Zhen Ding Technology Holding Limited
臻鼎科技控股股份有限公司

(incorporated in the Cayman Islands as an exempted company with limited liability)

US$400,000,000
Zero Coupon Convertible Bonds due 2025

Issue Price: 100%

We are offering US$400,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2025 (the "Bonds"). The Bonds will mature on June 30, 2025 at 100.00% of their principal amount. The Bonds will not bear any interest. The Bonds will be convertible into our ordinary shares (the "Shares" or the "Common Shares"), par value NT$10.00 per share, during the period from and including November 30, 2020 to and including June 20, 2025 at an initial conversion price of NT$157.45 per share with a fixed exchange rate of NT$29.5930 = US$1.00 applicable on conversion of the Bonds. The Common Shares are listed on the Taiwan Stock Exchange Corporation (the "TWSE") and are subject to certain restrictions on trading imposed by the rules and regulations of the TWSE. See "Risk Factors – Risk Relating to Ownership of the Bonds and Our Shares." On June 22, 2020, the closing price of our Shares on the TWSE was NT$134.00.

At any time on or after June 30, 2023, we may redeem the Bonds, in whole or in part, at the Early Redemption Amount (as defined herein) under the circumstances described in this offering memorandum. At any time, we may also redeem the Bonds then outstanding at the Early Redemption Amount, in whole but not in part, if the principal amount of the Bonds that have been redeemed, repurchased and canceled, or converted is more than 90% of the aggregate principal amount originally issued. We may also redeem the Bonds then outstanding, in whole but not in part, at the Early Redemption Amount, if, as a result of certain changes in the laws or regulations of the Cayman Islands or the Republic of China (the "ROC") occurring after June 30, 2020, we become obligated to pay Additional Amounts (as defined herein).

You may require us to repurchase the Bonds, in whole or in part, (i) at 100.0% of their principal amount on June 30, 2023, or (ii) at the Early Redemption Amount if the Shares cease to be listed or admitted to trading on the TWSE or if there is a change with respect to our ownership or control.

The Bonds will be our direct, unconditional, unsubordinated, but subject to a negative pledge, as described in "Description of the Bonds – Negative Pledge", and unsecured obligations, and will rank *pari passu* without any preference or priority among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.

Application will be made for the listing and quotation of the Bonds on the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this offering memorandum. Admission of the Bonds to the Official List of the SGX-ST and the quotation of the Bonds on the SGX-ST are not to be taken as an indication of the merits of our company or the Bonds. Prior to this offering, there has been no market anywhere for the Bonds, or any market outside Taiwan for the Shares.

INVESTING IN THE BONDS INVOLVES RISKS THAT ARE DESCRIBED IN "RISK FACTORS" BEGINNING ON PAGE 10 OF THIS OFFERING MEMORANDUM.

Neither the Bonds, nor the Shares, have been or will be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws, and are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S"), and outside the ROC. The Bonds are sold subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable securities laws of any state or other jurisdiction pursuant to registration thereunder or exemption from registration. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. For a description of restrictions on transfers of the Bonds, see "Transfer Restrictions" and "Plan of Distribution."

The Bonds will be represented by one or more global certificates (each a "Global Bond") and will be fully issued in registered form in the name of Citivic Nominees Limited, as the nominee for, and shall be deposited with a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. Except as described herein, individual definitive certificates for the Bonds will not be issued in exchange for interests in the Bonds. The Initial Purchasers expect to deliver the Bonds to purchasers on or about June 30, 2020.

Joint Global Coordinators and Joint Bookrunners

Credit Suisse Citigroup

Offering Memorandum dated June 22, 2020

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You should rely only on the information contained in this offering memorandum. Neither we nor the Initial Purchasers have authorized anyone to provide you with different information. Neither we nor the Initial Purchasers are making an offer of these securities in any state or jurisdiction where the offer is not permitted. This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

Except as described below, we accept no responsibility for the information contained in this offering memorandum. We, having made all reasonable inquiries, confirm that this offering memorandum contains all information with respect to us, our consolidated subsidiaries, the Bonds, and the Shares to be delivered upon conversion of the Bonds that is material in the context of the issue and offering of the Bonds, that such information contained in this offering memorandum is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this offering memorandum are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions. We have compiled all industry and market information and statistics contained in this offering memorandum from various published and private sources, which may be inconsistent with other information compiled elsewhere and such information and statistics have not been independently verified by us, the Initial Purchasers or any of our or the Initial Purchasers' respective affiliates or advisors in connection with this offering.

The distribution of this offering memorandum and the offering and sale of the Bonds, in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on the offering and sale of the Bonds, and distribution of this offering memorandum, see "Plan of Distribution" and "Transfer Restrictions." This offering memorandum does not constitute an offer of, or an invitation by or on behalf of us or the Initial Purchasers to subscribe for or purchase any of the Bonds in any jurisdiction in which such offer or invitation would be unlawful. This offering memorandum may be used only for the purposes for which it has been published.

In making an investment decision regarding the Bonds, you must rely on your own examination of our company and the terms of the Bonds and this offering, including the merits and risks involved. The contents of this offering memorandum are not to be considered as legal, business, financial or tax advice. You should consult your own counsel, accountants and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Bonds. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Initial Purchasers, the Trustee or the Agents or any of their respective affiliates, as to the accuracy or completeness of the information contained in this offering memorandum or any other information supplied in connection with our company, the issue and offering of the Bonds or the Shares. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee or the Agents accept any responsibility for the contents of this offering memorandum or for any other statement, made or purported to be made by the Initial Purchasers, the Trustee or the Agents or on their behalf in connection with our company, the issue and offering of the Bonds or the Shares. The Initial Purchasers, the Trustee or the Agents accordingly disclaim any and all liabilities whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this offering memorandum or any such statement.

Section 309B(1) Notification: In connection with Section 309B of the Securities and Futures Act, Chapter 289 of Singapore, as modified or amended from time to time (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "CMP Regulations 2018"), our company has determined, and hereby notifies all persons (including relevant persons (as defined in Section 309A(1) of the SFA)), that the Bonds are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated in the Cayman Islands. Substantially all of our directors and executive officers, and certain of the experts named in this offering memorandum are residents of the ROC, and a significant portion of the assets of our Company and these persons are located in the British Virgin Islands, the PRC, and the ROC. As a result, it may not be possible for you to effect service of process upon our Company or these persons outside of the ROC or the PRC, or to enforce against any of their judgments obtained in courts outside of the ROC or the PRC.

The laws of Cayman Islands do not clearly indicate whether a final civil judgment obtained from Taiwan courts, or an ROC Court Judgment, can be enforced in the Cayman Islands. Nevertheless, where the following requirements are met, the Grand Court of the Cayman Islands will recognize and enforce an ROC Court Judgment without any re-examination of the merits at common law if: (1) the judgment at issue is final and conclusive; (2) the ROC court rendering the judgment was competent under the conflict of law rules of the Cayman Islands; (3) the judgment (i) clearly sets out the obligation of the debtor to pay for a liquidated sum in accordance with the decree and does not involve any obligation of paying any penalty, tax, fine or other similar financial obligations, or (ii) grants a non-money relief to a particular person (under certain circumstances); and (4) the judgment obtained does not contravene the fairness and justice or public policy of the Cayman Islands, and the recognition and enforcement of the judgment is not contrary to the fairness and justice or public policy of the Cayman Islands. Where the Grand Court of the Cayman Islands does not recognize an ROC Court Judgment, such judgment will remain unenforceable in the Cayman Islands even if an investor has obtained a final judgment in the ROC. Investors should be cognizant of risks pertaining to the purchase of securities issued by a Cayman Islands company.

Ogier, our counsel as to Cayman Islands law, has advised us that there is uncertainty as to whether the courts of the Cayman Islands would, respectively, (1) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, or (2) entertain original actions brought in the Cayman Islands against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States. Ogier has further advised us that the uncertainty with regard to Cayman Islands law relates to whether a judgment obtained from the United States courts under civil liability provisions of the securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman Islands company. Because the courts of the Cayman Islands have yet to rule on whether such judgments are penal or punitive in nature, it is uncertain whether they would be enforceable in the Cayman Islands. Ogier has further advised us that a final and conclusive judgment in the federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings as a debt in the courts of the Cayman Islands under common law.

Lee and Li, Attorneys-at-Law, our counsel as to ROC law, has advised us that any final judgment obtained against us in any court other than the courts of the ROC in respect of any legal suit or proceeding arising out of or relating to the Bonds, or the Shares, will be enforced by the courts of the ROC without further review of the merits only if the court of the ROC in which enforcement is sought is satisfied with the following:

- the court rendering the judgment has jurisdiction over the subject matter according to the laws of the ROC;
- the judgment and the court procedures resulting in the judgment are not contrary to the public order or good morals of the ROC;
- if the judgment was rendered by default by the court rendering the judgment, (i) we were duly served within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction, or (ii) process was served on us with judicial assistance of the ROC; and
- judgments of the courts of the ROC are recognized in the jurisdiction of the court rendering the judgment on a reciprocal basis.

A party seeking to enforce a foreign judgment in the ROC would, except under limited circumstances, be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan) for the remittance out of the ROC of any amounts recovered in respect of the judgment denominated in a currency other than NT dollars.

Further, Fangda Partners, our counsel as to PRC law, has advised us that the recognition and enforcement of foreign judgments are governed by the PRC Civil Procedures Law and relevant Judicial Interpretations. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law and relevant Judicial Interpretations based either on treaties between the PRC and the country where the judgment is made or on reciprocity between jurisdictions, subject to (i) the foreign judgments not violating the basic principles of laws of the PRC or its sovereignty, security or social and public interest; (ii) compliance with relevant civil procedural requirements in the PRC, and (ii) the discretion of the courts of competent jurisdiction in the PRC.

Where the applicant applies to the people's court for recognition and enforcement of an effective judgment or ruling of a foreign court, the applicant shall submit a written application, to which the original or the certified error-free duplicate and Chinese translation of the effective judgment or ruling of the foreign court shall be affixed. If the judgment or ruling rendered by the foreign court is a default judgment or ruling, the applicant shall, at the same time, submit the certification documents on a legal summons from the foreign court, unless the judgment or ruling has expressly stated the fact. Where an international treaty concluded or acceded to by the PRC has otherwise provided for the submission documents, the relevant provisions shall apply.

Where a party applies to an intermediate people's court of the PRC having jurisdiction for recognition and enforcement of an effective judgment or ruling of a foreign court, if the home country of the foreign court has neither concluded or jointly acceded to an international treaty nor has a relationship of reciprocity with the PRC, the court shall rule to dismiss the application, unless the party applies to the people's court for recognizing an effective divorce judgment rendered by a foreign court. If the application for recognition and enforcement is dismissed, the party may institute an action in a people's court.

Where an effective judgment or ruling of a foreign court or a foreign arbitration award requires enforcement by a people's court of the PRC, a party may first apply to the people's court for recognition. After the people's court issues a ruling to recognize the aforesaid judgment, ruling or award upon examination, enforcement shall be conducted in accordance with the provisions of Part III of the PRC Civil Procedures Law. Where the party only applies for recognition without applying for enforcement at the same time, the people's court shall examine whether it shall grant recognition or not and render a ruling.

During the period when one party applies for the recognition and enforcement of an effective judgment or ruling of a foreign court or a foreign arbitration award, Article 239 of the PRC Civil Procedures Law shall apply. Where the party only applies for recognition without applying for enforcement at the same time, the period of application for enforcement shall be recalculated from the date when the ruling issued by the people's court on the recognition application comes into force.

DEFINITIONS, CERTAIN CONVENTIONS AND OTHER DATA

Unless otherwise indicated, the following references in this offering memorandum have the following meaning:

- "3C" refers to computing devices, consumer electronics and communication devices;
- "5G" refers to fifth-generation standard for cellular network technology;
- "Agents" refers to Paying Agent, Transfer Agent, Conversion Agent and Registrar;
- "Amended and Restated Memorandum and Articles of Association" refers to our Amended and Restated Memorandum and Articles of Association adopted on June 19, 2020, as amended from time to time;
- "Avary" refers to Avary Holding (Shenzhen) Co., Limited;
- "BoardTek Acquisition" refers to our acquisition of the entire share capital of BoardTek by way of a share swap pursuant to the share swap agreement dated March 10, 2020;
- "BoardTek" refers to BoardTek Electronics Corporation;
- "Bonds" refers to US$400.0 million aggregate principal amount of zero coupon convertible bonds due 2025;
- "CAGR" refers to compound annual growth rate;
- "CBC" refers to the Central Bank of the Republic of China (Taiwan);
- "Clearstream" refers to Clearstream Banking S.A.;
- "CMP Regulations 2018" refers to Securities and Futures (Capital Markets Products) Regulations 2018;
- "Companies Law" refers to the Companies Law (Revised) of the Cayman Islands;
- "CONSOB" refers to Commissione Nazionale per le Societa e la Borsa;
- "COVID-19" refers to the coronavirus disease 2019;
- "CQC" refers to China Quality Certification Centre;
- "CSP" refers to chip scale packaging;
- "Director" refers to a director of our company;
- "Directors' Remuneration" refers to the amount of surplus profit of our company which shall be set aside by our company as remuneration for our company's directors pursuant to the Amended and Restated Memorandum and Articles of Association;
- "Employees' Compensation" refers to the amount of surplus profit of our company which shall be set aside by our company as compensation to our company's or our subsidiaries' employees pursuant to the Amended and Restated Memorandum and Articles of Association;
- "EMS" refers to electronic manufacturing services;
- "ERP" refers to enterprise resource planning;

- "Euroclear" refers to Euroclear Bank SA/NV;
- "FC" refers to flip-chip;
- "FPC" refers to flexible printed circuit;
- "FSC" refers to the Financial Supervisory Commission of the ROC;
- "FSMA" refers to the Financial Services and Markets Act of 2000;
- "GAAP" refers to generally accepted accounting principles;
- "Global Bond" refers to the Bonds that will be represented by one or more global certificates;
- "HDI" refers to high density interconnection;
- "Holder" refers to a holder of the Bonds;
- "Hon Hai" refers to Hon Hai Precision Industry Co., Ltd.;
- "IC" refers to integrated circuit;
- "ICS" refers to integrated circuit substrate;
- "IFRS" refers to the International Financial Reporting Standards as issued and revised from time to time by International Accounting Standard Board;
- "Initial Purchaser" refers to each of Credit Suisse (Hong Kong) Limited and Citigroup Global Markets Limited;
- "IoT" refers to internet of things;
- "Judicial Interpretations" refers to Interpretation of the Supreme People's Court on the Application of the PRC Civil Procedures Law;
- "MAS" refers to Monetary Authority of Singapore;
- "MEMS" refers to microelectromechanical systems;
- "MiFID II" refers to Directive 2014/65/EU;
- "MRP" refers to material requirements planning;
- "New Taiwan dollars", "NT dollars" and "NT$" refer to New Taiwan dollars, the lawful currency of the ROC;
- "NFC" refers to near-field communication;
- "Non-ROC Holder" refers to a holder of the Bonds or the Shares who is either a Non-ROC Resident Individual or Non-ROC Resident Entity;
- "Non-ROC Resident Entity" refers to a corporation or a non-corporate body established outside the ROC which does not have a fixed place of business or business agent in the ROC;
- "Non-ROC Resident Individual" refers to a non-ROC citizen who is not physically present in the ROC for 183 days or more within a calendar year;

- "Paying Agent", "Transfer Agent", "Conversion Agent" and "Registrar" refers to Citibank, N.A., London Branch;

- "PCB" refers to printed circuit board;

- "PRC Civil Procedures Law" refers to Civil Procedure Law of the PRC;

- "PRC Enterprise Income Tax Law" refers to Enterprise Income Tax Law of the PRC;

- "PRC" refers to the People's Republic of China;

- "Prismark" refers to Prismark Partners LLC, an electronics industry consulting firm;

- "QDII" refers to a qualified domestic institutional investor;

- "Regulation S" refers to Regulation S promulgated under the Securities Act;

- "Renminbi" refers to renminbi, the lawful currency of the PRC;

- "RF" refers to radio frequency;

- "ROC Bureau of Labor Insurance" refers to Bureau of Labor Insurance of the ROC;

- "ROC Company Act" refers to Company Act of the ROC;

- "ROC Court Judgment" refers to a final civil judgment obtained from Taiwan courts;

- "ROC Labor Pension Act" refers to Labor Pension Act of the ROC;

- "ROC Labor Standards Act" refers to Labor Standards Act of the ROC;

- "ROC Securities and Exchange Act" refers to Securities and Exchange Act of the ROC;

- "RPCB" refers to rigid printed circuit board;

- "Securities Act" refers to the U.S. Securities Act of 1933, as amended;

- "SFA" refers to Securities and Futures Act, Chapter 289 of Singapore, as modified or amended from time to time;

- "SGX-ST" refers to Singapore Exchange Securities Trading Limited;

- "Shares" or the "Common Shares" refers to our common shares with par value NT$10.00 per share;

- "SLP" refers to substrate-like PCB which is the next generation of high-density PCB;

- "Taiwan IFRS" refers to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and Standard Interpretations Committee Interpretations as endorsed by the FSC;

- "Taiwan" or the "ROC" refer to Taiwan and other areas under the effective control of the Republic of China;

- "TFT-LCD" refers to thin-film-transistor liquid-crystal display;

- "Trustee" refers to Citicorp International Limited;

- "TWSE" refers to Taiwan Stock Exchange Corporation;
- "UL" refers to Underwriters Laboratories, a global safety certification company;
- "United States dollars", "US dollars" and "US$" refer to United States dollars, the lawful currency of the United States;
- "United States" and "U.S." refer to the United States of America;
- "WB" refers to wire-bonding; and
- "we", "us", "Company", "our company", "and "our" refer to Zhen Ding Technology Holding Limited, and as the context may require, its consolidated subsidiaries.

Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.

Certain names with Chinese characters have been translated into English names. Such translations are provided solely for the convenience of investors and should not be construed as representations that the English names actually represent the Chinese characters.

As the Shares are listed on the TWSE, our financial statements are required to be presented in New Taiwan dollars, the lawful currency of the ROC. In this offering memorandum, "$", "US$" and "U.S. dollars" refer to United States dollars, the lawful currency of the United States, "NT$" and "NT dollars" refer to New Taiwan dollars, the lawful currency of the ROC, and "Renminbi" refer to the Renminbi, the lawful currency of the PRC. This offering memorandum contains translations of certain NT dollar amounts into U.S. dollars at specified rates solely for the convenience of the reader. The translations from NT dollars to U.S. dollars and from U.S. dollars to NT dollars are made on the basis of the noon buying rate as published by the Federal Reserve H.10 Statistical Release on March 31, 2020, which was NT$30.25 to US$1.00. No representation is made that the NT dollar or U.S. dollar amounts referred to in this offering memorandum could have been or could be converted into U.S. dollars or NT dollars, as the case may be, at any particular rate, the above rates or at all.

Unless expressly stated otherwise, all financial information, description and other information regarding our financial condition and results of operations as of and for the years ended December 31, 2017, 2018 and 2019 and as of and for the three months ended March 31, 2019 and 2020 included in this offering memorandum are presented on a consolidated basis. Our consolidated financial statements as of and for the years ended December 31, 2017 and 2018 and our consolidated financial statements as of and for the years ended December 31, 2018 and 2019 have been audited by PricewaterhouseCoopers, Taiwan, our independent auditors. Our unaudited consolidated interim financial statements as of and for the three months ended March 31, 2019 and 2020 have been reviewed by PricewaterhouseCoopers, Taiwan.

In this offering memorandum, where information has been presented in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, the total of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this offering memorandum. The words "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "seek" and similar words identify forward-looking statements. In addition, all statements other than statements of historical fact included in this offering memorandum are forward-looking statements. Our forward-looking statements contain information regarding:

- our future revenue and profitability;
- our business strategies;
- expected change in demand in the PCB and related markets;
- expected supply growth in the PCB and related markets;
- expected fluctuations of market prices of our products;
- the expected industry trends;
- our capital expenditure plans; and
- other matters discussed in this offering memorandum regarding matters that are not historical facts,

are only forecasts based on information currently available to us. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, these forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

- the intensely competitive industries in which we operate;
- changes in the supply of products similar to ours;
- the pending BoardTek Acquisition;
- industry risks;
- the effect of the U.S.-China trade war and the COVID-19 pandemic on our industry, our supply chain, the economic condition of the ROC, the PRC and the other jurisdictions where we operate our business, the main markets for our company and our brand/EMS customers and the global economy in general;
- general economic, political and social conditions and developments in the ROC, the PRC and other jurisdictions in which we operate our business;
- our ability to meet financial and other covenants provided under our loan agreements;
- our continued ability to secure funding to meet our liquidity needs and investment objectives;
- market acceptance of our products;
- risks associated with our entry into new markets or businesses;
- technology replacement risks;
- our rate of growth and ability to meet the demands in relation to our growth;

- changes in the availability and prices of raw materials, components and machinery and equipment we need to manufacture our products;

- legal proceedings, if any; and

- other risks identified in the "Risk Factors" section of this offering memorandum.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove correct. We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions in "Risk Factors" and elsewhere in this offering memorandum, the forward-looking events in this offering memorandum are not guarantees of future performance and might not occur and our actual results could differ materially from those anticipated in those forward-looking statements.

SUMMARY

The following is only a summary and it may not contain all the information you should consider before deciding to invest in the Bonds. You should read this entire offering memorandum carefully, including the "Risk Factors" section and the financial statements and related notes.

OVERVIEW

Our Shares have been listed on the TWSE since December 26, 2011 under the stock code "4958". On June 22, 2020, the closing price per Share on the TWSE was NT$134.00 per Share and our market capitalization was NT$120,898.8 million (US$4,083.6 million). Our registered office is located at P.O. Box 31119, Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. Our telephone number is +886 3-383-5678.

We are the world's largest PCB manufacturer by revenue in 2019 according to Prismark. We are a leading multinational manufacturer of PCBs with vertically integrated operations across Asia, Europe, and the United States. We also hold 72.8% of the shares in Avary, a company listed on the Shenzhen Stock Exchange under stock code "002938", which mainly produces FPC as well as HDI, SLP and RPCB products for use in a broad range of communication, consumer and computing applications. Through our three state-of-the-art production facilities based in the PRC, we manufacture for and supply to prominent brand/EMS customers with a broad range of PCB products, including RPCB, FPC, HDI and ICS. In 2019, as part of our strategy to expand our global footprint, we established a new production facility in Chennai, India. The Chennai facility is expected to commence operations in the fourth quarter of 2020 and will be mainly used for FPC module assembly. We have two research centers in Taoyuan City, Taiwan and Shenzhen, Guangdong Province which enable us to deliver innovative customized products, continually enhance the performance of our products and develop first-to-market technologies.

Our operating revenue increased from NT$109,237 million in 2017 to NT$117,913 million in 2018 and NT$120,068 million (US$3,969 million) in 2019. Our operating revenue was NT$19,413 million and NT$17,512 million (US$579 million) for the three months ended March 31, 2019 and 2020, respectively. Our net profit increased from NT$6,772 million in 2017 to NT$11,537 million in 2018 and NT$12,402 million (US$410 million) in 2019. Our net profit was NT$633 million and NT$1,264 million (US$42 million) for the three months ended March 31, 2019 and 2020, respectively.

Our Competitive Strengths

The following key strengths enable us to provide cost-effective, tailor-made, full-service system solutions for industry leading customers:

- Our leading position as the world's largest manufacturer of PCBs by revenue;
- Our diverse product portfolio and ability to offer competitive one-stop shop solutions;
- Our direct collaborative relationships with leading brand/EMS customers;
- Our significant investment in research and development of innovative products and technologies;
- Our strategic presence and vertical integration where our customers operate;
- Our commitment to environmental protection measures; and
- Our experienced and stable management team with proven technology and operational track record.

Our Strategies

We intend to build on our existing strengths of product design and manufacturing, value, and service to enhance our position as the PCB provider of choice for leading global customers. Key elements of our strategy are described below:

- Further diversify our product portfolio into sectors with attractive long term growth and profitability prospects;
- Strengthen relationships with brand/EMS customers and continue to engage customers from an early stage;
- Expand our production capacity and use of automation while optimizing our cost structure;

- Enhance our strategic collaborations with supply chain partners; and
- Selectively pursue strategic acquisitions, collaborations and investment opportunities.

The BoardTek Acquisition

On March 10, 2020, we entered into a share swap agreement pursuant to which we agreed to acquire the entire share capital of BoardTek by way of a share swap (the "BoardTek Acquisition"). If and when the BoardTek Acquisition closes, we will issue 0.2 new Shares to existing BoardTek shareholders for every one BoardTek share acquired, equaling 44,819,274 new Shares in total. It is expected that the BoardTek Acquisition will close on November 11, 2020, subject to the satisfaction or waiver of certain closing conditions, including obtaining required regulatory approvals and remediation of environmental non-compliance by BoardTek. If the closing conditions are not satisfied or waived on or before March 10, 2021, the share swap agreement may be terminated and the BoardTek Acquisition may not proceed. There is no assurance that the closing of the BoardTek Acquisition will occur at the time expected, or at all. See "Risk Factors – Closing of the BoardTek Acquisition may have a negative impact on our financial condition and results of operation, and may dilute our existing shareholders."

According to BoardTek's website (http://www.boardtek.com.tw), the accuracy of which neither we nor the Initial Purchasers have independently verified, BoardTek, located in Guanyin Township, Taoyuan County, Taiwan, is a manufacturer of PCB products which are utilized in a variety of different product applications, including high-end servers, base stations, automotive radars and military equipment.

The balance sheet and selected items of the results of operations of BoardTek are publicly available on the Market Observation Post System (https://mops.twse.com.tw). This reference is for the convenience of the readers only, and we are not incorporating by reference the website or any material or information it includes in this offering memorandum. In 2018 and 2019, BoardTek's operating revenue was NT$7,617 million and NT$7,459 million (US$247 million), respectively. For the three months ended March 31, 2019 and March 31, 2020, BoardTek's operating revenue was NT$2,018 million and NT$1,690 million (US$56 million), respectively. In 2018 and 2019, BoardTek recorded net operating income of NT$189 million and a net operating loss of NT$354 million (US$12 million), respectively. For the three months ended March 31, 2019 and March 31, 2020, BoardTek recorded net operating income of NT$45 million and a net operating loss of NT$136 million (US$4 million), respectively. All the foregoing financial figures of BoardTek are derived from BoardTek's public filings on the Market Observation Post System, and neither we nor the Initial Purchasers have independently verified such information.

The BoardTek Acquisition, if and when it closes, is expected to deliver a number of benefits, including allowing us to further optimize our customer portfolio for emerging opportunities, such as, automotive electronics, high-frequency communication and high performance computing and enriching our portfolio of RPCB products. We also expect the BoardTek Acquisition will grant us greater flexibility to manage our capacity with the addition of a manufacturing site in Taiwan and realize certain synergies, particularly in research and development with respect to multi-layer and high-speed applications. If and when the BoardTek Acquisition closes, we will consolidate the financial results of BoardTek with our financial results. However, if the BoardTek Acquisition does not close, we will not own any interest in any portion of BoardTek or any of its products, applications and customers, and will not consolidate the financial statements of BoardTek.

Recent Developments

Our operating revenue for the month ended April 30, 2020 and May 31, 2020 was NT$9,789 million (US$324 million) and NT$8,095 million (US$268 million), respectively. In comparison to the month ended April 30, 2019 and May 31, 2019, our operating revenue for the month ended April 30, 2020 and May 31, 2020 increased by 35.26% and 7.95%, respectively. The increases in operating revenue was mainly due to restocking demand for our products from our brand/EMS customers following the interruptions caused by the COVID-19 pandemic and the continued introduction of new products by our customers that utilize our PCB products as components. These figures are unaudited preliminary financial information and are based solely on our unaudited accounts prepared by our management for the respective months. PricewaterhouseCoopers, Taiwan, our independent auditors, has not audited, reviewed or performed any procedures with respect to such figures, and accordingly does not express an opinion or any other form of assurance with respect thereto. Further, such preliminary financial data may change and those changes may be material. See "Special Note Regarding Forward-Looking Statements" and "Risk Factors" for additional information regarding factors that could result in differences between the preliminary financial information presented above and the audited financial information we will ultimately report for the year ended December 31, 2020.

THE OFFERING

The following summary contains basic information about the Bonds and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the Bonds, please refer to the section entitled "Description of the Bonds" in this offering memorandum. Capitalized terms used herein and not defined have the same meaning given to them in this offering memorandum.

Issuer	Zhen Ding Technology Holding Limited 臻鼎科技控股股份有限公司
Offering.......................................	US$400,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2025, being offered outside the United States (in offshore transactions in reliance on Regulation S) and the ROC in offshore transactions.
Interest	The Bonds will not bear any interest.
Lock-up.......................................	We have agreed with the Initial Purchasers that, for a period beginning on the date of the purchase agreement, dated as of June 22, 2020, entered into between the Issuer and the Initial Purchasers and ending 90 days after the Closing Date, we will not, without the Initial Purchasers' prior written consent, lend, offer, sell, contract to sell, grant any option to purchase, pledge or otherwise dispose of any other Shares or any securities convertible into or exchangeable for the Shares (other than the sale of the Bonds and the issuance of our Common Shares (i) upon conversion of the Bonds, (ii) to implement stock splits and employee stock option plans, (iii) upon the conversion of existing securities or the exercise of existing warrants or (iv) pursuant to a share swap agreement dated March 10, 2020 entered into by and between BoardTek and us). See "Plan of Distribution."
Closing Date	June 30, 2020.
Maturity Date and Final Redemption	Unless previously redeemed, repurchased and canceled, or converted, the Bonds will mature, and the Issuer will redeem the Bonds in US dollars, on June 30, 2025 at a redemption price equal to 100.00% of the unpaid principal amount thereof.
Issue Price	100% of the principal amount of the Bonds.
Ranking.......................................	The Bonds will be our direct, unconditional, unsubordinated (but subject to a negative pledge, as described in "Negative Pledge" below) and unsecured obligations, and will rank *pari passu* without any preference or priority among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.
Conversion	Subject to certain conditions, each holder of the Bonds (a "Holder") will have the right during the Conversion Period (as defined herein) to convert its Bonds (or any portion thereof being US$200,000 in principal amount or any higher integral multiple of US$100,000) into Common Shares at any time from November 30, 2020 to June 20, 2025 (or if the Bonds are called for redemption prior to the Maturity Date, the date five Trading Days prior to the redemption date), *provided*, *however*, that the Conversion Right (as defined herein) during any Closed Period (as defined herein) shall be suspended and the Conversion Period shall not include any such Closed Period.

	See "Description of the Bonds – Conversion" and "Risk Factors – Risks Relating to Ownership of the Bonds and our Shares – There are limitations on the Holders' ability to exercise Conversion Rights." Subject to changes to ROC laws and regulations, we shall as soon as practicable but in no event more than five Trading Days (as defined herein) from the Conversion Date (as defined herein) deliver Common Shares in certificated or book-entry form to the converting Holders for the purpose of trading the Common Shares on the TWSE.
Conversion Price	The conversion price will initially be NT$157.45 per share with a fixed exchange rate applicable on conversion of Bonds of NT$29.5930 = US$1.00. The conversion price will be subject to adjustments for, among other things, subdivision or consolidation of shares, right issues, distributions, stock dividends, and other dilutive events. No adjustment of the Conversion Price shall be made solely by reason of the issuance of Common Shares as contemplated by a share swap agreement dated March 10, 2020 entered into by and between BoardTek and us. See "Description of the Bonds."
Early Redemption Amount	The Early Redemption Amount for each US$100,000 of Bonds is determined so that it represents for the Holder a gross yield of 0.0% per annum on a semi-annual basis. See "Description of the Bonds – Early Redemption Amount."
Redemption at the Option of the Issuer	At any time on or after June 30, 2023, the Bonds may be redeemed at the option of the Issuer, in whole or in part, on not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon written notice to the Trustee and the Agents, at the Early Redemption Amount, provided that: (1) the Closing Price of the Common Shares for each of the 20 consecutive Trading Days (the "Calculation Period"), the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 125% of the Conversion Price multiplied by the Early Redemption Amount and divided by US$100,000; and (2) the applicable Redemption Date does not fall within a Closed Period. Notwithstanding the foregoing, we may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days' notice, if more than 90% in principal amount of the Bonds originally outstanding has been redeemed, repurchased and canceled, or converted, at the Early Redemption Amount, provided that the applicable Redemption Date does not fall within a Closed Period.
Additional Amounts......................	Payment of principal of and premium and other amounts on the Bonds will be made without withholding for or on account of certain taxes of the Cayman Islands, the ROC or such other jurisdiction in which we are then organized or resident for tax purposes to the extent set forth under "Description of the Bonds – Additional Amounts", unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer will pay such additional amounts on the Bonds.

Tax Redemption	If, as a result of certain changes relating to the tax laws in the Cayman Islands, the ROC or such other jurisdiction in which we are then organized or resident for tax purposes, we become obligated to pay Additional Amounts, the Bonds may be redeemed at the option of us, in whole but not in part, at the Early Redemption Amount; *provided* that such right cannot be exercised earlier than 45 days prior to the first date on which we would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds. Notwithstanding the foregoing, if the outstanding principal amount of the Bonds at the time when the redemption notice is given is greater than 10% of the aggregate principal amount of the Bonds as of the Closing Date, Bondholders may elect not to have their Bonds redeemed but with no entitlement to any Additional Amounts or reimbursement of additional tax. See "Description of the Bonds – Redemption for Taxation Reasons."
Repurchase at the Option of Holder.......................................	Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, each Holder shall have the right, at such Holder's option, to require us to repurchase in US dollars all (or any portion of the principal amount thereof which is US$200,000 or any higher integral multiple of US$100,000) of such Holder's Bonds, on June 30, 2023 at a repurchase price equal to 100.0% of the outstanding principal amount thereof.
Repurchase in the Event of Change of Control	Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, each Holder shall have the right, at such Holder's option, to require us to repurchase all (or any portion of the principal amount thereof which is US$200,000 or any higher integral multiple of US$100,000) of such Holder's Bonds at the Early Redemption Amount upon the occurrence of a Change of Control, as defined herein. See "Description of the Bonds – Repurchase of the Bonds in the Event of Change of Control."
Repurchase in the Event of Delisting	Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, in the event that the Common Shares cease to be listed or admitted to trading on the TWSE, each Holder shall have the right, at such Holder's option, to require us to repurchase all (or any portion of the principal amount thereof which is US$200,000 or any higher integral multiple of US$100,000) of such Holder's Bonds on the 20th Business Day after the Paying Agent mails to each Holder a notice regarding such delisting at the Early Redemption Amount. See "Description of the Bonds – Repurchase of the Bonds in the Event of Delisting."
Negative Pledge	Subject to certain exceptions, we will not, and will procure that none of our Principal Subsidiaries (as defined herein) will, create or permit to subsist any Lien (as defined herein) to secure for the benefit of the holders of any International Investment Securities (as defined herein) any sum owing in respect thereof or any guarantee or indemnity thereof without making effective provision to secure the Bonds (1) equally and ratably with such International Investment Securities with a similar Lien or (2) with such other security as shall be approved by a majority of the outstanding registered holders of the Bonds. See "Description of the Bonds – Certain Covenants – Negative Pledge."

Form and Denomination	The Bonds will be issuable only in book-entry form and only in denominations of US$200,000 or any higher integral multiple of US$100,000. The Bonds will be represented by the Global Bond. On the closing date of the Offering, we will deliver the Global Bond to a common depositary for Euroclear and Clearstream. If (1) at any time the common depositary advises the Company in writing that it is at any time unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed within 90 days, (2) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (3) an event of default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, and, in the case of (3) above, if the Holders so request, the Company shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. The Bonds will not be issuable in a bearer form.
Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream on a book-entry system. Settlement of the Bonds may take place through Euroclear and Clearstream in accordance with the settlement procedures applicable to debt securities in the Euromarket.
Governing Law	The Indenture and the Bonds will be governed by the laws of the State of New York.
Trustee	Citicorp International Limited
Paying Agent, Conversion Agent and Transfer Agent....................	Citibank, N.A., London Branch
Registrar.....................................	Citibank, N.A., London Branch
Listing...	Application will be made for the listing and quotation of the Bonds on the Official List of the SGX-ST. Admission of the Bonds to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST are not to be taken as an indication of our Company or the Bonds. The Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Bonds are listed on SGX-ST. We have undertaken to list the shares issued upon the conversion of the Bonds on the TWSE. The shares will not be listed on the SGX-ST.
Trading Market for Our Shares	The only trading market for the Shares is the TWSE. Our shares have been listed on the TWSE since December 2011 under the stock code "4958."
Use of Proceeds	The gross proceeds to us from this offering will be US$400,000,000. We will use the gross proceeds of this offering to supplement working capital and repay loans.

Transfer Restrictions	This offering is being made in offshore transactions in reliance on Regulation S. The Bonds and our Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state in the United States or other jurisdiction. The Bonds may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S and outside the ROC, in each case in accordance with any other applicable law.
Delivery of the Bonds	Delivery of the Bonds, against payment in same-day funds, is expected on or about June 30, 2020.

SUMMARY FINANCIAL INFORMATION

The following selected financial information has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 and our unaudited consolidated interim financial statements as of and for the three months ended March 31, 2019 and 2020 included elsewhere in this offering memorandum.

The consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 have been audited by PricewaterhouseCoopers, Taiwan, our independent auditors. The unaudited consolidated interim financial statements as of and for the three months ended March 31, 2019 and 2020 have been reviewed by our independent auditors. Our audited consolidated financial statements are presented in conformity with the Taiwan IFRS. Our unaudited consolidated interim financial statements are presented in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 "Interim Financial Reporting" endorsed by the FSC. You should read the following selected financial information together with our financial statements included elsewhere in this offering memorandum. Neither these data nor the format in which they are presented should be viewed as comparable to information prepared in accordance with IFRS or generally accepted accounting principles elsewhere.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME DATA

	Year Ended December 31,				Three Months Ended March 31,		
	2017	**2018**	**2019**		**2019**	**2020**	
	NT$	**NT$**	**NT$**	**US$**	**NT$**	**NT$**	**US$**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
	(in millions, except per share data)						
Operating revenue	109,237	117,913	120,068	3,969	19,413	17,512	579
Operating costs	(91,404)	(91,852)	(92,846)	(3,069)	(16,313)	(14,425)	(477)
Gross profit from operations	**17,833**	**26,061**	**27,222**	**900**	**3,100**	**3,087**	**102**
Selling expenses	(1,234)	(1,491)	(1,657)	(55)	(304)	(281)	(9)
Administrative expenses	(3,217)	(4,075)	(4,603)	(152)	(873)	(723)	(24)
Research and development expenses	(4,725)	(5,637)	(6,140)	(203)	(819)	(899)	(30)
Expected credit loss in accordance with IFRS	–	(12)	(21)	(1)	11	32	1
Operating expenses	(9,176)	(11,215)	(12,421)	(411)	(1,985)	(1,871)	(62)
Net operating income	**8,657**	**14,846**	**14,801**	**489**	**1,115**	**1,216**	**40**
Non-operating income and expenses	(163)	(179)	150	5	(149)	467	16
Profit before income tax	**8,494**	**14,667**	**14,951**	**494**	**966**	**1,683**	**56**
Income tax expense	(1,722)	(3,130)	(2,549)	(84)	(333)	(419)	(14)
Profit	**6,772**	**11,537**	**12,402**	**410**	**633**	**1,264**	**42**
Other comprehensive income (loss)	234	(1,486)	(3,313)	(110)	1,790	(996)	(33)
Total comprehensive income	**7,006**	**10,051**	**9,089**	**300**	**2,423**	**268**	**9**
Basic earnings per share	6.43	10.50	9.93	0.33	0.48	0.97	0.03
Diluted earnings per share	5.95	9.54	9.92	0.33	0.47	0.97	0.03

CONSOLIDATED BALANCE SHEET DATA

	As of December 31,				As of March 31,		
	2017	2018	2019		2019	2020	
	NT$	NT$	NT$	US$	NT$	NT$	US$
	(audited)	(audited)	(audited)	(unaudited) (in millions)	(unaudited)	(unaudited)	(unaudited)
Cash and cash equivalents	19,147	40,653	38,280	1,265	38,233	44,154	1,460
Total current assets	81,368	88,894	83,204	2,750	75,294	76,194	2,519
Total non-current assets	42,349	51,213	56,677	1,874	53,242	56,383	1,864
Total assets	123,717	140,107	139,881	4,624	128,536	132,577	4,383
Total current liabilities	55,181	51,835	39,033	1,290	37,412	31,315	1,035
Total non-current liabilities	13,274	10,164	10,504	347	10,492	10,624	351
Total liabilities	68,455	61,999	49,537	1,637	47,904	41,939	1,387
Total equity	55,262	78,108	90,344	2,987	80,632	90,638	2,996
Total liabilities and equity	123,717	140,107	139,881	4,624	128,536	132,577	4,383

OTHER SELECTED FINANCIAL DATA

	Year Ended December 31,				Three Months Ended March 31,		
	2017	2018	2019		2019	2020	
	(in millions, except for percentages) (unaudited)						
Gross margin[1]	16.3%	22.1%	22.7%		16.0%	17.6%	
Operating margin[2]	7.9%	12.6%	12.3%		5.7%	6.9%	
Net margin[3]	6.2%	9.8%	10.3%		3.3%	7.2%	
EBITDA[4][6]	NT$14,336	NT$21,665	NT$22,756	US$752	NT$3,049	NT$3,208	US$106
EBITDA margin[5][6]	13.1%	18.4%	19.0%		15.7%	18.3%	

Notes:

(1) Gross margin is gross profit from operations as percentage of operating revenue.

(2) Operating margin is net operating income as percentage of operating revenue.

(3) Net margin is net profit as percentage of operating revenue.

(4) EBITDA is defined as net profit excluding other income, other gains and losses, finance costs and depreciation and amortization. The items of net profit excluded from EBITDA are significant components in understanding and assessing our financial performance, and our computation of EBITDA may not be comparable to other similarly titled measures of other companies.

(5) EBITDA margin is EBITDA as percentage of operating revenue.

(6) We have presented EBITDA and EBITDA margin because we consider them important supplemental measures of our operating performance and believe they are frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. Other companies in our industry may calculate EBITDA and EBITDA margin differently than we do. EBITDA and EBITDA margin are not measures of operating performance under Taiwan IFRS and should not be considered (i) as an alternative for operating margin, operating income or any measures prepared in accordance with Taiwan IFRS, (ii) an indicator of our operations or cash flow data prepared in accordance with Taiwan IFRS; or (iii) an alternative to cash flow as a measure of liquidity. EBITDA and EBITDA margin have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under Taiwan IFRS. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating EBITDA and EBITDA margin, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of EBITDA and EBITDA margin should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Investing in the Bonds involves risks, and you should carefully consider the risks described below before making an investment decision. If any of the following risk factors and uncertainties develops into actual events, our businesses, financial condition or results of operations could be materially adversely affected. In addition, you should also carefully consider all of the information contained in this offering memorandum, including our financial statements and related notes. You should pay particular attention to the fact that we are a Cayman Islands company and are governed in the Cayman Islands, the ROC and the PRC by a legal and regulatory regime which in some respects may be different from that prevailing in other countries.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

A substantial portion of our business is derived from a limited number of key customers.

We derived a significant portion of our business from a limited number of key customers and therefore our ability to maintain stable business relationships with these customers is critical to our business and future prospects. In 2017, 2018 and 2019, sales to our customers representing 10% or more of our operating revenue accounted for 62.63%, 69.36% and 64.24% of our operating revenue, respectively. The concentration of our revenue among a limited number of key customers that operate within certain markets and applications exposes us to a variety of risks that could have a material adverse impact on our revenue and profitability, including reductions in any major customer's demand for our PCB products and solutions or loss of any major customer. There can be no assurance that we will be able to continue to retain these customers or maintain the current levels of business from them. If one or more of our key customers reduces, delays or cancels their orders, or their financial condition or market share deteriorates, our financial condition, results of operations and business could be seriously harmed. Similarly, a failure to manufacture sufficient quantities of products to meet customer demand, our inability to meet the evolving design specifications of customers or the exclusion of our products from new products introduced by our customers may cause us to lose customers, which may adversely affect our results of operations, financial condition and cash flows. If we lose any of our key customers, it may be difficult to attract new customers or generate comparable levels of business from other existing customers to offset the loss. Moreover, as we have significant capital expenditures and depreciation expenses that are fixed in nature, any fluctuations in demand from our major customers could negatively affect our profitability. Furthermore, litigation and other challenges as to the products, technologies or intellectual properties of any of our major customers may also reduce revenue derived from such customers or in certain key markets.

Increases in costs or the shortage of supply of our raw materials from our suppliers could decrease our profitability.

The cost of raw materials constitutes the majority of our cost of goods sold. We must obtain sufficient quantities of high quality raw materials at acceptable prices and in a timely manner in order to manufacture our products. The main raw materials used in the manufacture of our PCB products include copper-clad laminates, copper foil, prepreg, films, process chemicals, copper balls, consumables, and electronic components. The pricing of raw materials can be volatile and difficult to predict. The volatility in pricing is often attributable to factors beyond our control, including changes in general economic conditions, currency exchange rates, industry cycles and production levels. There can be no assurances that the price of our raw materials will not significantly increase or fluctuate in the future. If the price of raw materials increases and we are not able to compensate for or pass on such increased costs to customers, our profitability and financial results may be adversely affected. In line with industry practice, we generally do not enter into long-term supply contracts with our suppliers. A shortage of any key raw materials could limit the number of units we are able to produce and increase the production costs of our products, thereby depressing the margins for our products to the extent that we are not able to pass on the increased costs to our customers, for example, as a result of fixed pricing mechanisms in our supply contracts with our customers. Moreover, we currently source our main raw materials and key components from a number of third-party suppliers. Deterioration in business relationships with these suppliers may result in our failure to source sufficient quantities of raw materials and components of satisfactory quality at acceptable costs. Although we have not experienced any significant shortage in the supply of raw materials in the past five years, nor do we have significant concentration or reliance on a single supplier, there can be no assurance that a significant shortage in the supply of raw materials will not take place in the future.

We operate in a highly competitive industry and we may not be able to sustain our current market position.

The markets for our products are highly competitive with intense pressure on prices and margins. Our competitors may have better research and development capabilities, larger global logistics and distribution networks, and greater financial, marketing and other resources than us. Our current and prospective customers constantly evaluate our capabilities against the merits of manufacturing products internally and the offerings of our competitors. Customers seek, among other things, to reduce cost. The competitive nature of our industry has resulted in substantial price competition, leading to lower margins, particularly for products containing older technology. We cannot guarantee that competition in our industry will not lead to price erosion, lower revenue growth rates and lower margins for our products in the future. If we cannot advance our technologies or improve our efficiencies to a degree sufficient to maintain our required margins, we may not be able to make a profit from the sale of our products. Moreover, we may not be able to cease production of such products, either due to contractual obligations or for customer relationship reasons, and as a result may incur losses on the production and sale of such products.

We typically compete with other major Taiwanese, PRC, U.S. and Japanese PCB manufacturers, among others for orders from the same customers. We may lose our customers to our competitors if we fail to keep pace with technology changes, invest in research and development, meet their design specifications standards, enhance product differentiation and improve our cost efficiency. Increased competition could result in significant price competition, reduced revenues, lower profit margins or loss of market share, any of which would have a material adverse effect on our business, financial condition and results of operations. We cannot be certain that we will be able to compete successfully against either current or potential competitors in the future. In recent years, many participants in the PCB industry have substantially expanded their manufacturing capacity. There can be no assurance that we will be able to competitively develop the technology and provide the services necessary to retain business or attract new customers.

The markets in which our customers compete are characterized by rapidly changing technology and innovation.

The markets in which our customers compete are characterized by rapid technological change and innovation, evolving industry standards and continuous improvements in products and services. In recent years there have been significant shifts in the demand for computing devices, consumer electronics and communication devices (collectively, "3C"). Our viability and success will depend on the success achieved by our brand/EMS customers in developing and marketing their products to their consumers. If the technologies or standards supported by our customers become obsolete or fail to gain widespread commercial acceptance, we may experience a loss of certain key customers, a decline in revenue, and a decline in operating margins.

We are attempting to reduce the risks inherent in relying on a small number of products by developing and producing high-end PCBs with efficient conductive paths, smaller size and lighter weight to be used in 3C products. We cannot assure you, however, that we will be able to develop and produce these high-end PCBs as planned or that these measures will be effective in reducing the risks associated with our reliance on 3C products.

Products that do not meet customer specifications or that contain, or are perceived to contain, defects or errors or that are otherwise incompatible with their intended end use could impose significant costs on us.

The design and production processes for our products are complex. It is possible that we may produce products that do not meet customer specifications, contain or are perceived to contain defects or errors, or are otherwise incompatible with their intended uses. We may incur substantial costs in remedying such defects or errors, which could include material inventory write-offs. Moreover, if actual or perceived problems with nonconforming, defective or incompatible products occur after we have shipped the products, we might not only bear direct liability for providing replacements or otherwise compensating customers, but could also suffer from long-term damage to our relationship with important customers or to our reputation in the PCB industry generally. This could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to offset increased labor costs, our profitability and results of operations could be adversely affected.

As of March 31, 2020, the substantial majority of our total workforce were employed in the PRC. The PRC has experienced rapid social, political and economic changes in recent years which have led to rising salaries and wages. The average wage paid to manufacturing workers in the PRC has steadily increased in the recent past and may continue to increase. In addition, there has been a growing shortage of workers in the PRC who are willing to work in factories. Rising wages coupled with a shortage of manufacturing workers in the PRC may increase our overall cost of production, cause delays in production and lower the cost competitiveness of our PRC operations, which may have a material adverse effect on our business, financial condition and results of operations.

If we are unable to maintain high capacity utilization rates and production yields, our profitability will be adversely affected.

High capacity utilization rates and production yields allow us to allocate fixed costs over a greater quantity of products. Decreases in capacity utilization rates and production yields can have an adverse impact on our gross margin. Our ability to maintain or improve our gross margin will continue to depend, in part, on maintaining high capacity utilization rates and production yields. We cannot assure you that our utilization rates and production yields will not be negatively affected by adverse factors such as, among others, excess capacity, equipment malfunction, interruption in the availability of utilities, deficiencies in quality control, inadequate sample testing, labor shortages, the inability of our labor force to return to work and human errors. We cannot assure you that we will be able to maintain high capacity utilization rates and production yields in the future. If demand for our products does not meet our expectations, our capacity utilization and gross margin will decrease. In addition, if we fail to maintain high quality production standards, our reputation may suffer and our customers may cancel their orders or return our products, which will negatively affect our business, financial condition and results of operations.

Loss on valuation of inventory may adversely affect our results of operations and financial condition.

Our major inventory includes raw materials, finished products and semi-finished products. For the year ended December 31, 2018 and 2019, our loss on valuation of inventory amounted to NT$146 million and NT$111 million (US$4 million), respectively. There can be no assurances that we will not experience higher loss on valuation of inventory in the future. For example, if there is unpredictable inventory loss due to natural disasters or the market value of our inventory drops significantly due to a change in market demand, the amount of our loss on valuation of inventory may increase. If this occurs, our results of operations and financial condition may be adversely affected.

Our ability to compete will be harmed if we are unable to adequately protect our intellectual property.

We believe that the protection of our intellectual property rights is, and will continue to be, important to the success of our business. We rely primarily on a combination of patent, trademark, trade secret and copyright law and contractual restrictions to protect our intellectual property. However, these afford only limited protection, and despite our efforts to protect our proprietary rights, unauthorized parties may attempt to obtain, copy, or use information that we regard as proprietary, such as product design and manufacturing process expertise. As of December 31, 2019, we held a total of 904 patents, including 395 in Taiwan, 363 in the PRC and 146 in the United States. Any future patent applications may not be sufficiently broad to protect our proprietary technologies. Moreover, policing any unauthorized use of our products is difficult and costly, and we cannot be certain that the measures we have implemented will prevent misappropriation or unauthorized use of our technologies. Others may independently develop substantially equivalent intellectual property or otherwise gain access to our trade secrets or intellectual property. Our failure to effectively protect our intellectual property could materially and adversely harm our business.

We may be involved in intellectual property disputes which, if determined adversely to us, could cause us to pay significant damage awards and interrupt our business and operations.

Our success will depend in part on our ability to protect our proprietary right and to operate without infringing on the proprietary right of third parties. There can be no assurance that any of our or our subsidiaries' current or future patent applications will result in issued patents, that the scope of the claims in any patents currently held by or to be issued to us in the future will prevent competitors from introducing competitive products or that any patent currently held by us or to be issued to us in the future would be enforceable if challenged.

We have no means of knowing what patent applications have been filed anywhere in the world until they are published, as such information is not available until such time. In addition, there is a possibility that PCB products designed and manufactured by us may inadvertently incorporate aspects of existing design patents. We may also use or develop components or technologies which infringe on patents or other intellectual property rights owned by our competitors or other third parties. If any third party were to make valid intellectual property infringement claims against us or our customers, we could be required to:

- discontinue using disputed components, technologies or products incorporating those components or featuring those technologies in certain regions;
- pay substantial monetary damages;
- seek to develop or license non-infringing component or technologies, which may not be feasible; or
- seek to acquire licenses to the component or technologies, which may not be available on commercially reasonable terms, if at all.

This could restrict us from making, using, selling or exporting some of our products, which could in turn materially and adversely affect our business, results of operations and financial condition. The PCB industry frequently features disputes over intellectual property. We may in the future be required to defend our intellectual property rights against infringement, duplication, discovery and misappropriation by third parties or to defend ourselves against third party claims of infringement.

We rely upon trade secrets and other unpatented proprietary know-how to maintain our leading position in the PCB industry and any loss of our rights to, or unauthorized disclosure of, our trade secrets or other unpatented know-how could negatively affect our business.

We rely upon trade secrets, unpatented proprietary know-how and information, as well as continuing technological innovation in our business. The information we rely upon includes price forecasts, core technology and key customer information. Our current standard employment agreement with our employees contains a confidentiality provision which generally provides that all confidential information shall be kept confidential. All unpatented know-how and other intellectual property rights developed or made known to the individual employee during the term of the employment relationship is our exclusive property during and after the employment term. Our agreements with contractors also contain confidentiality provisions that are similar to the ones that exist in our standard employment agreements with our employees. However, there can be no assurances that our employees or contractors will not breach any of their confidentiality obligations under such agreements or that such agreements will be enforceable. Moreover, it is uncertain whether we will have adequate remedies in the event of any breach. Our competitors may come to know about our trade secrets and other proprietary information through a variety of methods. Failure to protect our trade secrets or other know-how could materially and adversely affect our business, financial condition and results of operations.

If our cybersecurity is breached, we may incur significant legal and financial exposure, damage to our reputation and a loss of confidence of our customers.

Our business involves the storage and transmission of confidential information relating to us as well as our customer and suppliers, and any breach in our cybersecurity system could expose us to a risk of loss, the improper use or disclosure of such information, ensuing potential liability or litigation, any of which could harm our reputation and adversely affect our business. Although there has been no material instance where an unauthorized party was able to obtain access to our data or our customers' data and despite our efforts in implementing comprehensive cybersecurity training for our employees and utilizing anti-virus and firewall systems which are regularly updated, there can be no assurance that we will not be vulnerable to cyber-attacks in the future. If an actual or perceived breach of our cybersecurity occurs or the market perception of the effectiveness of our cybersecurity measures is adversely affected, we may incur significant legal and financial exposure, including legal claims and regulatory fines and penalties, damage to our reputation and a loss of confidence of our customers, which could have an adverse effect on our business, financial condition and results of operations.

We intend to continue to engage in acquisitions, joint ventures and other transactions that may complement or expand our business. We may not be able to complete these transactions, and even if executed, these transactions pose significant risks and could have a negative impact on our financial condition and results of operation.

Our future success may be dependent on opportunities to enter into joint ventures and to buy other businesses or technologies that could complement, enhance or expand our current business or products or that might otherwise offer us growth opportunities or gains in productivity. If we are unable to identify suitable targets, our growth prospects may suffer, and we may not be able to realize sufficient scale advantages to compete effectively in all relevant markets. We may also face competition for desirable targets from other companies in the PCB industry. Our ability to acquire targets may also be limited by applicable antitrust laws and other regulations in the jurisdictions in which we do business. We may not be able to complete such transactions, for reasons including, but not limited to, a failure to secure financing or as a result of restrictive covenants in our debt arrangements. The success of any acquisition depends, in part, on our ability to capture anticipated synergies, growth opportunities and cost savings, which may be impeded, delayed or reduced as a result of numerous factors, some of which are beyond our control. These factors include:

- complexity of managing a more diversified business, including supply chain management, manufacturing capacity management, research and development, human resources and financial and audit management;
- difficulties in integrating the operations and financial condition, products, personnel and cultures;
- our inability to adapt to new economic, political and regulatory landscapes in the jurisdictions where target companies operate;
- the diversion of our management's attention from our existing business;
- unforeseen contingent risks or latent liabilities relating to the merger that may become apparent in the future;
- effects on our capacity utilization as a result of post-merger excess capacity and market conditions;
- possible negative impacts on our results of operations during business integration; and
- our possible inability to achieve the intended objectives of the transaction.

Closing of the BoardTek Acquisition may have a negative impact on our financial condition and results of operation, and may dilute our existing shareholders.

We have agreed to acquire BoardTek by way of a share swap. It is expected that the BoardTek Acquisition will close on November 11, 2020, subject to the satisfaction or waiver of certain closing conditions, including obtaining required regulatory approvals and remediation of environmental non-compliance by BoardTek. There is no assurance that the BoardTek Acquisition will close at the expected timeframe, or at all. Even if it does, we cannot assure you that we will be able to successfully integrate BoardTek (or its technologies or assets) into our Company in a timely manner, or at all. If we fail to do so, our financial condition, results of operations and business could be materially and adversely affected. Furthermore, the integration process may require significant time and focus from our management team following the BoardTek Acquisition and may divert attention from the day-to-day operations of the combined business, which could delay the achievement of our strategic objectives.

Further, BoardTek is currently loss-making. According to the information posted by BoardTek on the Market Observation Post System (https://mops.twse.com.tw), which neither we nor the Initial Purchasers have independently verified, BoardTek recorded net operating income of NT$189 million in 2018 and an operating loss of NT$354 million (US$12 million) in 2019. For the three months ended March 31, 2019 and March 31, 2020, BoardTek recorded net operating income of NT$45 million and a net operating loss of NT$136 million (US$4 million), respectively. If and when the BoardTek Acquisition closes, we will consolidate the financial results of BoardTek with our financial results. If we are unable to improve the financial condition and results of operations of BoardTek, our financial condition and results of operations may be adversely affected on a consolidated basis. See "Summary – The BoardTek Acquisition."

If and when the BoardTek Acquisition closes, we will issue 0.2 new Shares to existing BoardTek shareholders for every one BoardTek share acquired, equaling 44,819,274 new Shares. This will dilute the shareholdings of our existing shareholders, reduce their proportional ownership in our Company and may adversely affect the market price of our Shares.

We may have capital requirements in connection with our business strategy and there is no assurance that we will be able to obtain the financing necessary to fund substantial capital expenditures.

Our business and the nature of the industry in which we operate may require us to make substantial capital expenditures in the future, leading to a higher level of fixed costs. For example, we may be required to expand our production capacity in certain of our existing production facilities to cater to an expected or actual increase in demand for our products. These capital expenditures will be spent in advance of any additional revenue to be generated by new or upgraded production facilities as a result of these expenditures. Given the fixed cost nature of our business, we may in the future incur operating losses if our operating revenue does not adequately recover our capital expenditures.

In connection with our business strategy, we have spent NT16,462 million (US$544 million) on capital expenditure in 2019, primarily for expanding and upgrading our production capacity. We anticipate that we will fund our capital expenditures with proceeds from existing cash balances and credit lines, cash inflow from operations, together with the expected proceeds of this offering and existing and future bank borrowings. However, in the event of adverse market conditions in the future or changes in our growth plan, manufacturing process, product technologies, prices of machinery and equipment or interest rates, our actual expenditures may exceed our planned expenditures and we may not have sufficient sources of liquidity to affect our current operational plan and would need to secure additional financing from external sources to partially fund our expenditures. There can be no assurance that external sources of liquidity will be available to fund our ongoing operations or our product development. The failure to obtain financing would hinder our ability to make continued investments in product development, which could materially and adversely affect our business, results of operations and financial condition.

We need to observe certain financial and other covenants under the terms of our debt obligations, the failure to comply with which would put us in default under such debt obligations.

We are a party to numerous loans and other agreements relating to the incurrence of debt, many of which include financial covenants and broad default provisions. The financial covenants primarily include current ratios, leverage ratios, interest coverage ratios, tangible net worth and other technical requirements, which, in general, govern our existing long-term debt and debt we may incur in the future. Such financial covenants could limit our ability to plan for or react to market conditions or to meet our capital needs in a timely manner and we may have to curtail some of our operations and growth plans to maintain compliance. In addition, any global or regional economic deterioration may cause us to incur significant net losses or force us to assume considerable liabilities, which would adversely impact our ability to comply with the financial covenants of our outstanding loans. If the relevant creditors decline to grant waivers for any noncompliance with the covenants, such non-compliance will constitute an event of default which may trigger a requirement for acceleration of the amounts due under the applicable loan agreements. Some of our loan agreements also contain cross-default clauses, which could enable creditors under our other debt instruments to declare an event of default when there is a default in other loan agreements. We cannot assure you that we will be able to remain in compliance with our financial covenants. In the event of default, we may not be able to cure the default or obtain a waiver on a timely basis. An event of default under any agreement governing our existing or future debts, if not cured by us or waived by our creditors, could have a material adverse effect on our liquidity, financial condition and results of operations. If we breach our financial or other covenants, our financial condition will be adversely affected to the extent we are not able to cure such breaches or repay the relevant debt.

The slowdown in the global economy has put downward pressure on prices and demand for our products.

The recent slowdown in the global economy has adversely affected the market demand for our products and negatively impacted our product sales. The key markets for our products, the United States, the PRC and the ROC, continues to grow at a comparatively slow rate. A decrease in market demand typically puts significant downward pressure on our average selling prices. At the same time, reduced corporate and commercial activity has also had a negative impact on the demand for and prices of our products. We cannot predict when the key markets for our products will recover if at all. While various governments, including that of the ROC, have implemented measures to stimulate the economy and increase liquidity in the financial markets, there can be no assurance that these measures will be successful. If the economies of the United States, the PRC and the ROC, continue to grow at a slower rate, or experience a prolonged recession, our business, financial condition and results of operations would be adversely affected.

U.S.-China trade war may adversely impact our business, financial condition and results of operations.

The majority of our products are physically delivered to our brand/EMS customers in the PRC, where they are used as components in a wide range of technology products, such as 3C products, manufactured by our customers. Although some of these products are sold domestically to end customers within the PRC, a significant portion is exported and sold to end customers in the U.S. There have been changes and discussions with respect to U.S. trade policies towards the PRC. Tariffs and retaliatory tariffs have been imposed by the U.S. and the PRC on each other, and additional tariffs and retaliation tariffs have been proposed. The imposition of tariffs, retaliatory tariffs or other trade restrictions and prohibitions, on our customers' products which are manufactured and exported from the PRC to the U.S. could cause their prices to increase. This could reduce demand for such products, or reduce our customer's margins, and adversely impact their revenues, financial results and ability to service debt, which, in turn, could lead a reduction of orders placed with us by our customers. Moreover, our customers may pass cost of tariffs on their products on to us, which would depress our margins and reduce our profitability. To the extent changes in the political environment have a negative impact on us or on the markets in which we operate our business, results of operations and financial condition could be materially and adversely impacted in the future. To offset the increases in price caused by tariffs and retaliatory tariffs on our customers' products, our customers may move their manufacturing operations to locations outside of the PRC. We may also be required to move our manufacturing operations in tandem with our customers in order to continue to maintain a presence in the strategic locations where they operate. This may require us to fund significant capital expenditures to establish new or upgrade existing production facilities outside the PRC which will be spent in advance of any additional revenue to be generated such production facilities. Given the fixed cost nature of our business, we may in the future incur operating losses if our operating revenue does not adequately recover our capital expenditures. Further, against escalating trade tensions, our indigenous PRC brand/EMS customers may demand that all components and PCB products used in their products must be produced by indigenous PRC manufacturers which may reduce demand for our products and negatively impact our revenues. It remains unclear what the U.S. or the PRC governments will or will not do with respect to tariffs already imposed, additional tariffs that may be imposed, or international trade agreements and policies. A trade war or other governmental action related to tariffs or international trade agreements or policies has the potential to negatively impact ours and/or our customers' costs, demand for our customers' products, and/or the world economy or certain sectors thereof and, thus, adversely impact our business, financial condition and results of operations.

We rely on certain key personnel and failure to attract, retain or replace such personnel could adversely affect our business.

Our success depends to a significant extent upon the continued services and our ability to attract, retain and motivate our key technical, managerial, and sales personnel. Without a sufficient number of such key personnel, our operations and manufacturing quality would suffer. We do not maintain key person insurance with respect to the loss of any of our key personnel. If we lose the services of these key personnel, we may not be able to find suitable replacements or integrate replacement personnel in a timely manner or at all, which would materially and adversely harm our business, financial condition and results of operations.

We engage in a variety of transactions with our related parties.

We engage in a variety of transactions with our related parties, in particular Hon Hai and its subsidiaries, on an ongoing basis. As of the date hereof, Hon Hai indirectly holds approximately 33.86% of our outstanding Shares. Although there can be no assurance as to the actual terms of those transactions, our policy is that transactions with related parties will generally be conducted on terms that we could obtain in a comparable arm's length transaction with an independent third party. We will continue to enter into additional transactions with our related parties in the future.

Principal shareholders' interests may differ from those of other shareholders.

As of the date hereof, Hon Hai indirectly holds approximately 33.86% of our outstanding Shares. Hon Hai has, and is expected to continue to have, significant influence on certain of our decisions and transactions, including those transactions with Hon Hai and its subsidiaries. The interests of Hon Hai may differ from the interests of other shareholders.

Our operating results may fluctuate due to factors beyond our control.

Our operating results are affected by a wide variety of factors beyond our control that could materially affect our sales revenues and profitability. These factors could also result in a significant variation in our quarterly or annual operating results. These factors include, but are not limited to:

- breakdown, failure, or substandard performance of equipment;
- delays in delivery, improper installation, or improper operation of equipment;
- new product introductions and delays in developing the capability to produce new PCB products;
- raw material price fluctuations and shortages;
- market prices of PCB products;
- seasonality of operating results;
- technological changes and changes in manufacturing processes;
- timing of orders and delays in shipments to customers; and
- volume of orders relative to our production capacity.

The occurrence of any such or other problems could materially and adversely affect our business, financial condition, and results of operation. Thus it is possible that in some future period our operating results or growth rate may be below the expectations of investors.

Our multinational operations subject us to various business, economic, political, regulatory and legal risks.

We have operations in Asia, Europe and the United States. As a result of our international operations, we are affected by economic and political conditions in foreign countries, including the imposition of government controls, regulatory restrictions, political and economic instability, trade restrictions, changes in tariffs, laws and policies affecting trade and investment, the lack of development of local infrastructure, labor unrest and difficulties in staffing, coordinating communications among and managing international operations, fluctuations in currency exchange rates and earnings, expatriation restrictions, difficulties in obtaining export licenses, and misappropriation of intellectual property. If we cannot successfully manage the risks and challenges generally associated with multinational operations, we may have difficulty successfully completing orders, which might lead to customer dissatisfaction and loss of future orders.

We are vulnerable to natural disasters and other disruptive events, such as earthquakes and contagious diseases, in the locations in which we, our customers or our suppliers operate that could severely disrupt the normal operation of our business and adversely affect earnings.

Many countries, such as the ROC and the PRC, are susceptible to earthquakes. Some earthquakes in recent years caused damage to production facilities and adversely affected the operations of many companies. Although we did not experience significant structural damage to our facilities, there can be no assurance that future earthquakes will not occur and result in major damage to our facilities, which could have a material adverse effect on our results of operations. Our major production and research facilities, as well as many of our suppliers and customers, are located in the ROC and the PRC. If our customers are affected by earthquakes or other natural disasters, demand for our products could decline. If our suppliers are affected, our production schedule could be interrupted or delayed. As a result, a major earthquake, natural disaster or other disruptive events in the ROC, the PRC or elsewhere could severely disrupt the normal operations of our business and have a material adverse effect on our financial condition and results of operations.

The recent COVID-19 pandemic has adversely affected our business and results of operations in several ways, including but not limited to interruption of the operations of global PCB supply chains and those of our suppliers, downward pressure on demand from our brand/EMS customers and production delays for our products due to forced temporary closures of our Huai'an, Qinhuangdao and Shenzhen production facilities. The Company has instituted various measures, including disinfection routines, self-quarantine, mandatory hygienic practices and establishing an epidemic management team to closely monitor and respond to the pandemic. As the pandemic is still ongoing and may worsen, there is significant uncertainty surrounding its developments and impacts, including whether the current epidemic or continued spread of COVID-19 will cause an economic slowdown or a global recession, and the impact it will have on our business or results of operations. The recent COVID-19 pandemic has caused us to modify our business practices, including but not limited to health management of employees, customers and suppliers, management of production inventory, and supply chain risk management. There is no certainty that such measures and others will be sufficient to mitigate the risks posed by COVID-19 or other epidemics in the future, and our ability to perform critical functions could be materially adversely affected.

Foreign exchange fluctuations may adversely affect our results of operations and financial condition.

As the Shares are listed on the TWSE, our financial statements are required to be presented in NT dollars, the lawful currency of the ROC. Therefore, when translating our financial statements from U.S. dollars to NT dollars, assets and liabilities are translated using the exchange rates at the balance sheet date. Profit and loss accounts are translated at weighted-average rates of the year. The equity accounts are translated at historical rates except for that of the beginning of the year, which is carried from prior year's balance.

Most of our sales are denominated in U.S. dollars, while the majority of our raw materials and component costs are paid for primarily in U.S. dollars and Renminbi, with a substantial portion of our labor cost paid in Renminbi. Accordingly, our operations are exposed to fluctuations among U.S. dollar, Renminbi and NT dollar exchange rates and, to a lesser extent, exchange rates between other currencies.

The value of the Renminbi is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. Effective from July 21, 2005, the Renminbi is no longer pegged solely to the U.S. dollars. Instead, it is pegged against a basket of currencies, determined by the People's Bank of China, against which its value can rise or fall by as much as 0.3% each day. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed range in relation to a basket of specified foreign currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. On June 19, 2010, the PRC government announced its intention to further relax its currency policy, and the Renminbi slightly appreciated against U.S. dollars. We cannot assure you that the Renminbi will not experience significant appreciation against U.S. dollars again. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against U.S. dollars. Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars, of our net assets or earnings.

In addition, under the current foreign exchange regime in the PRC, there can be no guarantee that sufficient foreign currency will be available at a given exchange rate to satisfy the demands of a particular enterprise in full. There can also be no assurance that shortages in the availability of foreign currency will not restrict our ability to obtain sufficient foreign currency to satisfy our foreign currency needs.

The impact of future exchange rate fluctuations among these currencies on our financial performance and financial condition cannot be accurately predicted, and there can be no assurance that our attempt to mitigate the adverse effects of exchange rate fluctuations will be successful or that such exchange rate fluctuations will not in the future have a material adverse effect on our financial performance, financial condition and prospects.

Our insurance coverage may not adequately protect us against certain operating and other hazards which may have an adverse effect on our business.

We believe that the coverage from our insurance policies for our production facilities is in line with industry norms, based on our present operations and include adequate coverage for risks relating to fires and public liability. However, there can be no assurance that any claim under the insurance policies maintained will be timely honored in full or at all. To the extent that we suffer loss or damage that is not covered by insurance or exceeds our insurance coverage, our business, results of operations and financial condition may be materially and adversely affected. Further, we do not maintain insurance which provides coverage for all risks which may materialize in our business and operations. For example, we do not maintain business interruption insurance. Therefore, loss arising from the temporary closures of our production facilities as a result of the recent COVID-19 pandemic would not be recoverable under insurance. There can also be no assurance that insurance will continue to be available to provide reasonable, or any, coverage on reasonable commercial terms.

If we fail to comply with environmental regulations, we may be subject to adverse publicity and potential monetary damages and fines.

Some of our manufacturing processes employ or create various hazardous substances, including waste water, sewerage and exhaust gas. In response, we have implemented wastewater and sewage management systems at production sites and have also established comprehensive exhaust gas management regulations to minimize the impact of wastewater, sewerage and exhaust gas on the environment. We are subject to a variety of regulations in the relevant jurisdictions relating to the use, storage, discharge and disposal of chemicals and waste used in its manufacturing processes. From time to time, we receive requests from competent authorities to improve or rectify our environmental measures. In 2017, 2018, 2019 and the three months ended March 31, 2020, no administrative sanctions or penalties have been imposed upon us for the violation of environmental regulations. However, there can be no assurances that we will never fail to comply with these environmental regulations. Any failure to comply with present and future regulations or obtain the necessary certificates and permits could subject us to future fines and liabilities or other government sanctions. In addition, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. Any failure to control the use of or to restrict adequately the discharge of hazardous substances could subject us to monetary fines and liabilities or other government sanctions. If we are held liable for damages in the event of contamination or injury, it could have a material and adverse effect on our business, financial condition and results of operations.

In accordance with the environmental regulations, we are required to obtain relevant licenses and discharge permits. Our ability to obtain, maintain, or renew such licenses and permits on acceptable terms is subject to change, as, among other things, the regulations and policies of applicable governmental authorities may change. There can be no assurances that we will be successful and timely in obtaining the required approvals, licenses and permits. Failure to do so may subject us to monetary fines and liabilities or government sanctions.

We may not be able to obtain or renew all licenses, approvals or permits necessary for our current and future operations.

Our current and future operations in Asia, Europe, the United States and other regions require a number of regulatory licenses, approvals and permits. We cannot assure you that we will be able to obtain licenses, approvals or permits or make filings and registrations necessary for our operations in Asia, Europe, the United States and other regions, or that we will be able to successfully renew our existing licenses, approvals or permits. In addition, if the relevant authorities enact new regulations, we may not be able to meet successfully the requirements under such regulations. If we fail to obtain or renew the necessary regulatory licenses, approvals or permits, or make the necessary filings and registrations, we may have to cease construction or operation of the relevant projects, be subject to fines, or face other penalties, which could have a material adverse effect on our business, financial condition and results of operations. Even if we already obtained the licenses, approvals and permits, there could be parties or interest groups with different views who may take actions against the renewal of such licenses, approvals and permits, which may have an adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO TAIWAN

Strained relations between the ROC and the PRC governments, and political developments in the ROC, could adversely affect our business.

A small portion of our assets are located in Taiwan and the Shares are listed on the TWSE. Accordingly, our financial condition and results of operations and the market price of the Shares may be affected by changes in the ROC governmental policies, taxation, inflation, interest rates, social instability and other political, economic, diplomatic or social developments in or affecting the ROC which are outside our control. Taiwan has a unique international political status. Both the governments of the PRC and the ROC assert sovereignty over Taiwan. The PRC government does not recognize the legitimacy of the government of the ROC. Although significant economic and cultural relations have been established in the past decade between Taiwan and the PRC, the PRC has refused to renounce the possibility that it may use force to gain control over Taiwan if Taiwan declared independence or if a foreign power interfered in Taiwan's domestic affairs. Relations between the ROC and the PRC have at times been strained. Past developments in relations between the ROC and the PRC have on occasion depressed the market price of the securities of ROC companies. There is no assurance that relations between the ROC and the PRC will not deteriorate, or that future military actions or economic sanctions or other disruptive activities will not be undertaken by either the PRC or ROC governments.

Financial reporting and accounting standards in the ROC differ from those in certain other countries.

We are subject to financial reporting requirements in the ROC that differ in significant respects from those applicable to companies in certain other countries, including the United States. In addition, our financial statements are prepared in accordance with Taiwan IFRS, which differ in certain significant respects from generally accepted accounting principles in certain other countries, such as U.S. GAAP or IFRS. The accounting treatment adopted by us under Taiwan IFRS may cause volatility of our revenue and/or profits. Potential investors should consult their own professional advisors for an understanding of such differences and how they might affect the financial information contained herein.

The imposition of foreign exchange restrictions may have an adverse effect on foreign investors' abilities to acquire ROC securities, including the Shares, or to repatriate the interest, dividends or sale proceeds from those securities.

The ROC government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the ROC government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in Taiwan. These restrictions may require foreign investors to obtain Taiwan government's approval before acquiring ROC securities, repatriating the interest or dividends from those securities or repatriating the proceeds from the sale of those securities. There can be no assurance that these restrictions, if imposed, will not adversely affect, among other things, the secondary market price of the Bonds.

