax liabilities	6(29)	972,792	1	857,644	1
2580	Non-current lease liabilities		150,912	-	-	-
2600	Other non-current liabilities		399,767	-	110,990	-
25XX	Total non-current liabilities		<u>10,504,355</u>	<u>7</u>	<u>10,163,514</u>	<u>7</u>
2XXX	Total liabilities		<u>49,537,234</u>	<u>35</u>	<u>61,998,573</u>	<u>44</u>
	Equity					
	Equity attributable to owners of parent					
	Share capital	6(19)				
3110	Ordinary share		9,022,299	7	8,047,484	6
	Capital surplus	6(20)				
3200	Capital surplus		29,534,781	21	22,000,657	16
	Retained earnings	6(21)				
3310	Legal reserve		4,350,638	3	3,505,859	2
3320	Special reserve		2,948,306	2	1,717,913	1
3350	Unappropriated retained earnings		26,318,375	19	23,731,600	17
	Other equity interest	6(22)				
3400	Other equity interest		(5,014,697)	(4)	(2,948,306)	(2)
31XX	Equity attributable to owners of parent		<u>67,159,702</u>	<u>48</u>	<u>56,055,207</u>	<u>40</u>
36XX	Non-controlling interest	6(31)	<u>23,184,399</u>	<u>17</u>	<u>22,053,373</u>	<u>16</u>
3XXX	Total equity		<u>90,344,101</u>	<u>65</u>	<u>78,108,580</u>	<u>56</u>
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	Total liabilities and equity		<u>\$ 139,881,335</u>	<u>100</u>	<u>\$ 140,107,153</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 YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

Items	Notes	For the years ended December 31,			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(23), 7 and 14	\$ 120,067,508	100	\$ 117,912,881	100
5000 Operating costs	6(5) and 7	(92,845,499)	(77)	(91,851,933)	(78)
5950 Gross profit from operations		<u>27,222,009</u>	<u>23</u>	<u>26,060,948</u>	<u>22</u>
Operating expenses	6(24)				
6100 Selling expenses		(1,656,854)	(1)	(1,490,569)	(1)
6200 Administrative expenses		(4,603,636)	(4)	(4,075,331)	(3)
6300 Research and development expenses		(6,139,768)	(5)	(5,637,557)	(5)
6450 Expected credit losses in accordance with IFRS 9	12	(20,943)	-	(11,873)	-
6000 Total operating expenses		<u>(12,421,201)</u>	<u>(10)</u>	<u>(11,215,330)</u>	<u>(9)</u>
6900 Net operating income		<u>14,800,808</u>	<u>13</u>	<u>14,845,618</u>	<u>13</u>
Non-operating income and expenses					
7010 Other income	6(26)	2,028,257	2	1,668,596	2
7020 Other gains and losses	6(27)	(1,190,959)	(1)	(921,381)	(1)
7050 Finance costs	6(28)	(687,198)	(1)	(926,271)	(1)
7000 Total non-operating income and expenses		<u>150,100</u>	<u>-</u>	<u>(179,056)</u>	<u>-</u>
7900 Profit before income tax		14,950,908	13	14,666,562	13
7950 Income tax expense	6(29)	(2,549,291)	(2)	(3,130,067)	(3)
8200 Profit		<u>\$ 12,401,617</u>	<u>11</u>	<u>\$ 11,536,495</u>	<u>10</u>

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ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

Items	Notes	For the years ended December 31,			
		2019		2018	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Gains on remeasurements of defined benefit plans	6(17)	\$ 609	-	\$ 345	-
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(7)(22)	11,474	-	(68,671)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(122)	-	(260)	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		<u>11,961</u>	-	<u>(68,586)</u>	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Exchange differences on translation of foreign financial statements	6(22)	(3,324,465)	(3)	(1,417,114)	(1)
8300 Other comprehensive loss		<u>(\$ 3,312,504)</u>	<u>(3)</u>	<u>(\$ 1,485,700)</u>	<u>(1)</u>
8500 Total comprehensive income		<u>\$ 9,089,113</u>	<u>8</u>	<u>\$ 10,050,795</u>	<u>9</u>
Profit attributable to:					
8610 Owners of the parent		\$ 8,685,202	8	\$ 8,447,792	7
8620 Non-controlling interests		<u>3,716,415</u>	<u>3</u>	<u>3,088,703</u>	<u>3</u>
		<u>\$ 12,401,617</u>	<u>11</u>	<u>\$ 11,536,495</u>	<u>10</u>
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 6,619,298	6	\$ 7,217,484	7
8720 Non-controlling interests		<u>2,469,815</u>	<u>2</u>	<u>2,833,311</u>	<u>2</u>
		<u>\$ 9,089,113</u>	<u>8</u>	<u>\$ 10,050,795</u>	<u>9</u>
Basic earnings per share					
9750 Basic earnings per share	6(30)	<u>\$ 9.93</u>		<u>\$ 10.50</u>	
Diluted earnings per share					
9850 Diluted earnings per share	6(30)	<u>\$ 9.92</u>		<u>\$ 9.54</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 YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		Equity attributable to owners of the parent									
		Retained earnings					Other equity interest				
	Notes	Ordinary share	Capital surplus	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	Total	Non-controlling interest	Total equity
For the year ended December 31, 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
		-	-	-	-	8,447,792	-	-	8,447,792	3,088,703	11,536,495
	6(22)	-	-	-	-	85	(1,161,722)	(68,671)	(1,230,308)	(255,392)	(1,485,700)
		-	-	-	-	8,447,877	(1,161,722)	(68,671)	7,217,484	2,833,311	10,050,795
Appropriations and distribution of retained earnings											
	6(21)										
		-	-	517,244	-	(517,244)	-	-	-	-	-
		-	-	-	29,559	(29,559)	-	-	-	-	-
		-	-	-	-	(2,655,670)	-	-	(2,655,670)	-	(2,655,670)
	6(18)	-	96,645	-	-	-	-	-	96,645	28,151	124,796
Changes in non-controlling interests-distribution of retained earnings by subsidiaries											
		-	-	-	-	-	-	-	-	(827,540)	(827,540)
Changes in non-controlling interests-issuance of common stock by subsidiaries											
		-	7,052,714	-	-	-	-	-	7,052,714	9,102,166	16,154,880
		\$ 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
For the year ended December 31, 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
		-	-	-	-	8,685,202	-	-	8,685,202	3,716,415	12,401,617
	6(22)	-	-	-	-	487	(2,081,075)	14,684	(2,065,904)	(1,246,600)	(3,312,504)
		-	-	-	-	8,685,689	(2,081,075)	14,684	6,619,298	2,469,815	9,089,113
Appropriations and distribution of retained earnings											
	6(21)										
		-	-	844,779	-	(844,779)	-	-	-	-	-
		-	-	-	1,230,393	(1,230,393)	-	-	-	-	-
		-	-	-	-	(4,023,742)	-	-	(4,023,742)	-	(4,023,742)
	6(15)	974,815	7,431,639	-	-	-	-	-	8,406,454	-	8,406,454
	6(18)	-	102,485	-	-	-	-	-	102,485	38,251	140,736
Changes in non-controlling interests-distribution of retained earnings by subsidiaries											
		-	-	-	-	-	-	-	-	(1,377,040)	(1,377,040)
		\$ 9,022,299	\$ 29,534,781	\$ 4,350,638	\$ 2,948,306	\$ 26,318,375	(\$ 4,960,710)	(\$ 53,987)	\$ 67,159,702	\$ 23,184,399	\$ 90,344,101

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 YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		For the years ended December 31,	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 14,950,908	\$ 14,666,562
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(24)	7,724,398	6,739,651
Amortisation expense	6(24)	230,630	80,090
Impairment losses		1,447,245	745,571
Expected credit losses	12	20,943	11,873
Losses on disposal of property, plant and equipment	6(27)	65,454	165,887
Gains on disposal of land right-of-use		(9,031)	-
Rental expense - land right-of-use (within 'long-term prepaid rents')		-	158,965
Interest income	6(26)	(1,245,417)	(1,060,710)
Interest expense	6(28)	687,198	926,271
Share-based payment	6(18)	140,736	124,796
Dividend income		-	(2,643)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		3,437	4,498
Notes receivable		23,387	31,447
Accounts receivable		(3,133,298)	7,378,839
Accounts receivable due from related parties		(235,921)	(437,064)
Other receivables		(237,551)	1,831,287
Inventories		1,233,198	1,247,962
Prepayments		308,515	(663,397)
Other current assets		264,726	(270,118)
Changes in operating liabilities			
Accounts payable		(2,268,393)	(5,057,452)
Accounts payable to related parties		(421,087)	339,588
Other payables		10,563	1,685,015
Other current liabilities		(55,038)	13,574
Cash inflow generated from operations		19,505,602	28,660,492
Income tax paid		(3,232,138)	(1,760,171)
Net cash flows from operating activities		16,273,464	26,900,321

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the years ended December 31,	
	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in financial assets at amortised cost	\$ 3,900,819	\$ 5,675,521
Acquisition of financial assets at fair value through other comprehensive income	(136,192)	-
Acquisition of property, plant and equipment 6(32)	(15,195,112)	(12,625,121)
Proceeds from disposal of property, plant and equipment	231,129	59,869
Acquisition of land right-of-use (within 'right-of-use assets/other non-current assets') 6(32)	(1,015,560)	(3,598,949)
Proceeds from disposal of land right-of-use	42,664	5,226
Acquisition of intangible assets	(251,124)	-
Increase in other non-current assets	(162,377)	(163,206)
Decrease (increase) in prepayments for business facilities	69,478	(35,144)
(Increase) decrease in refundable deposits	(15,574)	5,482
Increase in other non-current liabilities	182,392	-
Interest received	1,211,861	1,146,823
Dividend income	-	2,643
Net cash flows used in investing activities	(11,137,596)	(9,526,856)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	783,662	(6,584,316)
Increase (decrease) in guarantee deposits received	80,562	(10,399)
Cash dividends paid 6(21)	(4,023,742)	(2,655,670)
Repayments of convertible bonds 6(15)	(147,233)	-
Payments of lease liabilities	(93,137)	-
Interest paid	(638,742)	(667,178)
Syndicated loan arrangement fee paid	-	(22,898)
Change in non-controlling interests - issuance of common stock by subsidiaries	-	16,154,880
Change in non-controlling interests - distribution of retained earnings by subsidiaries	(1,377,040)	(827,540)
Net cash flows (used in) from financing activities	(5,415,670)	5,386,879
Effect of exchange rate changes on cash and cash equivalents	(1,981,191)	(1,254,759)
Net (decrease) increase in cash and cash equivalents	(2,260,993)	21,505,585
Cash and cash equivalents at beginning of year	40,652,973	19,147,388
Cash and cash equivalents at end of year	<u>\$ 38,391,980</u>	<u>\$ 40,652,973</u>
Components of cash and cash equivalents		
Cash and cash equivalents in the balance sheet	\$ 38,280,304	\$ 40,652,973
Cash and cash equivalents classified non-current assets or disposal group as held for sale	111,676	-
Cash and cash equivalents at end of year	<u>\$ 38,391,980</u>	<u>\$ 40,652,973</u>

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

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 P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The Company and its subsidiaries (collectively referred herein as the ‘Group’) are 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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 30, 2020.

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 (the ‘FSC’) (collectively referred herein as the ‘IFRSs’)

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

New, Revised or Amended Standards and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments 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 and SICs. 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 the lessor.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective transition'), when applying 'IFRSs' effective in 2019 as endorsed by the FSC. Accordingly, the Group increased right-of-use asset and lease liability will be increased by \$8,058,382 (including the reclassification of long-term prepaid rents of \$7,727,595) and \$623,563 with respect to the lease contracts of lessees on January 1, 2019 (including the reclassification of payable on land right-of-use of \$292,776), respectively.
- C. The Group has applied the following practical expedients permitted by IFRS 16 at the date of initial application of IFRS 16:
- (a) The application of IFRS 16 depends on the contracts that were previously identified as leases applying IAS 17 and IFRIC 4, and is not required to reassess whether a contract is, or contains, a lease.
 - (b) The exclusion of initial direct costs from the measurement of right-of-use asset.
 - (c) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (d) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly rental expense of \$326,640 was recognised for the year ended December 31, 2019.
- D. The Group calculated the present value of lease liabilities by using the incremental borrowing rate ranging from 1.04% to 4.35%.
- E. As of January 1, 2019, the reconciliation between the recognition of lease liabilities and the present value of operating lease commitments disclosed by applying IAS 17 with the discount rate of the incremental borrowing at the date of initial application is as follows:

Operating lease commitments applying IAS 17 as of December 31, 2018	\$ 442,256
Less: Exemptions of short-term leases	(9,560)
Less: Exemptions of low-value assets	(48)
Less: Exception for reassessed contracts	(83,329)
Total lease contracts amount of lease liabilities by applying IFRS 16 as of January 1, 2019	<u>\$ 349,319</u>
Lease liabilities recognised as of January 1, 2019 by applying IFRS 16	<u>\$ 330,787</u>

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

New, revised or amended standards and interpretations endorsed by the FSC effective from 2020 are

as follows:

New, Revised or Amended Standards and Interpretations	Effective date by International Accounting Standards Board
Amendments 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 7, IFRS 9 and IAS 39, 'Interest rate benchmark reform'	January 1, 2020

The above standards and interpretations have no significant impact to the Group's financial position and financial performance based on the Group's assessment.

(3) IFRSs issued by International Accounting Standard Board (the 'IASB') but not yet endorsed by the FSC

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

New, Revised or Amended Standards and Interpretations	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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', International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

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

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through

profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities 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.

(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
			December 31, 2019	December 31, 2018	
The Company	Zhen Ding Technology Co., Ltd.	Trading company	100	100	
The Company	Monterey Park Finance Limited (B.V.I.)	Holding company	100	100	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited (Cayman)	Holding company	100	100	
Monterey Park Finance Limited (B.V.I.)	Pacific Stand Enterprises Limited (Hong Kong)	Holding company	-	100	(a)
Monterey Park Finance Limited (B.V.I.)	Coppertone Enterprises Limited (B.V.I.)	Holding company	100	100	
Monterey Park Finance Limited (B.V.I.)	Pacific Fair International Limited (Hong Kong)	Holding company	100	100	
Monterey Park Finance Limited (B.V.I.)	Henley International Limited (Hongkong)	Trading company	100	100	
Monterey Park Finance Limited (B.V.I.)	Qi Ding Technology Qinhuangdao Co., Ltd.	Manufacturing company	100	100	
Monterey Park Finance Limited (B.V.I.)	Huaian Jia Wei Industrial Development Co., Ltd.	Trading company	100	-	(b)
Coppertone Enterprises Limited (B.V.I.)	Mayco Industrial Limited (Hong Kong)	Holding company	100	100	
Mayco Industrial Limited (Hong Kong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	66.38	66.38	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
Pacific Fair International Limited (Hong Kong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	6.44	6.44	
Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Fu Bo Industry (Shenzhen) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Yun Ding Technology (Shenzhen) Co., Ltd.	Trading company	100	100	
Avary Holding (Shenzhen) Co., Limited	Kui Sheng Technology (Shenzhen) Co., Ltd.	Trading company	100	100	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited (Hongkong)	Trading company	100	100	
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited (Singapore)	Holding company	100	-	(c)

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
Garuda International Limited (Hongkong)	Garuda Technology Co., Ltd.	Trading company	100	100	
Garuda International Limited (Hongkong)	Avary Japan Co., Ltd.	Trading company	100	-	(e)
Avary Singapore Private Limited (Singapore)	Avary Technology (India) Private Limited	Manufacturing company	100	-	(d)

(a) For the year ended December 31, 2018, the Group has restructured the investment structure, and Pacific Stand Enterprises Limited (Hongkong) has completed the winding-up process in the second quarter of 2019.

(b) On January 8, 2019, the Group invested in Huaian Jia Wei Industrial Development Co., Ltd., which has been included in the consolidation. It is mainly engaged in related building business.

(c) On March 18, 2019, the Group invested in Avary Singapore Private Limited, located in Singapore, which has been included in the consolidation. It is mainly engaged in investment holdings.

(d) On June 17, 2019, the Group invested in Avary Technology (India) Private Limited, located in India, which has been included in the consolidation. It is mainly engaged in manufacturing and processing of PCB.

(e) On July 30, 2019, the Group invested in Avary Japan Co., Ltd., located in Japan, which has been included in the consolidation. It is mainly engaged in trading.

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 December 31, 2019 and 2018, the non-controlling interests of the Group amounted to \$23,184,399 and \$22,053,373, respectively. The information on non-controlling interests and their subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest		Description
		December 31, 2019		
		Amount	Ownership (%)	
Avary Holding (Shenzhen) Co., Limited	China	\$ 23,184,399	27.18%	

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

Summary of the financial information of subsidiary

Balance sheets of Avary Holding (Shenzhen) Co., Limited

	December 31, 2019	December 31, 2018
Current assets	\$ 70,593,495	\$ 75,194,305
Non-current assets	54,104,439	48,810,042
Current liabilities	(38,383,281)	(42,386,256)
Non-current liabilities	(1,013,604)	(478,361)
Total net assets	\$ 85,301,049	\$ 81,139,730

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

	For the years ended December 31,	
	2019	2018
Revenue	\$ 118,580,966	\$ 116,767,739
Profit before income tax	15,872,383	15,933,383
Income tax expense	(2,198,788)	(2,654,110)
Profit	13,673,595	13,279,273
Other comprehensive income, net of tax	29,754	103,913
Total comprehensive income	\$ 13,703,349	\$ 13,383,186
Comprehensive income attributable to non-controlling interests	\$ 2,469,815	\$ 2,833,311

Statements of cash flow of Avary Holding (Shenzhen) Co., Limited

	For the years ended December 31,	
	2019	2018
Net cash from operating activities	\$ 13,930,127	\$ 26,331,686
Net cash used in investing activities	(15,177,744)	(5,510,626)
Net cash (used in) from financing activities	(4,238,748)	5,464,546
Effect of exchange rate changes on cash and cash equivalents	(260,413)	(324,619)
Net (decrease) increase in cash and cash equivalents	(5,746,778)	25,960,987
Cash and cash equivalents at beginning of year	34,977,025	9,016,038
Cash and cash equivalents at end of year	<u>\$ 29,230,247</u>	<u>\$ 34,977,025</u>

(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 the 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 \$30.91 (in dollars) to US \$1 (in dollar) and NT \$30.15 (in dollars) to US \$1 (in dollar) for the years ended December 31, 2019 and 2018, respectively; the closing rates were NT \$29.98 (in dollars) to US \$1 (in dollar) and NT \$30.72 (in dollars) to US \$1 (in dollar) as of December 31, 2019 and 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 realised, 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/liabilities 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 those that meet both of the following conditions:

- (a) The financial assets held within a business model whose objective is in order to collect contractual cash flows, 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 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) Leases (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) Non-current assets (or disposal groups) classified as held for sale

The non-current assets (or disposal group) classified as held for sale shall be measured at the lower of their carrying amount and fair value less costs to sell if the sale will be highly probable and their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

(16) 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 to 53 years
Machinery and equipment	2 to 10 years
Leased assets	20 years
Leasehold improvements	5 years
Other equipment	2 to 15 years

(17) Leases (lessee)

Applicable for the periods after January 1, 2019

- A. The lease assets are recognised within the right-of-use asset and lease liability at the date available for use by the Group. Lease payments are recognised as an expense on a straight-line basis over the lease term for either short-term leases or leases for which the underlying asset is of low value.
- B. At the commencement date, the right-of-use asset measured at cost shall comprise the amount of the initial measurement of lease liability and any initial direct costs incurred. The right-of-use asset subsequently measured at cost model and shall be depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.
- C. The lease liability is at the present value of the lease payments that are not paid and shall be discounted using the Group's incremental borrowing rate at commencement date. The lease payments include fixed payments less any lease incentives receivable. The lease liability is subsequently measured using an effective interest method on an amortised cost basis and the interest expense is allocated over the lease term. The amount of the remeasurement of the lease liability shall be recognised as an adjustment to the right-of-use asset if there are changes in the lease term or to the lease payments not arising from contract modifications.

Applicable for the periods before December 31, 2018

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

(18) Intangible assets

A. Computer software

Computer software shall be measured initially at cost and amortised on the straight-line method over its estimated useful life of 3 to 5 years.

B. Goodwill

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

(19) 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.

(20) 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.

(21) 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.

(22) Derecognition of financial liabilities

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

(23) 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 share 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 share issued due to the conversion shall be based on the remeasured carrying amount of the abovementioned liability component plus the carrying amount of the 'capital surplus - share options'.

(24) 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.

C. Employees' remuneration and directors' remuneration

Employees' remuneration and directors' remuneration are recognised as expenses 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.

(25) 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'.