As we are a public company, actions taken by us or third parties may result in a change in control of the Company.

We are a public company listed on the TWSE. As a result, we may be subject to potential takeovers or acquisitions by third parties through the purchase of our publicly traded Shares. In addition, there may be potential mergers or acquisitions, consolidations or share swaps that result in a change of control. A change of control may lead to changes in management, strategies or business direction, as well as the termination of agreements that contain relevant change of control provisions, all of which may have a material and adverse effect on our business, prospects, overall financial condition and results of operations.

The value of the Shares and the Bonds as well as the value of certain marketable securities held by us may be adversely affected by the volatility of the ROC securities market.

The ROC securities market is smaller and more volatile than the securities markets in the United States and in certain European countries. The TWSE has experienced substantial fluctuations in the prices of listed securities and has shown particular volatility following certain political events, market events, scandals, and there are currently limits on the range of daily price movements on the TWSE. Furthermore, the TWSE has experienced problems such as market manipulation, insider trading, and payment defaults. The reoccurrence of these or similar problems could adversely affect the market price and liquidity of the securities listed on the TWSE, in both domestic and international markets.

RISKS RELATING TO THE PRC

We are subject to the political, economic and legal environments in the PRC.

We are subject to the political, economic and legal environments in the PRC. Currently we manufacture and sell the majority of our products to brand/EMS customers in the PRC. Accordingly, our business is subject to the political, economic and legal environments in the PRC. There can be no assurance that our investments and business activities in the PRC will not be adversely affected if relations between the PRC and the ROC are further strained.

Prior to 1978, the PRC had adopted a central economic planning system. All production and economic activities in the country were governed by the economic goals set out in the five-year plans and the annual plans adopted by the central authorities. Since 1978, the PRC government has permitted foreign investment and implemented several economic reforms, gradually changing from a planned economy towards a market-oriented economy. However, many of the reforms and economic policies adopted or to be adopted by the PRC government are unprecedented or experimental in nature and may have unforeseen results, which may have an adverse effect on enterprises with substantial businesses in the PRC.

The PRC government has implemented policies from time to time to regulate economic expansion in the PRC. Although in recent years the PRC government has implemented measures emphasizing the use of market force for economic reform, it continues to play a significant role in regulating market activities. The PRC government exercises significant control over the PRC's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies.

While the PRC's economy has experienced significant growth in the past 30 years, growth has been uneven both geographically and among various sectors. The PRC government has implemented various measures to encourage economic growth and guided the allocation of resources. While some of these measures benefit the PRC's overall economy, they may have a negative effect on us. For example, our business, overall financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations.

Our production facilities located in the PRC are subject to political, economic and social conditions, laws, regulations and policies of the PRC. The economy of the PRC differs from the economies of most developed countries in a number of respects, including:

- its structure;
- level of government involvement;
- level of development;
- level of capital reinvestment;
- control of capital reinvestment;
- control of foreign exchange; and
- allocation of resources.

Uncertainties in the PRC legal system could adversely affect our business and results of operations.

Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. However, since these laws and regulations are relatively new and continue to evolve rapidly, interpretations of laws and regulations are not always uniform, and enforcement of such laws and regulations involves uncertainties. The development of the PRC legal system is not yet complete. In addition, there may be PRC laws and regulations that are peculiar to the PRC and not commonly seen in developed countries and may impose additional procedural or compliance requirements on those to whom they apply. Furthermore, the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaty between the PRC and the country where the judgment is made or on reciprocity between jurisdictions.

Therefore, if a foreign judgment is rendered by a foreign court in which the country and the PRC do not have any treaty or agreement providing for the reciprocal recognition and enforcement of foreign judgments, such a judgment may not be enforced by a PRC court. The PRC's relatively inexperienced legal system in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of laws and regulations of the PRC may be subject to government policies reflecting domestic political changes.

We cannot predict the future development of the PRC legal system, such as the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the preemption of local regulations or the overturn of local government's decisions by superior laws. These uncertainties may limit the legal protections available to us. In addition, any litigation in the PRC may be protracted and may result in substantial costs, diversion of our resources and disruption of our business.

Dividends we receive from our PRC subsidiaries may be subject to PRC withholding tax.

The PRC Enterprise Income Tax Law provides that income tax may be applicable to dividends payable to non-PRC enterprise investors that are "non-resident enterprises" to the extent such dividends are derived from sources within the PRC. The PRC State Council has reduced such rate to 10% through the implementation of the PRC Enterprise Income Tax Law. We are therefore subject to such withholding tax with respect to business operations carried out by our PRC subsidiaries.

Changes in the preferential tax treatments of our PRC subsidiaries may adversely affect our profitability.

Our major operational subsidiaries in the PRC are categorized as high and new technology enterprises, which are subject to a 15% preferential tax rate, as compared with the unified enterprise income tax rate of 25%. Such preferential tax treatment is subject to renewal every three years. In addition, our subsidiaries and operations in the PRC also benefit from certain other preferential tax treatments. There can be no assurances that our subsidiaries in the PRC will be able to successfully renew such preferential tax treatments or if such preferential tax treatments will continue in the future. If such preferential tax treatments discontinue in the future, the resulting increase in our tax liability would have an adverse effect on our net profit and cash flow.

Labor laws in the PRC may adversely affect our results of operations.

Labor laws and regulations in the PRC impose strict requirements on signing labor contracts, paying remuneration, paid annual leave, probation and dissolving labor contracts. PRC labor law also requires the terms of employment contracts to be placed in writing within one month of the commencement of an employment relationship, which makes hiring temporary workers difficult. In the event we decide to significantly change or decrease the workforce of our PRC subsidiaries, the PRC labor laws and regulations could adversely affect our ability to enact such changes in a manner that is most advantageous to our business in the PRC subsidiaries or in a timely and cost-effective manner, which may materially and adversely affect our business, financial condition and results of operations.

Our production facilities in the PRC are subject to risks of power shortages.

Many cities and provinces in the PRC have historically suffered serious power shortages. Many of the regional grids do not have sufficient power generating capacity to satisfy fully the increased demand for electricity driven by continual economic growth and persistent hot weather. Local governments have required local factories to temporarily shut down their operations, reduce their daily operational hours or operate on different shifts in order to reduce local power consumption levels. Many factories have also experienced temporary power outages as a result of the persistent full load operations of the power grids. Since 2018, our operations in the PRC have not been affected by such administrative measures. However, there is no assurance that our PRC operations will not be affected by those administrative measures in the future, thereby causing material production disruption and delay in delivery schedules. In such event, our business, results of operations and financial condition could be materially adversely affected.

RISKS RELATING TO OWNERSHIP OF THE BONDS AND OUR SHARES

There are limitations on the Holders' ability to exercise Conversion Rights.

The Holders will not be able to exercise Conversion Rights (as defined in "Description of the Bonds") during any Closed Period (as defined in "Description of the Bonds"). In addition, under the current ROC law, regulations and policy, PRC persons are not permitted to convert the Bonds or to register as our shareholders unless (i) it is a qualified domestic institutional investor, or a QDII, and (ii) provided that the total shareholding of PRC persons with respect to the Issuer after the conversion does not exceed 30%. In addition, there are restrictions on the amount remitted to Taiwan for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TWSE might cause a Holder who is a PRC person to be unable to convert and hold the Shares issuable upon conversion of the Bonds. Under current ROC laws, "PRC person" means an individual holding a passport issued by the PRC, a resident of any area of the PRC under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of Taiwan), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area or controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency or instrumentality.

Shares including, but not limited to any securities that may be convertible into, or exchangeable for, the Shares that are eligible for future sale by us or our current shareholders may adversely affect the value of your investment.

The market prices of the Bonds and the Shares could decline as a result of sales of a large number of the Shares or any securities that are substantially similar to the Shares including, but not limited to any securities that may be convertible into, or exchangeable for, the Shares after this offering or the perception that such sales could occur. In connection with the offering, we agreed to certain lock-ups, subject to certain exceptions, for a period of beginning at the date and time the purchase agreement, dated as of June 22, 2020, entered into between our Company and the Initial Purchasers and ending 90 days after the Closing Date not to lend, offer, sell, contract to sell, grant any option to purchase, pledge, or otherwise dispose of any of our Shares or any securities that are convertible into or exchangeable for the Shares without the prior written consent of the Initial Purchasers. Nevertheless, the Initial Purchasers may lift or waive all or some of these restrictions at their sole discretion, and when the applicable restrictive period expires, we will be able to sell or otherwise dispose of the Shares, subject to legal restrictions. In addition, we cannot assure you that any of our shareholders will not sell, or otherwise dispose of, the Shares. If our shareholders sell a large number of the Shares after this offering, the market price of the Bonds and the Shares could be depressed and the value of your investment could substantially decrease. The market prices of the Shares and the Bonds could also decline if substantial amounts of the Shares or securities convertible or exchangeable into the Shares are sold after the closing of this offering, or if there is a perception that these sales could occur.

A liquid market for the Bonds may not develop, and the market for the Shares may not be liquid.

Prior to this offering, there has been no market for the Bonds. Application will be made for the listing of the Bonds but not our Shares on the SGX-ST. An active trading market for the Bonds might not develop.

The Bonds have not been registered under the securities laws of the United States or elsewhere and cannot be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where such registration may be required. The Bonds may not be publicly offered or sold, directly or indirectly, in the ROC. Furthermore, there has been no trading market for the Shares outside the ROC, and the only trading market for the Shares is the TWSE.

Holders of the Bonds will bear the risk of fluctuations in the price of the Shares.

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. It is impossible to predict how the price of the Shares will change. Trading prices of the Shares will be influenced by, among other things, our results of operations and political, economic, financial and other factors that affect capital markets generally. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

Fluctuations in the exchange rate between the NT dollar and the U.S. dollar may have a material adverse effect on the value of the Bonds in U.S. dollar terms.

Although the principal amount of the Bonds is denominated in U.S. dollars, the Shares are listed on the TWSE, which quotes and trades the Shares in NT dollars. As a result, fluctuations in the exchange rate between the NT dollar and the U.S. dollar will affect, among other things, the market price of the Bonds and the U.S. dollar equivalent of the Shares received upon conversion of the Bonds.

Holders of the Bonds will have no rights as shareholders until they acquire the Shares upon conversion of the Bonds.

Unless and until the holders of the Bonds acquire the Shares upon conversion of the Bonds, the holders of the Bonds will have no rights as shareholders, including any voting rights or rights to receive any dividends or other distributions with respect to the Shares. Subject to the indenture and other applicable ROC laws, holders of the Bonds who acquire the Shares upon the exercise of their Conversion Rights will be entitled to exercise the rights of shareholders only as to actions for which the applicable record date occurs after the Conversion Date.

Holders of the Bonds are subject to government-imposed requirements of appointing a tax guarantor and local agent in the ROC.

When a non-ROC person converts the Bonds or registers as our shareholder, such non-ROC person will be required under the current ROC law and regulations to appoint an agent, or a tax guarantor, in the ROC for filing tax returns and making tax payments. A tax guarantor must meet certain qualifications set by the Ministry of Finance of the ROC and, upon appointment, becomes a guarantor of a non-ROC person's ROC tax obligations. We cannot assure that such non-ROC person will be able to appoint and obtain approval for a tax guarantor in a timely manner, if at all.

In addition, under current ROC law, if a non-ROC person is an overseas Chinese or foreign national or entity having not been registered with the TWSE, when exercising the Conversion Right, such non-ROC person will be required to first register with the TWSE and then appoint a local agent to, among other things, open a general securities trading account with a local securities brokerage firm to hold or trade the Shares, remit funds and exercise shareholders' rights. A non-ROC person is also required to appoint a custodian for handling confirmation and settlement of trades, safekeeping of securities and cash proceeds, and reporting and declaration of information. Under existing ROC laws and regulations, without satisfying these requirements, a non-ROC person will not be able to hold or to sell or otherwise transfer the Shares on the TWSE or otherwise.

Our public shareholders may have more difficulty in protecting their interests than they would as a shareholder of a corporation of other jurisdictions.

Our corporate affairs are governed by our Amended and Restated Memorandum and Articles of Association governing Cayman Islands companies. The rights of our shareholders to bring shareholders' suits against our board of directors under Cayman Islands laws are much more limited than those of the shareholders of corporations of some other jurisdictions. Therefore, our public shareholders may have more difficulty in protecting their interests in connection with actions taken by our management, members of our board of directors or controlling shareholders than they would as shareholders of corporations of other jurisdictions.

Investors may face difficulties in protecting their interests because we are incorporated under Cayman Islands law and Cayman Islands law may provide different remedies to minority shareholders when compared with the laws of other jurisdictions.

Subject to the Companies Law and the common law of the Cayman Islands, our corporate affairs are governed by our Amended and Restated Memorandum and Articles of Association. The laws of Cayman Islands relating to the protection of the interests of minority shareholders (including the rights of our shareholders to bring shareholders' suits against our board of directors under Cayman Islands laws) differ in some respects from those established under statues or judicial precedents in some other jurisdictions. Such differences may mean that the remedies available to our minority shareholders may be different from those they would have under the laws of other jurisdictions. Therefore, our shareholders may have more difficulty in protecting their interests in connection with actions taken by our management, members of our board of directors or controlling shareholders than they would as shareholders of corporations of other jurisdictions.

Holders of the Bonds or their designee requesting the conversion of the Bonds into the Shares may be required to provide certain information to the Company, and failure to provide such information may result in a delay of the conversion.

A Holder of the Bonds or its designee requesting the conversion of the Bonds into the Shares may be required to provide certain information to the Company or the Paying Agent, including the name and nationality of the person to be registered as the shareholder, the number of Shares to be acquired by such person and the number of Shares acquired by such person in the past through the Conversion Date. Under applicable ROC laws, the Company is required to report to the FSC if the person to be registered as a shareholder (1) is a "related party" of the Company as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers or (2) will hold, immediately following such conversion, more than 10% of the total number of the Shares deliverable upon conversion of the aggregate principal amount of the Bonds at the time of issuance based on the initial conversion price. Failure to provide such information may result in a delay of the conversion of the Bonds.

USE OF PROCEEDS

Our gross proceeds from this offering will be US$400.0 million before deducting underwriting discount and commission and other offering expenses. We will use the net proceeds of this offering to supplement our working capital and for the repayment of loans.

MARKET PRICE INFORMATION

The Shares have been listed on the TWSE since December 26, 2011 under the stock code "4958".

On June 22, 2020, the reported closing price of our Shares was NT$134.00 per Share, and the TWSE Index closed at 11,572.93.

Information regarding our historical Share price may be obtained from the TWSE website. The trading price and the daily closing price of the Shares are available on the Market Observation Post System (https://mops.twse.com.tw). For the avoidance of doubt, none of the information contained on the TWSE website and the Market Observation Post System is incorporated by reference into this offering memorandum, nor should any of such information be considered part of this offering memorandum.

The TWSE has experienced substantial fluctuations in the prices of listed securities and there are currently limits on the range of daily price movements. See "Risk Factors – Risks Relating to Taiwan – The value of the Shares and the Bonds as well as the value of certain marketable securities held by us may be adversely affected by the volatility of the ROC securities market" and "Appendix A – The Securities Markets of the ROC – The Taiwan Stock Exchange."

DIVIDENDS AND DIVIDEND POLICY

Pursuant to our Amended and Restated Memorandum and Articles of Association, our board of directors may declare a dividend to be paid to the shareholders in proportion to the number of shares held by them and such dividend may be paid in cash, shares or wholly or partly in specie. Subject to approval by an ordinary resolution, our board of directors may determine that a dividend shall be paid wholly or partly in specie in which case our board of directors may need to obtain the prior consent of any shareholder to whom it is proposed to make a distribution in specie and an assurance on the valuation of the assets for distribution from an ROC certified public accountant, prior to fixing the value of the assets for distribution. Our board of directors may make cash payments to some shareholders on the footing of the value so fixed in order to adjust the rights of the shareholders.

With respect to the dividend to be distributed at the end of each financial year, subject to the Companies Law and our Amended and Restated Memorandum and Articles of Association and except as otherwise provided by the rights attached to any shares, we may distribute profits after each financial year in accordance with a proposal for profits distribution approved by, in the case of dividend to be paid in cash, a majority of the directors at a meeting attended by two-thirds or more of the total number of the directors, or, in the case of effecting any capitalization of distributable dividends and/or bonuses and/or any other amount standing to the credit of the capital reserve or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued Shares to be allotted as fully paid bonus shares *pro rata* to the shareholders, by a supermajority resolution in the annual general meeting.

Upon the final settlement of our accounts, if there is surplus profit, we shall set aside 0.5% to 20% as Employees' Compensation and no more than 0.5% thereof as Directors' Remuneration. The distribution proposals in respect of Employees' Compensation and Directors' Remuneration shall be approved by a majority of the directors at a meeting attended by two-thirds or more of the total number of the directors and submitted to the shareholders' meeting for report. However, if the Company has accumulated losses, the Company shall reserve an amount thereof for making up the losses before proceeding with the above distributions and allocation. The "surplus profit" referred to above means the net profit before tax and for the avoidance of doubt, such amount is before any payment of compensation to employees and remuneration for the directors. When determining the amount of dividend or other distribution, our board of directors shall first set aside out of the profits of the Company for each financial year: (i) a reserve for payment of tax for the relevant financial year; (ii) an amount to offset losses incurred in previous years; (iii) 10% as a general reserve (unless the general reserve in the past years has reached the total paid-up capital of the Company), and (iv) a special surplus reserve as required by the applicable ROC laws and regulations or a reserve as determined by the board of directors pursuant to the Amended and Restated Memorandum and Articles of Association. After setting aside the amounts for Employees' Compensation and Directors' Remuneration and such amounts as our board of directors deems fit in accordance with the distribution policy set out in the Amended and Restated Memorandum and Articles of Association and, subject to compliance with the Companies Law, our board of directors shall recommend to distribute no less than 10% of the distributable amount as dividend to the shareholders.

Dividends to the shareholders and the Employees' Compensation may be distributed, at the discretion of our board of directors, by way of cash or by way of applying such sum in paying up in full unissued Shares or a combination of both for allocation and distribution to employees or shareholders, provided that, in the case of a distribution to shareholders, no less than 50% of the total amount of such dividend shall be paid in cash.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of March 31, 2020, on an actual basis and as adjusted for the issuance of the Bonds, without deducting underwriting discount and commission and other offering expenses. Other than as disclosed herein, there has been no material change in our capitalization since March 31, 2020.

The following table should be read in conjunction with our financial statements and notes thereto included elsewhere herein.

	As of March 31, 2020			
	Actual		As Adjusted for Offering of Bonds	
	NT$	US$	NT$	US$
	(unaudited)		(unaudited)	
	(in millions)			
Long-Term Borrowings:				
Long-term loans – non-current	9,058	299	9,058	299
Bonds payable – non-current[1]	–	–	12,100	400
Total long-term borrowings	9,058	299	21,158	699
Stockholders' Equity:				
Share capital – Ordinary share	9,022	298	9,022	298
Capital surplus	29,551	977	29,551	977
Retained earnings – legal reserve	4,351	144	4,351	144
Retained earnings – special reserve	2,948	97	2,948	97
Retained earnings – unappropriated retained earnings	27,190	899	27,190	899
Unrealized gain or loss on available-for-sale financial assets	(62)	(2)	(62)	(2)
Exchange differences on translation of foreign financial statements	(5,684)	(188)	(5,684)	(188)
Non-controlling interest	23,322	771	23,322	771
Total Equity	90,638	2,996	90,638	2,996
Total Capitalization[2]	99,696	3,295	111,796	3,695

Notes:

(1) The bifurcation of the equity component and derivatives embedded in the Bonds is not taken into consideration for this as adjusted basis.

(2) Total capitalization includes total long-term borrowings (excluding the current portion of long-term loans shown as short-term borrowings) and total equity.

PRINTED CIRCUIT BOARD INDUSTRY

PCBs are used to mechanically support and electrically connect electronic components using conductive pathways, tracks or signal traces etched from copper sheets laminated onto a non-conductive substrate. In coming years, the PCB industry is expected to see a stable demand outlook and grow in step with the global electronics market and the global economy.

The increasing sales of consumer electronics with advanced functionality and computing power, such as smart phones, smart speakers and wearable devices, have been and are expected to continue to drive the demand for FPCs and HDIs, which are expected to grow at a quicker rate than RPCBs. Overall, market demand for PCB products is expected to steadily increase, fueled by the strong adoption of artificial intelligence, internet of things (IoT) and 5G technologies and the resulting growth in demand for 3C products.

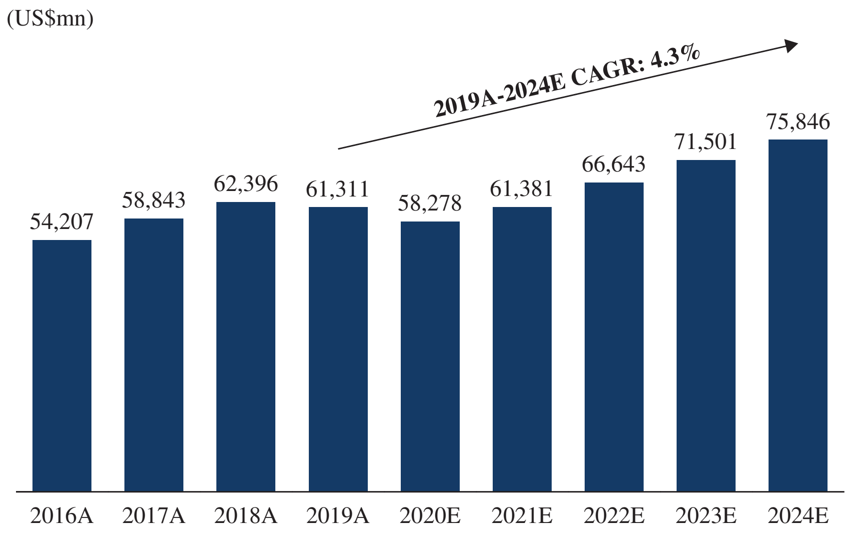
We believe the PCB industry will benefit from favorable growth trends in its downstream end markets:

Telecommunication Electronics Industry: The telecommunication electronic industry is a key downstream sector of PCB products, consisting of smartphones, base stations, routers, switches, etc. The deployment of 5G is expected to further drive the growth of this industry. According to Prismark, the telecommunication electronics market size was approximately US$591 billion in 2019, and is expected to grow at a 3.7% CAGR between 2019 and 2024, outperforming other downstream sectors.

Consumer Electronics Industry: As technologies advance in recent years, new applications based on augmented reality (AR), virtual reality (VR), tablets and smart wearables technologies have emerged and the related products gained significant traction among consumers. The innovative products such as IoT, smart home and artificial intelligence technologies, are expected to drive further growth of PCB products. According to Prismark, the consumer electronics market size was approximately US$298 billion in 2019, and expected to grow at a 3.7% CAGR between 2019 and 2024.

Automotive Electronics Industry: The advancement of the global automotive industry from new-energy vehicles to autonomous vehicles has promoted the continuous growth of automotive PCBs as multiple PCB operators vied to invest in technologies to gain a share of the market. According to Prismark, the revenue of global automotive PCBs in 2019 amounted to US$7.0 billion and it is expected to grow at a compound annual growth rate of 4.6% from 2018 to 2024. It is set to reach US$8.8 billion in terms of revenue by 2024.

According to Prismark, global PCB market size in term of revenue increased by 49% to US$61.3 billion in 2019 from approximately US$41.2 billion in 2009 and is expected to grow at a 4.3% CAGR to US$75.8 billion in 2024.



Source: Prismark

Global PCB market is relatively fragmented but it has been undergoing consolidation. Over the past 10 years, top 30 players continued to gain shares and out-competed sub-scale players due to their strong technology know-how, high product quality and performance, early joint R&D collaboration with customers, and economies of scale. Such competitive advantages create natural barriers to entry and will continue to benefit top players in global PCB market in the future.

The aggregate market share of the top 30 players in global PCB market in terms of revenue was 50.0% in 2010, which increased to 64.6% in 2019, according to Prismark.

OUR BUSINESS

OVERVIEW

We are the world's largest PCB manufacturer by revenue in 2019 according to Prismark. PCB is a key component for almost all electronic devices. Our PCB products include RPCB, FPC, HDI and ICS. Our product portfolio covers a wide range of applications, including primarily communication, computing and consumer devices such as smartphone, wearable, high-performance computer, etc. We believe our competitive strengths derive from our technological leadership, collaborative product development capabilities, vertically integrated production, high standard of operating discipline and economies of scale. Capitalizing on these competitive strengths, we have solidified our market leading position and forged long-term collaborative relationships with most of our major customers, many of whom are leading electronics device manufacturers.

To facilitate our strategy of vertical integration, all our production facilities are located in close proximity to our primary electronic manufacturing services (EMS) customers. We have production facilities in Shenzhen, Guangdong Province, Huai'an, Jiangsu Province and Qinhuangdao, Hebei Province. We continue to make investments in upgrading our production facilities in order to enhance operational efficiency and bolster production capacity in response to growing customer demand for our products. Since 2017, we have implemented artificial-intelligence based quality control systems at all of our major production facilities. Given we have collected large volume of product data since 2017 for the artificial intelligence-based quality control system to accurately identify products defects, our yield rate has improved over the past two years and we have been able to optimize our quality control function significantly. Recently, we completed phase 1 construction of the second plant at the Shenzhen facility, phase 2 construction of the Huai'an facility and expansion of the SLP production line at the Qinhuangdao facility. Moreover, in 2019, as part of our strategy to expand our global footprint, we established a new production facility in Chennai, India. The Chennai facility is expected to commence operations in the fourth quarter of 2020 and will be mainly used for FPC module assembly. While our research centers are based in Taoyuan City, Taiwan and Shenzhen, Guangdong Province, we retain the flexibility to rapidly tailor to different customers' needs through our global presence of logistics and service centers, including those located in Asia, Europe, and the United States. Our global production footprint and service network provide immediate support for regional customers as well as logistic support for the global operations of brand/EMS customers. We are committed to conducting our business and operations in a manner that complies with applicable environmental laws and regulations. In addition, we have taken steps to ensure that waste produced as a result of our operations is properly disposed of so as to minimize adverse effects to the environment. We have also been awarded numerous awards and accolades for our commitment to environmental protection.

Our operating revenue increased from NT$109,237 million in 2017 to NT$117,913 million in 2018 and NT120,068 million (US$3,969 million) in 2019. Our operating revenue was NT$19,413 million and NT$17,512 million (US$579 million) for the three months ended March 31, 2019 and 2020, respectively. Our net profit increased from NT$6,772 million in 2017 to NT$11,537 million in 2018 and NT$12,402 million (US$410 million) in 2019. Our net profit was NT$633 million and NT$1,264 million (US$42 million) for the three months ended March 31, 2019 and 2020, respectively.

On June 22, 2020, our market capitalization was NT$120,898.8 million based on the closing price of the Shares on the TWSE of NT$134.00 per share on the same date.

OUR COMPETITIVE STRENGTHS

The following key strengths enable us to provide cost-effective, tailor-made, full-service system solutions for industry leading customers:

Our leading position as the world's largest manufacturer of PCBs by revenue

We are the world's largest PCB manufacturer by revenue in 2019 according to Prismark. Our operating revenue increased from NT$109,237 million in 2017 to NT$117,913 million and NT$120,068 million (US$3,969 million) in 2018 and 2019, respectively. We earned this leading position by, among others, our in-depth strategic collaboration with customers and suppliers, extensive product portfolio, strong research and development capabilities and state of the art manufacturing. We believe we will continue to benefit from our market leading position to compete effectively in the fast evolving PCB market.

Our diverse product portfolio and ability to offer competitive one-stop shop solutions

We design, develop, manufacture and sell a wide variety of RPCB, FPC, HDI and ICS products. Leveraging our diverse product portfolio, we have established a one-stop shop for a broad portfolio of PCB products, covering entire product lines and multiple links of the supply chain, to meet the diverse and evolving requirements of our brand/EMS customers. Moreover, by utilizing our strong technical expertise, our deep-rooted understanding of electronic design and experience in the implementation of an extensive range of different PCBs in customer products, we are able to provide customers with comprehensive design, development and sample production services. We believe these capabilities allow us to better serve our customers and create stickiness that will benefit our results of operations in the long run. For example, we are well positioned to win urgent purchase orders from customers who are seeking a supplier that can comprehensively meet their PCB and design requirements, ramp up volume production of new PCB products and achieve economies of scale within a short period of time, thereby allowing them to quickly bring new products to the market.

Our direct collaborative relationships with leading brand/EMS customers

We have built and maintained direct collaborative relationships with the world's leading brand/EMS customers through participation in joint development manufacturing (JDVM) and joint design manufacturing (JDSM). Our seamlessly cooperation with key customers translate to major product purchase orders wins directly from them, rather than through intermediaries. By cooperating with customers in joint development and design, our products and solutions are "design-in", highly customized and tailored to our customers' specifications. Early involvement with our customers by our specialist design engineers in the initial product design phase enables us to gain a deep understanding of the technical challenges faced by our customers and to work closely and efficiently with them to transform early product concepts to actual prototypes that are ready for mass production. We believe that this approach is particularly critical to our customers who need to quickly bring new products to the market and is one way by which we are able to add significant value in comparison to our competitors that only offer production services. Our collaborative relationships with customers from initial product design to mass production reinforce the customer relationship and create natural customer stickiness.

Our significant investment in research and development of innovative products and technologies

To maintain our position as a leading PCB provider, capture new market opportunities and further bolster our product portfolio, we continue to make significant investments in research and development. We believe this is critical in enabling us to deliver innovative and customized products, enhance the performance of our products and develop first-to-market technologies in a rapidly evolving and dynamic PCB industry. Recently, we have directed our research and development efforts on a number of products and application areas including, multi-layer interconnection and active embedding technology, high-order heat dissipation and high-frequency transmission interconnection board design and optical welding thermo-sensitive technology. Our dedicated research and development team consists of 4,860 personnel and are based in our research centers in Taoyuan City, Taiwan and Shenzhen, Guangdong Province. They provide strong support to our innovation efforts and regularly collaborate with leading universities and research institutions across Asia. Our research and development expenditure increased from NT$4,725 million in 2017 to NT$5,637 million in 2018 and NT$6,140 million (US$203 million) in 2019.

Our strategic presence and vertical integration where our customers operate

In the recent past, brand customers have been focusing on brand management, product design and development, sales channels and marketing, and have been engaging EMS companies to manufacture and distribute their products. The PRC is one of the world's major centers for EMS companies to source and produce electronic products. As a leading upstream components manufacturer, we have maintained a long-term presence in the PRC to better service the demands of our EMS customers. Our production facilities have been established near the production facilities of our primary EMS customers in the PRC. Our close proximity to customers help to foster closer collaborative relationships, address their various needs in a timely fashion and provide them with tailor-made full service solutions in a consistent, efficient and cost effective manner. In 2019, we established a new production facility in Chennai, India to service EMS customers who expanded their operations into India. We believe our focus on maintaining a presence in strategic locations where our key customers operate and vertical integration will continue to translate into larger cost advantages and allow us to deliver on the short time-to-market deployment requirements of our customers. We believe this will give us a competitive edge over our competitors and will help us win manufacturing mandates from existing and new customers.

Our commitment to environmental protection measures

We have taken measures to ensure that waste produced as a result of our operations is properly disposed of so as to minimize adverse effects to the environment. We have also implemented comprehensive exhaust gas management regulations to minimize hazardous discharge. In 2019, our Shenzhen production facility earned the Alliance for Water Stewardship's platinum certification, a global program that fosters collaboration between businesses, governments, and civil society, offering a framework and standard for water stewardship. Recently, the PRC government has been supportive of businesses with environmental-friendly supply chains and production process, and we believe that our prominent achievements in environmental protection will enable us to take advantage of favorable government policies. In addition, the amount of waste we disposed is much lower than the government control standard. With sufficient waste disposal quota and our wastewater recycling systems, we are able to execute our expansion plans and increase our production volume without exposing ourselves to the risk of violating government control standard in the short term.

Our experienced and stable management team with proven technology and operational track record

We have an experienced and stable management team that has successfully led our operations and increased our capacity, revenues and profits in a highly competitive environment. All of our directors have served in their respective roles for more than nine years. We believe our management team has extensive knowledge of our industry and practical management experience. They are passionate and dedicated to our business and share a common commitment to research and development as well as technological innovation. We believe that our management has successfully guided our rapid expansion, both organically and through mergers and acquisitions, and implemented policies which enhanced our core engineering and technology competencies, thereby allowing us to become the leading provider of PCBs globally. In particular, Chang-Fang Shen, the chairman of our board of directors, has more than 20 years of experience in the consumer electronics industry and continues to be involved in the day-to-day operations of our business. Mr. Shen is supported by a professional management team who have in-depth knowledge and decades-long experience in the PCB sector.

OUR STRATEGIES

We intend to build on our existing strengths of product design and manufacturing, value, and service to enhance our position as the PCB provider of choice for leading global customers. Key elements of our strategy are described below:

Further diversify our product portfolio into sectors with attractive long term growth and profitability prospects

We work with our customers to develop products that meet their specifications and fulfill their quality and delivery requirements. We will continue to work to enhance the quality, technological sophistication, cost competitiveness and time to market of our products, and aim to diversify our product lines where suitable opportunities arise. Capitalizing on our deep insight on industry trends, we have been strategically focused on certain sectors with attractive long term growth prospects and sophisticated PCB product demand. These sectors include expanding market segments such as 5G, automobile electronics, automation and end user applications such as mobile phones, wearable devices, servers and cloud computing devices. We believe that growth in these sectors will continue to drive demand for PCBs, and in particular, sophisticated PCB products that are light-weight, thin, high-speed, high-frequency, high-precision, multi-functional and require low power consumption. These sophisticated PCB products generally command higher margins in comparison to conventional PCBs, therefore, increasing the sale of sophisticated PCB products may elevate our profitability. In light of this, our research and development efforts have been focused on further enhancing our sophisticated PCB product offerings, such as HDI and ICS. We intend to further explore and penetrate these high-growth sectors to capture the growth opportunities, to diversify our business portfolio and optimize our product mix, to enhance our long-term profitability and to effectively compete with our competitors.

Strengthen relationships with brand/EMS customers and continue to engage customers from an early stage

Our collaborative relationships with our brand/EMS customers are crucial to our success. We plan to continue to position ourselves as a reliable partner that is able to support our customers in their efforts to develop new products in existing and new application areas and seamlessly integrate into their supply chain. We will continue to take a proactive approach to engage our customers from an early stage of product development to provide full-service solutions from PCB design to manufacturing services. Additionally, we intend to maintain and enhance our relationships with our customers by continuing to collaborate on critical research, design, and new product development. Our strong design capabilities and wide range of investments in vertical integration enable us to align our strategy with high value-added customers' product roadmap. By strengthening our relationships with our customers and adopting an early engagement approach, we will be able to integrate our products into a greater number our customers' products. This will enhance product stickiness, and help to capture higher customer wallet share.

Expand our production capacity and use of automation while optimizing our cost structure

In anticipation of increased demand for PCBs, we intend to expand our production capacity and to improve our production efficiency through optimizing our production process, including increasing level of automation and data analysis. We expect that the expanded production capacity will enhance our economies of scale in our operations, which will lower the cost of production and further optimize our cost structure. Further, we strive to increase the level of automation and use of artificial intelligence systems at our production facilities. We believe these steps are vital to reducing labor and maintenance costs, reducing inventories, increasing productivity, enhancing production control and maintaining our competitive advantage over our competitors. The newly expanded SLP production line at the Qinhuangdao facility is our first "lights-out" manufacturing line which is fully automated and that requires little on-site human intervention for it to function. Further, we employ the use of automated guided vehicles at our production facilities which are equipped with automatic loading and unloading functions to increase our warehousing productivity, solve complex logistics issues in a cost-efficient manner and reduce the risk of physical injuries to our on-site labor force. Moreover, since 2017, we have implemented artificial-intelligence based quality control systems at all of our major production facilities. As we continue to accumulate product data for the artificial intelligence-based quality control system, we expect continued improvement in our yield rate and further optimize our quality control function.

Enhance our strategic collaborations with supply chain partners

We value strategic cooperation with our supply chain partners and seek to further enhance the relationship in multiple areas of our business. For example, we plan to engage our suppliers to jointly explore emerging opportunities in new materials and reduce time to market. This will also give us exclusivity to use such materials for a certain period of time, creating significant competitive advantages over peers. We also plan to cooperate with equipment and machinery suppliers to further optimize our manufacturing process and unlock economies of scale. Implementation of this strategy will strengthen our supply management capabilities, effectively mitigate the risk of supply shortages and further reinforce our leadership in the PCB industry.

Selectively pursue strategic acquisitions, collaborations and investment opportunities

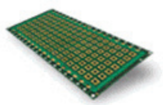
We may continue to seek and complete strategic acquisitions, collaborations and opportunities that we believe are complementary to our business. In addition, we expect to explore opportunities that could usher us to promising high-growth sectors and market segments which are less sensitive to price fluctuations, such as medical, industrial and aerospace. In order to maintain our technology leadership, we may also evaluate opportunities for collaboration, investments and acquisitions that enhance our technological capabilities, broaden our product portfolio and allow us to unlock synergies. For example, on March 10, 2020, we entered into a share swap agreement pursuant to which we agreed to acquire the entire share capital of BoardTek by way of a share swap. It is expected that the BoardTek Acquisition will close on November 11, 2020, subject to the satisfaction or waiver of certain closing conditions, including obtaining required regulatory approvals and remediation of environmental non-compliance by BoardTek. If and when the BoardTek Acquisition closes, the BoardTek Acquisition is expected to deliver a number of benefits, including allowing us to further optimize our customer portfolio for emerging opportunities, such as, automotive electronics, high-frequency communication and high-performance computing and enriching our portfolio of RPCB products. We also expect the BoardTek

Acquisition will grant us greater flexibility to manage our capacity with the addition of a manufacturing site in Taiwan and realize certain synergies, particularly in research and development with respect to multilayer and high-speed applications. Nevertheless, there is no assurance that the closing of the BoardTek Acquisition will occur at the time expected, or at all.

PRODUCTS AND SERVICES

General

Our PCB product offerings include RPCB, FPC, HDI and ICS. All of these products are widely used in computing, communication and consumer electronic devices. We emphasize the development of both software and hardware technologies to provide our customers with comprehensive solutions and high value-added services. Furthermore, we pursue our strategy of open integration by developing related products that are logical extensions of our existing product lines and utilize our strength in design and technology innovations.

Product Segment	Feature
	**RPCB** Inflexible, wide range of thickness and high current capacity Used in automotive electronics, servers/storage devices, desktop computers, laptop computers, monitors, hard drives, TVs and game consoles
	**FPC** Flexible, bendable, light-weight and thin Used in wearable devices, mobile phones, tablet computers, laptop computers, digital cameras, handheld game consoles, TFT-LCD panels and touch panels
	**HDI** Small, high-density circuit distribution and high transmission efficiency Used in wearable devices, mobile phones, tablet computers, ultra-thin laptop computers, digital cameras and handheld game consoles
	**ICS** Lighter, smaller, superior quality stability and signal channels Used in application processors, baseband chips, power management chips, NFC chips, RF chips, graphics chips, power amplifiers, flash memory and MEMS

We sell our products globally. The table below sets forth a breakdown of our consolidated revenues by major countries for 2017, 2018 and 2019.

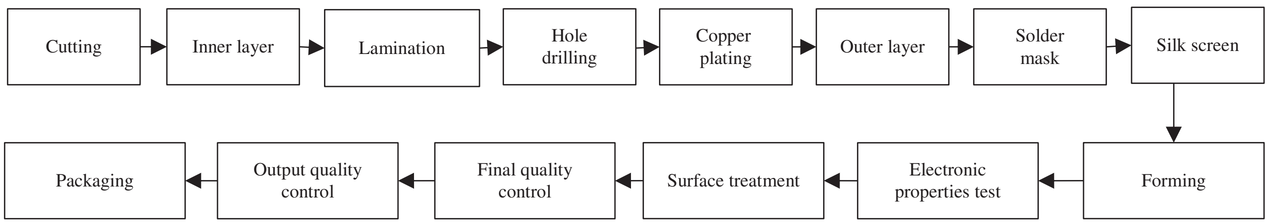
	Year Ended December 31,					
	2017		2018		2019	
	NT$	%	NT$	%	NT$	%
	(in millions, except for percentages) (unaudited)					
United States	68,429	62.64%	81,806	69.38%	78,179	65.11%
China	26,747	24.49%	23,946	20.31%	28,112	23.41%
Taiwan	7,626	6.98%	5,637	4.78%	6,995	5.83%
Others	6,436	5.89%	6,524	5.53%	6,782	5.65%
Total	109,238	100.00%	117,913	100.00%	120,068	100.00%

RPCB Products

We have extensive in-depth experience in designing and manufacturing conventional RPCB products. This product is inflexible and is used to mechanically support and electrically connect electronic components leveraging conductive pathways, tracks or signal traces etched from copper sheets laminated onto a non-conductive substrate. Our RPCB products are installed primarily in automotive electronics, servers/storage devices, desktop computers, laptop computers, monitors, hard drives, TVs and game consoles.

Our RPCB products can be manufactured to a wide range of thicknesses and includes single-sided boards, double-sided boards and multi-layer boards. The simplest conventional RPCBs are single-sided boards. They have conductive paths and pads on one side only. Double-sided boards, with the conductive patterns formed on both sides of the boards, adopt a slightly more complicated design and manufacturing process. A conductive path has to be made to interconnect elements on both sides. Boards that have more than one layer are called multi-layer boards. Multi-layer boards are essentially double and single-sided boards sandwiched together with layers of epoxy-impregnated glass cloth. Multi-layer boards require more sophisticated production techniques, as they require high precision manufacturing and miniaturization to achieve increased functionality. Currently, we are focusing, among others, on the industrialization of multilayer RPCB products with high definition display interconnection and embedded high-order RPCB products.

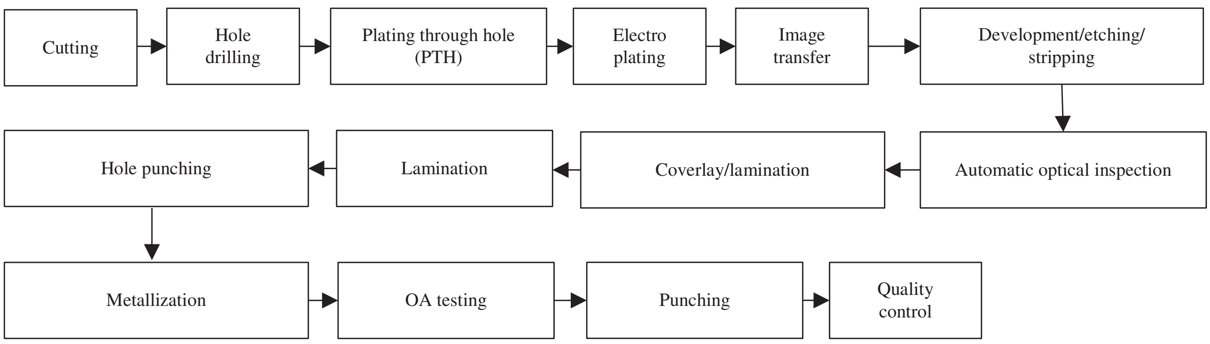
The diagram below illustrates the major production process of our RPCB products:



FPC Products

In recent years, we have successfully diversified our business by focusing on FPC products used in wearable devices, mobile phones, tablet computers, laptop computers, digital cameras, handheld game consoles, TFT-LCD panels and touch panels. Our FPC products, with the features of flexibility, bendability, light weight and thinness, are often used as connectors in various applications where flexibility, space savings, or production constraints make it impracticable to utilize RPCBs. We are actively exploring various business opportunities to expand revenues generated from this product segment in the long term. Currently, we are focusing, among others, on the industrialization of multilayer FPC products with high definition display interconnection and low-loss, and the development of FPC products with low-temperature optical welded thermo-sensitive sensors.

The diagram below illustrates the major production process of our FPC products:

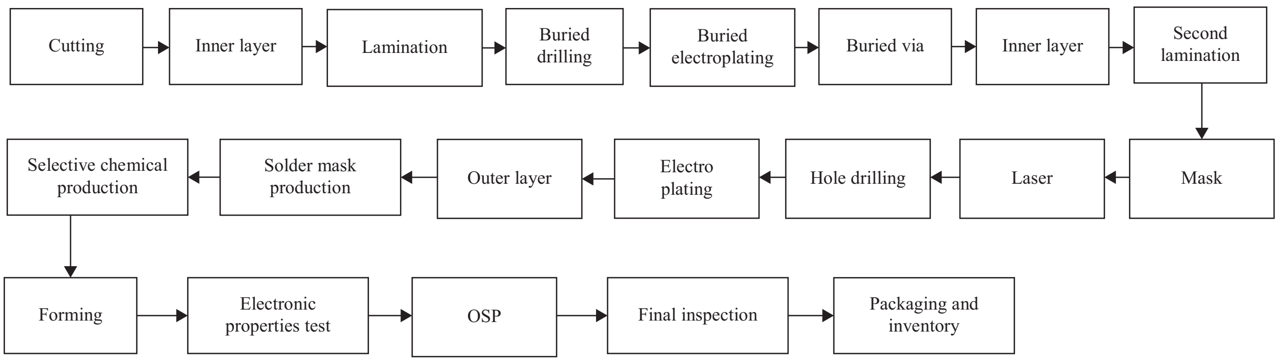


HDI Products

We use the most up-to-date components and our own design and engineering efforts to create distinctive and user-friendly HDI products that appeal to well-informed consumers. Our HDI products are used primarily in HDI boards are boards with high-density characteristics including micro holes, or vias (diameter typically < 5 mil), microlines (line width/space typically < 5 mil) and composition of high performance materials, thereby enabling more functions per unit area. As communication and computer products get smaller and more portable with higher and higher functionality, demand for HDI increases dramatically. Manufacturers of advanced communication equipment, consumer electronics and computer products generally require PCBs with complex multi-layer interconnections made out of advanced materials, which results in an increased demand for HDI products. Currently, we are focusing, among others, on the industrialization of HDI products with thin small LED displays and the development of next-gen 5G portable heat dissipation and low-loss HDI products.

We use build-up process and micro-via technology to manufacture our multi-layer HDI products, of which the microlines (line width/space) are 50 m and the micro holes are typically 0.15 mm diameter or less for through-hole connectors. With the feature of small size, high speed and high frequency, our HDI products are widely used in wearable devices, mobile phones, tablet computers, ultra-thin laptop computers, digital cameras and handheld game consoles.

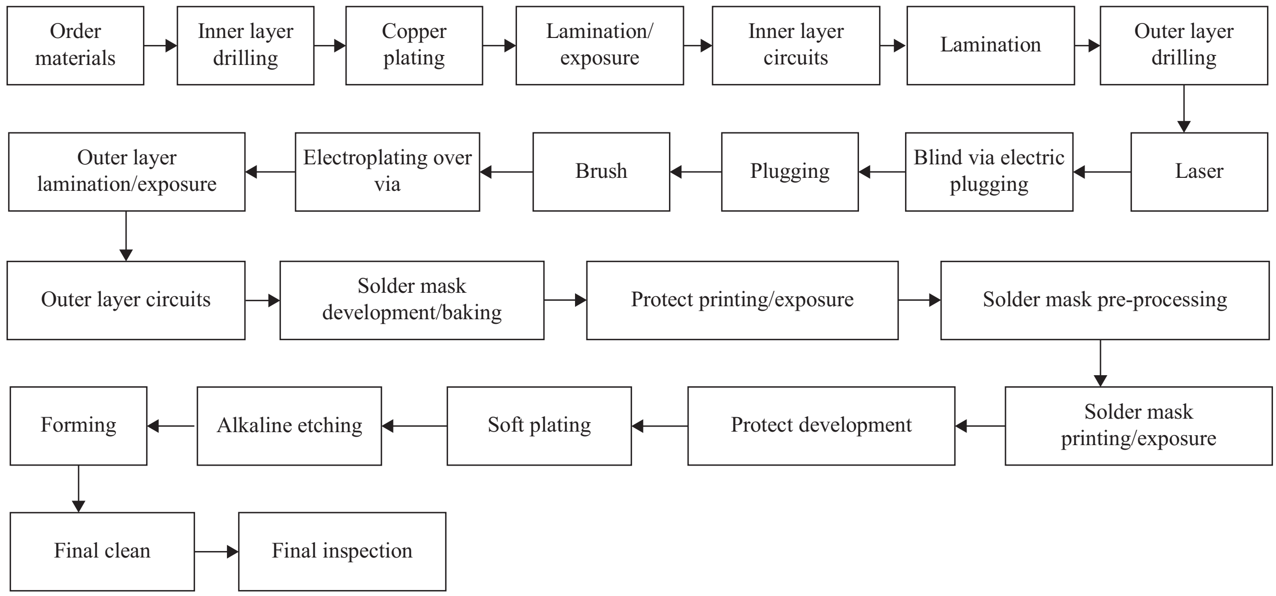
The diagram below illustrates the major production process of our HDI products:



ICS Products

An ICS is similar to a miniature PCB, and most of ICS production is similar to that of PCBs. We currently focus on the production of ICS used in semiconductor packaging, including WB CSP, FC CSP and system in packaging (SiP). The CSP package is no more than 1.2 times the size of the semiconductor itself. It is noted for its compact size, high I/O and low inductance, which lowers power consumption. These packaging technologies are often employed on high-performance ICs, such as logic chipsets, graphic ICs and wireless communication ICs. Our ICS products are mainly used in application processors, baseband chips, power management chips, NFC chips, RF chips, graphics chips, power amplifiers, flash memory and MEMS.

The diagram below illustrates the major production process of our ICS products:



Currently, we are focusing on the industrialization of 8um embedded trace and 40um thin core high-end semiconductor substrate products, and the research and development of, among others, pre-tinned FC CSP semiconductor substrate products used in 5G smart phone applications, 6um embedded trace, presolder FC CSP and embedded active substrate.

SALES AND MARKETING

We market our products to brand/EMS customers primarily located in Taiwan, Asia and the United States. In 2017, 2018 and 2019, sales to our major customers representing 10% or more of our operating revenue accounted for 62.63%, 69.36% and 64.24% of our operating revenue, respectively. For the three months ended March 31, 2019 and 2020, sales to our major customer representing 10% or more of our operating revenue accounted for 64.47% and 57.31%, respectively, of our operating revenue.

INVENTORY MANAGEMENT

Raw materials

Copper-clad laminates, copper foil, prepreg, films, process chemicals, copper balls, consumables, and electronic components are principal raw materials used to manufacture our PCB products.

Procurement and inventory management

Inventory management is a key aspect of our business. We utilize a supply chain management system to monitor our material and inventory levels. We have installed the following systems to enhance our global supply chain management system.

- The MRP system, which enables us to manage our suppliers by implementing more effectively the "just-in-time" concept and also provides a projection of the raw materials required in our production operations; and

- The ERP system, which provides inventory data to control the level of stocks and receivables and enables us to more effectively plan and allocate our resources worldwide.

In selecting suppliers, we consider their production capacity and technological capabilities as well as their prices. We have a flexible procurement policy and periodically monitor the quality of our suppliers through vendor surveys, random inspections and monthly reports from our materials quality and control department. In addition, we work closely with many of our key material suppliers, assisting them in the testing of their new products. We believe that collaborating with suppliers assists us in selecting the best materials for our products and strengthens our relationships with those suppliers.

We typically do not enter into long-term contracts with our suppliers for purchase of materials that are not in short supply. We do, however, provide these suppliers, on a monthly basis, with rolling non-binding forecasts of our material requirements, which are based on forecasts provided to us by our customers. We then submit firm purchase orders for our short-term requirements closer to the time of delivery. The prices we pay for materials are typically not set at the time we place our firm purchase orders. Rather, we negotiate prices with our suppliers periodically.

PRODUCTION FACILITIES AND SERVICE CENTERS

Our production facilities and service centers have been strategically located all over the world, including Taiwan, China, Japan, Vietnam, Korea, India and the United States, to provide the most efficient service to our customers. All of our manufacturing sites have passed the ISO 9001 Quality Management System certification.

The following table sets forth our major production facilities and customer service centers as of March 31, 2020:

Production Facilities and Service Centers	Main Function	Products/Services	Location
Shenzhen Facility	Production facility	FPC and HDI products	Guangdong, China
Shenzhen Research Center	Research center	Research and development services	Guangdong, China
Huai'an Facility	Production facility	RPCB and HDI products	Jiangsu, China
Qinhuangdao Facility	Production facility	FPC, HDI and ICS products	Hebei, China
Chennai Facility[1]	Production facility	FPC module assembly	Chennai, India
Taiwan Research Center	Research center	Research and development services	Taoyuan, Taiwan
Taiwan Service Center	Customer service center	After-sale services	Taoyuan, Taiwan
Beijing Service Center	Customer service center	After-sale services	Beijing, China
Shanghai Service Center	Customer service center	After-sale services	Shanghai, China
Shenzhen Service Center	Customer service center	After-sale services	Shenzhen, China
Huai'an Service Center	Customer service center	After-sale services	Jiangsu, China
Qinhuangdao Service Center	Customer service center	After-sale services	Hebei, China
Chongqing Service Center	Customer service center	After-sale services	Chongqing, China
Chengdu Service Center	Customer service center	After-sale services	Chengdu, China
Japan Service Center	Customer service center	After-sale services	Kanagawa, Japan
Korea Service Center	Customer service center	After-sale services	Kyungkido, Korea
Vietnam Service Center	Customer service center	After-sale services	Bac Giang, Vietnam
U.S. Service Center	Customer service center	After-sale services	California, U.S.A.

Note:

(1) Expected to commence operations in the fourth quarter of 2020.

Each production facility has its own specialization in manufacturing different products. Our production facilities for PCBs used in 3C products are tailored to our major customers, but any excess capacity may be flexibly re-allocated among the facilities upon approval from our major customers.

The Shenzhen facility commenced production in February, 2007. We produce primarily FPC and HDI products, primarily used in smart phones and tablet PCs at this production facility. The Huai'an facility commenced production in February, 2008. We produce PPCB products, mainly used in notebook PCs, networking devices, game consoles and servers at this production facility. The Huai'an facility commenced production in 2015. We produce FPC products, mainly used in smart phones, wearables and tablet PCs at this production facility. The Qinhuangdao facility commenced production in 2008. We manufacture FPC, HDI and ICS products, primarily used in smart phones, tablet PCs and consumer products at this production facility. The Chennai facility was established in 2019 and is expected to commence production in the fourth quarter of 2020. The Chennai facility will be mainly used for FPC module assembly. To take advantage of the lower manufacturing costs in the PRC, we have located most of our production capacity in the PRC, and we intend to continue to expand our production facilities in the PRC. In 2019, we completed phase 1 construction of the second plant at the Shenzhen facility and phase 2 construction of the Huai'an facility and expansion of the SLP production line at the Qinhuangdao facility, which will contribute to our production capacity and cost efficiency. As labor costs in the PRC gradually increase, we have made significant investments to increase the level of automation at our production facilities. Recently, we expanded the SLP production line at the Qinhuangdao facility. The expanded line is our first "lights-out" manufacturing line which is fully automated and that requires little on-site human intervention for it to function.

QUALITY CONTROL

We place a strong emphasis on product and process quality control, which we consider to be crucial to our success in the PCB industry. We aim to continuously improve our product quality to ensure customer satisfaction and aim to achieve zero defects in our production processes. We have established strict quality control and management systems, which are designed to ensure quality product design, high production efficiency and high yields at our production facilities. We have passed various quality management systems certifications including IATF16949, ISO9001, ISO14001, QC080000, ISO50001 and ISO45001 and product safety certifications such as UL and CQC. We routinely inspect and work closely with our suppliers to ensure that their products pass our quality requirements. All of the 112 suppliers we inspected in 2019 passed our requirements at the end of 2019. We subject our prototypes to a rigorous multi-stage design and manufacturing process, beginning with component selection, supplier qualification and management, through reliability testing, design simulation, reviews, tests and manufacturing. We are in compliance with other regulations applicable to our business, such as green products, environment, health & safety and social accountability.

EMPLOYEES

As of March 31, 2020, we had 36,984 employees, compared to approximately 41,522, 36,330 and 36,181 employees as of December 31, 2017, 2018 and 2019.

For employees at our PRC facilities, we are required to participate in various pension programs and government-sponsored benefits including social insurance, housing provident fund appropriations, and unemployment, health and housing benefits. We believe our wages are competitive with other Taiwanese companies in our industry. In addition, we provide our employees of Taiwan subsidiary with benefits such as lunch and, in the case of our foreign employees, accommodation. For our employees based in the ROC, we participate in defined benefit pension plan in accordance with the ROC Labor Standards Act, covering the employees who provided services to us prior to July 1, 2005 but chose to remain in the benefit pension plan after the ROC Labor Pension Act became effective on July 1, 2005. For employees who chose to remain in the original benefit pension plan in accordance with the ROC Labor Standards Law, we contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan as trustee under the name of an independent retirement fund committee. In accordance with the ROC Labor Pension Act, we also have a defined contribution employee retirement plan covering all ROC employees who work for us since July 1, 2005 or who work for us prior to July 1, 2005 and did not choose to remain in the original benefit pension plan. We contribute 6% of an employee's monthly salary and wages to the personal pension account of such employee each month with the ROC Bureau of Labor Insurance. Employees may choose to receive pension on a monthly basis or to receive a lump sum payment upon retirement in the amount of the balance in the personal pension account plus accumulated investment gains. We consider our relationship with our employees to be good. To date, we have not experienced any strikes or disruptions due to labor disputes.

INTELLECTUAL PROPERTY

Intellectual property is an important aspect of our business, and we actively seek protection for our intellectual property as appropriate. We currently rely on a combination of patents, trademarks, trade secrets, copyrights, contractual commitments and other legal rights to protect our intellectual property.

We regularly review our research and development efforts to assess the existence and patentability of new intellectual property and generally apply for patent protection if our intellectual property carries the potential for wide application across our sectors or is able to give our business a competitive advantage over our competitors. As of December 31, 2019, we held a total of 14 trademarks and 904 patents, comprising of 395 patents in Taiwan, 363 patents in the PRC and 146 patents in the United States.

In addition, we have registered our corporate logo “” in Singapore, Japan, Hong Kong, European Union, Taiwan, India, the United States, Brazil and the PRC. We have also registered for the trademarks of “臻鼎科技Zhen Ding Tech.” and “臻鼎科技控股 Zhen Ding Tech. Holding” in Taiwan, and applied for them in Hong Kong and the PRC.

In addition to the protection provided by our intellectual property rights, we enter into confidentiality and proprietary rights or similar agreements that restrict the disclosure of our intellectual property with our employees, customers, suppliers and distributors. We further control the use of our proprietary technology and intellectual property through provisions in both general and product-specific terms of use.

COMPETITION

The notebook PC, tablet PC, wearable device and smart phone markets in which our end customers operate are highly competitive with short product cycles and frequent new product introduction. Our principal competitors, who also supply PCB products to these end customers, include PCB manufacturers from Taiwan and China, as well as manufacturers from Japan and the United States. We have, both in the past and recently, experienced price and margin pressures due to intense competition. The principal factors relating to competition include product quality and reliability, price, service and support, and corporate reputation. While we believe that our products and services compete favorably in these areas, we could be adversely affected if our competitors were to introduce innovative or technologically superior products at more favorable prices. Our primary competitors include TTM, Mektron, Unimicron, Tripod, Suzhou Dongshan Precision Manufacturing, Compeq, HannStar Board Corp, SEMCO, Kingboard Holdings, AT&S and Young Poon. In addition to the existing competitors, we may also face emerging PCB manufacturers as our potential competitors.

ENVIRONMENTAL MATTERS

We are committed to conducting our operations in a manner that complies with applicable ROC and PRC environmental laws and regulations. Since January 1, 2017, we have not received any complaint from our customers or any other parties with respect to any environmental protection issues, and we have not experienced any material environmental incidents arising from our manufacturing activities. During the same period, no administrative sanctions or penalties have been imposed upon us for the violation of environmental laws or regulations.

In addition, we have a comprehensive environmental policy and procedures starting from the earliest stages of product design, all the way through to component procurement, manufacturing, and customer service. Our Shenzhen, Qinhuangdao and Huai’an production facilities have passed various environmental management system certifications including ISO14001, ISO14064-1 and ISO50001 and have obtained the Opinion Letter of Environmental Impact Assessment from the PRC government authorities. We take steps to ensure that waste produced as a result of our operations is properly disposed of so as to minimize adverse effects to the environment. We have installed waste treatment facilities and implemented waste treatment procedures in our production facilities to treat waste discharged during the production process. Based on third-party test results, the waste water discharged at our Shenzhen, Qinhuangdao and Huai’an production facilities meets all relevant PRC regulatory requirements. We have also implemented comprehensive exhaust gas management regulations to minimize hazardous discharge and implemented energy saving technologies at our production facilities to reduce carbon emissions.

ENVIRONMENTAL ACCOLADES

Our commitment to environmental protection is evidenced by our numerous accolades, including the following recent awards:

- **Shenzhen facility**: 2019 Green Pioneer Enterprise Award given by the China Industrial Innovation Alliance of Green Design and Manufacturing, 2019 Best Waste VOCs Governance Practice Award given at the Annual Supplier Social and Environmental Responsibility Conference, 2019 and 2018 Green Environmental Protection Model Enterprise Award given by the Guangdong Printed Circuit Association;

- **Huai'an facility**: 2019 Jiangsu Province Environmental Protection Trusted Enterprise awarded by Jiangsu Province, 2019 Green Enterprise in Huai'an Economic and Technological Development Zone awarded by Huai'an City and 2017 Jiangsu Province Water Conservation Enterprise awarded by Jiangsu Province; and

- **Qinhuangdao facility**: 2019 Hebei Province Eco-Friendly Exemplar Enterprise awarded by Hebei Province, 2019 and 2018 China Environmental Social Responsibility Company awarded by the PRC Ministry of Ecology and Environment, 2018 Green Factory awarded by the PRC Ministry of Industry and Information Technology.

In addition, we were awarded the Best Wastewater Treatment Award, the Best Energy Conservation Award and the Best Corporate Social Environment Responsibility Award in the first, second and third Microsoft Annual Supplier Social and Environmental Responsibility Conference, respectively.

LITIGATION

Neither we nor our subsidiaries are involved in any material legal or arbitration proceedings which may have, or have had in the last 12 months, a significant effect on our financial position.

CONTRACTUAL OBLIGATIONS

As of March 31, 2020, we had capital expenditure contracted but not yet paid in respect of property, plant and equipment of NT$778 million (US$26 million) and long-term liabilities of NT$10,623 million (US$351 million). See note 6(16) and 6(29) to the notes to the unaudited consolidated interim financial statements as of and for the three months period ended March 31, 2019 and 2020 included elsewhere in this offering memorandum. In addition, pursuant to the share swap agreement dated March 10, 2020, if and when the BoardTek Acquisition closes, we will issue 0.2 new Shares to existing BoardTek shareholders for every one BoardTek share acquired, equaling 44,819,274 new Shares in total. There is no assurance that the closing of the BoardTek Acquisition will occur at the time expected, or at all. See "Summary – The BoardTek Acquisition."

INSURANCE

We maintain insurance policies in respect of our assets, including our office buildings and production facilities situated in Taiwan and PRC, with independent third party insurers. These policies cover losses arising from fire and earthquakes and other natural calamities in respect of buildings, machinery and equipment and inventories. We also maintain insurance policies with independent third party insurers with respect to our goods in transit covering loss due to shipping accidents. In addition, we maintain product liability insurance and environmental liability insurance.

OUR HISTORY

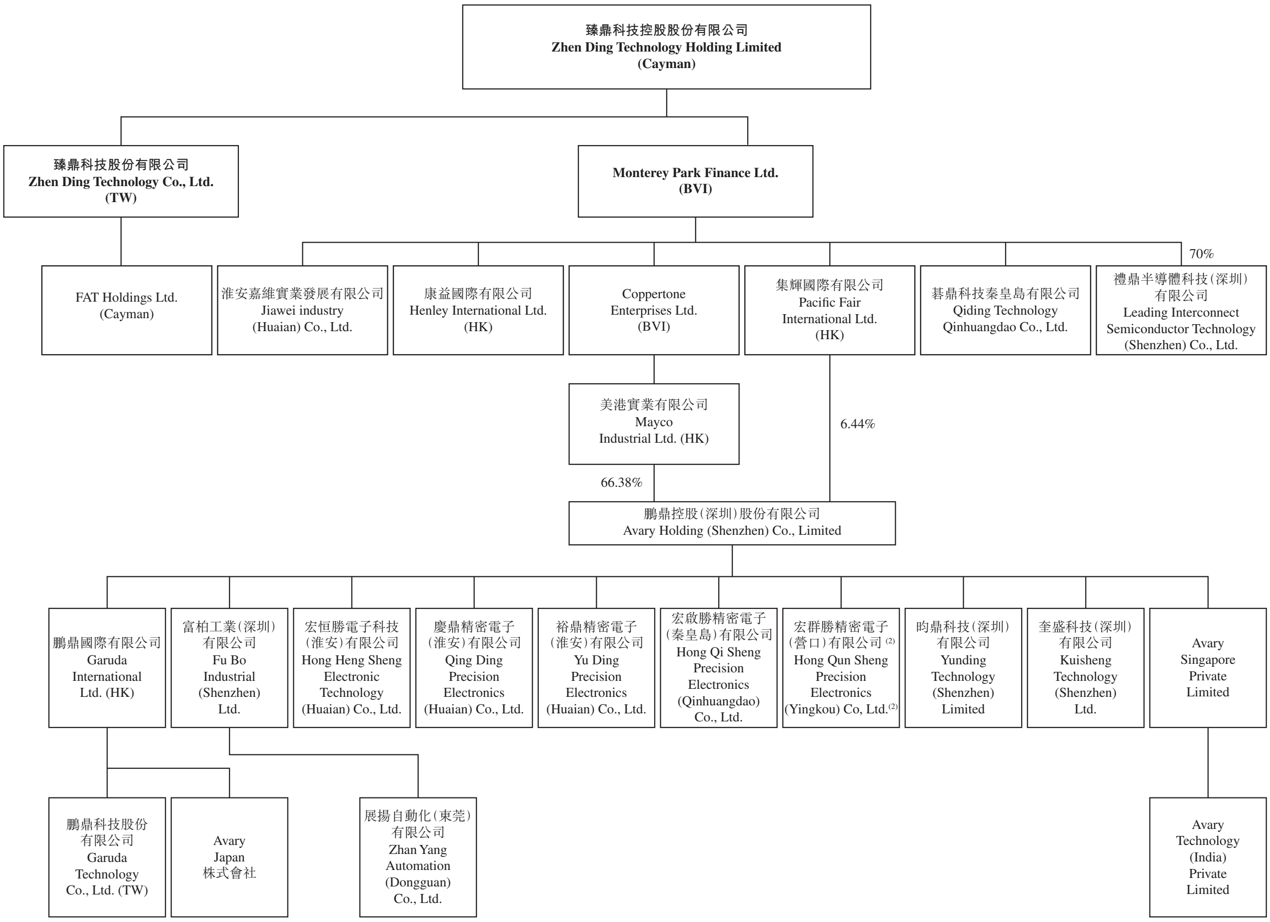
We were incorporated under the Cayman Islands law on June 5, 2006. In August 2011, we changed our Company name from Foxconn Advanced Technology Limited to Zhen Ding Technology Holding Limited 臻鼎科技控股股份有限公司. We were listed on the TWSE on December 26, 2011.

In April 2007, we acquired Fukui Precision Component (Shenzhen) Co., Ltd., through which we built our Shenzhen plant in Guangdong Province. In October 2007, we acquired Hong Hua Sheng Precision Electronic (Yantai) Co., Ltd., through which we built our Yantai plant in Shandong Province. We sold our Yantai plant to Pan Global Holdings Limited in February 2012. In April 2008, we acquired Hong Heng Sheng Electronical Technology (Huaian) Co, Ltd., through which we built our Huai'an plant in Jiangsu Province. On April 1, 2014, we acquired Forever Growth Investment Limited, the sole shareholder of Fu Bo Industrial (Shenzhen) Ltd., from whom we leased our Shenzhen plant.

In December 2016, our subsidiary Avary (formerly known as Fukui Precision Component (Shenzhen) Co., Ltd.) exchanged shares for the acquisition of Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd., Hongqunsheng Precision Electronics (Yingkou) Co., Ltd., Qingding Precision Electronics (Huaian) Co., Ltd., and Yuding Precision Electronics (Huaian) Co., Ltd., and used cash to acquire Fubo Industry (Shenzhen) Co., Ltd. and Honghengsheng Electronical Technology (Huaian) Co., Ltd. In September, 2018, Avary was listed on the Shenzhen Stock Exchange under stock code "002938".

OUR ORGANIZATIONAL STRUCTURE

The chart below illustrates our organizational structure as of December 31, 2019:



Notes:

(1) Except as otherwise disclosed, each parent company owns 100% equity of its subsidiaries.

(2) We disposed of the entire share capital of Hong Qun Sheng Precision Electronics (Yingkou) Co, Ltd. in March 2020.

DIRECTORS OF OUR COMPANY

Our board of directors has ultimate responsibility for the management of our business and affairs. Our Amended and Restated Memorandum and Articles of Association provide for a board comprising no less than five and no more than nine directors, among them at least three directors should be independent directors. We currently have three independent directors.

The term of office for directors shall be no more than three years. Directors may serve any number of consecutive terms. Our current directors were elected at the ordinary shareholders' meeting held on June 19, 2020.

The following table shows shareholding and other information with respect to each director as of June 19, 2020:

Name	Number of Shares held	Percentage of Shares held	Date First Elected	Term Expires	Position
Chang-Fang Shen	4,158,000	0.46%	June 5, 2006	June, 2023	Chairman
Foxconn (Far East) Limited	305,515,627	33.86%	February 18, 2008	June, 2023	Director
Che-Hung Yu[1]	–	–	–	–	Director Representative
John-See Lee	–	–	June 7, 2011	June, 2023	Director
Ting-Chuan Lee	–	–	June 19, 2020	June, 2023	Director
Chih-Chen Chou	–	–	June 7, 2011	June, 2023	Independent Director
Chen-Fu Chien	–	–	June 19, 2020	June, 2023	Independent Director
Chi-Hsien Lee	–	–	June 19, 2020	June, 2023	Independent Director

Note:

(1) Representative of Foxconn (Far East) Limited, appointed on February 1, 2013

Executive Officers of our Group

The following table sets forth shareholding and other information relating to our principal executive officers, including those of our company and Avary, a 72.8% subsidiary of our company:

Name	Number of Shares held[1]	Percentage of Shares held	Position Since	Position
Zhen Ding Technology Holding Limited				
Ting-Chuan Lee	–	–	May 11, 2017	President
Tun Ling	10,000	–	March 15, 2018	Financial Executive
Jin-Ten Chang	15,000	–	May 11, 2017	Accounting Executive
Avary Holding (Shenzhen) Co., Limited				
Chang-Fang Shen	4,158,000	0.46%	May 16, 2017	Chief Executive Officer
Chang-Yao Chen (陳章堯)	13,625	–	May 16, 2017	President
Chen-Kun Fan (范振坤)	–	–	May 16, 2017	Vice President
Yi-Hung Lin (林益弘)	114,064	0.01%	May 16, 2017	Vice President
Te-Wang Hsiao	117,975	0.01%	May 16, 2017	Vice President and Chief Financial Officer

Name	Number of Shares held[1]	Percentage of Shares held	Position Since	Position
Hong Zhou (周紅).........................	–	–	May 16, 2017	Vice President and Board Secretary
Wen-Chung Li (李文中)	8,000	–	December 28, 2018	Vice President
Chia-Hung Chung (鍾佳宏)	10,953	–	December 27, 2017	Vice President

Note:

(1) Including ownership by spouse and minors.

Chang-Fang Shen is our Chairman. He is also serving as the chairman of Avary, Zhen Ding Technology Co., Ltd. and Qiding Technology (Qinhuangdao) Co., Ltd. Prior to his present position with us, Mr. Shen was a general manager of Unicap Electronics Industrial Corp., a general manager of Promisedland Resort, an executive vice president of Pacific Securities, a vice president of Asia Securities and a section chief of Export-Import Bank of the Republic of China. Mr. Shen obtained a bachelor's degree in business administration from Chinese Culture University.

Che-Hung Yu is a representative of Foxconn (Far East) Limited, which is our director. He is also a director of Avary, a director of Syntrend Creative Park Co., Ltd., a supervisor of Garuda Technology Co., Ltd. and a supervisor of Zhen Ding Technology Co., Ltd. He is a director representative of ShunSin Technology Holdings Limited. Mr. Yu obtained a master of laws degree from American University.

John-See Lee is our director. He is also serving as the chairman of Personal Genomics Taiwan, Inc., the chairman of Quark Biosciences, Inc., an independent director of Far Eastern New Century Corporation, an independent director of Everlight Electronics Co. and an independent director of San Fu Chemical Co., Ltd. Prior to his present position with us, he was the president of the Industrial Technology Research Institute and the chairman of Development Center for Biotechnology. Mr. Lee obtained a PhD degree in Chemical Engineering from Illinois Institute of Technology.

Ting-Chuan Lee is our director and president. He is also the vice president of our PRC subsidiary, Qi Ding Technology Qinhuangdao Co., Ltd. Prior to his present position with us, he was the vice president of Unimicron Technology Corp. Mr. Lee obtained his EMBA degree from National Taiwan University.

Chih-Chen Chou is our independent director. Mr. Chou is a certified public accountant and the managing partner of WeTec International CPAs. He is also serving as an independent director of Leader Electronics Corp., an independent director of Sonix Technology Co., Ltd., a director of UltraChip Inc., and a supervisor of Orient EuroPharma Co., Ltd. He was the chairman of Taiwan Provincial Accountant Association. Mr. Chou obtained his PhD degree in accounting from Shanghai University of Finance and Economics.

Chen-Fu Chien is our independent director. He is a lecture professor of National Tsing Hua University, a director of artificial intelligence for Intelligent Manufacturing Systems Research Center, an independent director of BoardTek Electronics Corp. and an independent director of Uniflex Technology Inc. Mr. Chien obtained his PhD degree in decision science and operations from University of Wisconsin-Madison.

Chi-Hsien Lee is our independent director. Mr. Lee is also the chairman of Securities and Futures Institute, the chairman of Taiwan Index Plus Crop. and was the chairman of Taiwan Stock Exchange Corporation. Mr. Lee obtained his master's degree from Chinese Culture University.

Tun Ling is our financial executive and spokesperson. She is also a director of Garuda Technology Co., Ltd. Prior to her present position with us, Ms. Ling worked at the underwriting department of Asia Securities. She was a general manager of Apex Investment Consulting Co., Ltd., and a supervisor of Ways Technical Corp., Ltd. Ms. Ling obtained her bachelor's degree from Tatung University.

Jin-Ten Chang is our accounting executive. Prior to his present position with us, Mr. Chang was a deputy manager of Au Optronics Corp. and a deputy section chief of Deloitte. Mr. Chang obtained a degree in Public Finance from National Chengchi University.

Chang-Yao Chen is Avary's president. Prior to his present position with Avary, he was a vice president of Acmetech Information Technology Co., Ltd., a manager of Siyuan Technology Co., Ltd. and a senior vice general manager of Zhen Ding Technology Holding Limited. Mr. Chen obtained a bachelor's degree from the consulting engineering department of National Chiao Tung University and a master's degree from the consulting engineering department of National Taiwan University.

Chen-Kun Fan is Avary's vice president. Prior to his present position with Avary, he was a deputy director of Unicap Electronics Industrial Corp., a vice general manager of Yijia Electronics (Suzhou) Co., Ltd. and a vice general manager of Zhen Ding Technology Holding Limited. Mr. Fan obtained a bachelor's degree of electronic engineering from Universal Industrial Technology College and a master's degree of international business administration of California Miramar University.

Yi-Hung Lin is Avary's vice president. Prior to his present position with Avary, he worked for the Company, Baoqiao Taiwan Co., Ltd and Taiwan branch of International Business Machines Corporation. He was a senior manager of Taiwan branch of United Parcel Service, Inc. and a senior manager of Yulon Motor Co., Ltd. Mr. Lin obtained a bachelor's degree in international trade from Feng Chia University and a master's degree in business management from Rotterdam School of Management, Netherlands.

Te-Wang Hsiao is Avary's vice president and chief financial officer. He is also the sole director of Garuda International Limited, a director of Zhen Ding Technology Co., Ltd., a director of Garuda Technology Co., Ltd. and an executive director of Yunding Technology (Shenzhen) Co., Ltd. Prior to his present position with Avary, he was a special assistant of Unicap Electronics Industrial Corp. Mr. Hsiao obtained a master's degree from Cornell University.