(26) 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 operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. 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, in addition to income tax that

is estimated in accordance with the tax laws, an additional 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, in addition to 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 them shall be added to income tax payable. The aforementioned difference shall not be offset with investment tax credits under other laws and 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) Income taxes of companies that are registered in the Singapore, India and Japan are calculated in accordance with the local regulations for the current year.
- 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.

(27) 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.

(28) 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) Account 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 component

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.

(29) Government grants

Government grants shall not recognised at fair value until there is reasonable assurance that the entity will comply with the conditions attaching to them, and that the grants will be received. Government grants shall be recognised in profit on a systematic basis over the periods in which the entity recognises as the related expenses for which the grants are intended to compensate. Government grants related to property, plant and equipment shall be recognised within non-current liabilities that are recognised in profit on the straight-line method over the estimated useful life of related assets.

(30) 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 fair value at the date of acquisition.

- 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'.

(31) 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 judgements 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:

A. 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 judgements and estimates. Due to 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. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2019, the carrying amount of inventories was \$8,516,862.

B. Impairment assessment of tangible assets

The Group assesses impairment based on several subjective judgements, such as the determination of the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on asset utilisation and industrial characteristics. Any changes of economic circumstances or estimates due to the change of the Group strategy might cause material impairment on assets in the future.

As of December 31, 2019, the carrying amount of property, plant and equipment was \$46,242,613 considering the recognition of impairment loss.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and petty cash	\$ 3,285	\$ 3,232
Checking accounts and demand deposits	26,733,935	22,631,171
Cash equivalents		
Time deposits	<u>11,654,760</u>	<u>18,018,570</u>
	38,391,980	40,652,973
Classification of non-current assets as held for sale	(<u>111,676</u>)	<u>-</u>
Cash and cash equivalents presented in the balance sheet	<u>\$ 38,280,304</u>	<u>\$ 40,652,973</u>

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

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

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

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

A. The Group recognised net gain of \$9,697 and \$15,139 within 'financial assets at fair value through profit or loss' for the years ended December 31, 2019 and 2018, respectively.

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

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

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. As of December 31, 2019, the Group has no unsettled forward foreign exchange transactions.

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

(3) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	\$ 51,209	\$ 76,594
Accounts receivable	24,284,254	21,594,939
	24,335,463	21,671,533
Less: Allowance for bad debts	(75,922)	(39,673)
	<u>\$ 24,259,541</u>	<u>\$ 21,631,860</u>
Accounts receivable due from related parties	\$ 2,833,199	\$ 2,666,750
Less: Allowance for bad debts	(5,090)	(22,231)
	<u>\$ 2,828,109</u>	<u>\$ 2,644,519</u>

A. The ageing analysis of accounts receivable and notes receivable based on past due is as follows:

	December 31, 2019	December 31, 2018
Not past due	\$ 27,080,296	\$ 24,121,424
Between 1 and 90 days	84,908	205,009
Between 91 and 180 days	1,647	8,954
Over 180 days	1,811	2,896
	<u>\$ 27,168,662</u>	<u>\$ 24,338,283</u>

B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. In addition, as of January 1, 2018, the balance of receivables arising from contracts with customers amounted to \$30,670,120.

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

D. Please refer to Note 12(2) for the information of credit risk.

(4) Other receivables and prepayments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Other receivables</u>		
Business tax refundable	\$ 828,943	\$ 506,371
Interest income receivable	232,957	198,295
Guarantee deposits receivable	206,899	-
Others	<u>37,548</u>	<u>151,117</u>
	<u>\$ 1,306,347</u>	<u>\$ 855,783</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Prepayments</u>		
Excess business tax paid	\$ 2,029,571	\$ 2,940,840
Prepaid expenses	1,015,944	712,844
Others	<u>14,522</u>	<u>19,634</u>
	<u>\$ 3,060,037</u>	<u>\$ 3,673,318</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

	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for valuation losses</u>	<u>Carrying amount</u>
Raw materials	\$ 2,933,830	(\$ 224,729)	\$ 2,709,101
Work in process	2,306,804	(92,292)	2,214,512
Finished goods	<u>3,985,692</u>	<u>(392,443)</u>	<u>3,593,249</u>
	<u>\$ 9,226,326</u>	<u>(\$ 709,464)</u>	<u>\$ 8,516,862</u>
	<u>December 31, 2018</u>		
	<u>Cost</u>	<u>Allowance for valuation losses</u>	<u>Carrying amount</u>
Raw materials	\$ 2,305,687	(\$ 294,428)	\$ 2,011,259
Work in process	1,703,362	(79,178)	1,624,184
Finished goods	<u>6,706,002</u>	<u>(257,563)</u>	<u>6,448,439</u>
	<u>\$ 10,715,051</u>	<u>(\$ 631,169)</u>	<u>\$ 10,083,882</u>

Expenses and losses incurred on inventories for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31,	
	2019	2018
Cost of goods sold	\$ 93,384,113	\$ 91,634,709
Impairment losses	338,936	446,035
Losses on valuation of inventory	111,061	146,398
Income from sale of scraps and wastes	(988,611)	(375,209)
	<u>\$ 92,845,499</u>	<u>\$ 91,851,933</u>

(6) Financial assets at amortised cost

	December 31, 2019	December 31, 2018
Current items:		
Time deposits with maturity of over three months	\$ 955,852	\$ 6,658,081
Guaranteed income financial products	3,835,070	1,843,200
Corporate bonds	-	277,516
	<u>\$ 4,790,922</u>	<u>\$ 8,778,797</u>

- A. Please refer to Note 6(26) for interest income arising from financial assets at amortised cost recognised in profit or loss for the years ended December 31, 2019 and 2018.
- B. The Group has no financial assets at amortised cost pledged to others as collateral.
- C. Please refer to Note 12(2) for the information of credit risk.

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

	December 31, 2019	December 31, 2018
Equity instruments		
Unlisted stocks	\$ 257,184	\$ 120,992
Valuation adjustment	(57,197)	(68,671)
Net exchange differences	(6,183)	152
	<u>\$ 193,804</u>	<u>\$ 52,473</u>

- A. The Group has elected to classify the investments in Synpower Co., Ltd. and Jiangsu Aisen Semiconductor Material Co., Ltd. that are considered to be strategic investments 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 years ended December 31,	
	2019	2018
Equity instruments	\$ 11,474	(\$ 68,671)

- 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)	-	4,418,635	6,709,393	3,455,734	527,397	15,111,159
Disposals	-	(32,568)	(182,864)	(81,151)	-	(296,583)
Depreciation expense	-	(1,181,351)	(4,202,753)	(1,990,593)	-	(7,374,697)
Impairment losses	-	-	(1,428,715)	-	-	(1,428,715)
Net exchange differences	(7)	(518,754)	(674,337)	(280,902)	(207,717)	(1,681,717)
Closing net carrying amount	<u>\$ 51,068</u>	<u>\$ 13,419,200</u>	<u>\$ 20,242,510</u>	<u>\$ 7,185,907</u>	<u>\$ 5,343,928</u>	<u>\$ 46,242,613</u>
<u>At December 31, 2019</u>						
Cost	\$ 51,068	\$ 20,861,687	\$ 42,233,797	\$ 14,794,602	\$ 5,434,963	\$ 83,376,117
Accumulated depreciation and impairment	-	(7,442,487)	(21,991,287)	(7,608,695)	(91,035)	(37,133,504)
	<u>\$ 51,068</u>	<u>\$ 13,419,200</u>	<u>\$ 20,242,510</u>	<u>\$ 7,185,907</u>	<u>\$ 5,343,928</u>	<u>\$ 46,242,613</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)	-	1,774,444	6,771,750	3,151,900	2,132,977	13,831,071
Disposals	-	(76,166)	(77,654)	(40,330)	(31,606)	(225,756)
Depreciation expense	-	(1,124,495)	(4,096,691)	(1,518,465)	-	(6,739,651)
Impairment losses	-	(84,211)	(564,960)	-	(96,400)	(745,571)
Net exchange differences	78	(207,703)	(453,461)	(122,349)	(104,945)	(888,380)
Closing net carrying amount	<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>At December 31, 2018</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>

- A. The significant parts of the Group's buildings structures include main plants and auxiliary improvements, which are depreciated over 20~53 years and 5~10 years, respectively.
- B. The Group assesses recoverable amount of assets at the end of the reporting period based on fair value less selling cost and value-in-use calculations at discount rate of 8.02% and 5.03% respectively. Additionally, the fair value using market approach valuation technique considering replacement cost belongs to Level 3. Based on the aforementioned assessment, the Group recognised impairment losses on property, plant and equipment of \$1,428,715 and \$745,571 for the years ended December 31, 2019 and 2018, respectively. The amounts recognised in 2019 were shown within the 'operating costs' of \$338,936 and the 'other gains and losses' of \$1,089,779 while the amounts recognised in 2018 were shown within the 'operating costs' of \$446,035 and the 'other gains and losses' of \$299,536. The impairment losses belong to PCB segments.
- C. The Group has no property, plant and equipment pledged to others.

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

- A. The assets leased by the Group include land right-of-use, buildings and official vehicles. The Group's subsidiaries signed land right-of-use contracts with local governments whom the subsidiaries will return the right to when the contract expires. Except for the lease term of land right-of-use of 30 to 50 years, the remaining lease terms are between 2 and 8 years. The lease contracts are negotiated individually and contain various terms and conditions without other restrictions except for the leased assets restricted to pledge to others.
- B. The information of the carrying amount of the right-of-use assets and the recognition of depreciation expense are as follows:

	December 31, 2019	
	Carrying amount	
Land right-of-use	\$	7,799,693
Buildings		217,119
Transportation equipment (official vehicles)		18,838
	\$	8,035,650
	For the year ended December 31, 2019	
	Depreciation expense	
Land right-of-use	\$	252,932
Buildings		80,187
Transportation equipment (official vehicles)		16,582
	\$	349,701

- C. The acquisition of the right-of-use assets for the year ended December 31, 2019 amounted to \$739,816. As of December 31, 2019, there were land right-of-use contracts of \$719,677 in the process of registration between the subsidiaries of the Group and the local government.
- D. The Group recognised as rental expense for either the lease term of less than 12 months or leases

for which the underlying asset is of low value. The information on the lease contract affecting profit or loss is as follows:

	<u>For the year ended December 31, 2019</u>
<u>Items affecting current profit or loss</u>	
Interest expense from lease liabilities	\$ 8,531
Rental expenses for short-term lease contracts	\$ 326,640

E. The cash flows used in the lease payments of the Group for the year ended December 31, 2019 amounted to \$1,443,868.

F. The Group assesses recoverable amount of assets at the end of the reporting period based on fair value less selling cost. Additionally, the fair value using market approach valuation technique considering replacement cost belongs to Level 3. Based on the aforementioned assessment, the Group recognised impairment losses on right-of-use assets of \$18,530 for the year ended December 31, 2019. The impairment losses belong to PCB segments.

(10) Intangible assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Software	\$ 270,859	\$ 93,894
Goodwill	89,511	91,721
	<u>\$ 360,370</u>	<u>\$ 185,615</u>

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

(11) Other non-current assets

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Prepayments for business facilities	\$ 171,096	\$ 84,994
Refundable deposits	102,417	44,842
Long-term prepaid rent (Land right-of-use)	-	7,727,595
Others	163,631	179,774
	<u>\$ 437,144</u>	<u>\$ 8,037,205</u>

A. The Group's subsidiaries signed land right-of-use contracts with local governments whom the subsidiaries will return the right to when the contract expires. From January 1, 2019, the long-term prepaid rent reclassified to right-of-use assets is referred to Note 6(9).

B. The Group recognised rental expenses of \$158,965 for the year ended December 31, 2018.

(12) Non-current groups classified as held for sale

The assets and liabilities of Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd., which the Board of Directors approved to sell in order to optimise the deployment of resources and enhance management efficiency and operating performance of whole assets on December 27, 2019, were reclassified as disposal group classified as held for sale which belongs to PCB segment. The completion of the transaction is expected by the first half of 2020. As of December 31, 2019, the

assets and liabilities of the disposal group classified as held for sale amounted to \$161,211 and \$480,371, respectively.

A. Assets of disposal group classified as held for sale:

	December 31, 2019
Cash and cash equivalents	\$ 111,676
Others	49,535
Total	<u>\$ 161,211</u>

B. Liabilities related to non-current assets classified as held for sale:

	December 31, 2019
Accounts payable	\$ 395,481
Other payables	68,897
Others	15,993
Total	<u>\$ 480,371</u>

C. The impairment loss of the disposal group classified as held for sale, presented in property, plant and equipment and right-of-use assets, was measured at the lower of its carrying amount or fair value less costs to sell. Please refer to Note 12(3) for the information of fair value.

(13) Short-term borrowings

	December 31, 2019	December 31, 2018
Credit loans	<u>\$ 9,682,812</u>	<u>\$ 9,184,066</u>
Interest rate range	<u>2.17%~2.56%</u>	<u>2.23%~4.79%</u>

(14) Other payables

	December 31, 2019	December 31, 2018
Payable on machinery and equipment	\$ 3,927,125	\$ 4,190,436
Wages and bonuses payable	3,840,859	3,289,246
Payable on mold and jig	1,485,561	1,864,188
Repairs and maintenance fees payable	830,379	928,325
Payable on consumable goods	375,025	500,549
Others	1,990,571	2,573,778
	<u>\$ 12,449,520</u>	<u>\$ 13,346,522</u>

(15) Bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
2nd overseas unsecured convertible bonds:		
Bonds payable	\$ -	\$ 8,794,901
Less: Discount on bonds payable	<u>-</u>	<u>(95,582)</u>
	-	8,699,319
Less: Current portion of bonds payable (within ‘long-term liabilities, current portion’)	<u>-</u>	<u>(8,699,319)</u>
Bonds payable	<u>\$ -</u>	<u>\$ -</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 June 26, 2019, no bonds have been converted into ordinary shares, and 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, 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, rights and obligations of newly issued shares after conversion are the same as other issued ordinary share. As of June 26, 2019, the maturity date of convertible bonds, the Company's 2nd overseas unsecured convertible bonds with par value of USD 279,800 thousand were converted to ‘ordinary share’ of \$974,815 (97,481,528 shares) with a par value of \$10 (in New Taiwan dollars) and ‘capital surplus - additional paid-in capital arising from bond conversion’ of \$8,251,204 based on the conversion price on the conversion date. The remaining expired convertible bonds with par value of USD 4,700 thousand were redeemed at maturity.

(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 2nd overseas unsecured corporate bonds in 2014, the equity conversion options were separated from the liability component in accordance with IAS 32. As of June 26, 2017 and 2019, the Company's 2nd overseas unsecured corporate bonds with par value of USD 15,500 thousand and USD 4,700 thousand were redeemed, respectively, and recognised within 'capital surplus - expired share options' of \$45,401 and \$13,767, respectively.

(16) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	December 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.	\$ 8,994,000
Less: Syndicated loan arrangement fees		(13,116)
		<u>\$ 8,980,884</u>
Interest rate		<u>3.02%</u>

Type of borrowings	Borrowing period and repayment term	December 31, 2018
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>

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. As of December 31, 2019, the Company was in compliance with the terms of the syndicated loan agreement.

(17) Pensions

A. Defined benefit plans

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of funded defined benefit obligations	(\$ 3,927)	(\$ 3,911)
Fair value of plan assets	<u>16,469</u>	<u>15,741</u>
Net defined benefit asset (within "other non-current assets")	<u>\$ 12,542</u>	<u>\$ 11,830</u>

- (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 Taiwan subsidiary 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) Movements in net defined benefit assets are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
Balance at January 1, 2019	(\$ 3,911)	\$ 15,741	\$ 11,830
Interest (expense) income of net defined benefit asset	(29)	117	88
	(3,940)	15,858	11,918
Remeasurements:			
Return on plan assets (excluding aforementioned interest income or expense)	-	596	596
Change in demographic assumptions	(1)	-	(1)
Change in financial assumptions	(25)	-	(25)
Experience adjustments	39	-	39
	13	596	609
Pension fund contribution	-	15	15
Balance at December 31, 2019	(\$ 3,927)	\$ 16,469	\$ 12,542
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
Balance at January 1, 2018	(\$ 3,730)	\$ 15,114	\$ 11,384
Interest (expense) income of net defined benefit asset	(17)	103	86
	(3,747)	15,217	11,470
Remeasurements:			
Return on plan assets (excluding aforementioned interest income or expense)	-	509	509
Change in demographic assumptions	(1)	-	(1)
Experience adjustments	(163)	-	(163)
	(164)	509	345
Pension fund contribution	-	15	15
Balance at December 31, 2018	(\$ 3,911)	\$ 15,741	\$ 11,830

(c) The Bank of Taiwan was commissioned to manage the plan assets of the Fund for the Taiwan subsidiary's defined benefit pension plan in accordance with the Fund's annual investment

and utilisation plan and the ‘Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund’ (Article 6: the scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the amounts accrued from the local bank interest rates of two-year time deposits. If the earnings is inadequate, government shall make payment for the deficit after being authorised by the Taiwan Competent Authority. The Taiwan subsidiary has no right to participate in managing and operating the Fund and hence the Taiwan subsidiary is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. As of December 31, 2019 and 2018, the fair value of plan assets is given in the ‘Utilization Status of the Labor Funds’ announced by the local government.

(d) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2019	2018
Discount rate	0.65%	0.75%
Rate of future salary increase	2.00%	2.00%
Rate of employee turnover	0.43%	0.41%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

The analysis of the present value of defined benefit obligation due to the main actuarial assumption changes was as follows:

	Discount rate		Rate of future salary increase		Rate of employee turnover	
	Increase	Decrease	Increase	Decrease	110% of expected rate	90% of expected rate
	0.25%	0.25%	0.25%	0.25%		
<u>December 31, 2019</u>						
Increase (decrease) in present value of defined benefit obligations	(\$ 64)	\$ 66	\$ 65	(\$ 63)	\$ -	\$ -
<u>December 31, 2018</u>						
Increase (decrease) in present value of defined benefit obligations	(\$ 65)	\$ 68	\$ 67	(\$ 65)	\$ -	\$ -

The aforementioned sensitivity analysis was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change simultaneously. The method of analysing sensitivity is the same as the calculating method of net pension assets in the balance sheet.

- (e) Expected contributions to the defined benefit pension plans of the Group are \$52 for the year ended December 31, 2020.

B. Defined contribution plan

- (a) Effective July 1, 2005, the Taiwan subsidiaries of the Group have 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 \$31,221 and \$24,991 for the years ended December 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 \$1,037,821, and \$962,727 for the years ended December 31, 2019 and 2018, respectively.

(18) 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) A restricted stock has 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 by the Group at the lower of the investment amount or the carrying amount of net 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 employee restricted stocks are as follows (in thousand shares):

	For the years ended December 31,	
	2019	2018
Outstanding at January 1	185,080	185,080
Numbers granted during the years	-	-
Numbers returned during the years	(1,808)	-
Outstanding at December 31	<u>183,272</u>	<u>185,080</u>

C. Expenses incurred on share-based payment transactions are shown below:

	For the years ended December 31,	
	2019	2018
Expenses incurred on employee restricted stocks	<u>\$ 140,736</u>	<u>\$ 124,796</u>

(19) Share capital

A. As of December 31, 2019, the Company's authorised capital was \$16,000,000, and the issued capital is \$9,022,299, consisting of 902,230 thousand shares of ordinary share with a par value of \$10 (in New Taiwan dollars) per share.

Reconciliation between the beginning and the ending of the Company's ordinary shares outstanding is as follows:

	For the years ended December 31,	
	2019	2018
	Number of shares (shares in thousands)	Number of shares (shares in thousands)
At January 1	804,748	804,748
Conversion of overseas convertible bonds	97,482	-
At December 31	902,230	804,748

B. The 2nd overseas unsecured convertible bonds with par value of USD 279,800 thousand were converted to ‘ordinary share’ of 97,482 thousand shares with a par value of \$10 in New Taiwan dollars, and the paid-in capital increased \$974,815 for the year ended December 31, 2019.

(20) Capital surplus

	For the year ended December 31, 2019					
	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bond 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	-	-	-	-	102,485	102,485
Redemption of bonds payable	-	8,251,204	(833,332)	13,767	-	7,431,639
At December 31	<u>\$ 5,690,348</u>	<u>\$ 13,624,555</u>	<u>\$ -</u>	<u>\$ 59,426</u>	<u>\$ 10,160,452</u>	<u>\$ 29,534,781</u>

	For the year ended December 31, 2018					
	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bond 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	-	-	-	-	96,645	96,645
Changes in non- controlling interests	-	-	-	-	7,052,714	7,052,714
At December 31	<u>\$ 5,690,348</u>	<u>\$ 5,373,351</u>	<u>\$ 833,332</u>	<u>\$ 45,659</u>	<u>\$ 10,057,967</u>	<u>\$ 22,000,657</u>

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(15) for capital surplus - share options, capital surplus - expired share options and capital surplus - additional paid-in capital arising from bond conversion.