Hong Zhou is Avary's vice president and board secretary. She is also the independent director of Tianjin Zhonghuan Semiconductor Co., Ltd. and Shenzhen New Industry Biomedical Engineering Co., Ltd. Prior to his present position with Avary, she was the CEO of Shenzhen Malink Technology Co., Ltd., the secretary of the board of China CSG Group Co., Ltd., the CEO assistant of Shenzhen Jiyu Investment Management Co., Ltd., a director of Dongfang Yijian Health Industry Investment Co., Ltd., a director of Hong Kong Asia Global Securities Limited and an independent director of EVOC Intelligent Technology Co., Ltd. Ms. Zhou obtained her bachelor's degree and her master's degree from Tsinghua University and obtained a master of business administration degree from Massey University in New Zealand.

Wen-Chung Li is Avary's vice president. Prior to his present position with Avary, he worked for the Company and Taiwan Yaxin Industrial Co., Ltd. Mr. Li obtained a degree in mechanical engineering from National United University.

Chia-Hung Chung is Avary's vice president. Prior to his present position with Avary, he worked for the Company and Career Technology (MFG.) Co., Ltd. Mr. Chung obtained a degree in electronics from Nantai University of Science and Technology.

Audit Committee

Our audit committee consists of Chen-Fu Chien, Chih-Chen Chou and Chi-Hsien Lee. Chih-Chen Chou is the chairman of our audit committee. Any of the following matters shall require the consent of one-half or more of all audit committee members and then be submitted to our board of directors for resolution:

(a) establishment or amendment to an internal control system;

(b) evaluation of the effectiveness of the internal control system;

(c) establishment or amendment to the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others;

(d) any matter relating to the personal interest of the directors;

(e) material asset or derivatives transactions;

(f) material monetary loans, endorsements, or provisions of guarantee;

(g) offering, issuance, or private placement of any equity-related securities;

(h) appointment or dismissal of an attesting certified public accountant, or the compensation given thereto;

(i) appointment or discharge of a financial, accounting, or internal auditing officer;

(j) approval of annual and semi-annual financial reports; and

(k) any other matter so determined by the company from time to time or required by any competent authority overseeing the company.

Remuneration Committee

Our remuneration committee consists of Chih-Chen Chou, Chen-En Ko and Chi-Hsien Lee. Chih-Chen Chou is the convener of our remuneration committee. Our remuneration committee is responsible for, among other things:

(a) establishing and periodically reviewing the performance evaluation and remuneration policy, system, standards, and structure for directors, independent directors and managerial officers; and

(b) periodically evaluating and establishing remuneration and benefits for directors, independent directors and managerial officers.

Compensation

In 2017, 2018 and 2019, Directors' Remuneration recognized for our directors' services amounted to NT$10.5 million, NT$10.5 million and NT$10.5 million (US$0.35 million), respectively.

There are no outstanding loans granted by us to any of the directors or executive officers and there are no outstanding guarantees provided by us for the benefit of any of the directors or executive officers. In addition, there have been no transactions effected by us where the interests of our directors, executive officers or other members of our administrative, management and supervisory bodies were involved, which were unusual in their nature or conditions, during the year ended December 31, 2019 and the current fiscal year.

In 2017, 2018 and 2019, the details of consolidated compensation to our key management were as follows:

	Year Ended December 31,		
	2017	**2018**	**2019**
	(NT$ in millions) (unaudited)		
Salaries and bonuses	21	156	215
Directors' remuneration and employees' compensation	26	29	17
Service execution fees	3	3	4
Total	50	188	236

With respect to Employees' Compensation to be paid to the employees including our executive officers, our company accrued as of December 31, 2019 an aggregate amount of NT$75.1 million (US$2.5 million), the distribution was approved by our board of directors and recognized in the annual general meeting as authorized under our Amended and Restated Memorandum and Articles of Association.

OUR PRINCIPAL SHAREHOLDERS

The following table sets forth certain information as of April 21, 2020, the latest practicable date, with respect to the Shares owned by each of our ten largest shareholders:

	Personal Ownership		Ownership by Spouse and Minors	
Name	**Number of Shares**	**%**	**Number of Shares**	**%**
Foxconn (Far East) Limited	305,515,627	33.86	–	–
Bureau of Labor Funds	29,253,587	3.24	–	–
Nan Shan Life Insurance Co., Ltd.	23,070,000	2.56	–	–
LGT Bank AG Co., Ltd.	18,375,000	2.04	–	–
Cathay Life Insurance Co., Ltd.	14,616,000	1.62	–	–
LGT Bank (Singapore) Ltd.	11,499,000	1.27	–	–
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	10,407,214	1.15	–	–
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool	9,541,397	1.06	–	–
Saudi Arabian Monetary Authority – fund manager Schroders Investment Management Limited – administrator HSBC Bank Plc	9,378,315	1.04	–	–
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	8,407,710	0.93	–	–

CHANGES IN ISSUED SHARE CAPITAL

According to our Amended and Restated Memorandum and Articles of Association, we have only one class of Shares with a par value of NT$10.00 per share. Currently, our Amended and Restated Memorandum and Articles of Association provide that our authorized share capital is NT$16,000,000,000, divided into 1,600,000,000 Shares. All issued Shares are in registered form. The following table sets forth the changes in our issued share capital as at the dates indicated:

Date	Description	Number of Shares issued	Number of total issued Shares after issue
June 2006	Initial issuance of 1 Share for cash with par value per share of US$1	1	1
October 2006	Issuance of 69,999,999 Shares for capital increase for cash with par value per share of US$1	69,999,999	70,000,000
October 2007	Issuance of 92,500,000 Shares for capital increase for cash with par value per share of US$1	92,500,000	162,500,000
October 2009	Issuance of 39,500,000 Shares for capital increase for cash with par value per share of US$1	39,500,000	202,000,000
October 2010	Conversion of par value per share from US$1 into NT$10	–	646,400,000
December 2011	Issuance of 23,529,000 Shares for capital increase for cash	23,529,000	669,929,000
August 2012	Issuance of 33,496,450 Shares for capitalization of retained earnings	33,496,450	703,425,450
August 2013	Issuance of 35,171,272 Shares for capitalization of retained earnings	35,171,272	738,596,722
August 2014	Conversion of 34,343 Shares arising from convertible bonds	34,343	738,631,065
March 2015	Conversion of 29,137,036 Shares arising from convertible bonds	29,137,036	767,768,101
April 2015	Conversion of 36,980,258 Shares arising from convertible bonds	36,980,258	804,748,359
March 2019	Conversion of 801,313 Shares arising from convertible bonds	801,313	805,549,672
April 2019	Conversion of 96,680,215 Shares arising from convertible bonds	96,680,215	902,229,887

DESCRIPTION OF THE BONDS

The Bonds are to be issued under an indenture, to be dated as of June 30, 2020 (the "Indenture"), between Zhen Ding Technology Holding Limited 臻鼎科技控股股份有限公司 (the "Issuer" or the "Company") and Citicorp International Limited, in its capacity as trustee (the "Trustee"). The following summary of certain provisions of the Bonds and the Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Bonds and the Indenture, including the definitions of certain terms therein. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection by any Holder on or after the Closing Date (as defined below) at the corporate trust office of the Trustee located at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

GENERAL

Except in certain limited circumstances, Bonds will only be issued in book-entry form.

The Bonds will be issued on or about June 30, 2020 (the date on which the Bonds are issued under the Indenture being referred to herein as the "Closing Date") as direct, unconditional, unsecured and unsubordinated obligations of the Issuer, limited, in aggregate principal amount at US$400,000,000, and will be redeemed on June 30, 2025 (the "Maturity Date") unless earlier redeemed, repurchased and canceled, or converted pursuant to the terms thereof and of the Indenture.

The Bonds will not bear interest.

Each Bond will be convertible, subject to compliance with certain conditions and procedures (see "– Conversion – Procedures; Conversion Notice; Taxes and Duties" below), at the Holder's election on any Business Day during the period (the "Conversion Period") commencing November 30, 2020 and ending at the close of business on June 20, 2025 in the location of the Conversion Agent or, if the Bonds are called for redemption prior to the Maturity Date, on the date five Trading Days prior to the redemption date. The Conversion Period shall not include any Closed Period (as defined below).

Unless otherwise provided in the Indenture, the principal of and premium (if any) and other amounts on the Bonds will be payable in U.S. Dollars by the Issuer pursuant to the Indenture, and the Bonds may be presented for registration of transfer, exchange or conversion, at the office or agency of the Issuer maintained for such purpose (the "Paying Agent").

The Issuer reserves the right, subject to the provisions of the Indenture, at any time to vary or terminate the appointment of any Agent and to appoint further or other Agents. Notice of any such termination or appointment and of any changes in the specified offices of the Agents will be given promptly by the Issuer to the Holders (and other applicable parties) in accordance with the notice provisions of the Indenture as described below under "– Notices."

The Bonds will be issued only in fully registered form, without interest coupons, in denominations of US$200,000 or any higher integral multiple of US$100,000. See "– Book Entry; Delivery and Form" below. No service charge will be payable for any registration of transfer of the Bonds, for the conversion thereof or for the charges of the Agents in connection therewith, but the Issuer may require payment by a Holder of a sum sufficient to cover any transfer or stamp tax or other similar governmental charge payable in connection therewith.

The Issuer and its Affiliates may at any time, subject to applicable law, purchase the Bonds in the open market, or otherwise, at any price. A Bond does not cease to be outstanding because the Issuer or any of its Affiliates holds such Bond; *provided*, *however*, any Bonds owned by the Issuer or any other obligor upon the Bonds or any Affiliate of the Issuer or such other obligor will be deemed not to be outstanding in determining whether the Holders of the requisite principal amount of Bonds have given or concurred in any request, demand, authorization, direction, notice, consent or waiver under the Indenture.

BOOK ENTRY; DELIVERY AND FORM

The Bonds will only be represented by a permanent global bond in fully registered book-entry form without interest coupons (the "Global Bond") and will be deposited with a common depositary (the "Common Depositary") for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") and registered in the name of a nominee of the Common Depositary. If (i) at any time the Common Depositary advises the Company in writing that it is unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed within 90 days, (ii) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (iii) an Event of Default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, and, in the case of (iii) above, if the Holders so request, the Company shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. The Bonds will have denominations of US$200,000 or any higher integral multiple of US$100,000.

The Bonds are not issuable in bearer form.

Transfers of interests in the Bonds evidenced by the Global Bond will be effected in accordance with the rules of the relevant clearing systems. In addition, transfers of the Bonds and Common Shares are subject to certain restrictions. See "Transfer Restrictions of the Bonds".

RANKING

The Bonds will (i) be direct, unconditional, unsubordinated and unsecured obligations of the Issuer, (ii) rank *pari passu* without any preference or priority among themselves and with all other direct, unconditional, unsecured and unsubordinated Debt (as defined below) of the Issuer now or hereafter outstanding (except to the extent that such Debt (x) ranks above such obligation solely by reason of Liens (as defined below) permitted under the Indenture or (y) is preferred by mandatory provision of law), and (iii) be senior in right of payment to all Debt of the Issuer that is expressed to be subordinated in right of payment to the Bonds.

The Bonds will be effectively subordinated to all secured obligations and other obligations similar to those of the negative pledge described in "– Negative Pledge" of the Issuer with respect to claims against the assets securing such obligations ("Secured Debt"). As of March 31, 2020, the Issuer had no outstanding Secured Debt.

SINKING FUND

The Bonds will not be entitled to the benefit of a sinking fund.

TRANSFER OF CERTIFICATED BONDS AND DELIVERY OF NEW CERTIFICATED BONDS

In the event Certificated Bonds are issued, the following provisions will apply:

(i) Transfer of Certificated Bonds

A Certificated Bond may be transferred upon the surrender at the specified office of any transfer agent of the Certificated Bonds to be transferred, together with the form of transfer endorsed thereon (the "Form of Transfer") duly completed and executed and any other evidence that such transfer agent may reasonably require. In the case of a transfer of only part of a holding of Certificated Bonds, a new Certificated Bond shall be issued to the transferee in respect of the part transferred and a further new Certificated Bond in respect of the balance of the holding not transferred shall be issued to the transferor. The Form of Transfer will be available at the specified office of the transfer agent.

(ii) Delivery of New Certificated Bonds

Each new Certificated Bond shall be available for delivery upon receipt by the transfer agent at its specified office of the relevant Certificated Bond and the Form of Transfer. Delivery of the new Certificated Bonds shall be made at the specified office of such transfer agent to whom the relevant Certificated Bond and the Form of Transfer shall have been surrendered or delivered or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant Form of Transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificated Bond to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant transfer agent the costs of such other method of delivery and/or such insurance as it may specify.

(iii) Formalities Free from Charge

Transfers of the Certificated Bonds will be effected without charge by or on behalf of the Issuer or any transfer agent, but only upon confirmation of payment (or the giving of such indemnity as such transfer agent may require in respect) of any tax or other governmental charges which may be imposed in relation thereto.

(iv) Restricted Transfer Periods

No Bondholder may require the transfer of a Certificated Bond to be registered (i) during the period of 15 days ending on (and including) a Redemption Date, (ii) after such Bond has been selected by the Issuer or the Bondholder for redemption, pursuant to the terms of the Indenture or (iii) after such Bondholder has exercised its Conversion Right (as defined below).

ADDITIONAL AMOUNTS

All payments of the principal of and premium and other amounts on the Bonds and all deliveries of Common Shares (as defined below) made on conversion of the Bonds are to be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or other governmental charges ("Taxes") imposed, levied, collected, withheld or assessed by or within the Cayman Islands, the ROC or any other jurisdiction in which the Issuer is organized or resident for tax purposes or from which any payment on the Bonds is made (or any political subdivision or Taxing Authority (as defined below) thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer will pay such additional amounts on the Bonds (all such additional amounts being referred to herein as "Additional Amounts") as will result in receipt by the Holder of each Bond of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable for or on account of:

(i) any Taxes that would not have been imposed but for:

(A) the existence of any present or former connection between the Holder of such Bond and the Cayman Islands, the ROC or any other jurisdiction in which the Issuer is organized or resident for tax purposes, other than merely holding such Bond, including such Holder being or having been a national, domiciliary or resident of or treated as a resident thereof or being or having been present or engaged in a trade or business therein or having had a permanent establishment therein;

(B) the presentation of such Bond (if presentation is required) more than 30 days after the later of the date on which the payment of the principal of and premium and other amounts on such Bond became due and payable pursuant to the terms thereof or the date that such payment was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Bond for payment on any date within such 30 day period; or

(C) the presentation of such Bond for payment in the Cayman Islands or in the ROC, unless such Bond could not have been presented for payment elsewhere;

(ii) any estate, inheritance, gift, sale, transfer, stamp, personal property or similar tax, assessment or other governmental charge; or

(iii) any combination of Taxes referred to in the preceding clauses (i) and (ii).

The Issuer will not pay Additional Amounts if the registered Holder of the Bond is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that the beneficiary, partner or settler with respect to such fiduciary, partnership or person, or the beneficial owner of that payment, would not have been entitled to the Additional Amounts if it had been the registered Holder of the Bonds.

Whenever there is mentioned, in any context, (i) the payment of principal of and premium and other amounts on any Bond, or (ii) the delivery of Common Shares or cash payments (if any) on conversion of any Bond, such mention shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable with respect thereto.

REDEMPTION OF THE BONDS

Redemption for Taxation Reasons

The Bonds may be redeemed, in whole but not in part (subject to the provision of the paragraph below), at the option of the Issuer, at any time, upon giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon written notice to the Trustee and the Agents, at the Early Redemption Amount (as defined below) on the Redemption Date (as defined below), if the Issuer determines and certifies to the Trustee in an Officer's Certificate immediately prior to the giving of such notice that, as a result of any change in, or amendment to the laws (including any regulations or rulings promulgated thereunder) of the Cayman Islands, the ROC or such other jurisdiction in which the Issuer is then organized or resident for tax purposes (or any political subdivision or Taxing Authority thereof or therein), affecting taxation, or any change in official position regarding the application, interpretation or administration of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change, amendment, application, interpretation or administration is proposed and becomes effective on or after the Closing Date (or, in the case of any jurisdiction other than the Cayman Islands and the ROC, the date on which the Issuer first becomes organized or resident for tax purposes in such other jurisdiction) with respect to any payment due or to become due on the Bonds, the Issuer is required to pay Additional Amounts in connection therewith and such requirement to pay Additional Amounts cannot be avoided by the taking of reasonable measures by the Issuer; *provided* that such right cannot be exercised earlier than 45 days prior to the first date on which the Issuer would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds were a payment then due. Prior to the giving of any such notice of redemption, the Issuer is required to deliver to the Trustee (i) an Officer's Certificate stating that such change or amendment has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer taking reasonable measures and (ii) an opinion of counsel or written advice of a qualified tax expert addressed to the Trustee that the circumstances referred to in the preceding sentence exist as a result of such change, amendment, application, interpretation or administration.

Notwithstanding the foregoing, if the Issuer has given a redemption notice for taxation reasons in accordance with the paragraph above, and if the outstanding principal amount of the Bonds at the time when such redemption notice is given is greater than 10% of the aggregate principal amount of the Bonds as of the Closing Date, each Holder of the Bonds will have the right to elect, and the redemption notice will state that each Holder will have the right to elect, that all or a portion of its Bonds should not be redeemed. Upon the exercise of such right by the Holder, the provisions set forth in "– Additional Amounts" will not apply to any payment in respect of such Bonds that is due after the relevant Redemption Date, and such payment will be made subject to the deduction of any Cayman Islands or ROC tax (or tax of such other jurisdiction in which the Issuer is then organized or resident for tax purposes) required to be withheld or deducted. To exercise such right the Holder must give notice to the Issuer in the manner set out in the Indenture no later than 15 days prior to the relevant Redemption Date.

Redemption at the Option of the Issuer

At any time on or after June 30, 2023, the Bonds will be redeemable at the option of the Issuer, in whole or in part, on not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon written notice to the Trustee and the Agents, at the Early Redemption Amount (as defined below); *provided*, *however*, that no such redemption may be made unless:

(1) the Closing Price of the Common Shares for each of the 20 consecutive Trading Days (the "Calculation Period"), the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 125% of the Conversion Price (as defined below) multiplied by the Early Redemption Amount and divided by US$100,000; and

(2) the applicable Redemption Date does not fall within a Closed Period (as defined below).

If there shall occur an event giving rise to a change in the Conversion Price during any Calculation Period, appropriate adjustments for the relevant days, determined by an opinion of an independent, internationally recognized investment bank selected by the Company and notified to the Trustee, shall be made for the purpose of calculating the Closing Price for such days. Notice of any such adjustments in the Conversion Price will be given promptly by the Company to the Trustee and the Conversion Agent.

Notwithstanding the foregoing, the Issuer may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days' notice, at the Early Redemption Amount on the Redemption Date if more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled, or converted; *provided* that the applicable Redemption Date does not fall within a Closed Period (as defined below).

If the Issuer elects to redeem the Bonds, prior to the giving of any such notice of redemption, the Issuer shall deliver to the Trustee an Officer's Certificate which shall state that the conditions precedent to such redemption have occurred and shall describe the same. Notice given hereunder shall be irrevocable. The Trustee is entitled to accept such Officer's Certificate as sufficient evidence of the satisfaction of the conditions described above, in which event such shall be conclusive and binding on the Holders. The Trustee may, at its sole discretion, seek the opinion or advice of any independent internationally recognized investment bank selected by it.

Notice of any such redemption will be given by the Issuer to the Holders (and other applicable parties) in accordance with the notice provisions of the Indenture as described below under "– Notices".

Early Redemption Amount

The Early Redemption Amount for each US$100,000 of Bonds is calculated in accordance with the following formula, rounded (if necessary) to the nearest US$0.01 (with US$0.005 being rounded upwards):

Early Redemption Amount = Previous Redemption Amount x $(1 + r/2)^{d/p}$

where:

Previous Redemption Amount = Early Redemption Amount for each US$100,000 principal amount on the Semi-Annual Date immediately preceding the date fixed for redemption or repurchase as set out below (or if the Bonds are to be redeemed or repurchased prior to December 30, 2020, US$100,000):

Semi-Annual Date	Early Redemption Amount
	(US$)
June 30, 2021	$100,000
December 30, 2021	$100,000
June 30, 2022	$100,000
December 30, 2022	$100,000
June 30, 2023	$100,000

Semi-Annual Date	Early Redemption Amount
	(US$)
December 30, 2023	$100,000
June 30, 2024	$100,000
December 30, 2024	$100,000
June 30, 2025	$100,000

r = 0.0% expressed as a fraction.

d = the number of days from and including the immediately preceding Semi-Annual Date (or if the Bonds are to be redeemed on or before December 30, 2020, from and including June 30, 2020) to, but excluding, the date of redemption, calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and in the case of an incomplete month, the actual number of days elapsed.

p = 180.

Redemption at Maturity

Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, the Issuer will redeem the Bonds in US dollars on the Maturity Date at a redemption price equal to 100.0% of the outstanding principal amount thereof. The Bonds may be redeemed prior to the Maturity Date only as described herein.

Redemption Procedures

Payment of the relevant redemption price for a Certificated Bond is conditioned upon delivery of such Bond (together with necessary endorsements) to the Paying Agent. Payment of the relevant redemption price for any Bond will be made on the Redemption Date or, if such Bond is a Certificated Bond and has not been so delivered on or prior to the Redemption Date, at the time of delivery of such Bond. If the Paying Agent holds, in accordance with the terms of the Indenture, cash sufficient to pay the relevant redemption price of such Bond on the Redemption Date, then, immediately after such Redemption Date, such Bond will cease to be outstanding, whether or not such Bond is delivered to the Paying Agent, and all other rights of the Holder shall terminate (other than the right to receive the relevant redemption price).

In the case of any redemption other than on the Maturity Date, notice of redemption to each Holder shall specify the Redemption Date, the price at which such Bonds will be redeemed and the place or places of payment and that payment will be made upon presentation and surrender of the Bonds to be redeemed. Such notice shall also specify the Conversion Price then in effect and the date on which the right to convert such Bonds will expire.

The Issuer has initially designated Citibank, N.A., London Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability, as the office or agency for (i) the presentation and surrender of the Bonds for payment of principal, (ii) the presentation of the Bonds for exchange, conversion, transfer and registration of transfer as provided in the Indenture and (iii) the service of notices and demands to or upon the Issuer in respect of the Bonds or of the Indenture, and (iv) maintaining the Register.

REPURCHASE OF THE BONDS

Repurchase of the Bonds at the Option of the Holder

Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, each Holder shall have the right (the "Holder's Put Right"), at such Holder's option, to require the Issuer to repurchase in US dollars all (or any portion of the principal amount thereof which is US$200,000 or any higher integral multiple of US$100,000) of such Holder's Bonds, on June 30, 2023 (the "Holder's Put Date") at a repurchase price equal to 100.0% of the outstanding principal amount thereof (the "Holder's Put Price").

Repurchase of the Bonds in the Event of Delisting

In the event that the Common Shares cease to be listed or admitted to trading on the TWSE (a "Delisting"), each Holder shall have the right (the "Delisting Put Right"), at such Holder's option, to require the Issuer to repurchase all (or any portion of the principal amount thereof which is US$200,000 or any higher integral multiple of US$100,000) of such Holder's Bonds on the 20th Business Day after the Paying Agent, upon written notification from the Issuer, mails to each Holder such notice regarding the Delisting referred to under "– Repurchase Procedures" below (the "Delisting Put Date") at the Early Redemption Amount on the Delisting Put Date (the "Delisting Put Price").

Repurchase of the Bonds in the Event of Change of Control

If a Change of Control (as defined below) occurs with respect to the Issuer, each Holder shall have the right (the "Change of Control Put Right"), at such Holder's option, to require the Issuer to repurchase all (or any portion of the principal amount thereof which is US$200,000 or any higher integral multiple of US$100,000) of such Holder's Bonds on the date set by the Issuer for such repurchase (the "Change of Control Put Date"), which shall be not less than 30 nor more than 60 days following the date on which the Issuer notifies the Trustee, the Paying Agent and the Holders in writing of the Change of Control, at the Early Redemption Amount on the Change of Control Put Date (the "Change of Control Put Price").

Repurchase Procedures

Not less than 30 nor more than 60 days prior to the Holder's Put Date and not less than 30 nor more than 60 days promptly after becoming aware of a Delisting or Change of Control, the Issuer will provide sufficient information to the Trustee and the Paying Agent in sufficient time to permit the Trustee and the Paying Agent to mail to each Holder a notice regarding such Holder's Put Right, Delisting Put Right or Change of Control Put Right, as the case may be. Such notice shall be prepared by the Issuer and state, as appropriate:

(A) the Holder's Put Date, the Delisting Put Date or the Change of Control Put Date, as the case may be (each, a "Purchase Date");

(B) in the case of a Delisting, the date of such Delisting and, briefly, the events causing such Delisting;

(C) in the case of a Change of Control, the date of such Change of Control and, briefly, the events causing such Change of Control;

(D) the date by which the Holder Purchase Notice (as defined below) must be given;

(E) the Holder's Put Price, Delisting Put Price or the Change of Control Put Price, as the case may be, and the method by which such amount will be paid;

(F) the names and addresses of the Paying Agent;

(G) briefly, the Conversion Right (as defined below) of the Holders of the Bonds and the then current Conversion Price and the date on which the right to convert such Bond will expire;

(H) the procedures that Holders must follow and the requirements that Holders must satisfy in order to exercise their repurchase rights and/or Conversion Right; and

(I) that a Holder Purchase Notice, once validly given, may not be withdrawn.

To exercise its right to require the Issuer to purchase its Bonds, the Holder must deliver a written irrevocable notice of the exercise of such right (a "Holder Purchase Notice") to the Paying Agent on any Business Day prior to the close of business at the location of the Paying Agent on such day and which day is not less than ten (10) Business Days prior to the Purchase Date.

Payment of the Holder's Put Price upon exercise of the Holder's Put Right, the Delisting Put Price upon exercise of the Delisting Put Right or Change of Control Put Price upon exercise of the Change of Control Put Right for any Certificated Bond for which a Holder Purchase Notice has been delivered is conditioned upon delivery of such Certificated Bond (together with any necessary endorsements) to the Paying Agent on any Business Day together with the delivery of such Holder Purchase Notice and will be made promptly following the later of the Purchase Date and the time of delivery of such Certificated Bond. If the Paying Agent holds on the Purchase Date money sufficient to pay the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be, of Bonds for which holder Purchase Notices have been delivered in accordance with the provisions of the Indenture upon exercise of such right, then, whether or not such Bond is delivered to the Paying Agent, on and after such Purchase Date, (i) such Bond will cease to be outstanding, (ii) such Bond will be deemed paid, and (iii) all other rights of the Holder shall terminate (other than the right to receive the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be).

CERTAIN DEFINITIONS

Set forth below is a summary of certain of the defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for the full definition of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"*Affiliate*" means, with respect to any Person (the "Specified Person"), (i) any Person other than the Specified Person directly or indirectly controlling, controlled by or under direct or indirect common control with, the Specified Person or (ii) any Person who is a director or executive officer (A) of the Specified Person, (B) of any Subsidiary of such Specified Person or (C) of any Person described in clause (i) above. For purposes of this definition, the term "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"*Agent*" means any registrar, paying agent, conversion agent and transfer agent or all or any of them, as the context requires.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in Taipei, Hong Kong, London, England and the City of New York (or, if applicable, in the city where the relevant Paying Agent is located) are authorized by law to close or are otherwise not open for business.

"*Capital Stock*" means, with respect to any Person, any and all shares, ownership interests, participation or other equivalents (however designated), including all common stock and all preferred stock, of such Person.

"*Certificated Bonds*" means the individual certificated Bonds executed and delivered by the Issuer and authenticated by or to the order of the Trustee or the Registrar, which may be delivered in exchange for the Global Bond in certain circumstances.

"*Change of Control*" means the occurrence of any of the following events:

(i) any Person or Persons (as defined below) acting together acquires Control of the Issuer if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Issuer on the Closing Date; or

(ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer's assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Issuer or the successor entity.

However, a Change of Control will not be deemed to have occurred solely as a result of the issuance or transfer, with the Issuer's cooperation, of any preferred shares in the Issuer's capital.

"*Closing Price*" means for any Trading Day (a) with respect to the Common Shares, the closing sales price of the Common Shares on the TWSE on such day or, if no reported sales take place on such day, the average of the reported closing bid and offered prices, in either case as reported by the TWSE for such day as furnished by a leading independent securities firm in Taiwan selected from time to time by the Issuer and notified to the Paying Agent for this purpose, and (b) with respect to Capital Stock of the Issuer (other than Common Shares), the closing bid price for such Capital Stock (other than Common Shares) on the Selected Exchange (as defined under "Trading Day" below); *provided that* for the purpose of determining the Closing Price used in "Redemption at the Option of the Issuer" above for all Trading Days on or between the ex-rights or ex-dividends date and the record date for the determination of the shareholders entitled to receive such rights or dividends, the Closing Price shall be adjusted upwards to include the value of such rights or dividends.

"*Common Shares*" means shares of the common stock of the Issuer, par value NT$10.00 per share.

"*Control*" means (i) the right to appoint and/or remove all or the majority of the members of the Issuer's Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; or (ii) the acquisition or control of more than 50% of the voting rights of the issued share capital of the Company.

"*Conversion Price*" means the price at which the Shares will be issued upon conversion, which will initially be NT$157.45 per Common Share, subject to adjustment in the manner provided in "– Conversion – Adjustments to the Conversion Price" below.

"*Debt*" means, with respect to any Person at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with the generally accepted accounting principles applicable to such Person, (v) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, (vi) all obligations of such Person to purchase securities or other property that arise out of or in connection with the sale of the same or substantially similar securities or property, (vii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument and (viii) all Debt of others guaranteed by such Person.

"*Default*" means any condition or event which, with the giving of notice or lapse of time or both, would become an Event of Default (as defined in the Indenture).

"*FSC*" means the Financial Supervisory Commission of the ROC.

"*Holder*", "*holder*" and "*Bondholder*" in relation to a Bond means the person in whose name a Bond is registered in the Bond register.

"*Lien*" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset, including, without limitation, the right of a vendor, lessor or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom prior to any general creditor of the owner thereof.

"*Market Value*" means (i) in the case of Common Shares, the average of the Closing Prices of the Common Shares for the most recent 30 Trading Days, (ii) in the case of Capital Stock (other than Common Shares) which is listed on the Selected Exchange, the average of the Closing Prices of such Capital Stock (other than Common Shares) for the most recent 30 Trading Days and (iii) in the case the market value cannot be determined pursuant to the procedures above, the market value determined by an opinion of an independent, internationally recognized investment banking firm selected by the Issuer at the expense of the Issuer.

"*Officer's Certificate*" means a certificate signed by any director or officer of the Issuer who is authorized to represent the Issuer.

"*Person*" means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each ease whether or not being a separate legal entity), limited liability company, government or political subdivision or agency or instrumentality thereof, or any other entity or organization, *provided* that in the context of a Change of Control, a Person does not include the Issuer's Board of Directors or any other governing board and does not include the Issuer's wholly-owned direct or indirect subsidiaries.

"*Principal Subsidiary*" means, with respect to any Person, any Subsidiary (i) whose net sales, as shown by the latest audited financial statements (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary, constitute at least 10% of the consolidated net sales of such Person and its consolidated Subsidiaries as shown by the latest audited consolidated financial statements of such Person or (ii) whose gross assets, as shown by the latest audited financial statements (consolidated in case of a Subsidiary which itself has Subsidiaries) of such Subsidiary constitute at least 10% of the gross assets of such Person and its consolidated Subsidiaries as shown by the latest audited consolidated financial statements of such Person.

"*Purchase Date*" has the meaning specified under the caption "– Repurchase Procedures" above.

"*Redemption Date*" means, with respect to any Bond, (i) the date fixed for redemption of such Bond pursuant to a notice of redemption given by the Issuer in accordance with the provisions of the Indenture or (ii) the Maturity Date of such Bond if such Bond has not been redeemed, repurchased and canceled, or converted in accordance with its terms prior to the Maturity Date.

"*Securities Act*" means the United States Securities Act of 1933, as amended.

"*Subsidiary*" means, with respect to any Person, any entity of which more than 50% of its Capital Stock is owned directly or indirectly by such Person.

"*Taxing Authority*" means any government or political subdivision or any authority or agency thereof, having the legal power and authority to levy a mandatorily payable charge, assessment or tax.

"*Trading Day*" means (i) with respect to the Common Shares, a day when the TWSE is open for business, *provided*, however, if no transaction price or closing bid and offered prices are reported by the TWSE in respect of the Common Shares for one or more Trading Days, such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days and (ii) with respect to Capital Stock of the Issuer (other than Common Shares), a day on which any securities exchange or quotation system selected by the Issuer (the "Selected Exchange") on which shares of such Capital Stock (other than Common Shares) are quoted or traded is open for trading or quotation; *provided*, however, if no bid price is reported by the Selected Exchange in respect of such Capital Stock (other than Common Shares) for one or more Trading Days, such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days.

"*TWSE*" means Taiwan Stock Exchange Corporation.

CERTAIN COVENANTS

Negative Pledge

So long as any Bond remains outstanding, the Issuer shall not, and shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Lien on any of its or, as the case may be, such Principal Subsidiary's, property, assets or revenues, present or future, to secure for the benefit of the holders of any International Investment Securities (as defined below) (i) payment or any sum owing in respect of any such International Investment Securities, (ii) any payment under any guarantee of any such International Investment Securities or (iii) any payment under any indemnity or other like obligation relating to any such International Investment Securities, unless contemporaneously therewith effective provision is made to secure the Bonds (a) equally and ratably with such International Investment Securities with a similar Lien on the same property, assets or revenues securing such International Investment Securities for so long as such International Investment Securities are secured by such Lien or (b) with such other security as shall be approved by registered holders holding not less than 50% of the principal amount of the outstanding Bonds.

As used herein, "International Investment Securities" means bonds, debentures, notes or other similar investment securities of the Issuer or any other person evidencing indebtedness with a maturity of not less than one year from the issue date thereof, or any guarantees thereof, which (i) either (A) are by their terms payable, or confer a right to receive payment, in any currency other than NT Dollars or (B) are denominated in NT Dollars and more than 50% of the aggregate principal amount thereof is initially distributed outside the ROC by or with the consent of the Issuer and (ii) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded, in each case primarily, on a stock exchange or over-the-counter or other securities market outside the ROC.

Consolidation, Amalgamation or Merger

The Issuer shall not consolidate with, merge or amalgamate into or transfer or convey all or substantially all of its properties and assets to, any Person (the consummation of any such event, a "Merger"), unless:

(i) the corporation formed by such Merger or the Person that acquired such properties and assets shall expressly assume, by an indenture supplemental to the Indenture, all obligations of the Issuer under the Indenture and the performance of every covenant and agreement applicable to it contained therein;

(ii) immediately after giving effect to any such Merger, no Default or Event of Default shall have occurred or be continuing or would result therefrom;

(iii) the Issuer at least 20 Business Days prior to the Merger has delivered to the Trustee an Officer's Certificate stating that such Merger complies with the provisions of the Indenture relating to this matter and that all conditions precedent therein provided for or relating to such Merger have been complied with;

(iv) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly agree to (A) indemnify each holder of a Bond against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such Merger with respect to the payment of principal of and premium and other amounts on the Bonds and (B) if organized under the laws of a jurisdiction other than the Cayman Islands, to deliver a substitute undertaking to the Trustee to pay any additional amounts as may be necessary in order that the net amounts received by the holders of the Bonds, after any withholding or deduction of any such tax, assessment or other governmental charge shall equal the respective amounts of principal and Additional Amounts, which would have been receivable in respect of the Bonds in the absence of such Merger. No successor corporation or other Person shall have the right to redeem the Bonds unless the Issuer would have been entitled to redeem the Bonds pursuant to the Indenture in the absence of the Merger; and

(v) the Issuer shall as soon as practicable on or prior to the Merger, deliver to the Trustee an opinion in a form satisfactory to the Trustee of counsel(s) of recognized standing as to the legality and validity of the Merger.

In the event of any such Merger, the provisions described under "– Additional Amounts" and "– Redemption for Taxation Reasons" above will be applicable to the corporation formed by such Merger or the Person acquiring such properties and assets as appropriate.

CONVERSION

Conversion Right

Each Holder will have the right (the "Conversion Right") during the Conversion Period to convert its Bonds (being US$200,000 in principal amount or any higher integral multiple of US$100,000), at the option of such converting Holder, upon delivery of an irrevocable notice (the "Conversion Notice") at the office of the Conversion Agent, on any Business Day prior to the close of business at the location of the Conversion Agent to which such Conversion Notice is delivered, into Common Shares; *provided*, however, that the Conversion

Right during any Closed Period (as defined below) shall be suspended and the Conversion Period shall not include any such Closed Period. "Closed Period" means (i) the 60-day period immediately prior to the date of any of the Company's ordinary shareholders' meetings; (ii) the 30-day period immediately prior to the date of any of the Company's extraordinary shareholders' meetings; (iii) the period from the fifteenth Trading Day prior to the fifth day before the record date for the determination of the shareholders entitled to the receipt of dividends, subscription of new Common Shares due to capital increase or other benefits and bonuses to such record date; (iv) the period from the record date of any capital reduction to the day immediately preceding the date on which the Common Shares resume trading after such capital reduction; (v) the period from the commencement of the suspension of the conversion (subscription) in respect of the change of par value of the Common Shares to the day immediately preceding the date on which the reissued Common Shares resume trading after such change of par value of the Common Shares; and (vi) such other periods during which the Company may be required to close its stock transfer books under Cayman Islands and/or ROC laws and regulations applicable from time to time. The Issuer shall procure that Holders (and other applicable parties) are given at least seven days' but not more than 60 days' prior notice of any Closed Period in accordance with the provisions of the Indenture.

The number of Common Shares to be issued upon conversion will be determined by dividing the aggregate principal amount of all the Bonds to be converted by such Holder (translated into NT Dollars at the fixed rate of NT$29.5930 = US$1.00 (the "Exchange Rate")) by the Conversion Price in effect on the Conversion Date (as defined below). Fractions of Common Shares will not be issued on conversion, and the Issuer will pay in NT Dollars for any fraction of a Common Share not issued as aforesaid, net of remittance fees, rounding to one NT Dollar with NT$0.50 being rounded upwards.

The Conversion Price shall at all times be subject to Antidilution Adjustment (as defined below).