(21) 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 Company's dividend policy and approved by the shareholders.

- B. The appropriations of 2018 and 2017 earnings have been approved by the shareholders during their meeting on June 21, 2019 and June 4, 2018, respectively. Details are summarised as follows:

	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>	

On March 30, 2020, the Board of Directors proposed for the appropriation of cash dividends from 2019 earnings amounting to \$4,060,034 at \$4.50 in New Taiwan dollars per share.

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(25).

(22) Other equity interest

	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	14,684	-	14,684
Currency translation differences:			
–Group	-	(2,081,075)	(2,081,075)
At December 31, 2019	<u>(\$ 53,987)</u>	<u>(\$ 4,960,710)</u>	<u>(\$ 5,014,697)</u>

	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	(68,671)	-	(68,671)
Currency translation differences:			
–Group	-	(1,161,722)	(1,161,722)
At December 31, 2018	(\$ 68,671)	(\$ 2,879,635)	(\$ 2,948,306)

(23) Operating revenue

	For the years ended December 31,	
	2019	2018
Revenue from contracts with customers	\$ 120,067,508	\$ 117,912,881

The Group derives revenue from the transfer of goods and services at a point in time. Please refer to Note 14(5) for the Group's geographical revenue based on the countries where customers are located.

(24) Expenses by nature

	For the years ended December 31,	
	2019	2018
Employee benefit expense	\$ 16,544,669	\$ 14,504,787
Depreciation expense	7,724,398	6,739,651
Amortisation expense	230,630	80,090
	\$ 24,499,697	\$ 21,324,528

The employee benefit expense includes pension gains of \$88 and \$86 which are shown within 'other gains and losses' for the years ended December 31, 2019 and 2018, respectively.

(25) Employee benefit expense

	For the years ended December 31,	
	2019	2018
Wages and salaries	\$ 13,356,823	\$ 11,627,893
Employees' remuneration	75,057	77,339
Labor and health insurance fees	594,581	510,151
Pension expenses	1,068,954	987,632
Other personnel expenses	1,449,254	1,301,772
	\$ 16,544,669	\$ 14,504,787

A. In accordance with the Company's Articles of Incorporation, the Company shall distribute employees' 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 years ended December 31, 2019 and 2018, employees' remunerations were accrued of \$75,057 and \$77,339, respectively; while directors' remunerations were accrued of \$10,500 and \$10,500, 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.

(26) Other income

	For the years ended December 31,	
	2019	2018
Interest income		
Interest income from bank deposits	\$ 928,582	\$ 467,294
Interest income from financial assets at amortised cost	316,835	593,416
Government grant revenue	699,025	531,158
Others	83,815	76,728
	<u>\$ 2,028,257</u>	<u>\$ 1,668,596</u>

(27) Other gains and losses

	For the years ended December 31,	
	2019	2018
Net currency exchange gains (losses)	\$ 20,191	(\$ 394,411)
Net gains on financial assets at fair value through profit or loss	9,697	15,139
Net losses on disposal of property, plant and equipment	(65,454)	(165,887)
Impairment loss on property, plant and equipment	(1,089,779)	(299,536)
Others	(65,614)	(76,686)
	<u>(\$ 1,190,959)</u>	<u>(\$ 921,381)</u>

(28) Finance costs

	For the years ended December 31,	
	2019	2018
Interest expense		
Bank borrowings	\$ 622,077	\$ 724,371
Amortisation of convertible bond discounts	48,862	187,617
Amortisation of syndicated loan arrangement fees	7,728	14,283
Interest expense from lease liabilities	8,531	-
Total	<u>\$ 687,198</u>	<u>\$ 926,271</u>

(29) Income tax

A. Components of income tax expense

	For the years ended December 31,	
	2019	2018
Current tax:		
Tax payable arising from the current period	\$ 2,983,083	\$ 2,984,413
Adjustments in respect of prior years	(135,815)	(74,541)
Total current tax	<u>2,847,268</u>	<u>2,909,872</u>
Deferred tax:		
Origination and reversal of temporary differences	(297,977)	228,356
Effect from tax rate change	-	(8,161)
Total deferred tax	<u>(297,977)</u>	<u>220,195</u>
Income tax expense	<u>\$ 2,549,291</u>	<u>\$ 3,130,067</u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 2,522,065	\$ 2,305,962
Effects from items unrecognised by tax regulations	137,373	266,756
Effects from adjustments in respect of prior years	(135,815)	(74,541)
Effect from tax rate change	-	(8,161)
Effects from re-evaluation of deferred tax liabilities	<u>25,668</u>	<u>640,051</u>
Income tax expense	<u>\$ 2,549,291</u>	<u>\$ 3,130,067</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

For the year ended December 31, 2019					
		Recognised	Recognised	Net	
	January 1	in profit	in other	exchange	December 31
		or loss	comprehensive	differences	
			income		
Temporary differences:					
-Deferred tax assets:					
Allowance for inventory valuation loss	\$ 71,119	\$ 32,016	\$ -	\$10,916	\$ 114,051
Wages and bonuses payable	168,501	146,946	-	13,151	328,598
Impairment loss on property, plant and equipment	102,992	(94,693)	-	(324)	7,975
Unrealised profit from sales in respect of inventory	316,954	(99,809)	-	(6,739)	210,406
Others	<u>364,925</u>	<u>444,052</u>	<u>-</u>	<u>(61,969)</u>	<u>747,008</u>
Subtotal	<u>1,024,491</u>	<u>428,512</u>	<u>-</u>	<u>(44,965)</u>	<u>1,408,038</u>
-Deferred tax liabilities:					
Taxable difference arising from property, plant and equipment	(326,139)	(150,573)	-	4,980	(471,732)
Remeasurement of defined benefit obligations	(402)	(24)	(122)	-	(548)
Others	<u>(531,103)</u>	<u>20,062</u>	<u>-</u>	<u>10,529</u>	<u>(500,512)</u>
Subtotal	<u>(857,644)</u>	<u>(130,535)</u>	<u>(122)</u>	<u>15,509</u>	<u>(972,792)</u>
Total	<u>\$ 166,847</u>	<u>\$ 297,977</u>	<u>(\$ 122)</u>	<u>(\$29,456)</u>	<u>\$ 435,246</u>

For the year ended December 31, 2018					
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Net exchange differences	December 31
Temporary differences:					
-Deferred tax assets:					
Allowance for inventory valuation loss	\$ 67,295	\$ 5,328	\$ -	(\$ 1,504)	\$ 71,119
Wages and bonuses payable	120,672	51,345	-	(3,516)	168,501
Impairment loss on property, plant and equipment	92,722	12,499	-	(2,229)	102,992
Unrealised profit from sales in respect of inventory	226,241	85,016	-	5,697	316,954
Others	<u>318,981</u>	<u>53,397</u>	<u>-</u>	<u>(7,453)</u>	<u>364,925</u>
Subtotal	<u>825,911</u>	<u>207,585</u>	<u>-</u>	<u>(9,005)</u>	<u>1,024,491</u>
-Deferred tax liabilities:					
Taxable difference arising from property, plant and equipment	-	(332,398)	-	6,259	(326,139)
Remeasurement of defined benefit obligations	(266)	124	(260)	-	(402)
Others	<u>(422,941)</u>	<u>(95,506)</u>	<u>-</u>	<u>(12,656)</u>	<u>(531,103)</u>
Subtotal	<u>(423,207)</u>	<u>(427,780)</u>	<u>(260)</u>	<u>(6,397)</u>	<u>(857,644)</u>
Total	<u>\$ 402,704</u>	<u>(\$ 220,195)</u>	<u>(\$ 260)</u>	<u>(\$15,402)</u>	<u>\$ 166,847</u>

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Deductible temporary differences	<u>\$ 7,694,382</u>	<u>\$ 6,311,452</u>
Tax effect	<u>\$ 1,923,595</u>	<u>\$ 1,577,863</u>

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

F. The income tax returns of the Group's subsidiary, Garuda Technology Co., Ltd., through 2017

have been assessed and approved by the Tax Authority.

G. 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.

(30) Earnings per share

	For the year ended December 31, 2019		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in New Taiwan dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 8,685,202	874,836	\$ 9.93
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 8,685,202	874,836	
Assumed conversion of all dilutive potential ordinary shares			
Employees' remuneration	-	724	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	\$ 8,685,202	875,560	\$ 9.92

For the year ended December 31, 2018			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in New Taiwan dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 8,447,792	804,748	\$ 10.50
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 8,447,792	804,748	
Assumed conversion of all dilutive potential ordinary shares			
Overseas convertible bonds	187,617	99,119	
Employees' bonus	-	1,217	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	\$ 8,635,409	905,084	\$ 9.54

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.

(31) Transactions with non-controlling interest

- A. The Company's subsidiary, Avary Holding (Shenzhen) Co., Limited, issued new shares on September 11, 2018. The Group did not subscribe for the issuance of new shares in percentage of its ownership ratio, thus the Group decreased its ownership ratio by 8.09%. The transaction increased non-controlling interest by \$9,102,166. Meanwhile, the equity attributable to owners of parent increased by \$7,052,714.
- B. The effect of the equity attributable to owners of parent of the Group for the year ended December 31, 2018 is shown below:

	For the year ended December 31, 2018
Issuance of common stock by subsidiaries	\$ 16,154,880
Increase in the carrying amount of non-controlling interests	(9,102,166)
Effects of the equity attributable to owners of parent	\$ 7,052,714
Adjustments on the equity attributable to owners of parent	
Capital surplus-changes in non-controlling interests	\$ 7,052,714

(32) Additional information of cash flows

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2019	2018
Acquisition of property, plant and equipment	\$ 15,111,159	\$ 13,831,071
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')	(3,927,125)	(4,190,436)
Reclassified as held for sale	(27,255)	-
Net exchange differences	(152,103)	(82,192)
Cash paid during the period	\$ 15,195,112	\$ 12,625,121

	For the years ended December 31,	
	2019	2018
Acquisition of land right-of-use	\$ 719,677	\$ 3,897,344
Add: Opening balance of payable on land right-of-use (within 'other payables')	292,776	-
Less: Ending balance of payable on land right-of-use (within 'other payables')	-	(292,776)
Net exchange differences	3,107	(5,619)
Cash paid during the period	\$ 1,015,560	\$ 3,598,949

B. Financing activities without cash flow effects

	For the year ended December 31, 2019
Convertible bonds converted to ordinary share	\$ 974,815
Capital surplus	
Additional paid-in capital arising from bond conversion	8,251,204
Share options	(819,565)
Convertible bonds converted to equity	\$ 8,406,454

C. Changes in liabilities from financing activities

For the years ended December 31, 2019 and 2018, the changes of the Group in liabilities arising from financing activities were the changes in not only financing cash flow but also exchange rate, and were not the changes in non-cash items. Please refer to consolidated statements of cash flows.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties and relationship</u>	<u>Relationship with the Company</u>
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	The entity has significant influence over the Group
CyberTAN Technology Inc. and its subsidiaries	Other related parties
Foxconn Interconnect Technology Limited and its subsidiaries	Other related parties
General Interface Solution Holding Limited and its subsidiaries	Other related parties

(2) Significant related party transactions and balances

A. Sales

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Sales of goods:		
Entity with significant influence over the Company	\$ 7,348,959	\$ 6,494,871
Other related parties	<u>1,081,932</u>	<u>1,492,554</u>
	<u>\$ 8,430,891</u>	<u>\$ 7,987,425</u>

Unless there are similar transactions, the prices and terms were determined in accordance with mutual agreements. Otherwise, the sales prices and credit terms to related parties were similar to third parties. The normal credit term is around 1 to 4 months.