Restrictions on Shareholdings by PRC Persons

Under current ROC laws, regulations and policy, a PRC person is not permitted to convert the Bonds and to register as shareholders of the Issuer unless it is a qualified domestic institutional investor ("QDII"), provided that the total direct and indirect investments made by PRC persons with respect to the Issuer cannot exceed 30% of the Issuer's equity interest. In addition, there are restrictions on the amount remitted to Taiwan for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TWSE might cause a Bondholder who is a PRC person to be unable to convert and hold the Common Shares issuable upon conversion of the Bonds. Under current ROC laws, "PRC person" means an individual holding a passport issued by the PRC, a resident of any area of China under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area or controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency or instrumentality.

ROC Procedures for Foreign Nationals Holding Common Shares

Under current ROC law, a non-ROC converting Holder, before exercising the Conversion Right, is required to register with the TWSE for making investments in the ROC securities market. Such non-ROC converting Holder is also required to appoint a local agent in Taiwan which meets the qualifications that are set from time to time by the FSC to open a securities trading account with a local brokerage firm and a bank account to remit funds, pay taxes, exercise shareholders' rights and perform such other functions as may be designated by such Holder. In addition, such non-ROC converting Holder must also appoint a custodian in Taiwan to hold the securities and any cash proceeds for safekeeping, to make confirmation and settlement of trades and to report all relevant information. Furthermore, such non-ROC converting Holder is required to appoint an agent, referred to as a Tax Guarantor, in Taiwan which meets the qualifications that are set from time to time by the Ministry of Finance of the ROC for filing tax returns and making tax payments on their behalf. Without meeting such requirements, such non-ROC converting Holder would not be able to hold or sell or otherwise transfer Common Shares into which the Bonds may be converted on the TWSE or otherwise.

Delivery of Common Shares upon Conversion

Upon a converting Holder exercising its Conversion Right, the Issuer shall as promptly as practicable issue Common Shares upon conversion of Bonds in accordance with the Cayman Islands and ROC law.

The Issuer's delivery to the Bondholder of the number of Common Shares into which the Bonds are convertible will be deemed to satisfy the Issuer's obligation to pay the principal of and premium and other amounts on such Bonds.

See "Risk Factors – Risks Relating to Ownership of the Bonds and our Shares – A liquid market for the Bonds may not develop, and the market for the Shares may not be liquid."

Procedures; Conversion Notice; Taxes and Duties

In order to effect a conversion, each Holder must complete, execute and deliver at such Holder's expense during the Conversion Period to the office of the Conversion Agent, a Conversion Notice, in the form then obtainable from the office of the Conversion Agent, together, in the case of Certificated Bonds, with the certificate representing the Bonds to be converted, and any certificates and other documents as may be required under applicable law and any expenses or other payments required to be paid by the Holder pursuant to the terms of the Indenture. The Conversion Notice shall contain, inter alia, an appointment of a local agent by such converting Holder and the name and address of such local agent.

A Conversion Notice once so delivered may not be withdrawn without the consent in writing of the Issuer. Holders who deposit a Conversion Notice during a Closed Period will not be permitted to convert their Bonds until the first Business Day which is a Trading Day following the last day of that Closed Period which (if all other conditions to conversion have been fulfilled) will be the Conversion Date for such Bonds. Such Holders will not be registered as holders until the Conversion Date. The price at which such Bonds will be converted will be the Conversion Price in effect on the Conversion Date.

As conditions precedent to conversion, the Holder must confirm to the Conversion Agent that all stamp, issue, registration and similar taxes and duties (if any) arising on conversion in the country in which the Bond is deposited for conversion, or payable in any jurisdiction consequent upon the issue and delivery of Common Shares or any other property or cash upon conversion to or to the order of a person other than the converting Bondholder have been paid to the relevant authority. Except as aforesaid, the Issuer will pay the expenses arising in the Cayman Islands and the ROC on the issue of Common Shares on conversion of Bonds and all charges of the Conversion Agent in connection therewith as provided in the Indenture. The date on which any Bond and the Conversion Notice (in duplicate) relating thereto, together with any certificates and other documents as may be required under applicable law, are deposited with the Conversion Agent and the payments, if any, required to be paid by the Bondholder are made is hereinafter referred to as the "Deposit Date". The "Conversion Date" applicable to a Bond shall mean the next Business Day following the Deposit Date (or the first Business Day following the last day of a Closed Period if the related Conversion Notice was deposited during such Closed Period), where such conversion day must be a Trading Day and must fall within the Conversion Period.

Conversion Notices shall be deposited at the office of the Conversion Agent on any Business Day prior to the close of business at the location of the Conversion Agent to which such Conversion Notice is delivered. Upon receipt of such Conversion Notices, the Conversion Agent shall have not more than one full Business Day to process and transmit such Conversion Notices to the Issuer.

With effect from the opening of business in the ROC on the Conversion Date, the Issuer will deem the person designated in the Conversion Notice as the person in whose name the Common Shares to be issued upon such conversion are to be registered as the holder of record of the number of Common Shares (disregarding any retroactive adjustment of the Conversion Price referred to below prior to the time such retroactive adjustment shall have become effective), and at such time the rights of such converting Holder as a Holder with respect to the Bonds deposited for conversion shall cease.

On the Conversion Date, the Issuer will register the converting Holder (or its designee) in the Issuer's register of members as the owner of the number of Common Shares to be issued upon conversion of such Bonds and, subject to any applicable limitations then imposed by Cayman Islands and/or ROC laws and regulations, according to the request made in the relevant Conversion Notice, procure that, as soon as practicable, and in any event within five Trading Days from the Conversion Date (subject to changes to Cayman Islands and/or ROC laws and regulations), there be delivered to the local agent appointed by the converting Holder through book-entry system of Taiwan Depository & Clearing Corporation ("TDCC") or through physical delivery of a certificate or certificates for the relevant Common Shares, registered in the name specified for that purpose in the relevant Conversion Notice, together with any other property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the delivery thereof.

Adjustments to the Conversion Price

Antidilution. The Conversion Price will be subject to adjustment ("Antidilution Adjustment") in the circumstances described below:

(i) If the Issuer shall issue Common Shares as a dividend in Common Shares or make a distribution of Common Shares which is treated as a capitalization issue for accounting purposes (including but not limited to capitalization of retained earnings or capital reserves), then the Conversion Price in effect on the record date for the determination of the shareholders entitled to receive such dividend and/or distribution shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [N/(N + n)]$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Common Shares outstanding at the time of issuance of such dividend and/or distribution (or at the close of business in Taipei on such record date, as the case may be).

n = the number of Common Shares to be distributed to the shareholders as a dividend and/or distribution.

An adjustment made pursuant to this subsection (i) shall become effective on the record date for determination of the shareholders entitled to receive such dividend and/or distribution; provided that in the case of a dividend in Common Shares of capitalization of retained earnings or capital reserves which must, under applicable law of the Cayman Islands and the ROC, be submitted for approval to a general meeting of shareholders of the Issuer before being legally paid or made, and which is so approved after the record date fixed for the determination of the shareholders entitled to receive such dividend and/or distribution, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date.

(ii) If the Issuer shall (a) subdivide its outstanding Common Shares, (b) combine its outstanding Common Shares into a smaller number of Common Shares, or (c) re-classify any of its Common Shares into other securities of the Issuer, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, in respect of the Conversion Date which occurs after the coming into effect of the adjustment described in this subsection (ii), shall be entitled to receive the number of Common Shares and/or other securities of the Issuer which it would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event (or, if the Issuer has fixed a prior record date for the determination of the shareholders entitled to receive any such securities issued upon any such subdivision, combination or reclassification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event (or such record date) or any time thereafter.

(iii) If the Issuer shall grant, issue or offer to the holders of Common Shares rights entitling them to subscribe for or purchase Common Shares, which expression shall include those Common Shares which are required to be offered to employees and persons other than shareholders in connection with such grant, issue or offer, at a consideration per Common Share receivable by the Issuer which is fixed:

(a) on or prior to the record date mentioned below and is less than the Market Value per Common Share on such record date; or

(b) after the record date mentioned below and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration, then the Conversion Price in effect (in the case of (a) above) on the record date for the determination of the shareholders entitled to receive such rights or (in the case of (b) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v)/(N + n)]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding at the close of business in the ROC (in the case of (a) above) on such record date or (in the case of (b) above) on the date the Issuer fixes the said consideration.

n = the number of Common Shares to be issued in connection with such rights issue at the said consideration.

v = the number of Common Shares which the aggregate consideration receivable by the Issuer would purchase at such Market Value specified in (a) or, as the case may be, (b) above.

Subject as provided below, such adjustment shall become effective immediately after the latest date for the submission of applications of such Common Shares by shareholders entitled to the same pursuant to such rights or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of rights entitling them to subscribe for or purchase Common Shares, any Common Shares which are not subscribed for or purchased by the persons entitled thereto are purchased by other persons after the latest date for the submission of applications for such Common Shares, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the Company receives the consideration in full, from such other persons but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of rights entitling them to subscribe for or purchase Common Shares, any such Common Shares which are not subscribed for or purchased by such other persons as referred to above or by the persons entitled thereto (or persons to whom shareholders have transferred such rights) who have submitted applications for such Common Shares as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(iv) If the Issuer shall grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares at a consideration per Common Share receivable by the Issuer which is fixed:

(a) on or prior to the record date for the determination of the shareholders entitled to receive such warrants and is less than the Market Value per Common Share at such record date; or

(b) after the record date mentioned above and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in a case within (a) above) on the record date for the determination of the shareholders entitled to receive such warrants or (in a case within (b) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

NCP = OCP x [(N + v)/(N + n)]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding at the close of business in the ROC (in the case of (a) above) on such record date or (in the case of (b) above) on the date the Issuer fixes the said consideration.

n = the number of Common Shares initially to be issued upon exercise of such warrants at the said consideration where no applications by shareholders entitled to such warrants are required. Where applications by shareholders entitled to such warrants are required, n equals the number of such Common Shares that equals (A) the number of warrants which underwriters have agreed to underwrite as referred to below or, as the case may be, and (B) the number of warrants for which applications are received from shareholders as referred to below except to the extent already adjusted for under (A).

v = the number of Common Shares which the aggregate consideration receivable by the Issuer would purchase at such Market Value per Common Share specified in (a) or, as the case may be, (b) above.

Subject as provided below, such adjustment shall become effective, where applications by shareholders entitled to the same are required as aforesaid, immediately after the latest date for the submission of such applications or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares, any warrants which are not subscribed for or purchased by the persons entitled thereto are purchased by other persons after the latest date for the submission of applications for such warrants, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the Company receives the consideration in full, from such other persons but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares, any such warrants which are not subscribed for or purchased by such other persons as referred to above or by the persons entitled thereto (or persons to whom shareholders have transferred such rights) who have submitted applications for such warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(v) If the Issuer or any Subsidiary of the Issuer shall distribute to all holders of Common Shares, any shares of Capital Stock of the Issuer other than Common Shares, evidences of its indebtedness or other assets (other than cash distributions described below) of the Issuer, or rights or warrants to subscribe for or purchase any Capital Stock of the Issuer (other than Common Shares), then the Conversion Price in effect on the record date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [(M - fmv)/M]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

M = the Market Value per Common Share on the record date for the determination of shareholders entitled to receive such distribution.

fmv = the fair market value (as determined by an independent financial institution selected by the Issuer, at the expense of the Issuer and promptly notified in writing to the Trustee) of the portion of Capital Stock other than Common Shares, evidences of indebtedness or other assets so distributed applicable to one Common Share less any consideration payable for the same by the relevant shareholder.

(vi) In case the Issuer shall, by dividend or otherwise, distribute to all holders of Common Shares cash then, in such case, the Conversion Price shall be adjusted (with such adjustment to be effective on the record date for the determination of the shareholders entitled to receive such distribution) in accordance with the following formula:

NCP = OCP x [(M – C)/M]

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

M = the Market Value per Common Share on such record date.

C = the amount of cash so distributed applicable to one Common Share.

If such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been approved.

(vii) If the Issuer shall reduce its share capital other than by means of canceling any Common Shares or repurchasing any Common Shares and for the purposes of holding such Common Shares in treasury, then the Conversion Price in effect on the record date of such capital reduction shall be adjusted in accordance with the following formula:

NCP = (OCP – C) x N/n

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding immediately prior to such capital reduction.

C = the amount of cash distributed in connection with such share capital reduction, if any, per Common Share.

n = the number of Common Shares outstanding immediately after such capital reduction.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection will be required if the Company cancels any Common Shares or purchases any Common Shares for the purposes of holding such Common Shares in treasury.

Such adjustment shall become effective immediately on the record date of such capital reduction.

(viii) In case a tender or exchange offer made by the Issuer or any Subsidiary of the Issuer for all or any portion of the Common Shares shall expire and such tender or exchange offer shall involve the payment by the Issuer or such Subsidiary of consideration per Common Share having a Fair Market Value (as determined by an independent financial institution selected by the Company, at the expense of the Company and promptly notified in writing to the Trustee) at the last time (the "Expiration Date") tenders or exchanges could have been made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Market Value per Common Share, as of the Expiration Date, the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = OCP \times [(N \times M)/(a + [(N - n) \times M])]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding (including any tendered or exchanged Common Shares) on the Expiration Date.

M = Market Value per Common Share as of the Expiration Date.

a = the Fair Market Value of the aggregate consideration payable to the holders of Common Shares based on the acceptance (up to a maximum specified in the terms of the tender or exchange offer) of all Common Shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the Common Shares deemed so accepted up to any such maximum, being referred to as the "Purchased Shares").

n = the number of Purchased Shares.

such reduction to become retroactively effective immediately prior to the opening of business on the day following the Expiration Date.

If the Issuer is obligated to purchase Common Shares pursuant to any such tender or exchange offer, but the Issuer is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender or exchange offer had not been made.

(ix) In case the Issuer issues Common Shares (other than (A) Common Shares issued upon conversion or exchange of any convertible or exchangeable securities (including the Bonds) issued by the Company; (B) Common Shares issued upon exercise of any rights or warrants granted, offered or issued by the Company; (C) issuance of employee compensation in stocks; (D) issuance of restricted stocks to employees; or (E) Common Shares issued in any of the circumstances described in subsections (i) and (ii)) or the Issuer or any Subsidiary of the Issuer shall issue any securities initially convertible into or exchangeable for Common Shares at a price per Common Share less than the Market Value per Common Share determined as of the date on which the Board of Directors or shareholders' meeting of the Issuer or such Subsidiary, if applicable, approves such issuance, the Conversion Price in effect immediately prior to the date of issue of such Common Shares or convertible or exchangeable securities shall be adjusted and become effective in accordance with the following formula:

$$NCP = OCP \times [(N + v)/(N + n)]$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding on the date of issuance of such Common Shares or initially convertible or exchangeable securities, immediately prior to such issuance.

n = the number of Common Shares issued or issuable upon conversion or exchange of such initially convertible or exchangeable securities.

v = the number of Common Shares which the aggregate consideration issue price of the total amount of Common Shares would purchase at Market Value; in the case of convertible or exchangeable securities, the number of Common Shares which the conversion price or exchange price of the newly issued securities multiplied by "n" would purchase at Market Value; *provided* that if the new Common Shares are issued by the Issuer to exchange for the total outstanding shares of an entity to be consolidated with, merged or amalgamated into the Issuer, such "aggregate consideration issue price of the total amount of Common Shares" shall mean the aggregate amount of the fair value per common share of such entity multiplied by "n" and further multiplied by the applicable share swap ratio under such consolidation, merger or amalgamation. The fair value per common share of such entity shall be (x) in the case of a listed company, the closing price of its common share on the date on which the share swap ratio was approved by its shareholders' meeting; or (y) in the case of a private company, the fair value falling into the fair value of such entity as determined by an independent expert in its fairness option times the share swap ratio.

If the conversion or exchange right of any such convertible or exchangeable securities expires prior to exercise, the Conversion Price shall be readjusted to reflect the actual securities converted or exchanged.

(x) In case the Issuer reissues the Common Shares to change the par value of the Common Shares, then the Conversion Price in effect on the record date for the determination of the shareholders participating in such change of the par value of the Common Shares shall be adjusted in accordance with the following formula:

NCP = OCP x (N/n)

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding immediately prior to such change of par value of Common Shares.

n = the number of Common Shares outstanding immediately after such change of par value of Common Shares.

Such adjustment shall become effective immediately on the record date for the determination of the shareholders participating in such change of the par value of the Common Shares.

(xi) If the Issuer shall declare a dividend in, or make a free distribution or bonus issue of, Common Shares which dividend, issue or distribution is to be paid or made to shareholders as of a record date which is also:

A. the record date for the issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to subsections (iii) or (iv) above;

B. the day immediately before the date of issue of any securities convertible into or exchangeable for Common Shares which requires an adjustment of the Conversion Price pursuant to subsection (ix) above;

C. the day immediately before the date of a distribution which requires an adjustment of the Conversion Price pursuant to subsection (v) above;

D. the record date for distribution of cash which requires an adjustment of the Conversion Price pursuant to subsection (vi) above;

E. the record date of capital reduction which requires an adjustment of the Conversion Price pursuant to subsection (vii) above;

F. the record date for determination of the shareholders participating in the change of par value which requires an adjustment of the Conversion Price pursuant to subsection (x) above;

G. the Expiration Date with respect to any tender or exchange offer which requires an adjustment to the Conversion Price pursuant to subsection (viii) above; or

H. the relevant date for an analogous event or circumstance which requires an adjustment to the Conversion Price;

then (except where such dividend, bonus issue or free distribution gives rise to a retroactive adjustment of the Conversion Price under subsections (i) or (ii) above) no adjustment of the Conversion Price in respect of such dividend, bonus issue or free distribution shall be made under the relevant subsections, but in lieu thereof an adjustment shall be made (i) under subsections (iii), (iv), (ix) or (x) above, as applicable, by including in the denominator of the fraction described therein the aggregate number of Common Shares to be issued pursuant to such dividend, bonus issue or free distribution and (ii) under subsections (v), (vi), (vii) and (viii) above, as applicable, by multiplying the Conversion Price after the adjustment under such subsections by a fraction the numerator of which is the number of Common Shares outstanding on the record date and the denominator of which is the sum of such number of Common Shares outstanding and the aggregate number of Common Shares to be issued pursuant to such dividends, bonus issue or free distribution.

With the provisions in this subsection unaffected, where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Company, a modification to the operation of the adjustment provisions is required in order to yield the intended result, such modification shall be made, with the assistance of an independent financial institution selected by the Issuer, at the expense of the Issuer and promptly notified in writing to the Trustee, as may, in the opinion of the Company, be appropriate to yield such intended result.

(xii) In case of a Merger of the Issuer, each Bond then outstanding shall, without the consent of any Bondholders, become convertible only into the kind and amount of securities, cash and other property receivable upon such Merger by a holder of the number of Common Shares, into which such Bonds could have been converted immediately prior to such Merger. The corporation formed by such Merger or the Person that acquired such properties and assets shall enter into a supplemental indenture with the Trustee to provide for the continuation of the Conversion Right to continue after such Merger and such supplemental indenture shall provide for adjustments to the Conversion Price which shall be as nearly equivalent as practicable to the adjustments provided in the Indenture, *provided* that where there has been a Change of Control pursuant to such a Merger, a Holder may exercise its Change of Control Put Right as set forth in "– Repurchase of the Bonds in the Event of Change of Control".

If any event or circumstance analogous to the events and circumstances described in subsections (i) through (x) occurs, the Conversion Price shall be adjusted as set forth in the analogous subsection in the Indenture.

Provisions Applicable to All Conversions and Adjustments of Conversion Price

No adjustment of the Conversion Price will be required to be made until cumulative adjustments, required to be made in the circumstances set forth above, amount to 1.0% or more of the Conversion Price as last adjusted. However, any adjustment, required to be made in the circumstances set forth above, which is not made because of failure to meet the 1.0% threshold, will be carried forward. Except as otherwise described below, the Conversion Price may at any time be reduced by the Issuer.

The Issuer will not take any action which would reduce the Conversion Price per Common Share below the par value of the Common Shares (currently NT$10.00 per share), unless, under applicable law then in effect, the Bonds could be converted at such reduced Conversion Price into legally issued, fully-paid and non-assessable Common Shares.

No adjustment of the Conversion Price shall be made solely by reason of the issuance of Common Shares as contemplated by a share swap agreement dated March 10, 2020 entered into by and between the Issuer and BoardTek Electronics Corporation.

All calculations relating to conversion, including adjustments of the Conversion Price, will be rounded up to the nearest cent of NT Dollars.

Whenever the Conversion Price is adjusted, the Issuer will promptly file with the Paying Agent an Officer's Certificate setting forth the date on which such adjustment became effective, the Conversion Price after such adjustment and prior to such adjustment and setting forth a brief statement of the facts requiring such adjustment. Promptly after receipt of such certificate, the Conversion Agent will forward a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price, the Conversion Price prior to such adjustment, a brief statement of the facts requiring such adjustment and the date on which such adjustment became effective and shall give such notice of such adjustment of the Conversion Price to the Holders.

Neither the Trustee nor the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or any calculation (or verification thereof) in connection with the Conversion Price and will not be responsible to Holders for any loss arising from any failure by them to do so. All adjustments to the Conversion Price shall be determined by the Issuer, and neither the Trustee nor the Agents shall be responsible for verifying such determinations.

EVENTS OF DEFAULT; NOTICE AND WAIVER

The Indenture provides that, if an Event of Default as defined therein shall have occurred and be continuing, either the Trustee in its sole discretion may, or if so requested by Holders of not less than 25% in aggregate principal amounts of the Bonds then outstanding shall (subject to being indemnified and/or secured to its satisfaction) declare the Bonds to be immediately due and payable. In the case of certain events of bankruptcy or insolvency, the Bonds shall automatically become and be immediately due and payable. Under certain circumstances, the Holders of a majority in aggregate principal amount of the outstanding Bonds may rescind any such acceleration with respect to the Bonds and its consequences.

Under the Indenture, Events of Default include:

(i) default in payment of the principal of or premium on any Bond, as and when the same becomes due and payable, and continuance of such default for three Business Days;

(ii) default in the payment of Additional Amounts upon any Bond as and when the same becomes due and payable, and continuance of such default for five Business Days;

(iii) failure by the Issuer to deliver the Common Shares as and when such Common Shares are required to be delivered following conversion of a Bond, and continuance of such default for five Trading Days;

(iv) failure on the part of the Issuer duly to observe or perform any of the covenants or agreements provided in the Bonds or the Indenture (other than those referred to in clauses (i), (ii) or (iii) above) which failure cannot be remedied or, if such failure can be remedied, is not remedied within 30 days after the date on which written notice thereof requiring the Issuer to remedy the same shall have been given to the Issuer by the Trustee acting on the written instructions of the Holders of 25% or more in aggregate principal amount of the Bonds then outstanding;

(v) there shall have been entered against the Issuer or any of its Principal Subsidiaries a final judgment, decree or order by a court of competent jurisdiction for the payment of money in excess of US$35 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and 30 days shall have passed since the entry of the order without it being bonded, satisfied, discharged or stayed;

(vi) (A) the Issuer or any of its Principal Subsidiaries shall fail to make any payment with respect to present or future Debt (other than the Bonds) in an aggregate principal amount in excess of US$35 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) when and as the same shall become due and payable, if such failure shall continue for more than the period of grace, if any, originally applicable thereto or (B) the Issuer or any of its Principal Subsidiaries shall fail to perform or observe any covenant or agreement to be performed or observed by the Issuer or any of its Principal Subsidiaries contained in any agreement or instrument evidencing Debt (other than the Bonds) in an aggregate principal amount in excess of US$35 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and such failure results in the acceleration of the maturity of any amount owing thereunder;

(vii) a decree or order by a court having jurisdiction shall have been entered under any applicable bankruptcy, insolvency, reorganization or other similar law (A) adjudging the Issuer or any of its Principal Subsidiaries as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of the Issuer or any of its Principal Subsidiaries or (B) appointing a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or any of its Principal Subsidiaries or of its property or (C) ordering the winding up or liquidation of the affairs of the Issuer or any of its Principal Subsidiaries and in any such case such decree or order shall have continued undischarged and unstayed for a period of 60 days; or

(viii) the Issuer or any of its Principal Subsidiaries shall voluntarily commence proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the filing of a bankruptcy or insolvency proceeding against it, or shall file a petition or answer or consent seeking reorganization under any applicable bankruptcy, insolvency, reorganization or other similar law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or its property, or shall make an assignment for the benefit of creditors.

In an Event of Default, the Trustee at its sole discretion may, or at the request of the Holders of not less than 25% in aggregate principal amount of the Bonds at the time outstanding shall (subject in each case to being indemnified and/or secured by Holders to its satisfaction), by notice in writing to the Issuer declare the sum of the outstanding principal of, and premium (including without limitation the Early Redemption Amount) and other amounts in respect of, the Bonds to be immediately due and payable. Upon such a declaration, such sum of the outstanding principal of and premium and other amounts in respect of the Bonds shall become immediately due and payable. If an Event of Default specified in (vii) or (viii) shall occur and be continuing, the sum of the outstanding principal of and premium and other amounts in respect of the Bonds shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Bondholder.

The Trustee shall, within 30 days after receiving written notice of the occurrence of any Event of Default, mail to all Holders of the Bonds notice of all Defaults of which the Trustee shall have received written notice, unless such Defaults shall have been cured or waived and the Trustee shall have been so notified in writing before the giving of such notice.

The Holders of a majority in aggregate principal amount of the outstanding Bonds may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; *provided* that such direction shall not be in conflict with any law or the Indenture and subject to certain other limitations. The Trustee may refuse to perform any duty, exercise any right or power, extend or risk its own funds or otherwise incur any financial liability, unless it receives indemnity and/or security satisfactory to it against any loss, liability or expense. No Holder of a Bond will have the right to pursue any remedy with respect to the Indenture or the Bonds, unless:

(i) such Holder shall have previously given the Trustee written notice of a continuing Event of Default;

(ii) the Holders of at least 25% in aggregate principal amount of the outstanding Bonds shall have made a written request to the Trustee to pursue such remedy;

(iii) such Holder or Holders shall have offered to the Trustee security and/or indemnity against any loss, liability or expense satisfactory to it;

(iv) the Trustee shall have failed to comply with the request within 60 days after receipt of such notice, request and offer of security and/or indemnity; and

(v) the Holders of a majority in aggregate principal amount of the outstanding Bonds shall not have given the Trustee a direction inconsistent with such request within 60 days after receipt of such request.

The right of any Holder (i) to receive payment of the principal of the Bonds, Additional Amounts, the Holder's Put Price upon exercise of the Holder's Put Right, the Delisting Put Price upon exercise of the Delisting Put Right or the Change of Control Put Price upon exercise of the Change of Control Put Right, or to receive Common Shares on or after any Redemption Date, Purchase Date or Conversion Date, as the case may be, (ii) to convert its Bonds or (iii) to bring suit for the enforcement of any such right, shall not be materially impaired or materially adversely affected without such Holder's consent.

The Holders of a majority in aggregate principal amount of Bonds at the time outstanding may waive any existing Default and its consequences, except (i) any default in any payment on the Bonds, (ii) any default with respect to the Conversion Right of Holders of the Bonds or (iii) any default with respect to certain covenants or provisions in the Indenture which may not be modified without the consent of the Holder of each Bond as described in "– Meeting of Bondholders; Modification and Waiver" below. When a Default is waived, it is deemed cured and shall cease to exist, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

The Issuer will be required to furnish to the Trustee annually, and at any time at the request of the Trustee, a statement concerning the performance and observance of its obligations under the Bonds or the Indenture. In addition, the Issuer is required to file promptly with the Trustee written notice of the occurrence of any Default or Event of Default.

PRESCRIPTION

Claims in respect of payment of principal of or premium or other amounts on the Bonds will be prescribed unless made within a period of six years from the relevant date of payment in respect thereof.

MEETING OF BONDHOLDERS; MODIFICATION AND WAIVER

The Indenture contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the approval of certain amendments or modifications of the Bonds or the provisions of the Indenture upon either the written consent of the Holders of a majority in principal amount of the outstanding Bonds or the approval at a meeting of the Holders duly called by persons entitled to vote a majority in principal amount of the outstanding Bonds. The quorum at any such meeting shall be two or more persons entitled to vote a majority in principal amount of the outstanding Bonds.

Modifications and amendments of the Indenture or the Bonds may be made by the Issuer and the Trustee with the written consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Bonds; *provided* that no such modification or amendment may, without the consent of the Holders of 75% of the aggregate principal amount of outstanding Bonds:

(i) change the Maturity Date of the principal of any Bond;

(ii) reduce the principal of or premium or other amounts on any Bond or increase the then current Conversion Price (except as required by the antidilution provisions of the Indenture);

(iii) change the place or currency of payment of principal of or premium or other amounts on any Bond or the method of calculating any such payment;

(iv) impair the right to institute suit for the enforcement of any payment on or after the Maturity Date (or, in the case of a redemption, on or after the Redemption Date) of any Bond;

(v) alter the obligations of the Issuer under "– Certain Covenants – Negative Pledge", "– Certain Covenants – Consolidation, Amalgamation or Merger" or "– Additional Amounts" above;

(vi) materially adversely affect the Conversion Right, the Holder's Put Right, the Delisting Put Right or the Change of Control Put Right;

(vii) change the Holder's Put Date;

(viii) modify the obligations of the Issuer to maintain an office or agency;

(ix) reduce the above-stated percentage of outstanding Bonds the consent of whose Holders is necessary to modify or amend the Indenture;

(x) reduce the percentage or aggregate principal amount of outstanding Bonds the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain Defaults;

(xi) modify any of the percentage voting and quorum provisions described under "– Meeting of Bondholders; Modification and Waiver"; or

(xii) release the Issuer from any obligation under the Indenture other than in accordance with the provisions of the Indenture, or amend or modify any provision relating to such release in a manner that materially adversely affects the rights of the Holders.

Neither the Issuer nor any of its Subsidiaries will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise to any Holder of any Bonds for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Bonds, unless such consideration is offered to be paid or agreed to be paid to all Holders of the Bonds that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

Without the consent of any Holder of Bonds, the Issuer together with the Trustee may amend the Indenture to:

(i) cure any ambiguity, defect, manifest errors or inconsistency in the Indenture or the Bonds;

(ii) provide for the assumption of the Issuer's obligations under the Bonds and the Indenture by the surviving Person in a Merger effected in accordance with the provisions of the Indenture described under "– Certain Covenants – Consolidation, Amalgamation or Merger" above;

(iii) make any other change that does not materially adversely affect the rights of any Holder of Bonds;

(iv) make any change necessary to comply with applicable Cayman Islands and ROC laws and regulations; or

(v) add to the covenants or obligations of the Issuer under the Indenture or decrease the Conversion Price at the discretion of the Issuer or surrender any right, power or option conferred by the Indenture on the Issuer.

In the event of a change in law in the Cayman Islands or the ROC, the Issuer will provide to the Trustee (a) an Officer's Certificate setting out the changes in applicable law in the affected jurisdiction, explaining how the change in law affects the Indenture and instructing the Trustee to enter into a supplemental trust deed, (b) an opinion of counsel from the affected jurisdiction explaining the change in law, and (c) an opinion of counsel under New York law confirming that the changes being made to the Indenture are in compliance with the provisions of the Indenture and that the Trustee is authorized to enter into a supplemental trust deed on the basis of the Officer's Certificate and opinions of counsel.

NOTICES

Whenever the Indenture provides for notice to be given to Holders, such notice will be validly given (except as otherwise expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder entitled thereto, at such Holder's address as it appears on the Bond register. Any such notice shall be deemed to have been given on the seventh day after being so mailed, and shall be irrevocable unless waived by the Holders receiving such notice. Notwithstanding the foregoing, so long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear and Clearstream, notice to Holders may be given by delivery of the relevant notice to Euroclear and Clearstream or their successor clearing systems for communication by them to entitled accountholders in substitution for notification as required by the foregoing sentence.

CONCERNING THE TRUSTEE AND THE AGENTS

The Indenture provides that, prior to the occurrence of an Event of Default, the Trustee will not be liable except for the performance of such duties as are specifically set forth in such Indenture. If an Event of Default has occurred and is continuing, the Trustee will be obligated to use the same degree of care and skill as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Trustee or any of the Agents may become the owner or pledgee of the Bonds with the same rights it would have if it were not the Trustee or an Agent and may otherwise deal with the Issuer and receive, collect, hold and retain collections from the Issuer with the same rights it would have if it were not the Trustee or an Agent. The Trustee and entities associated with the Trustee shall be permitted to engage in business and other contractual relationships with the Issuer and its Affiliates and Subsidiaries and profit therefrom, without having to account for such profits. The Trustee shall have no liability merely by virtue of the existence of any such relationship other than by reason of its gross negligence or willful misconduct.

The Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by the Indenture at the request, order or direction of any of the Holders pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee security and/or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which may be incurred therein or thereby. Each Holder shall be solely responsible for making its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

DISCLOSURE OBLIGATIONS

The Indenture provides that the Issuer may have certain disclosure obligations and reporting obligations under ROC law if:

(i) the person to be registered as a shareholder of the Company is a "related party" of the Company under Regulations Governing the Preparation of Financial Reports by Securities Issuers of the ROC and such person beneficially owns Common Shares converted from the Bonds; or

(ii) the person to be registered as a shareholder owns Common Shares issued upon conversion of the Bonds and the Common Shares so issued on conversion exceed 10%, of the total number of Common Shares expected to be issued upon conversion of the Bonds based on the conversion price at the time of issue of the Bonds.

Due to these obligations, if so instructed by the Issuer, the Conversion Agent may ask the converting Holders to disclose the name of the person to be registered as the shareholder and to provide proof of identity and genuineness of any signature and other documents before it will convert the Bonds. The conversion of Bonds may be delayed until the Conversion Agent receives the requested information and satisfactory evidence of the compliance with all laws and regulations by the Holders. The information the Holder is required to provide may include the name and nationality of the person to be registered as a shareholder of the Company and the total number of Common Shares such person is converting or has converted in the past.

GOVERNING LAW AND JURISDICTION

The Indenture and the Bonds are governed by, and shall be construed in accordance with, the laws of the State of New York. In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Bonds, the Company has in the Indenture irrevocably submitted to the jurisdiction of the New York State and United States Federal courts sitting in the Borough of Manhattan, the City of New York. The Company has appointed Cogency Global Inc., now at 122 East 42nd Street, 18th Floor, New York, NY 10168, as its agent for service of process.

Bondholders should note that exercise of a Conversion Right is subject not only to the provisions of the Indenture but also to the applicable Cayman Islands and ROC law.

THE GLOBAL BOND

GLOBAL BOND

The Global Bond will be deposited with, and registered in the nominee name of, a common depositary for Euroclear and Clearstream, and Euroclear and Clearstream will credit their respective accountholders with the respective amounts of individual interests represented by the Global Bond. Such accounts will initially be designated by or on behalf of the Initial Purchasers. Ownership of beneficial interests in the Global Bond will be limited to persons who have accounts with Euroclear or Clearstream or persons who hold interests through such accountholders. Ownership of beneficial interests in the Global Bond will be shown on, and the transfer of that ownership will be effected only through, records maintained by Euroclear and Clearstream (with respect to interests of their respective accountholders) and the records of such accountholders (with respect to interests of persons other than such accountholders).

Payments in respect of the Global Bond will be made to the common depositary or its nominee as the registered owner. Neither we nor the Trustee will have any responsibility or liability for the accuracy of any of the records relating to, or payments made on account of, ownership interests in the Global Bond or for any notice permitted or required to be given to holders of the Bonds or any consent given or actions taken by such registered holder of the Bonds. We expect that the common depositary, upon receipt of any payment in respect of the Global Bond, will immediately credit Euroclear and Clearstream with payments in amounts proportionate to their respective interests in the principal amount of the Global Bond as shown on its records.

Transfers between accountholders in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

The laws of certain jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability of beneficial owners to own, transfer or pledge beneficial interests in the Global Bond may be limited by such laws.

Conversion of the Bonds through participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Euroclear and Clearstream each holds securities for participating organizations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Individual Definitive Bonds

If (i) either Euroclear or Clearstream or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; (ii) an event of default under the Bonds or the Indenture has occurred, is continuing and the Trustee has notified the issuer in writing that any of the Bonds have become immediately due and payable pursuant to Article 4 of the Indenture and upon request from the Holders; or (iii) our common depositary advises us in writing that it is at any time unwilling or unable to continue as a depositary for the Global Bond and a successor depositary is not appointed within 90 days, we will issue individual definitive Bonds in registered form in exchange for the Global Bond. Upon receipt of such notice from Euroclear, Clearstream or the Trustee, as the case may be, we will make arrangements for the exchange of interests in the Global Bond for individual definitive Bonds and cause them to be executed and delivered to the registrar in sufficient quantities and authenticated by the Trustee or the Registrar for delivery to holders. Persons exchanging interests in the Global Bond for individual definitive Bonds will be required to provide to the Registrar, through the relevant clearing system, written instructions and other information required by us and the Registrar to complete, execute and deliver such individual definitive Bonds and individual definitive Bonds delivered in exchange for interests in the Global Bond or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

DESCRIPTION OF OUR SHARE CAPITAL

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our Amended and Restated Memorandum and Articles of Association, and the Companies Law. As of the date of this offering memorandum, our authorized share capital is NT$16,000,000,000 divided into 1,600,000,000 ordinary shares (the "Shares") of a par value of NT$10 each. As of the date of this offering memorandum, there are 902,229,887 Shares issued and outstanding. All of the Shares issued and outstanding prior to the completion of the offering are and will be fully paid, and all of the Shares to be issued upon conversion of the Bonds in the offering will be issued as fully paid. The following are summaries of material provisions of our Amended and Restated Memorandum and Articles of Association, the Companies Law and the ROC securities-related regulations insofar as they relate to the material terms of the Shares.

SHARES

General

Subject to the Companies Law, the Amended and Restated Memorandum and Articles of Association and to any resolution of the shareholders to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing Shares or class of Shares, our board of directors shall have the power to issue any of our authorized but unissued Shares on such terms and conditions as it may determine, subject to the provisions of the applicable laws and the approvals of the FSC and the Central Bank of the Republic of China (Taiwan), and any Shares or class of Shares (including the issue or grant of options, warrants and other rights, renounceable or otherwise in respect of the Shares) may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as we may by resolution of the shareholders prescribe provided that no Share shall be issued at a discount except in accordance with the Companies Law.

Dividends

The holders of the Shares are entitled to such dividends as may be declared by our board of directors and approved by our shareholders subject to the Companies Law and to the Amended and Restated Memorandum and Articles of Association. Please see "Dividends and Dividend Policy."