B. Purchases

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Purchases of goods:		
Entity with significant influence over the Company	\$ 907,573	\$ 829,169
Other related parties	<u>1,405,211</u>	<u>1,913,788</u>
Total	<u>\$ 2,312,784</u>	<u>\$ 2,742,957</u>

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.

C. Accounts receivable:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable - related parties:		
Entity with significant influence over the Company	\$ 2,587,592	\$ 2,409,295
Other related parties	<u>245,607</u>	<u>257,455</u>
	2,833,199	2,666,750
Allowance for bad debts	(5,090)	(22,231)
Total	<u>\$ 2,828,109</u>	<u>\$ 2,644,519</u>

D. Accounts payable:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable - related parties:		
Entity with significant influence over the Company	\$ 122,034	\$ 139,496
Other related parties	<u>456,976</u>	<u>883,145</u>
	<u>\$ 579,010</u>	<u>\$ 1,022,641</u>

(3) Key management remuneration

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	<u>\$ 236,371</u>	<u>\$ 187,757</u>

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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment	<u>\$ 323,591</u>	<u>\$ 2,817,011</u>

B. Operating lease agreement

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

	<u>December 31, 2018</u>
Within one year	\$ 155,534
Between one and five year(s)	<u>286,722</u>
	<u>\$ 442,256</u>

Since January 1, 2019, the Group has adopted IFRS 16 to recognise the lease contracts as right-

of-use asset and lease liability in accordance with the standards, IFRIC interpretations and SIC interpretations. Please refer to Note 6(9) for details. The lease contracts of the short-term leases were within one year.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unused letters of credit	\$ 1,946,326	\$ 1,152,059

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- A. As of March 30, 2020, the Group has taken countermeasures against the COVID-19 pandemic, which occurred in the beginning of 2020. The subsidiaries in Mainland China have resumed production gradually in February 2020, and the Group has coordinated with customers and suppliers to adjust the shipping schedule. The pandemic may affect the Group's operations; however, the actual impact will depend on the subsequent situation of the pandemic.
- B. On March 10, 2020, the Board of Directors of the Group approved to acquire all ownership of Boardtek Electronics Corporation through share exchange in order to not only strengthen Zhen Ding's technique in the field of automotive and high-frequency but also take the complementary advantage of bilateral technology development and product scope. This will deepen the Group's cooperation with the worldwide automotive and communication manufacturers, promote the performance of sales and profit, enhance shareholders' equity, and bring positive benefits to bilateral customers, employees and shareholders. The effective date for the above share exchange is set temporarily on November 11, 2020.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to 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 capital structure.

(2) Financial instruments

- A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at amortised cost	\$ 71,465,606	\$ 75,133,566
Financial assets at fair value through profit or loss	-	3,437
Financial assets at fair value through other comprehensive income	193,804	52,473
	<u>\$ 71,659,410</u>	<u>\$ 75,189,476</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	\$ 45,710,492	\$ 58,615,242
Lease liabilities	239,407	-
	<u>\$ 45,949,899</u>	<u>\$ 58,615,242</u>

Note : Financial assets at amortised cost including cash and cash equivalents, accounts receivable (including due from related parties), other receivables and other current assets; financial liabilities at amortised cost including short-term borrowings, accounts payable (including to related parties), other payables, long-term liabilities current portion, long-term borrowings, bond 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 the 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 through internal controls 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 potential 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)	December 31, 2019			For the year ended December 31, 2019	
	Foreign currency amount	Exchange rate	Carrying amount	Sensitivity analysis	
	(In thousands)		(In thousands of NTD)	Degree of variation	Effect on comprehensive income
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	331,789	29.98	\$ 9,947,034	1%	\$ 99,470
USD:RMB	1,262,335	6.9762	37,911,126	1%	379,111
<u>Net effect in consolidated entities with foreign currency</u>					
USD:NTD	2,536,935	29.98	76,057,311	1%	760,573
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	220,978	29.98	6,624,920	1%	66,249
USD:RMB	823,355	6.9762	24,727,442	1%	247,274
JPY:RMB	4,440,833	0.0641	1,225,181	1%	12,252

(Foreign currency: functional currency)	December 31, 2018			For the year ended December 31, 2018	
	Foreign currency amount	Exchange rate	Carrying amount	Sensitivity analysis	
	(In thousands)		(In thousands of NTD)	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

- v. Please refer to Note 6(26) 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 years ended December 31, 2019 and 2018.

Interest rate risk for cash flow and fair value

The Group's interest rate risk 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 \$46,692 and \$46,000 for the years ended December 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 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 a 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) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- iv. The default occurs when the contract payments 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 instruments classified as financial assets at amortised cost have low credit risk, and the carrying amount is measured as the expected credit loss for the 12 months following the balance sheet date.

Accounts receivable (including due 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 occurred to certain customers.
 - 2. Classify 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 December 31, 2019 and 2018, the individual provision for impairment of

accounts receivable using loss rate methodology or provision matrix is as follows:

	<u>Individual</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 3</u>	<u>Group 4</u>	<u>Total</u>
<u>As of December 31, 2019</u>						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total carrying amount	\$ -	\$ 16,319,559	\$ 6,642,699	\$ 662,031	\$ 3,544,373	\$ 27,168,662
Loss allowance	\$ -	(\$ 4,896)	(\$ 4,650)	(\$ 3,310)	(\$ 68,156)	(\$ 81,012)
	<u>Individual</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 3</u>	<u>Group 4</u>	<u>Total</u>
<u>As of December 31, 2018</u>						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total carrying amount	\$ -	\$ 17,427,762	\$ 3,766,937	\$ -	\$ 3,143,584	\$ 24,338,283
Loss allowance	\$ -	(\$ 5,228)	(\$ 2,637)	\$ -	(\$ 54,039)	(\$ 61,904)

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) are as follows:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Opening balance	61,904	49,182
Provision for impairment	20,943	11,873
Net exchange differences	(1,835)	849
Ending balance	<u>\$ 81,012</u>	<u>\$ 61,904</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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Expiring within one year	\$ 34,800,762	\$ 35,316,650
Expiring over one year	11,343,144	5,233,200
	<u>\$ 46,143,906</u>	<u>\$ 40,549,850</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>December 31, 2019</u>	<u>Within one year</u>	<u>Over one year</u>	<u>Total</u>
Long-term borrowings	\$ -	\$ 8,994,000	\$ 8,994,000
Guarantee deposits received	-	179,511	179,511
Lease liabilities	95,128	156,246	251,374
	<u>\$ 95,128</u>	<u>\$ 9,329,757</u>	<u>\$ 9,424,885</u>

Non-derivative financial liabilities:

<u>December 31, 2018</u>	<u>Within 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>

- 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 will 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) Information on fair value

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:

Level1: 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 those listed in the following table, the carrying amounts of the Group's financial instruments not measured at fair value approximate to their fair values, including cash and cash equivalents, financial assets at amortised cost—the deposits with maturity of over 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 to related parties), other payables, lease liabilities, and long-term borrowings:

	December 31, 2019			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Guarantee deposits received	<u>\$ 179,511</u>	<u>\$ -</u>	<u>\$ 179,135</u>	<u>\$ -</u>

	December 31, 2018			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets:				
Financial assets at amortised cost - corporate bond	\$ 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	\$ -

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

- i. Financial assets at amortised cost - corporate bond: the fair value is the quoted price in active market.
- ii. Bonds payable: Regarding the convertible bonds issued by the 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 and non-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:

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ 193,804	\$ 193,804
<u>Non-recurring fair value measurements</u>				
Non-current assets classified as held for sale	\$ -	\$ -	\$ 161,211	\$ 161,211

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>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

(b) The methods and assumptions that the Group used to measure 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 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 movements on Level 3 for the years ended December 31, 2019 and 2018 are as follows:

	For the years ended December 31,	
	2019	2018
Opening balance	\$ 52,473	\$ 120,992
Acquisition of financial assets at fair value through other comprehensive income	136,192	-
Unrealised gains (losses) from financial assets at fair value through other comprehensive income	11,474	(68,671)
Net exchange differences	(6,335)	152
Ending balance	<u>\$ 193,804</u>	<u>\$ 52,473</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 December 31, 2019	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	\$ 75,783	Market comparable companies	Enterprise value to EBIT multiple Price to net value multiple	9.40~33.88 [10.01] 1.19~8.41 [1.83]	The higher the EBIT, the higher the fair value The higher the net value, the higher the fair value
Unlisted shares	\$ 118,021	Market comparable companies	Enterprise value to EBIT multiple	38.63~66.14 [50.30]	The higher the EBIT, the higher the fair value
Non-current assets classified as held for sale:					
Right-of-use assets	\$ 10,302	Market approach/ Replaced cost approach	Not applicable	Not applicable	Not applicable

	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 Price to net value multiple	8.69~14.68 [10.29] [1.53]	The higher the EBIT, the higher the fair value The higher the net value, 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 year ended December 31, 2019	
		Recognised in other comprehensive income	
	Input	Change	Favourable change Unfavourable change
Financial assets			
Equity instrument	\$ 193,804	±1%	\$ 1,938 (\$ 1,938)
		For the year ended December 31, 2018	
		Recognised in other comprehensive income	
	Input	Change	Favourable change Unfavourable change
Financial assets			
Equity instrument	\$ 52,473	±1%	\$ 525 (\$ 525)

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2019 and 2018, there was no transfer 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: Please refer to table 2.

C. Holding of marketable securities at the end of the period (excluding the investment in subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated amount exceeding 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. Purchases or sales of goods from or to related parties reaching NT \$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching NT \$100 million or 20% of paid-in capital or more: Please refer to table 5.

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 6.

(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 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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 years ended December 31,	
	2019	2018
Revenue from external customers	\$ 120,043,667	\$ 117,880,277
Inter-segment revenue	-	-
Segments' revenue	\$ 120,043,667	\$ 117,880,277
Measure of segment profit	\$ 13,828,045	\$ 13,636,827

(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 years ended December 31,	
	2019	2018
Reportable segment's revenue	\$ 120,043,667	\$ 117,880,277
Other operating segments' revenue	23,841	32,604
Total segment revenue (i.e., the consolidated revenue)	<u>\$ 120,067,508</u>	<u>\$ 117,912,881</u>

	For the years ended December 31,	
	2019	2018
Reportable segment's profit	\$ 13,828,045	\$ 13,636,827
Other operating segments' profit	(678)	4,049
Total segment profit	13,827,367	13,640,876
Interest income and finance costs	558,219	134,439
Net foreign exchange gains (losses)	20,191 (	394,411)
Net gains on financial assets at fair value through profit or loss	9,697	15,139
Others	(2,013,857)	(1,859,548)
Profit (losses)	<u>\$ 12,401,617</u>	<u>\$ 11,536,495</u>

(4) Information on products and services

Revenues from external customers are primarily from the manufacturing of PCB products as follows:

	For the years ended December 31,	
	2019	2018
Revenues from the manufacturing PCB products	<u>\$ 120,067,508</u>	<u>\$ 117,912,881</u>

(5) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	For the years ended December 31,			
	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
U.S.A	\$ 78,179,028	\$ -	\$ 81,805,602	\$ -
Mainland China	28,111,801	54,580,460	23,946,317	49,821,664
Taiwan	6,994,641	326,731	5,637,193	222,601
Singapore	1,932,194	-	1,040,406	-
Others	4,849,844	168,586	5,483,363	91,721
Total	<u>\$ 120,067,508</u>	<u>\$ 55,075,777</u>	<u>\$ 117,912,881</u>	<u>\$ 50,135,986</u>

The Group's geographical revenue based on the countries where customers are located. Non-current assets are property, plant, equipment, right-of-use assets, intangible assets and other non-current assets.

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2019 and 2018 is as follows:

For the years ended December 31,				
2019			2018	
	Revenue	Segment	Revenue	Segment
Company B	\$ 77,134,598	Manufacturing of PCB products	\$ 81,779,622	Manufacturing of PCB products
Company A	7,369,127	Manufacturing of PCB products	6,494,871	Manufacturing of PCB products
	<u>\$ 84,503,725</u>		<u>\$ 88,274,493</u>	

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

LOANS TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2019 (Note 3)	Balance at December 31, 2019 (Note 4)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
													Item	Value			
0	The Company	Monterey Park Finance Limited	Other receivables	Yes	\$ 599,600	\$ 599,600	\$ -	-	Short-term financing	\$ -	Operation requirements	\$ -	None	\$ -	\$ 26,863,881	\$ 26,863,881	
0	The Company	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	299,800	299,800	-	-	Short-term financing	-	Operation requirements	-	None	-	26,863,881	26,863,881	
1	FAT Holdings Limited	Monterey Park Finance Limited	Other receivables	Yes	719,520	719,520	-	-	Short-term financing	-	Operation requirements	-	None	-	3,719,648	5,207,508	
1	FAT Holdings Limited	Henley International Limited	Other receivables	Yes	599,600	599,600	-	-	Short-term financing	-	Operation requirements	-	None	-	3,719,648	5,207,508	
2	Mayco Industrial Limited	The Company	Other receivables	Yes	4,916,720	4,916,720	1,169,220	3.30%	Short-term financing		Operation requirements	-	None	-	302,169,779	423,037,691	
2	Mayco Industrial Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	1,199,200	1,199,200	599,600	3.1%~3.3%	Short-term financing	-	Operation requirements	-	None	-	302,169,779	423,037,691	
3	Pacific Fair International Limited	The Company	Other receivables	Yes	2,698,200	2,698,200	2,548,300	3.30%	Short-term financing	-	Operation requirements	-	None	-	46,615,904	65,262,265	
4	Monterey Park Finance Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	1,199,200	1,199,200	-	-	Short-term financing	-	Operation requirements	-	None	-	366,692,496	513,369,494	

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2019 (Note 3)	Balance at December 31, 2019 (Note 4)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
													Item	Value			
5	Garuda International Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	\$ 1,499,000	\$ 1,499,000	\$ -	-	Short-term financing	\$ -	Operation requirements	-	None	-	\$ 15,397,349	\$ 21,556,288	
5	Garuda International Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Other receivables	Yes	1,499,000	1,499,000	-	-	Short-term financing	-	Operation requirements	-	None	-	15,397,349	21,556,288	
5	Garuda International Limited	AVARY SINGAPORE PRIVATE LIMITED	Other receivables	Yes	449,700	449,700	299,860	2.90%	Short-term financing	-	Operation requirements	-	None	-	15,397,349	21,556,288	
6	Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Other receivables	Yes	3,444,000	3,444,000	-	-	Short-term financing	-	Operation requirements	-	None	-	34,120,419	34,120,419	
6	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Other receivables	Yes	17,220,000	17,220,000	4,455,675	4.15%~4.35%	Short-term financing	-	Operation requirements	-	None	-	34,120,419	34,120,419	
6	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	5,166,000	5,166,000	3,377,273	4.15%~4.35%	Short-term financing	-	Operation requirements	-	None	-	34,120,419	34,120,419	
6	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industrial (Shenzhen) Co., Ltd	Other receivables	Yes	861,000	861,000	228,165	4.35%	Short-term financing	-	Operation requirements	-	None	-	34,120,419	34,120,419	
6	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	10,762,500	10,762,500	2,096,535	4.15%~4.35%	Short-term financing	-	Operation requirements	-	None	-	34,120,419	34,120,419	

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
					December 31, 2019	December 31, 2019											
					(Note 3)	(Note 4)							Item	Value			
6	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	\$ 2,152,500	\$ 2,152,500	\$ 684,495	4.15%~4.35%	Short-term financing	\$ -	Operation requirements	\$ -	None	\$ -	\$ 34,120,419	\$ 34,120,419	
6	Avary Holding (Shenzhen) Co., Limited	Kui Sheng Technology (Shenzhen) Limited	Other receivables	Yes	344,400	344,400	-	-	Short-term financing	-	Operation requirements	-	None	-	34,120,419	34,120,419	

Note 1: The total loans of the Company and subsidiaries granted to others is limited to 50% of the Company's net asset based on the latest audited or reviewed consolidated financial statements, and:

- (a) Total financial limit on loans granted to the companies having business relationship with the Company is 10% of the Company's net assets, financial limit on loans granted to a single party is the higher value of purchasing and selling during current year on the year of financing and 10% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.
- (b) Limit on total loans to parties with short-term financing is 40% of the Company's net asset; but limit on loans to a single party is 40% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

Note 2: limit on loans granted by a listed subsidiary to a single listed subsidiary of which the Company directly or indirectly holds 100% of its voting shares, or limit on loans to the Company granted by a listed foreign subsidiary which the Company directly or indirectly holds 100% of its voting share, are not restricted to the limit on loans of 40% of the Company's net assets.

In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", limit on total loans granted by a listed subsidiary to listed subsidiaries of which the Company directly or indirectly holds 100% of its voting shares, or limit on total loans to the Company granted by listed foreign subsidiaries which the Company directly or indirectly holds 100% of its voting share are 700% of the Company's net asset based on the latest audited or reviewed consolidated financial statements. In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", limit on loans granted by a listed subsidiary to a single listed subsidiary of which the Company directly or indirectly holds 100% of its voting shares, or limit on loans to the Company granted by a listed foreign subsidiary which the Company directly or indirectly holds 100% of its voting share are 500% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

Note 3: The maximum outstanding balance of loans to others for the year ended the balance sheet date.

Note 4: The credit line to this company was approved by the Board of Directors.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
PROVISION OF ENDORSEMENTS AND GUARANTEES TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount for the year ended December 31, 2019 (Note 5)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 6)	Actual amount drawn down (Note 7)	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 8)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 8)	Provision of endorsements/ guarantees to the party in Mainland China (Note 8)	Footnote
0	Zhen Ding Technology Holding	Qi Ding Technology Qinhuangdao Co., Ltd.	2	\$ 6,715,970	\$ 599,600	\$ 599,600	\$ -	\$ -	0.89%	\$ 67,159,702	Y	N	Y	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: The limit on endorsements / guarantees provided to a single entity: The limit on endorsements / guarantees provided to a single entity is 10% of the net assets of the parent company.

Note 4: The total amount of endorsements/ guarantees: The total amount of endorsements/ guarantees provide to others by the Company is limited to 100% of net assets of the parent company.