Voting Rights

Every shareholder who is present in person or by proxy shall have one vote for each share of which it is a holder. An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of votes attached to the Shares cast by such shareholders who, being entitled to do so, vote in person or by their proxies in a general meeting, while a special resolution requires the affirmative vote of at least two-thirds of votes cast in a general meeting. A supermajority resolution requires the majority vote of the shareholders present who represent two-thirds or more of the total issued Shares of the Company or, if the total number of shares represented by the shareholders present at the general meeting is less than two-thirds of the total issued shares, but more than one-half of the total issued shares, by at least two-thirds of the votes cast by shareholders present at such meeting. A special resolution will be required for matters such as a change of name or making amendments to our Amended and Restated Memorandum and Articles of Association and a supermajority resolution will be required for matters such as the removal of any director of our Company. Pursuant to our Amended and Restated Memorandum and Articles of Association, shares held by ourselves, our subsidiaries or entities in which we (together with our affiliates) own more than 50% of the issued shares shall not carry any voting rights nor be counted in the total number of issued shares at any given time. Also, a shareholder, who has a personal interest in any motion discussed at a general meeting and such interest may be in conflict with and impair those of the Company, shall abstain from voting such shareholder's shares in regard to such motion and such shares shall not be counted in determining the number of votes of the shareholders present at the said meeting. However, such shares may be counted in determining the number of shares of the shareholders present at such general meeting for the purposes of determining the quorum. Such shareholder shall also not vote on behalf of any other shareholder.

Our board of directors may determine that the voting power of a shareholder at a general meeting may be exercised by way of a written ballot or by way of electronic transmission; provided, however, that if a general meeting is to be held outside of Taiwan or pursuant to the applicable public company rules of the ROC, we shall provide the shareholders with a method for exercising their voting power by means of a written ballot or electronic transmission.

Preemptive Rights

Pursuant to our Amended and Restated Memorandum and Articles of Association, when we issues new Shares for cash, 10% to 15% of the issue must be offered in the ROC to our employees and employees of our subsidiaries. In addition, when we intend to offer new Shares for cash, at least 10% of the issue must be offered to the public, except under certain circumstances or when exempted by the FSC or the TWSE. This percentage to be allocated to the public can be increased by a resolution passed at a shareholders' meeting, thereby reducing the number of new Shares subject to the preemptive rights of existing shareholders. Unless the percentage of Shares to be offered to the public is increased by the shareholders, existing shareholders who are listed on the shareholders' register as of the record date have a preemptive right to acquire the remaining 75% to 80% of the issue. The Shares not subscribed for by the employees and shareholders at the expiration of the period for the exercise of their rights may be sold to the public or specified persons in such manner as is consistent with applicable public company rules. The preemptive rights provisions will not apply to offering of new Shares through a private placement. These preemptive rights do not apply to this offering.

Transfer of Shares

Subject to the requirements of applicable laws of the Cayman Islands, transfers of uncertificated shares which are traded on the TWSE may be effected by any method of transferring or dealing in securities introduced by the TWSE or operated in accordance with the applicable public company rules as appropriate. In accordance with the applicable public company rules, we shall issue the Shares in scripless form and the Shares shall be traded on the TWSE during the period of listing.

Liquidation

On the winding up of our Company, assets available for distribution among the holders of Shares will be distributed among the holders of the Shares on a *pro rata* basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

Purchase of Shares

Subject to the provisions of the Companies Law, our Amended and Restated Memorandum and Articles of Association and the laws of the ROC, we may purchase our own Shares on such terms and by such method as our board of directors may from time to time decide. Pursuant to our Amended and Restated Memorandum and Articles of Association, Shares that we purchase shall be cancelled immediately or held as treasury Shares at the discretion of our board of directors. No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of our assets (including any distribution of assets to shareholders on a winding up of the Company) may be made to us in respect of a treasury share. We shall be entered in the register of members as the holder of the treasury Shares provided that:

(a) we shall not be treated as a shareholder for any purpose and shall not exercise any right in respect of the treasury Shares, and any purported exercise of such a right shall be void; and

(b) a treasury share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued Shares at any given time.

Under the ROC Securities and Exchange Act, we may, by resolution adopted by a majority of our board of directors at a meeting where more than two-thirds of the directors are present, repurchase the Shares on the TWSE or by a tender offer in accordance with the procedures prescribed by the FSC for the following purposes:

(a) for delivery upon conversion of bonds with warrants, preferred Shares with warrants, convertible bonds and convertible preferred Shares or certificates of warrants issued by us into capital stock;

(b) to transfer to our employees; or

(c) if necessary, to maintain our credit and shareholders' equity, provided that the Shares so repurchased shall be cancelled thereafter.

The total Shares repurchased by us may not exceed 10% of its total issued and outstanding Shares. In addition, the total cost of the purchased Shares may not exceed the aggregate amount of our retained earnings, any premium from share issuance and the realized portion of our capital reserve. Shares repurchased in the first two instances mentioned above are to be transferred to the intended transferees within five years from the repurchase failing which they will be cancelled. In the third instance mentioned above, the Shares repurchased by us must be cancelled. The Shares repurchased by us may not be pledged or hypothecated. In addition, we may not exercise any of the shareholder's rights attached to these Shares. Our affiliates, as defined in Article 369-1 of the ROC Company Act, directors, managers and their respective spouses and minor children and nominees, are prohibited from selling the Shares until our repurchase period has lapsed.

Furthermore, pursuant to our Amended and Restated Memorandum and Articles of Association, the aggregate number of treasury Shares resolved at all general meetings and transferred to our employees and the employees of our subsidiaries shall not exceed 5% of the total issued Shares, and each employee may not subscribe for more than 0.5% of the total issued Shares in aggregate.

VARIATIONS OF RIGHTS OF SHARES

If at any time, our share capital is divided into different classes of Shares, the rights attaching to any class (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the sanction of a special resolution passed at a general meeting of the holders of the Shares of that class. Notwithstanding the foregoing, if any modification or alteration to the Amended and Restated Memorandum and Articles of Association is prejudicial to the preferential rights of any class of Shares, such modification or alteration shall be adopted by a special resolution and shall also be adopted by a Special Resolution passed at a separate meeting of shareholders of that class of Shares.

The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

GENERAL MEETINGS OF SHAREHOLDERS

Our board of directors may convene the general meetings whenever they think fit. For so long as the Shares are listed on the TWSE, general meetings shall also be convened on the written requisition of any shareholder or shareholders entitled to attend and vote at general meetings holding at least 3% of the total number of issued Shares of the Company for a period of one year or a longer time as of the date of making such requisition by depositing at the registered office of the Company or the office of the institution handling the Shares specifying the matters to be discussed at the meeting and the reason therefore signed by such shareholder(s); if our board of directors does not within 15 days from the date of the deposit of the requisition dispatch the notice of such general meeting, and for so long as the Shares are listed on the TWSE, such shareholder(s) may convene the general meeting, provided that if the extraordinary general meeting will be held outside Taiwan, an application shall be submitted by such shareholders to the TWSE for its prior approval.

Any one or more shareholder(s) may summon an extraordinary general meeting, provided that such shareholder(s) shall hold more than fifty per cent (50%) of the total issued Shares of the Company for a continuous period of no less than three (3) months. The number of the Shares held by a shareholder and the period during which a shareholder holds such Shares, shall be calculated and determined based on the register of members as of the first day of the period that the register of members shall be closed for transfers. If our board of directors does not or is unable to convene a general meeting (including the annual general meeting) or it is for the Company's benefit, the independent director(s) may convene a general meeting when he/she in his/her absolute discretion deems necessary.

In addition, shareholder(s) holding 1% or more of our total issued Shares immediately prior to the relevant book close period may propose to us in writing or any electronic means designated by us one matter for discussion at an annual general meeting. We shall give a public notice in such manner as permitted by ROC laws and regulations at such time deemed appropriate by our board of directors specifying the place and a period of not less than 10 days for shareholders to submit proposals. Our board of directors shall include the proposal in the agenda of the annual general meeting unless (a) the proposing shareholder(s) holds less than 1% of our total issued Shares, (b) the matter of such proposal may not be resolved by a general meeting or the proposal exceeds 300 Chinese words; (c) the proposing shareholder(s) has proposed more than one proposal; or (d) the proposal is submitted to us outside the period fixed and announced by us for accepting shareholder(s)' proposal(s). If the purpose of the proposal is to urge the Company to promote public interests or fulfil its social responsibilities, our board of directors may accept such proposal to be discussed in general meeting.

The following matters shall be stated in the notice of a general meeting, with a summary of the major content to be discussed, and shall not be proposed as an extemporary motion:

(a) election or discharge of directors;

(b) alteration of the Amended and Restated Memorandum or Articles of Association;

(c) capital deduction;

(d) application to terminate the public offering of the Shares;

(e) (i) dissolution, merger, share swap or spin-off, (ii) entering into, amending, or terminating any contracts regarding leasing of our business, or mandate of operations or joint operations, (iii) transfer of the whole or any essential part of our business or assets, and (iv) acquisition or assumption of the whole of the business or assets of another person, which has a material effect on our operations;

(f) ratification of an action by director who engages in business for himself or on behalf of another person that is within the scope of our business;

(g) distribution of the whole or part of our surplus profit in the form of new Shares, capitalization of capital reserve and any other amount in accordance with our Amended and Restated Memorandum and Articles of Association; and

(h) private placement of any equity-related securities to be issued by us.

The major content of the above matters can be announced at the website designated by Taiwan securities authority or the Company, and the Company shall specify the link to the website in the notice of the relevant general meeting.

The following matter shall require the approval of the shareholders' meeting by a special resolution:

(a) change name;

(b) alter or add to the Articles of Association;

(c) alter or add to the Amended and Restated Memorandum or Articles of Association with respect to any objects, powers or other matters specified therein;

(d) reduce share capital and any capital redemption reserve fund; or

(e) private placement of the securities (excluding straight bonds) within the territory of the ROC.

The following actions shall require the approval of the shareholders' meeting by a supermajority resolution, provided that if the applicable public company rules permit us to only require the approval of the board of directors or of the shareholders by an ordinary resolution for the following actions, we are not required to obtain the approval of the shareholders by a supermajority resolution:

(a) effecting any capitalization of distributable dividends and/or bonuses and/or any other amount standing to the credit of the capital reserve or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued Shares to be allotted as fully paid bonus shares *pro rata* to the shareholders;

(b) effecting any merger (except for any merger which falls within the definition of "merger" and/or "consolidation" under the Companies Law, which requires the approval of the shareholders' meeting by special resolution only), share swap or spin-off;

(c) entering into, amend, or terminate any contracts regarding leasing of our business, or mandate of operations or joint operation;

(d) the transferring of the whole or any essential part of our business or assets; or

(e) acquiring or assuming the whole business or assets of another person, which has a material effect on our operation.

At least 30 days' notice of an annual general meeting, and at least 15 days' notice of an extraordinary general meeting shall be given to each shareholder entitled to attend and vote at such meeting.

Save as otherwise provided by our Amended and Restated Memorandum and Articles of Association, the holders of the Shares being more than an aggregate of one-half of all Shares in issue present in person or by proxy and entitled to vote shall constitute a quorum for any general meeting.

APPRAISAL RIGHTS

According to our Amended and Restated Memorandum and Articles of Association, subject to compliance with the Companies Law, in the event any of the following resolutions is passed at general meetings, any shareholder who has abstained from voting in respect of such matter and expressed his dissent therefor, in writing or verbally (with a record to that effect in the minutes of the meeting) before or during the meeting, may request us to purchase all of his Shares at the then prevailing fair price:

(a) we propose to enter into, amend, or terminate any contracts regarding leasing of our business, or mandate of operations or joint operations;

(b) we transfer the whole or an essential part of our business or assets, provided that, the foregoing does not apply where such transfer is pursuant to our dissolution;

(c) we acquires or assumes the whole business or assets of another person, which has a material effect on our operation.

(d) we proposes to undertake a spin-off, mergers or share swap; or

(e) we generally assumes the whole assets and liabilities of another person or generally assigns its whole assets and liabilities to another person.

ELECTION AND REMOVAL OF DIRECTORS

Our board of directors consists of no less than five and no more than nine persons, including independent directors, each of whom shall be appointed to a term of office of not more than three years. We may from time to time increase or reduce the number of directors by special resolution subject to the above number limitation provided that the requirements by relevant laws and regulations (including but not limited to any listing requirements) are met.

Unless otherwise permitted under the laws of the ROC, there shall be at least 3 independent directors and, to the extent required by the laws of the ROC, at least one of them shall be domiciled in the ROC and at least one of them shall have accounting or financial expertise.

If the number of independent directors is less than three persons, or, the number of directors is less than five persons, we shall hold an election of independent directors or directors (as the case may be) at the next following general meeting. If all of the independent directors have resigned or are removed or vacated, or the number of vacancies on our board of directors equals to one third of the total number of directors elected, our board of directors shall hold, within 60 days from the date of the occurrence of vacancies, a general meeting of shareholders to elect succeeding independent directors or directors (as the case may be) to fill the vacancies.

We may at a general meeting elect any person to be a director (including independent directors) pursuant to a cumulative voting mechanism.

The shareholders of the Company may from time to time by supermajority resolution remove any director from office. In case a director has, in the course of performing his duties, committed any act resulting in material damages to us or is in serious violation of applicable laws, regulations and/or the Amended and Restated Articles of Association, but has not been removed by shareholders' meeting by a supermajority resolution, the shareholder(s) holding 3% or more of the total number of issued Shares of the Company may, within 30 days after such general meeting, to the extent permissible under ROC laws and regulations and the Companies Law, institute a lawsuit to remove such director. Prior to the expiration of the term of office of any current directors, the shareholders may at a general meeting re-elect all directors. If no resolution is passed to approve that the existing director(s) who is/are not re-elected at the general meeting that such director(s) shall remain in office until expiry of his/her original term of office, such non-re-elected directors shall vacate their office with effect from the date the other directors elected or re-elected at the same general meeting commence their office.

PROCEEDINGS OF BOARD OF DIRECTORS

Our Amended and Restated Memorandum and Articles of Association provide that, subject to the provisions of the Companies Law, the Amended and Restated Memorandum and Articles of Association, applicable public company rules and any resolutions made in a general meeting, our business is to be managed and conducted by our board of directors. The quorum necessary for a meeting of the board of the directors shall be more than one-half of the total number of the directors. Any of the directors may appoint another director to represent him at any meeting of the board of directors if such director is unable to do so in person for any cause. If a director appoints a proxy then for all purposes the presence or vote of the proxy shall be deemed to be that of the appointing director. The appointed director may only act as the proxy of one director only.

Our Amended and Restated Memorandum and Articles of Association provide that the directors may amongst others exercise all powers of the Company to raise or borrow money, to mortgage or charge or otherwise grant a security interests in its undertaking property and uncalled capital or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of our Company or of any third party.

INSPECTION OF BOOKS AND RECORDS

The board of directors shall keep at the office of our registered office copies of our Amended and Restated Memorandum and Articles of Association, minutes of every meeting of the shareholders, financial statements, register of members and the counterfoil of corporate bonds issued by us. Any shareholders may request, by submitting document(s) evidencing his/her interests involved and indicating the scope of the inspection, access to inspect, review or make copies of the foregoing documents. If the relevant documents are kept by our stock affairs agent, upon the request of such shareholder, we shall order our stock affairs agent to provide such shareholder with the requested documents. Under ROC Securities and Exchange Act, shareholders, who have held 3% or more of our issued and outstanding Shares for over a year, may also request the competent authority to examine a specific matter of us that such shareholders consider being materially adverse to our shareholders' interests or our related books and accounts by submitting their reasons, relevant evidence and the necessity of such examination.

If a general meeting is convened by the board of directors and any other person entitled to convene a general meeting in accordance with our Amended and Restated Memorandum and Articles of Association or any applicable law, the board of directors and such person may request us or our stock affairs agent to provide the register of members.

CHANGES IN CAPITAL

We may from time to time by ordinary resolution increase the authorized share capital of the Company by such amount as we think expedient.

Subject to the Companies Law and our Amended and Restated Memorandum and Articles of Association, we may by a shareholders' special resolution reduce our share capital and any capital redemption reserve fund.

Any such reduction of share capital shall be effected based on the percentage of shareholding of the shareholders *pro rata*, unless otherwise provided for in the Companies Law or the applicable public company rules. Furthermore, if our directors determine that in such capital reduction the dividends shall be paid wholly or partly to the shareholders by the distribution of specific assets, we shall obtain the prior consent of any shareholder who is to receive the distribution in specie and an assurance on the valuation of the assets for distribution and the corresponding amount of the distribution from an ROC certified public accountant.

ANNUAL FINANCIAL STATEMENTS

By the end of March each year, the Company's annual financial statements will be posted on the Market Observation Post System and made available to the shareholders. According to the regulations of the FSC, the Company is required to publish its annual and interim financial statements on a consolidated basis and annual financial statement on an individual basis.

SUBSTANTIAL SHAREHOLDERS AND TRANSFER RESTRICTIONS

Under the ROC Securities and Exchange Act, our directors, managers and shareholders (together with their spouses, minor children and nominees) holding more than 10% of the Shares are required to report to us, on a monthly basis, any changes in their shareholding in the Company. Unless under limited circumstances, the number of Shares that they may sell or transfer on the TWSE on any trading day is limited by ROC laws. In addition, they may only sell or transfer such Shares on the TWSE at least three days after they have filed a notification with the FSC in connection with such sale or transfer, provided that such notification is not required if the number of Shares to be sold or transferred within one trading day does not exceed 10,000.

TAXATION

CAYMAN ISLANDS TAXATION

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not a party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

ROC TAXATION

The following is a summary of current ROC tax laws that may be relevant to a holder of the Bonds or the Shares who is either a Non-ROC Resident Individual or Non-ROC Resident Entity, each a "Non-ROC Holder." The summary does not purport to be a comprehensive description of all of the tax consequences that may be relevant to a decision to purchase/own the Bonds and/or the Shares and is based on tax laws of the ROC in effect on the date of this offering memorandum, which are subject to change. ***You should consult your own advisors concerning the tax consequences of an investment in the Bonds or the Shares.***

BONDS

Premium and Possible Interest Payment. Payments of interest or premium (if any) on a Bond to a Non-ROC Holder are not subject to any ROC taxes.

Sale. The sale of the Bonds is not subject to any ROC taxes.

Conversion. Gains on conversion of the Bonds into the Shares will not be subject to any ROC taxes. Nonetheless, in any event, we have agreed to pay additional amounts in respect with such tax on conversion, if any. See "Description of the Bonds." There is no ROC stamp, issue or registration tax imposed on the issuance of the Shares upon conversion of the Bonds.

SHARES

Dividends. Dividends, whether in cash or stock, declared by us out of retained earnings and distributed to a Non-ROC Holder in respect of the Shares are not subject to any ROC taxes.

Sale. Securities transaction tax is payable by the seller at the rate of 0.3% of the transaction price upon a sale of the Shares. The broker will withhold such 0.3% securities transaction tax from the sales proceeds and pay the withholding tax to the national treasury accordingly. Non-ROC Holders are exempt from income tax on capital gains realized from the sale of the Shares.

Subscription Rights

Distributions of statutory subscription rights for the Shares are not subject to any ROC taxes. Proceeds derived from sales of statutory subscription rights evidenced by securities are subject to securities transaction tax, currently at the rate of 0.3% of the gross amount received. Moreover, as described in "Taxation – Shares – Sale" above, Non-ROC Holders are exempt from ROC income tax on capital gains from such sale. Proceeds derived from sales of statutory subscription rights that are not evidenced by securities are not subject to any ROC taxes. Subject to compliance with ROC laws, the company has the sole discretion to determine whether statutory subscription rights shall be evidenced by the issuance of securities.

Estate Tax and Gift Tax

The Bonds and the Shares are not deemed as property located in the ROC; hence, the ROC estate tax and gift tax law does not apply to the Non-ROC Holders.

TRANSFER RESTRICTIONS

SUBSCRIPTION RIGHTS

Because of the following restrictions, we encourage you to consult a legal counsel prior to making any offer, resale, pledge or other transfer of the Bonds or the Shares issuable upon conversion of the Bonds.

The Bonds may not be offered or sold directly or indirectly in the ROC. The Bonds and the Shares issuable upon conversion of the Bonds have not been and will not be registered under the Securities Act and the Bonds may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Except in certain limited circumstances, interests in the Bonds may only be held through interests in the Global Bond. Such interests in the Global Bond will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants. See "The Global Bond."

Each owner of Bonds, by accepting delivery of the Bonds, will be deemed to have acknowledged and represented to and agreed as follows (terms used herein that are defined in Regulation S are used as defined therein):

(1) the Bonds and the Shares issuable upon conversion of the Bonds have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;

(2) it is purchasing Bonds outside the United States in an offshore transaction meeting the requirements of Regulation S;

(3) it agrees (or if it is a broker-dealer, its customer has confirmed to it that such customer agrees) that it (or such customer) will not offer, sell, pledge or otherwise transfer any Bonds or the Shares, except as permitted by the applicable legend set forth in paragraph (5) below.

(4) it understands that the Bonds and any physical certificate evidencing the Bonds will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law, and that it will observe the restrictions contained therein:

THE BONDS ("BONDS") EVIDENCED HEREBY AND THE COMMON SHARES OF ZHEN DING TECHNOLOGY HOLDING LIMITED 臻鼎科技控股股份有限公司 ("ZHEN DING") ISSUABLE UPON CONVERSION OF THE BONDS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT") AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE SECURITIES LAWS. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE BONDS EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

(5) it understands that the Bonds will be represented initially by a Global Bond; and

(6) we, the Trustee, the Transfer Agent, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of Bonds that may wish to resell any Bonds pursuant to Regulation S is advised that application will be made for the listing of the Bonds on the SGX-ST. The SGX-ST is a "designated offshore securities market" (within the meaning of Regulation S) and, accordingly, a resale transaction could be effected in, on or through the facilities of such exchange in reliance upon the safe harbor provided by Rule 904 of Regulation S, subject to compliance with the conditions of Rule 904.

PLAN OF DISTRIBUTION

Credit Suisse (Hong Kong) Limited and Citigroup Global Markets Limited are the joint bookrunners of this offering. Subject to the terms and conditions stated in the purchase agreement, dated as of June 22, 2020, entered into between our Company and the Initial Purchasers, each Initial Purchaser has agreed to purchase, and we have agreed to sell to that Initial Purchaser, the principal amount of Bonds set forth opposite the Initial Purchaser's name.

Initial Purchaser	Principal Amount of Bonds
Credit Suisse (Hong Kong) Limited	220,000,000
Citigroup Global Markets Limited	180,000,000
Total	400,000,000

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Bonds included in this offering are subject to certain conditions, including receipt of certain legal opinions.

The Initial Purchasers have agreed to purchase the Bonds at the offering price set forth on the cover page of this offering memorandum. We have been advised that the Initial Purchasers propose to resell the Bonds at the offering price set forth on the cover page of this offering memorandum outside the United States in reliance on Regulation S.

The Bonds and the Shares have not been, and will not be, registered under the Securities Act and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

Accordingly, in connection with sales outside the United States, each Initial Purchaser has agreed that it will not offer or sell the Bonds within the United States, and it will have sent to each dealer to which it sells Bonds a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States.

In connection with this offering, the Initial Purchasers may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Bonds and/or the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. As a result of such transactions, the Initial Purchasers may hold long or short positions in such Bonds or derivatives or in the Shares. These transactions may comprise a substantial portion of the offering and no disclosure will be made of such positions. The Initial Purchasers may have purchased Bonds and been allocated Bonds for asset management and/or proprietary purposes and not with a view to distribution.

UNITED STATES

Each of the Initial Purchasers acknowledges that the Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Such Initial Purchaser further represents that neither it, nor any of its respective affiliates, nor any persons acting on its behalf has engaged or will engage in any "directed selling efforts" (as defined in Regulation S) with respect to the Bonds or the Shares. Such Initial Purchaser further acknowledges that the Bonds are being sold in reliance on Regulation S.

UNITED KINGDOM

Each of the Initial Purchasers: (i) (a) is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) has not offered or sold and will not offer or sell the Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of its businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of its businesses where the issue of the Bonds would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act of 2000 (the "FSMA") by the Company; (ii) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and (iii) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

HONG KONG

Each of the Initial Purchasers has not (i) offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

SINGAPORE

Each of the Initial Purchasers acknowledges that this offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser represents and agrees that this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than:

(i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA;

(ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018; or

(iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

JAPAN

Each of the Initial Purchasers agrees that the Bonds have not been and will not be registered under the Securities and Exchange Law of Japan, and it has not offered or sold and will not offer or sell, directly or indirectly, the Bonds in Japan or to or for the account of any resident of Japan, except (1) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan; and (2) in compliance with any other applicable requirements of Japanese law.

FRANCE

Each of the Initial Purchasers acknowledges and agrees that offers and sales of the Bonds will only be made in France to a limited number of investors (cercle restreint d'investisseurs) acting for its own accounts and/or qualified investors (investisseurs qualifies) acting for its own accounts, in each case in accordance with Article L.411-2 of the Code Monetaire et Financier and Decret no. 98-880 dated October 1, 1998; and that this offering memorandum has not been and will not be submitted to the Commission des Operations de Bourse. Neither this offering memorandum nor any other offering material will be distributed to the public in France and neither the Bonds nor the Shares will be offered or sold, directly or indirectly, to the public in France.

NETHERLANDS

Each of the Initial Purchasers represents and agrees that it has not offered, transferred, delivered or sold and will not offer, transfer, deliver or sell any Bonds or Shares in or from Netherlands as part of its initial distribution or as part of any re-offering, and that it will not distribute this offering memorandum or any other document in respect of the offering in or from the Netherlands, other than to individuals or legal entities, who or which trade or invest in securities in the conduct of its profession or trade (which include banks, investment banks, securities firms, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises). In addition, transfer requirements may apply to Bonds that qualify as savings certificates as defined in the Savings Certificates Act (Wet inzake spaarbewijzen).

ITALY

Each of the Initial Purchasers represents and agrees that this offering memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. This offering memorandum has not been submitted to the clearance procedure of CONSOB and may not be used in connection with any offering of the notes in Italy other than to "Professional Investors," as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of July 1, 1998, or in such other circumstances where an exemption from compliance with the solicitation restrictions under Legislative Decree No. 58 of February 24, 1998 or CONSOB Regulation No. 11971 of May 14, 1999 applies.

PEOPLE'S REPUBLIC OF CHINA

Each of the Initial Purchasers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan).

EUROPEAN ECONOMIC AREA – PRIIPS

Each of the Initial Purchasers has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this offering memorandum to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(1) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); and/or

(2) a customer within the meaning of Directive 2016/97/EU, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

REPUBLIC OF CHINA

Each of the Initial Purchasers has not offered or sold, and agrees not to offer or sell, any Bonds, directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

We have agreed with the Initial Purchasers that, for a period at the date and time of the purchase agreement, dated as of June 22, 2020, entered into between our Company and the Initial Purchasers and ending of 90 days following the Closing Date, we will not, without the Initial Purchasers' prior written consent, lend, offer, sell, contract to sell, grant any option to purchase, pledge or otherwise dispose of any other Shares or any securities convertible into or exchangeable for the Shares (other than the sale of the Bonds and the issuance of our Common Shares (i) upon conversion of the Bonds, (ii) to implement stock splits and employee stock option plans, (iii) upon the conversion of the securities or the exercise of warranties outstanding at the execution time of the purchase agreement, or (iv) pursuant to a share swap agreement dated March 10, 2020 entered into by and between BoardTek and us).

The Bonds will constitute new classes of securities with no established trading market. Application will be made to the SGX-ST for the listing and quotation of the Bonds on the Official List of the SGX-ST. However, we cannot assure you that the prices at which the Bonds will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Bonds will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Bonds. However, they are not obligated to do so and any market-making activities with respect to the Bonds may be discontinued at any time without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the U.S. Securities and Exchange Act. Accordingly, we cannot assure you as to the liquidity of, or trading market for, the Bonds.

This offering memorandum does not constitute an invitation to the public in the Cayman Islands to subscribe for the Bonds. The Bonds are not, and will not, be offered or sold, directly or indirectly, in the Cayman Islands.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make because of any of those liabilities.

Certain of the Initial Purchasers and their respective affiliates may from time to time engage in transactions with, and perform services for, us and our affiliates in the ordinary course of business, and have also engaged, or may in the future engage, in commercial banking and investment banking transactions with us or our affiliates, for which they have received, and may in the future receive, customary compensation.

The Initial Purchasers or their affiliates may purchase the Bonds for their own account and enter into transactions, including (i) credit derivatives including asset swaps, repackaging and credit default swaps relating to the Bonds and/or our securities or (ii) equity derivatives and stock loan transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counter-parties and separately from any existing sale or resale of the Bonds to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Certain of the Initial Purchasers or their affiliates may purchase Bonds and be allocated Bonds for asset management and/or proprietary purposes and not with a view to distribution. No disclosure will be made of any such positions. These transactions may involve a substantial portion of the Bonds.

INDEPENDENT AUDITORS

The consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 included in this offering memorandum have been audited by PricewaterhouseCoopers, Taiwan, independent auditors, to the extent and for the periods indicated in their report appearing herein. These audited consolidated financial statements are prepared and presented in accordance with the reporting requirements of Taiwan IFRS.

With respect to our unaudited interim financial statements as of and for the three-month periods ended March 31, 2019 and 2020, included in this offering memorandum, PricewaterhouseCoopers, Taiwan, our independent auditors, have reported that they have applied limited procedures in accordance with professional standards for a review of such financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 "Interim Financial Reporting" endorsed by the FSC. However, their separate report dated May 8, 2020, appearing in this offering memorandum states that they did not audit and they do not express an opinion on those unaudited financial statements. Accordingly, the degree of reliance on their report on such financial statements should be restricted in light of the limited nature of the review procedures applied.

GENERAL INFORMATION

The Company was incorporated on June 5, 2006 under the Cayman Islands laws as an exempted company with limited liability. Our Shares have been listed on the TWSE since December 26, 2011 under the stock code "4958". According to paragraph 3 of our Amended and Restated Memorandum and Articles of Association, the scope of our business is unrestricted. Our registered office is located at P.O. Box 31119, Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. Our telephone number is +886 3-383-5678.

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain information about the Bonds is set forth below:

	ISIN number	Common Code number
Bonds	XS2195093674	219509367

Application will be made for the listing and quotation of the Bonds on the Official List of the SGX-ST. As long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that the Global Bond is exchanged for the definitive Bonds, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Bonds, including details of the paying agent in Singapore.

We have obtained all necessary consents, approvals and authorizations in connection with the issue of the Bonds, including the approvals of the CBC and the FSC which have been duly obtained and are, and will be on the Closing Date, in full force and effect.

The offering and the issue of the Bonds were authorized and approved by our board of directors on May 8, 2020.

Except as disclosed herein, there has been neither significant change in the financial or trading position since March 31, 2020 nor any material adverse change in the financial position or prospects since March 31, 2020.

Except as disclosed in this offering memorandum, neither we nor any of our subsidiaries is, or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) which may have, or have had during the preceding 12 months a significant effect on our financial position.

The Bonds provide the Trustee to take action on behalf of the holders of the Bonds in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Bonds and accordingly in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of indemnity and/or security to it, and it will be for holders of the Bonds to take such actions directly.

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2018

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2019 AND 2020

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2017 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, 2017 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, 2017 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 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, 2018. 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, 2018 were as follows:

Cutoff of hub warehouse sales revenue

Description

Refer to Note 4(27) 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, 2018, the Group's inventory cost and allowance for valuation losses were NT$10,715,051 thousand and NT$631,169 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.

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, 2018 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   Hsu, Sheng-Chung

For and on behalf of PricewaterhouseCoopers, Taiwan
March 29, 2019

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, 2017 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Assets	Notes	December 31, 2017 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 19,147,388	15	$ 40,652,973	29
1110	Current financial assets at fair value through profit or loss	6(2)	7,935	-	3,437	-
1136	Current financial assets at amortised cost	6(7)	-	-	8,778,797	6
1170	Accounts receivable, net	6(3)	28,480,474	23	21,631,860	15
1180	Accounts receivable due from related parties, net	6(3) and 7	2,138,685	2	2,644,519	2
1200	Other receivables	6(4)	2,786,315	2	855,783	1
130X	Inventories	6(5)	11,259,382	9	10,083,882	7
1410	Prepayments	6(4)	3,088,106	3	3,673,318	3
1470	Other current assets	6(6)	14,459,785	12	569,634	-
11XX	**Total current assets**		81,368,070	66	88,894,203	63
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(9)	-	-	52,473	-
1527	Non-current held-to-maturity financial assets	6(8)	151,064	-	-	-
1543	Non-current financial assets at cost	6(10)	120,992	-	-	-
1600	Property, plant and equipment	6(11)	36,681,453	30	41,913,166	30
1780	Intangible assets	6(12)	88,854	-	91,721	-
1840	Deferred income tax assets	6(29)	825,911	1	1,024,491	1
1990	Other non-current assets	6(13)	4,480,169	3	8,131,099	6
15XX	**Total non-current assets**		42,348,443	34	51,212,950	37
1XXX	**Total assets**		$ 123,716,513	100	$ 140,107,153	100

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Liabilities and Equity	Notes	December 31, 2017 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(14)	$ 15,791,085	13	$ 9,184,066	7
2170	Accounts payable		22,503,648	18	17,056,824	12
2180	Accounts payable to related parties	7	704,783	-	1,022,641	1
2200	Other payables	6(15)	10,331,671	8	13,346,522	9
2230	Current income tax liabilities		1,268,536	1	2,391,519	2
2320	Long-term liabilities, current portion	6(16)(17)	4,457,881	4	8,699,319	6
2399	Other current liabilities		123,505	-	134,168	-
21XX	**Total current liabilities**		55,181,109	44	51,835,059	37
	Non-current liabilities					
2530	Bonds payable	6(16)	8,242,274	7	-	-
2540	Long-term borrowings	6(17)	4,457,881	4	9,194,880	6
2570	Deferred income tax liabilities	6(29)	423,207	-	857,644	1
2645	Guarantee deposits received		150,723	-	110,990	-
25XX	**Total non-current liabilities**		13,274,085	11	10,163,514	7
2XXX	**Total liabilities**		68,455,194	55	61,998,573	44
	Equity					
	Equity attributable to owners of parent					
	Share capital	6(20)				
3110	Ordinary share		8,047,484	7	8,047,484	6
	Capital surplus	6(21)				
3200	Capital surplus		14,851,298	12	22,000,657	16
	Retained earnings	6(22)				
3310	Legal reserve		2,988,615	2	3,505,859	2
3320	Special reserve		1,688,354	1	1,717,913	1
3350	Unappropriated retained earnings		18,486,196	15	23,731,600	17
	Other equity interest	6(23)				
3400	Other equity interest		(1,717,913)	(1)	(2,948,306)	(2)
31XX	**Total equity attributable to owners of parent**		44,344,034	36	56,055,207	40
36XX	**Non-controlling interest**	6(31)	10,917,285	9	22,053,373	16
3XXX	**Total equity**		55,261,319	45	78,108,580	56
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	**Total liabilities and equity**		$ 123,716,513	100	$ 140,107,153	100

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, 2017 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

			For the years ended December 31,			
			2017		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	7 and 14	$ 109,237,731	100	$ 117,912,881	100
5000	**Operating costs**	6(5) and 7	(91,404,296)	(84)	(91,851,933)	(78)
5950	**Gross profit from operations**		17,833,435	16	26,060,948	22
	Operating expenses	6(24)				
6100	Selling expenses		(1,234,196)	(1)	(1,490,569)	(1)
6200	Administrative expenses		(3,216,909)	(3)	(4,075,331)	(3)
6300	Research and development expenses		(4,725,194)	(4)	(5,637,557)	(5)
6450	Expected credit loss in accordance with IFRS 9		-	-	(11,873)	-
6000	**Total operating expenses**		(9,176,299)	(8)	(11,215,330)	(9)
6900	**Net operating income**		8,657,136	8	14,845,618	13
	Non-operating income and expenses					
7010	Other income	6(26)	1,257,792	1	1,668,596	2
7020	Other gains and losses	6(27)	(651,933)	-	(921,381)	(1)
7050	Finance costs	6(28)	(769,105)	(1)	(926,271)	(1)
7000	**Total non-operating income and expenses**		(163,246)	-	(179,056)	-
7900	**Profit before income tax**		8,493,890	8	14,666,562	13
7950	Income tax expense	6(29)	(1,722,107)	(2)	(3,130,067)	(3)
8200	**Profit**		$ 6,771,783	6	$ 11,536,495	10

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

			For the years ended December 31,			
			2017		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gain on remeasurements of defined benefit plans		$ 6,801	-	$ 345	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income		-	-	(68,671)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(1,156)	-	(260)	-
8310	**Other comprehensive income that will not be reclassified to profit or loss**		5,645	-	(68,586)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements		223,516	-	(1,417,114)	(1)
8362	Unrealised gains on valuation of available-for-sale financial assets		5,014	-	-	-
8360	**Other comprehensive (loss) income that will be reclassified to profit or loss**		228,530	-	(1,417,114)	(1)
8300	**Other comprehensive (loss) income**		$ 234,175	-	($ 1,485,700)	(1)
8500	**Total comprehensive income**		$ 7,005,958	6	$ 10,050,795	9
	Profit attributable to:					
8610	Owners of the parent		$ 5,172,436	5	$ 8,447,792	7
8620	Non-controlling interests		$ 1,599,347	1	$ 3,088,703	3
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 5,148,524	4	$ 7,217,484	7
8720	Non-controlling interests		$ 1,857,434	2	$ 2,833,311	2
	Earnings per share					
9750	**Basic earnings per share**	6(30)	$ 6.43		$ 10.50	
9850	**Diluted earnings per share**	6(30)	$ 5.95		$ 9.54	

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, 2017 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