Note 5: The year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 6: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities.
And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 7: The actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 8: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

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)

DECEMBER 31, 2019

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 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	2,200,000	\$ 75,783	9.02%	\$ 75,783	
Avary Holding (Shenzhen) Co., Limited	Jiangsu Aisen Semiconductor Material Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	2,600,000	118,021	4.26%	118,021	

Note 1: In accordance with IAS 39, 'Financial instruments: recognition and measurement', 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

PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES REACHING NT \$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE

FOR THE YEAR ENDED DECEMBER 31, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

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 (sales)	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	\$ 43,236,869	73	60 days from the shipping date	Note 2	Note 2	\$ 9,849,714	60	
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	12,856,172	22	60 days from the shipping date	Note 2	Note 2	5,237,788	32	
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	1,126,063	45	60 days from the shipping date	Note 2	Note 2	44,445	40	
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	1,184,211	47	60 days from the shipping date	Note 2	Note 2	53,177	48	
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	108,312	4	60 days from the shipping date	Note 2	Note 2	314	-	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	34,378,822	90	60 days from invoice date	Note 2	Note 2	10,190,386	94	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	3,734,198	10	90 days from invoice date	Note 2	Note 2	500,483	5	

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 (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	\$ 249,737	1	60 days from invoice date	Note 2	Note 2	\$ 165,088	2	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	3,386,791	73	60 days from the shipping date	Note 2	Note 2	543,329	61	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	482,089	10	60 days from the shipping date	Note 2	Note 2	57,050	6	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	338,556	7	30 days from the shipping date	Note 2	Note 2	78,238	9	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	462,218	10	30 days from the shipping date	Note 2	Note 2	216,584	24	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	33,317,362	93	60 days from invoice date	Note 2	Note 2	6,109,670	87	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	1,839,825	5	60 days from the shipping date	Note 2	Note 2	573,454	8	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	232,445	1	90 days from the shipping date	Note 2	Note 2	90,617	1	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	194,043	1	30 days from invoice date	Note 2	Note 2	110,704	2	

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 (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	An indirect wholly-owned subsidiary	Sales	\$ 966,308	66	60 days from the received date	Note 2	Note 2	\$ 244,144	53	
Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	1,256,756	100	60 days from the received date	Note 2	Note 2	239,413	100	
Henley International Limited	Zhen Ding Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	975,313	100	90 days from the first day of next month of shipping	Note 2	Note 2	257,991	100	
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	15,412,236	13	90 days from the first day of next month of shipping	Note 2	Note 2	4,745,705	17	
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	865,529	1	90 days from the first day of next month of shipping	Note 2	Note 2	351,663	1	
Garuda International Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	584,994	-	90 days from the first day of next month of shipping	Note 2	Note 2	5,863	-	
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	9,155,950	8	90 days from the first day of next month of shipping	Note 2	Note 2	4,586,501	16	
Garuda International Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	7,308,738	6	90 days from the first day of next month of shipping	Note 2	Note 2	2,424,378	9	
Garuda International Limited	Interface Technology (Chengdu) Co., Ltd.	An investee company accounted for under the equity method of Hon Hai	Sales	405,844	-	60 days from the first day of next month of shipping	Note 2	Note 2	129,915	-	

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 (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Garuda International Limited	Foxconn Interconnect Technology Limited	An investee company accounted for under the equity method of Hon Hai	Sales	\$ 436,091	-	60 days from the first day of next month of receipt	Note 2	Note 2	\$ 118,043	-	

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

DECEMBER 31, 2019

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Receivables from related	Turnover	Overdue receivables		Amount collected	Allowance for
			parties as of December 31, 2019		Amount	Action taken	subsequent to the balance sheet date	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly-owned subsidiary	\$ 9,849,714	3	\$ -	-	\$ 2,803,214	\$ -
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	5,237,788	3	-	-	248	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	10,190,386	4	-	-	3,234,395	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	500,483	6	-	-	288,006	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	165,088	3	-	-	152,716	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	543,329	9	-	-	406,754	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	216,584	4	-	-	245,502	-
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	6,109,670	4	-	-	716,099	-

Creditor	Counterparty	Relationship	Receivables from related parties as of December 31,	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			2019		Amount	Action taken		
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	\$ 573,454	6	\$ -	-	\$ 82,201	\$ -
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	110,704	4	-	-	67,803	-
Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	An indirect wholly-owned subsidiary	244,144	5	13,855	Subsequent collection	194,640	-
Kui Sheng Technology (Shenzhen) Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	239,413	5	263,482	Subsequent collection	234,718	-
Henley International Limited	Zhen Ding Technology Co., Ltd.	An indirect wholly-owned subsidiary	257,991	5	-	-	257,984	-
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	4,745,705	3	8,423	Subsequent collection	-	-
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	An indirect wholly-owned subsidiary	351,663	3	-	-	-	-
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	4,586,501	2	229,835	Subsequent collection	1,029,761	-
Garuda International Limited	Interface Technology (Chengdu) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	129,915	9	877	Subsequent collection	-	-
Garuda International Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	2,424,378	3	7,634	Subsequent collection	578,067	-
Garuda International Limited	Foxconn Interconnect Technology Limited	An investee company accounted for under the equity method of Hon Hai	118,043	4	-	-	34,127	-

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 PERIOD
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
1	Mayco Industrial Limited	The Company	2	Other receivables	\$ 1,169,220	Note 5	1
1	Mayco Industrial Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	3	Other receivables	599,600	"	-
2	Pacific Fair International Limited	The Company	2	Other receivables	2,548,300	"	2
3	Garuda International Limited	Avary Singapore Private Limited	3	Other receivables	299,860	"	-
4	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industry (Shenzhen) Co., Ltd	3	Other receivables	228,165	"	-
4	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Other receivables	4,455,675	"	3
4	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Other receivables	3,377,273	"	2
4	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	2,096,535	"	1
4	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	684,495	"	-
4	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Sales	43,236,869	Note 8	36
4	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Accounts receivable	9,849,714	"	7
4	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Sales	12,856,172	"	11
4	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Accounts receivable	5,237,788	"	4
5	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Sales	1,126,063	"	1
5	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Garuda International Limited	3	Sales	1,184,211	"	1
5	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	108,312	"	-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Sales	\$ 34,378,822	"	29
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Accounts receivable	10,190,386	"	7
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	3,734,198	Note 11	3
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	500,483	"	-
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	249,737	Note 9	-
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	165,088	"	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	3,386,791	Note 8	3
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	543,329	"	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	482,089	Note 8	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	338,556	Note 9	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Sales	462,218	Note 9	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Accounts receivable	216,584	"	-
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	33,317,362	Note 8	28
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	6,109,670	"	4
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Sales	232,445	Note 7	-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	\$ 194,043	Note 9	-
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	110,704	"	-
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	1,839,825	Note 8	2
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	573,454	"	-
9	Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	3	Sales	966,308	Note 10	1
9	Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	3	Accounts receivable	244,144	"	-
10	Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	1,256,756	"	1
10	Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	239,413	"	-
11	Henley International Limited	Zhen Ding Technology Co., Ltd.	3	Sales	975,313	Note 6	1
11	Henley International Limited	Zhen Ding Technology Co., Ltd.	3	Accounts receivable	257,991	"	-
12	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Sales	15,412,236	"	13
12	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	4,745,705	"	3
12	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Sales	865,529	"	1
12	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Accounts receivable	351,663	"	-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
12	Garuda International Limited	Garuda Technology Co., Ltd.	3	Sales	\$ 584,994	"	-
12	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Sales	9,155,950	"	8
12	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Accounts receivable	4,586,501	"	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 shipping 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
INFORMATION ON INVESTEEES (EXCLUDING THE INVESTEEES IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Footnote
				Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Carrying amount			
The Company	Monterey Park Finance Limited	British Virgin Islands	Investment holding	\$ 25,670,375	\$ 24,051,455	856,250,000	100	\$ 73,010,704	\$ 9,325,975	\$ 9,325,975	
The Company	Zhen Ding Technology Co., Ltd.	Taiwan	Trading	125,488	125,488	12,548,800	100	3,046,595 (	170,586) (	170,586)	
Monterey Park Finance Limited	Coppertone Enterprises Limited	British Virgin Islands	Investment holding	3,081,518	3,081,518	102,785,806	100	60,487,538	8,717,836	8,716,850	
Monterey Park Finance Limited	Pacific Fair International Limited	Hong Kong	Investment holding	8,199,530	8,199,530	2,133,300,000	100	9,323,181	950,276	950,276	
Monterey Park Finance Limited	Henley International Limited	Hong Kong	Trading	-	-	1	100	17,978	4,124	4,124	
Coppertone Enterprises Limited	Mayco Industrial Limited	Hong Kong	Investment holding	35,829,336	35,829,336	9,321,841,932	100	60,433,956	8,717,902	8,717,902	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited	Cayman Islands	Investment holding	150	150	5,000	100	744,921	17,308	17,308	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	Hong Kong	Trading	299,800	299,800	78,000,000	73	1,869,245	1,000,570	1,048,128	
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited	Singapore	Investment holding	3	-	100	73 (	9,709) (	18,742) (	13,648)	
Garuda International Limited	Garuda Technology Co., Ltd.	Taiwan	Trading	25,000	25,000	2,500,000	73 (	133,852)	80,388	58,539	
Garuda International Limited	Avary Japan Co., Ltd.	Japan	Trading	5,516	-	400	73	1,913 (	2,979) (	2,169)	
Avary Singapore Private Limited	Avary Technology (India) Private Limited	India	Manufacturing	304,898	-	71,620,000	73	210,985 (	15,415) (	11,225)	

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
INFORMATION ON THE INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee 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 for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net profit (loss) of investee for the year ended December 31, 2019	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 3)	Carrying amount of investments as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019		Footnote
					Remitted to Mainland China	Remitted back to Taiwan								
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Manufacture and sales of PCB	\$ 4,363,994	2	\$ -	\$ -	\$ -	\$ -	(\$ 1,539,822)	73	(\$ 1,121,306)	\$ 71,727	\$ -		
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacture and sales of PCB	8,985,532	2	-	-	-	-	5,467,056	73	4,014,775	14,625,595	-		
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacture and sales of PCB	3,988,535	2	-	-	-	-	(34,026)	73	(24,778)	583,011	-		
Avary Holding (Shenzhen) Co., Limited	Manufacture and sales of PCB	9,950,728	2	-	-	-	-	13,673,595	73	9,957,180	62,116,650	-		
Fu Bo Industrial (Shenzhen) Co., Ltd.	Manufacture and sales of PCB	473,852	2	-	-	-	-	27,236	73	19,833	444,738	-		

Investee 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 for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net profit (loss) of investee for the year ended December 31, 2019	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 3)	Carrying amount of investments as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	\$ 1,037,249	2	\$ -	\$ -	\$ -	\$ -	(\$ 2,313)	73	(\$ 1,685)	\$ 674,866	\$ -	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	6,675,026	2	-	-	-	-	1,910,336	73	1,369,368	8,084,739	-	
Qi Ding Technology Qinhuangdao Co., Ltd.	Development, manufacture and sales of electronic products and goods imports and exports	2,053,601	2	-	-	-	-	(362,475)	100	(362,475)	1,636,067	-	
Kui Sheng Technology (Shenzhen) Limited	Manufacture and sales of PCB	86,100	2	-	-	-	-	10,379	73	7,558	82,399	-	
Yun Ding Technology (Shenzhen) Limited	Manufacture and sales of PCB	21,525	2	-	-	-	-	1,423	73	1,036	16,404	-	
Huaian Jia Wei Industrial Development Co., Ltd.	Manufacture and sales of Building materials, Furniture and hardware tools	702,524	2	-	-	-	-	(3,272)	100	(3,272)	699,374	-	

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, 2019 were based on the audited financial statements of the investees in Mainland China for the same period.