		Equity attributable to owners of the parent										
				Retained Earnings			Other Equity Interest					
	Notes	Ordinary shares	Capital surplus-additional paid-in capital	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	Unrealised gains or losses on available-for-sale financial assets	Total	Non-controlling interest	Total equity
2017												
Balance at January 1, 2017		$ 8,047,484	$ 11,942,690	$ 2,642,996	$ -	$ 17,285,543	($ 1,683,342)	$ -	($ 5,014)	$ 38,230,357	$ -	$ 38,230,357
Profit for the year		-	-	-	-	5,172,436	-	-	-	5,172,436	1,599,347	6,771,783
Other comprehensive income (loss) for the year		-	-	-	-	5,645	(34,571)	-	5,014	(23,912)	258,087	234,175
Total comprehensive income		-	-	-	-	5,178,081	(34,571)	-	5,014	5,148,524	1,857,434	7,005,958
Appropriations and distribution of retained earnings	6(22)											
General reserve		-	-	345,619	-	(345,619)	-	-	-	-	-	-
Special reserve		-	-	-	1,688,354	(1,688,354)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(1,770,446)	-	-	-	(1,770,446)	-	(1,770,446)
Compensation cost of employee restricted stock	6(19)	-	70,767	-	-	-	-	-	-	70,767	13,142	83,909
Changes in non-controlling interests	6(31)	-	2,837,841	-	-	(173,009)	-	-	-	2,664,832	9,046,709	11,711,541
Balance at December 31, 2017		$ 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
2018												
Balance at January 1, 2018		$ 8,047,484	$ 14,851,298	$ 2,988,615	$ 1,688,354	$ 18,486,196	($ 1,717,913)	$ -	$ -	$ 44,344,034	$ 10,917,285	$ 55,261,319
Profit for the year		-	-	-	-	8,447,792	-	-	-	8,447,792	3,088,703	11,536,495
Other comprehensive income (loss) for the year	6(23)	-	-	-	-	85	(1,161,722)	(68,671)	-	(1,230,308)	(255,392)	(1,485,700)
Total comprehensive income		-	-	-	-	8,447,877	(1,161,722)	(68,671)	-	7,217,484	2,833,311	10,050,795
Appropriations and distribution of retained earnings	6(22)											
General reserve		-	-	517,244	-	(517,244)	-	-	-	-	-	-
Special reserve		-	-	-	29,559	(29,559)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(2,655,670)	-	-	-	(2,655,670)	-	(2,655,670)
Compensation cost of employee restricted stock	6(19)	-	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	6(31)	-	7,052,714	-	-	-	-	-	-	7,052,714	9,102,166	16,154,880
Balance at December 31, 2018		$ 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

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, 2017 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years ended December 31, 2017	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 8,493,890	$ 14,666,562
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(24)	5,602,547	6,739,651
Amortisation expense	6(24)	76,687	80,090
Expected credit loss	12	-	11,873
Provision for bad debts expense		32,859	-
Losses on disposal of property, plant and equipment	6(27)	27,353	165,887
Impairment losses on property, plant and equipment	6(11)	555,441	745,571
Rental expense - long-term prepaid rents	6(13)	27,849	158,965
Interest income	6(26)	(762,819)	(1,060,710)
Interest expense	6(28)	769,105	926,271
Gains on disposal of land use right		(17,719)	-
Gains on disposal of investments	6(27)	(9,155)	-
Share-based payment	6(19)	83,909	124,796
Dividend income		(15,400)	(2,643)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(7,935)	4,498
Notes receivable		(10,488)	31,447
Accounts receivable		(12,389,453)	7,378,839
Accounts receivable due from related parties		(510,239)	(437,064)
Other receivables		(846,982)	1,831,287
Inventories		(4,375,940)	1,247,962
Prepayments		(990,673)	(663,397)
Other current assets		38,730	(270,118)
Changes in operating liabilities			
Accounts payable		6,988,065	(5,057,452)
Accounts payable to related parties		11,894	339,588
Other payables		1,268,316	1,685,015
Other current liabilities		58,810	13,574
Cash inflow generated from operations		4,098,652	28,660,492
Income tax paid		(1,888,378)	(1,760,171)
Net cash flows from operating activities		2,210,274	26,900,321

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ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years ended December 31, 2017	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from repayment of financial assets at amortised cost		$ -	$ 5,675,521
Increase in other financial assets		(5,775,626)	-
Acquisition of held-to-maturity financial assets		(275,830)	-
Proceeds from disposal of held-to-maturity financial assets		152,944	-
Proceeds from disposal of available-for-sale financial assets		103,842	-
Proceeds from disposal of other financial assets		282,172	-
Acquisition of property, plant and equipment	6(32)	(9,607,740)	(12,625,121)
Proceeds from disposal of property, plant and equipment		533,277	59,869
Acquisition of land use right (long-term prepaid rents)	6(32)	(3,139,590)	(3,598,949)
Proceeds from disposal of land use right (long-term prepaid rents)		-	5,226
Increase in other non-current assets		(162,158)	(198,350)
Decrease (increase) in refundable deposits		(24,618)	5,482
Interest received		641,008	1,146,823
Dividends received		15,400	2,643
Net cash flows used in investing activities		(17,256,919)	(9,526,856)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		3,776,432	(6,584,316)
Proceeds from long-term borrowings		991,530	-
Repayments of long-term borrowings		(979,590)	-
Cash dividends paid	6(22)	(1,770,446)	(2,655,670)
Interest paid		(570,290)	(667,178)
Repayments of convertible bonds		(471,901)	-
(Decrease) increase in guarantee deposits received		110,388	(10,399)
Syndicated loan arrangement fee paid		-	(22,898)
Changes in non-controlling interests-issuance of common stock by subsidiaries	6(31)	11,711,541	16,154,880
Changes in non-controlling interests-distribution of retained earnings by subsidiaries		-	(827,540)
Net cash flows from financing activities		12,797,664	5,386,879
Effect of exchange rate changes on cash and cash equivalents		(21,194)	(1,254,759)
Net increase (decrease) in cash and cash equivalents		(2,270,175)	21,505,585
Cash and cash equivalents at beginning of year		21,417,563	19,147,388
Cash and cash equivalents at end of year		$ 19,147,388	$ 40,652,973

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 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 29, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New, revised or amended standards and interpretations endorsed by the FSC effective from 2018 are as follows:

New, Revised or Amended Standards and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018

New, Revised or Amended Standards and Interpretations	Effective date by International Accounting Standards Board
Amendments to IAS 7, ‘Disclosure initiative’	January 1, 2017
Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, ‘Investments in associates and joint ventures’	January 1, 2018

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 9, ‘Financial instruments’

A. According to the entity’s business model and the contractual cash flow characteristics of the financial assets, the debt instruments of the financial assets would be classified as a financial asset at fair value through profit or loss, a financial asset measured at fair value through other comprehensive income or a financial asset at amortised cost. The equity instruments of the financial assets would be classified as a financial asset at fair value through profit or loss, unless the entity makes an irrevocable election to present subsequent changes in the fair value of the investments in equity instruments not held for trading in other comprehensive income.

B. The impairment losses of debt instruments at each balance sheet date shall use an expected credit loss approach to assess whether there has been a significant increase in credit risk on that financial instrument since initial recognition, and recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue calculated on the gross carrying amount of the asset before impairment losses occurred). If the instrument has objective evidence of impairment, interest revenue would be calculated on net carrying amount of credit allowance after the impairment. The Group shall measure the loss allowance for trade receivables (excluding significant financing component) at an amount equal to lifetime expected credit losses.

C. The Group has elected not to restate prior-period financial statements (collectively referred herein as the ‘modified retrospective transition’) under IFRS 9. For details of the effect at January 1, 2018, please refer to Notes 12(4).

(2) <u>Effect of new issuances of or amendments of IFRSs as endorsed by the FSC but not yet adopted by the group</u>

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

Except for the following, the above standards and interpretations have no significant impact to the Group's financial position and financial performance based on the Group's assessment. The quantitative impact will be disclosed once the assessment is complete.

IFRS 16, 'Leases'

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.

The Group expects to recognise the lease contract of lessees in accordance with IFRS 16. However, the Group does not intend to restate the prior period financial statements (referred herein as the 'modified retrospective transition'). At January 1, 2019, it is expected that 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(including the reclassification of payable on land use right of $292,776), respectively

(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
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as stated otherwise, the principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the periods presented.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the 'Regulations Governing the Preparation of Financial Reports by Securities Issuers', 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.

C. Upon the first-time adoption of IFRS 9 effective January 1, 2018, the Group has elected to apply modified retrospective transition whereby the cumulative impact of the first-time adoption was recognised as retained earnings or other equity as at January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in accordance with International Accounting Standard 39 (the 'IAS 39') and the related IFRIC Interpretations and SIC Interpretations. Please refer to Notes 12(4) for details of significant accounting policies.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities 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 (%) December 31, 2017	Ownership (%) December 31, 2018	Description
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	100	(c)
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.)	Light Flash International Limited (B.V.I.)	Holding company	100	-	(b)
Monterey Park Finance Limited (B.V.I.)	Henley International Limited (Hongkong)	Trading company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2017	Ownership (%) December 31, 2018	Description
Monterey Park Finance Limited (B.V.I.)	Qi Ding Technology Qinhuangdao Co., Ltd.	Manufacturing company	100	100	
Coppertone Enterprises Limited (B.V.I.)	Mayco Industrial Limited (Hong kong)	Holding company	100	100	
Mayco Industrial Limited (Hongkong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	73.75	66.38	(d)
Pacific Fair International Limited (Hongkong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	7.16	6.44	(d)
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 Industrial (Shenzhen) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited (Hongkong)	Trading company	100	100	
Avary Holding (Shenzhen) Co., Limited	Yun Ding Technology (Shenzhen) Limited	Trading company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2017	Ownership (%) December 31, 2018	Description
Avary Holding (Shenzhen) Co., Limited	Kui Sheng Technology (Shenzhen) Limited	Trading company	100	100	
Garuda International Limited (Hongkong)	Garuda Technology Co., Ltd.	Trading company	100	100	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	New Creation Electronics (Huaian) Co., Ltd.	Manufacturing company	100	-	(a)

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

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

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

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

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, 2017 and 2018, the non-controlling interests of the Group amounted to \$10,917,285 and \$22,053,373, respectively. The information on non-controlling interests and their subsidiaries is as follows:

		Non-controlling interests		
		December 31, 2017		
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Description
Avary Holding (Shenzhen) Co., Limited	China	$ 10,917,285	19.09%	

Name of subsidiary	Principal place of business	Non-controlling interests December 31, 2018 Amount	Ownership	Description
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, 2017	December 31, 2018
Current assets	$ 67,877,432	$ 75,194,305
Non-current assets	39,702,893	48,810,042
Current liabilities	(50,170,152)	(42,386,256)
Non-current liabilities	(216,573)	(478,361)
Total net assets	$ 57,193,600	$ 81,139,730

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

	For the years ended December 31, 2017	2018
Revenue	$ 107,943,237	$ 116,767,739
Profit before income tax	10,300,642	15,933,383
Income tax expense	(1,616,484)	(2,654,110)
Profit	8,684,158	13,279,273
Other comprehensive income (loss), net of tax	(60,227)	103,913
Total comprehensive income	$ 8,623,931	$ 13,383,186
Comprehensive income attributable to non-controlling interests	$ 1,857,434	$ 2,833,311

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

	For the years ended December 31, 2017	2018
Net cash from operating activities	$ 7,227,832	$ 26,331,686
Net cash used in investing activities	(20,886,381)	(5,510,626)
Net cash from financing activities	12,175,799	5,464,546
Effect of exchange rate changes on cash and cash equivalents	(718,416)	(324,619)
Net increase (decrease) in cash and cash equivalents	(2,201,166)	25,960,987
Cash and cash equivalents at beginning of year	11,217,204	9,016,038
Cash and cash equivalents at end of year	$ 9,016,038	$ 34,977,025

(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$30.43 (in dollars) to US$1 (in dollar) and NT$30.15 (in dollars) to US$1 (in dollar) for the years ended December 31, 2017 and 2018, respectively; the closing rates were NT$29.76 (in dollars) to US$1 (in dollar) and NT$30.72 (in dollars) to US$1 (in dollar) as of December 31, 2017 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) 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

(16) Leases (lessee)

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.

(17) Goodwill

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

(18) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there are any impairment indications. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated based on the operating segment to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(19) Borrowings

A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-own occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

C. Extension option is not closed related to the host debt instruments, unless the rates are also adjusted close to current market rates when extending.

(20) Accounts payable

A. Accounts payable are the liabilities for purchases of raw materials, goods or services.

B. The short-term accounts payable without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

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

(22) Financial liabilities and equity instruments

Convertible corporate bonds issued by the Group are embedded with conversion options (that is, the bondholders have the right to convert the bonds into the Group's ordinary 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’.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for that service, and shall be recognised as expenses when the employees have rendered service.

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is accrued from the present value of future benefits that employees have earned in return for their services in the current or prior periods. The Group recognised the present value of the defined benefit obligation deducting the fair value of plan assets at the balance sheet date. Net obligation of the defined benefit is calculated annually by independent actuaries using the projected unit credit method and is discounted by using the market yield on government bonds (at the balance sheet date).

ii.Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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.

(24) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the quantity of equity instruments that are expected to vest under the non-market vesting conditions. Ultimately, the amount of compensation cost is recognised based on the number of equity instruments that eventually vest.

B. Employee restricted stocks:

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

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

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

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group 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, British Virgin Islands and Bahamas 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’.

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.

(26) Dividends

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

(27) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells PCB and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

(b) 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.

(28) 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'.

(29) 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. <u>CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY</u>

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:

<u>Critical accounting estimates and assumptions</u>

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

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to of the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. 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, 2018, the carrying amount of inventories was $10,083,882.

6. <u>DETAILS OF SIGNIFICANT ACCOUNTS</u>

(1) <u>Cash and cash equivalents</u>

	December 31, 2017	December 31, 2018
Cash on hand and petty cash	$ 3,334	$ 3,232
Checking accounts and demand deposits	10,532,034	22,631,171
Cash equivalents		
Time deposits	8,612,020	18,018,570
	$ 19,147,388	$ 40,652,973

A. As of December 31, 2018, the Group's time deposits over three months which are recognised within 'current financial assets at amortised cost' are referred to Note 6(7)

B. As of December 31, 2017, the Group's time deposits over three months which are recognised within 'other current assets' are referred to Note 6(6).

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

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

Items	December 31, 2017	December 31, 2018
Current items - assets:		
Forward foreign exchange contracts	$ 7,935	$ 3,437

A. The Group recognised net gain of $58,755 and $15,139 within 'financial assets at fair value through profit or loss' for the years ended December 31, 2017 and 2018, respectively.

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

	December 31, 2017		
Current items:			
Forward foreign exchange contracts	RMB (BUY)	80,034	2017/9~2018/2
	USD (SELL)	(12,000)	

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

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

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

(3) Notes and accounts receivable

	December 31, 2017	December 31, 2018
Notes receivable	$ 109,810	$ 76,594
Accounts receivable	28,406,499	21,594,939
	28,516,309	21,671,533
Less: Allowance for sales returns and discounts	(1,779)	-
Allowance for bad debts	(34,056)	(39,673)
	$ 28,480,474	$ 21,631,860
Accounts receivable due from related parties	$ 2,153,811	$ 2,666,750
Less:Allowance for bad debts	(15,126)	(22,231)
	$ 2,138,685	$ 2,644,519

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

	December 31, 2017	December 31, 2018
Not past due	$ 30,316,105	$ 24,121,424
Between 1 and 90 days	353,179	205,009
Between 91 and 180 days	626	8,954
Over 180 days	210	2,896
	$ 30,670,120	$ 24,338,283

The above ageing analysis was based on overdue days. For the year ended December 31, 2017, the ageing analysis of accounts receivable are referred to Note12(4).

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

(4) Other receivables and prepayments

	December 31, 2017	December 31, 2018
Other receivables		
Business tax refundable	$ 2,356,900	$ 506,371
Others	429,415	349,412
	$ 2,786,315	$ 855,783

	December 31, 2017	December 31, 2018
Prepayments		
Excess business tax paid	$ 2,227,880	$ 2,940,840
Prepaid expenses	835,444	712,844
Others	24,782	19,634
	$ 3,088,106	$ 3,673,318

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

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

	December 31, 2018		
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	$ 2,305,687	($ 294,428)	$ 2,011,259
Work in process	1,703,362	(79,178)	1,624,184
Finished goods	6,706,002	(257,563)	6,448,439
	$ 10,715,051	($ 631,169)	$ 10,083,882

Expenses and losses incurred on inventories for the years ended December 31, 2017 and 2018 are as follows:

	For the years ended December 31,	
	2017	2018
Cost of goods sold	$ 91,210,407	$ 91,634,709
Impairment losses	470,991	446,035
Losses (reversal of) on valuation of inventory	(262,407)	146,398
Income from sale of scraps and wastes	(14,695)	(375,209)
	$ 91,404,296	$ 91,851,933

The Group reversed losses from a previous inventory write-down and recognised gains on reversal for the year ended December 31, 2017 as the Group sold some inventories, which the net realisable values were lower than the costs.

(6) Other current assets

	December 31, 2017	December 31, 2018
Time deposits with maturity of over three months	$ 14,148,555	$ -
Others	311,230	569,634
	$ 14,459,785	$ 569,634

A. The Group's time deposits over three months and guaranteed income financial products which are recognised within 'financial assets at amortised cost' are referred to Note 6(7).

B. Please refer to Note 8 for the aforementioned other financial assets pledged to others as collateral.

(7) Current financial assets at amortised cost

	December 31, 2018
Time deposits with maturity of over three months	$ 6,658,081
Guaranteed income financial products	1,843,200
Corporate bonds	277,516
	$ 8,778,797

A. The Group recognised interest income of $593,416 in profit or loss for amortised cost for the year ended December 31, 2018.

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

C. Please refer to Table 2 for the information as of December 31, 2018.

D. Please refer to Note 6(6) and Note 6(8) for the information as of December 31, 2017.

(8) Non-current held-to-maturity financial assets

Corporate bonds	December 31, 2017
BOND OF BABA	$ 29,965
HUAHK	90,713
HACOMN	30,386
	$ 151,064

A. The Group recognised interest income of $2,855 in profit or loss for amortised cost for the year ended December 31, 2017.

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

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

Unlisted equity securities	December 31, 2018
SynPower Co., Ltd.	$ 120,992
Valuation adjustment	(68,671)
Net exchange differences	152
	$ 52,473

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

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

	For the year ended December 31, 2018
Equity instruments	($ 68,671)

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

D. Please refer to Note 6(10) for the information as of December 31, 2017.

(10) Non-current financial assets at cost

	December 31, 2017
Unlisted equity securities	
SynPower Co., Ltd	$ 121,000
Net exchange differences	(8)
	$ 120,992

A. According to the Group’s intention, the investment in the shares of SynPower Co., Ltd. shall be classified as available-for-sale financial assets. As the shares are not publicly traded in active market and the Group cannot obtain sufficient industry information of similar companies as well as the investee’s financial information, the fair value of the underlying investment in the shares cannot be assessed reasonably. Accordingly, the Group classified the investment as ‘financial assets at cost’.

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

(11) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
At January 1, 2017						
Cost	$ 50,987	$ 16,994,481	$ 31,461,747	$ 7,265,470	$ 3,012,295	$ 58,784,980
Accumulated depreciation and impairment	-	(6,542,005)	(15,620,131)	(4,360,927)	-	(26,523,063)
	$ 50,987	$ 10,452,476	$ 15,841,616	$ 2,904,543	$ 3,012,295	$ 32,261,917
2017						
Opening net carrying amount	$ 50,987	$ 10,452,476	$ 15,841,616	$ 2,904,543	$ 3,012,295	$ 32,261,917
Additions (transfers)	-	1,280,522	7,728,713	2,387,277	170,058	11,566,570
Disposals	-	(105,178)	(429,250)	(20,130)	(32,403)	(586,961)
Depreciation charge	-	(1,023,670)	(3,419,329)	(1,159,548)	-	(5,602,547)
Impairment losses	-	-	(555,441)	-	-	(555,441)
Net exchange differences	10	(152,781)	(723,507)	499,921	(25,728)	(402,085)
Closing net carrying amount	$ 50,997	$ 10,451,369	$ 18,442,802	$ 4,612,063	$ 3,124,222	$ 36,681,453
At December 31, 2017						
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)
	$ 50,997	$ 10,451,369	$ 18,442,802	$ 4,612,063	$ 3,124,222	$ 36,681,453

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
At January 1, 2018						
Cost	$ 50,997	$ 17,000,094	$ 35,240,022	$ 9,798,157	$ 3,124,222	$ 65,213,492
Accumulated depreciation and impairment	-	(6,548,725)	(16,797,220)	(5,186,094)	-	(28,532,039)
	$ 50,997	$ 10,451,369	$ 18,442,802	$ 4,612,063	$ 3,124,222	$ 36,681,453
2018						
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 charge	-	(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	$ 51,075	$ 10,733,238	$ 20,021,786	$ 6,082,819	$ 5,024,248	$ 41,913,166
At December 31, 2018						
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)
	$ 51,075	$ 10,733,238	$ 20,021,786	$ 6,082,819	$ 5,024,248	$ 41,913,166

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 5.03%. Based on the aforementioned assessment, the Group recognised impairment losses on property, plant and equipment of $555,441 and $745,751 for the years ended December 31, 2017 and 2018, respectively. The amounts recognised in 2018 were shown within the 'operating costs' of $446,035 and the 'other gains and losses' of $299,536 while the amounts recognised in 2017 were shown within the 'operating costs' of $470,991 and the 'other gains and losses' of $84,450. The impairment losses belong to PCB segments.

(12) Intangible assets

	December 31, 2017	December 31, 2018
Goodwill	$ 88,854	$ 91,721

	For the years ended December 31, 2017	2018
Beginning balance	$ 96,289	$ 88,854
Net exchange differences	(7,435)	2,867
Ending balance	$ 88,854	$ 91,721

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

(13) Other non-current assets

	December 31, 2017	December 31, 2018
Long-term prepaid rent (Land right-of-use)	$ 4,155,550	$ 7,727,595
Refundable deposits	51,277	44,842
Others	273,342	358,662
	$ 4,480,169	$ 8,131,099

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. The Group recognised rental expenses of $27,849 and $158,965 for the years ended December 31, 2017 and 2018, respectively.

(14) Short-term borrowings

	December 31, 2017	December 31, 2018
Credit loans	$ 15,791,085	$ 9,184,066
Interest rate range	1.80%~4.70%	2.23%~4.79%

Please refer to Note 8 for the collaterals of the short-term borrowings.

(15) Other payables

	December 31, 2017	December 31, 2018
Payable on machinery and equipment	$ 3,066,678	$ 4,190,436
Wages and bonuses payable	3,060,896	3,289,246
Payable on mold and jig	1,267,275	1,864,188
Repairs and maintenance fees payable	543,084	928,325
Payable on cosumable goods	531,162	500,549
Payable on land use right	-	292,776
Others	1,862,576	2,281,002
	$ 10,331,671	$ 13,346,522

(16) Bonds payable

	December 31, 2017	December 31, 2018
2nd overseas unsecured convertible bonds:		
Bonds payable	$ 8,520,060	$ 8,794,901
Less: Discount on bonds payable	(277,786)	(95,582)
	8,242,274	8,699,319
Total bonds payable	8,242,274	8,699,319
Less:Current portion of bonds payable (within 'long-term liabilities, current portion')	-	(8,699,319)
Bonds payable	$ 8,242,274	$ -

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 December 31, 2018, 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. 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.

(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 December 31, 2018, the Company's 2nd overseas unsecured corporate bonds with par value of USD 15,500 thousand were redeemed and recognised within 'capital surplus-expired share options' of $45,401. The remaining bonds were neither mature nor converted, and recognised within 'capital surplus-share options' of $833,332.

(17) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	December 31, 2017
Syndicated loans	Borrowing period is from December 28, 2016 to April 4, 2019; principal is repayable semiannually from October 4, 2018 in two installments; 50% of principal has to be repaid respectively.	$ 8,928,000
Less: Syndicated loan arrangement fees		(12,238)
Current portion of long-term borrowings (within 'Long-term liabilities, current portion')		(4,457,881)
		$ 4,457,881
Interest rate		3.01%

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	$ 9,216,000
Less: Syndicated loan arrangement fees		(21,120)
Current portion of long-term borrowings (within 'Long-term liabilities, current portion')		-
		$ 9,194,880
Interest rate		3.41%

A. Please refer to Note 13 for the collaterals of long-term borrowings.

B. 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.

(18) Pensions

A. Defined benefit plans

	December 31, 2017	December 31, 2018
Present value of funded defined benefit obligations	($ 3,730)	($ 3,911)
Fair value of plan assets	15,114	15,741
Net defined benefit asset (within "other non-current assets")	$ 11,384	$ 11,830

(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. 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, 2017	($ 10,453)	$ 14,951	$ 4,498
Interest (expense) income of net defined benefit asset	(136)	205	69
	($ 10,589)	$ 15,156	$ 4,567
Remeasurements:			
Return on plan assets (excluding aforementioned interest income or expense)	-	(58)	(58)
Change in demographic assumptions	(28)	-	(28)
Change in financial assumptions	(123)	-	(123)
Experience adjustments	7,010	-	7,010
	6,859	(58)	6,801
Pension fund contribution	-	16	16
Balance at December 31, 2017	($ 3,730)	$ 15,114	$ 11,384

	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, 2017 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,	
	2017	2018
Discount rate	0.75%	0.75%
Rate of future salary increase	2.00%	2.00%
Rate of employee turnover	0.39%	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 increases		Rate of employee turnover	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%	110% of expected rate	90% of expected rate
December 31, 2017						
Increase (decrease) in present value of defined benefit obligations	($ 44)	$ 47	$ 46	($ 44)	($ 1)	$ 1
December 31, 2018						
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 $15 for the year ended December 31, 2019.

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 $21,308 and $24,991 for the years ended December 31, 2017 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 $801,251, and $962,727 for the years ended December 31, 2017 and 2018, respectively.

(19) Share-based payment

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.

A. Employee restricted stocks

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

	For the years ended December 31,	
	2017	2018
Outstanding at January 1	$ -	$ 185,080
Numbers granted for the years	185,080	-
Outstanding at December 31	$ 185,080	$ 185,080

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

	For the years ended December 31,	
	2017	2018
Expenses incurred on employee restricted stocks	$ 83,909	$ 124,796

(20) Share capital

As of December 31, 2018, the Company's authorised capital was $16,000,000, and the issued capital is $8,047,484, consisting of 804,748 thousand shares of ordinary share with a par value of $10 (in New Taiwan dollars) per share.

(21) Capital surplus

	For the years ended December 31, 2017					
	Additional paid-in capital arising from ordinary share	Additial 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	$ 878,733	$ 258	$ -	$ 11,942,690
Restricted stocks	-	-	-	-	70,767	70,767
Changes in non-controlling interest	-	-	-	-	2,837,841	2,837,841
Redemption of bonds payable	-	-	(45,401)	45,401	-	-
At December 31	$5,690,348	$ 5,373,351	$ 833,332	$ 45,659	$ 2,908,608	$ 14,851,298

	For the years ended December 31, 2018					
	Additional paid-in capital arising from ordinary share	Additial 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	$ 5,690,348	$ 5,373,351	$ 833,332	$ 45,659	$10,057,967	$ 22,000,657

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

C. Please refer to Note 6(31) for the movement of capital surplus-changes in non-controlling interests.

(22) 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 2017 and 2016 earnings have been approved by the shareholders during their meeting on June 4, 2018 and June 20, 2017, respectively. Details are summarised as follows:

	For the years ended of December 31,			
	2016		2017	
	Amount	Dividends per share (in New Taiwan dollars)	Amount	Dividends per share (in New Taiwan dollars)
General reserve	$ 345,619		$ 517,244	
Special reserve	1,688,354		29,559	
Cash dividends	1,770,446	2.20	2,655,670	3.30
Total	$ 3,804,419		$ 3,202,473	

On March 29, 2019, the Board of Directors proposed for the appropriation of cash dividends from 2018 earnings amounting to $4,023,742 at $5.00 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).

(23) Other equity interest

	Unrealised gains or losses on available-for-sale financial assets	Exchange differences on translation of foreign financial statements	Total
At January 1, 2017	($ 5,014)	($ 1,683,342)	($ 1,688,356)
Disposal of financial assets	5,014	-	5,014
Transfer of revaluation gains			-
Currency translation differences:			
–Group	-	(34,571)	(34,571)
At December 31, 2017	$ -	($ 1,717,913)	($ 1,717,913)

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

(24) Expenses by nature

	For the years ended December 31,	
	2017	2018
Employee benefit expense	$ 13,253,527	$ 14,504,787
Depreciation expense	5,602,547	6,739,651
Amortisation expense	76,687	80,090
	$ 18,932,761	$ 21,324,528

The employee benefit expense includes pension gains of $69 and $86 which are shown within ‘other gains and losses’ for the years ended December 31, 2017 and 2018, respectively.

(25) Employee benefit expense

	For the years ended December 31,	
	2017	2018
Wages and salaries	$ 10,565,734	$ 11,627,893
Employees' remuneration	85,903	77,339
Labor and health insurance fees	474,794	510,151
Pension expenses	822,490	987,632
Other personnel expenses	1,304,606	1,301,772
	$ 13,253,527	$ 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, 2017 and 2018, employees' remunerations were accrued both of $85,903 and $77,339, respectively; while directors' remunerations were accrued both of $10,500.

C. Employees' remuneration and directors' remuneration of the Board of Directors' resolution for the year ended December 31, 2017 were equal to the amount recognised in the financial statements for the year ended December 31, 2017.

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,	
	2017	2018
Interest income		
Interest income from bank deposits	$ 707,494	$ 467,294
Interest income from financial assets at amortised cost	-	593,416
Interest income from financial products	52,470	-
Interest income from held-to-maturity financial assets	2,855	-
Government grant revenue	387,321	531,158
Others	107,652	76,728
Total	$ 1,257,792	$ 1,668,596

(27) Other gains and losses

	For the years ended December 31,	
	2017	2018
Net currency exchange losses	($ 564,948)	($ 394,411)
Net gains (losses) on disposal of property, plant and equipment	(27,353)	(165,887)
Impairment loss on property, plant and equipment	(84,450)	(299,536)
Net gains on financial assets at fair value through profit or loss	58,755	15,139
Gains on disposal of investments	9,155	-
Others	(43,092)	(76,686)
Total	($ 651,933)	($ 921,381)

(28) Finance costs

	For the years ended December 31,	
	2017	2018
Interest expense		
Bank borrowings	$ 564,576	$ 724,371
Amortisation of convertible bond discounts	194,518	187,617
Amortisation of syndicated loan arrangement fees	10,011	14,283
Total	$ 769,105	$ 926,271

(29) Income tax

A. Components of income tax expense

	For the years ended December 31,	
	2017	2018
Current tax:		
Tax payable arising from the current period	$ 2,157,212	$ 2,984,413
Additional tax on unappropriated retained earnings	13,643	-
Adjustments in respect of prior years	(33,276)	(74,541)
Total current tax	2,137,579	2,909,872
Deferred tax:		
Origination and reversal of temporary differences	(415,472)	228,356
Effect from tax rate change	-	(8,161)
Total deferred tax	(415,472)	220,195
Income tax expense	$ 1,722,107	$ 3,130,067

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2017	2018
Tax calculated based on profit before tax and statutory tax rate	$ 957,266	$ 2,305,962
Effects from items unrecognised by tax regulations	11,291	266,756
Additional 10% tax on unappropriated retained earnings	13,643	-
Effects from adjustments in respect of prior years	(33,276)	(74,541)
Effect from tax rate change	-	(8,161)
Effects from re-evaluation of deferred tax liabilities	773,183	640,051
Income tax expense	$ 1,722,107	$ 3,130,067

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

	For the year ended December 31, 2017				
	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	$ 88,347	($ 19,444)	$ -	($ 1,608)	$ 67,295
Wages and bonuses payable	132,845	(10,041)	-	(2,132)	120,672
Impairment loss on property, plant and equipment	105,112	(10,653)	-	(1,737)	92,722
Remeasurement of defined benefit obligations	200	(200)	-	-	-
Unrealised profit from sales in respect of inventory	-	237,633	-	(11,392)	226,241
Others	-	321,130	-	(2,149)	318,981
Subtotal	326,504	518,425	-	(19,018)	825,911
- Deferred tax liabilities:					
Remeasurement of defined benefit obligations	-	890	(1,156)	-	(266)
Others	(363,111)	(103,843)	-	44,013	(422,941)
Subtotal	(363,111)	(102,953)	(1,156)	44,013	(423,207)
Total	($ 36,607)	$ 415,472	($ 1,156)	$ 24,995	$ 402,704

	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	318,981	53,397	-	(7,453)	364,925
Subtotal	825,911	207,585	-	(9,005)	1,024,491
- Deferred tax liabilities:					
Taxable difference arrising from property, plant and equipment	-	(332,398)	-	6,259	(326,139)
Remeasurement of defined benefit obligations	(266)	124	(260)	-	(402)
Others	(422,941)	(95,506)	-	(12,656)	(531,103)
Subtotal	(423,207)	(427,780)	(260)	(6,397)	(857,644)
Total	$ 402,704	($ 220,195)	($ 260)	($ 15,402)	$ 166,847

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

	December 31, 2017	December 31, 2018
Deductible temporary differences	$ 5,013,704	$ 6,311,452
Tax effect	$ 1,253,426	$ 1,577,863

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

F. The income tax returns of the Group's subsidiary, Garuda Technology Co., Ltd., have been assessed and approved through 2016 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, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in New Taiwan dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 5,172,436	804,748	$ 6.43
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 5,172,436	804,748	
Assumed conversion of all dilutive potential ordinary shares			
Overseas convertible bonds	194,518	94,125	
Employees' bonus	-	2,637	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	$ 5,366,954	901,510	$ 5.95

	For the year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in New Taiwan dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 8,447,792	804,748	$ 10.50
Diluted earnings per share			
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 February 28, 2017, June 23, 2017 and 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 ratios by 9.91%, 9.18% and 8.09%, respectively. The transaction increased non-controlling interest by $3,872,158, $5,174,551 and $9,102,166, respectively. Meanwhile the equity attributable to owners of parent decreased by $173,009 and increased by $2,837,841 and $7,052,714, respectively.

B. The effect of the equity attributable to owners of parent of the Group for the years ended December 31, 2017 and 2018 are shown below:

	For the years ended December 31,	
	2017	2018
Issuance of common stock by subsidiaries	$ 11,711,541	$ 16,154,880
Increase in the carrying amount of non-controlling interests	(9,046,709)	(9,102,166)
Effects of the equity attributable to owners of parent	$ 2,664,832	$ 7,052,714
Adjustments on the equity attributable to owners of parent		
Retained earnings	($ 173,009)	$ -
Capital surplus-changes in non-controlling interests	$ 2,837,841	$ 7,052,714

C. In the second quarter of 2017, the Group entered into the investment agreements with certain non-controlling interests, and recognised redeemed liabilities within 'other non-current liabilities' in accordance with the terms of the agreements.

On November 3, 2017, the agreements were expired by the reason that the Mainland China Competent Authority had accepted the application for initial public offering of the RMB common stock issuance (the 'A shares') of Avary Holding (Shenzhen) Co., Limited.

(32) Additional information of cash flows

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2017	2018
Acquisition of property, plant and equipment	$ 11,566,570	$ 13,831,071
Add: Opening balance of payable on machinery and equipment (within 'other payables')	1,656,187	3,066,678
Less: Ending balance of payable on machinery and equipment (within 'other payables')	(3,066,678)	(4,190,436)
Opening balance of other receivables	(539,974)	-
Net exchange differences	(8,365)	(82,192)
Cash paid during the period	$ 9,607,740	$ 12,625,121

	For the years ended December 31,	
	2017	2018
Acquisition of land use right	$ 3,139,590	$ 3,897,344
Less: Ending balance of payable on land use right (within 'other non-current assets, other')	-	(292,776)
Net exchange differences	-	(5,619)
Cash paid during the period	$ 3,139,590	$ 3,598,949

B. Changes in liabilities from financing activities

The change of the Group in liabilities from financing activities for the year ended December 31, 2018, the amortisation of discounts, repayment of borrowings and the effect of exchange rate changes amounting to $201,900, $6,584,316 and $506,433, respectively. Please refer to consolidated statements of cash flows.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

	For the years ended December 31,	
	2017	2018
Sales of goods:		
Entity with significant influence over the Company	$ 5,861,388	$ 6,494,871
Other related parties	1,212,807	1,492,554
	$ 7,074,195	$ 7,987,425
Sales of services:		
Entity with significant influence over the Company	$ 8,439	$ -

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

	For the years ended December 31,	
	2017	2018
Purchases of goods:		
Entity with significant influence over the Company	$ 1,866,009	$ 829,169
Other related parties	-	1,913,788
Total	$ 1,866,009	$ 2,742,957

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

	December 31, 2017	December 31, 2018
Accounts receivable - related parties:		
Entity with significant influence over the Company	$ 2,000,005	$ 2,409,295
Other related parties	153,806	257,455
	2,153,811	2,666,750
Allowance for bad debts	(15,126)	(22,231)
Total	$ 2,138,685	$ 2,644,519

D. Accounts payable

	December 31, 2017	December 31, 2018
Accounts payable - related parties:		
Entity with significant influence over the Company	$ 704,783	$ 139,496
Other related parties	-	883,145
	$ 704,783	$ 1,022,641

E. Transactions of property, plant and equipment

	For the years ended December 31,	
	2017	2018
Acquisition of property, plant and equipment:		
Entity with significant influence over the Company	$ 156,820	$ 14,944

(3) Key management remuneration

	For the years ended December 31,	
	2017	2018
Short-term employee benefits	$ 50,261	$ 187,757

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:

	December 31, 2017	December 31, 2018
Property, plant and equipment	$ 443,821	$ 2,817,011

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:

	December 31, 2017	December 31, 2018
Within one year	$ 110,364	$ 155,534
Between one and five year(s)	137,516	286,722
	$ 247,880	$ 442,256

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

	December 31, 2017	December 31, 2018
Unused letters of credit	$ 2,124,770	$ 1,152,059

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of 2018 earnings was proposed by the Board of Directors on March 29, 2019. Please refer to Note 6(22).

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

	December 31, 2017	December 31, 2018
Financial assets		
Financial assets at amortised cost	$ 67,012,647	$ 75,133,566
Financial assets at fair value through profit or loss	7,935	3,437
Financial assets at fair value through other comprehensive income	-	52,473
Held-to-maturity financial assets	151,064	-
Financial assets at cost	120,992	-
	$ 67,292,638	$ 75,189,476
Financial liabilities		
Financial liabilities at amortised cost	($ 66,639,946)	($ 58,615,242)

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

<u>Foreign exchange risk</u>

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:

	December 31, 2017			For the year ended December 31, 2017	
				Sensitivity analysis	
(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	Degree of variation	Effect on comprehensive income
Financial assets					
Monetary items					
USD:NTD	368,597	29.76	$ 10,969,447	1%	$ 109,694
USD:RMB	1,383,992	6.5342	41,337,742	1%	413,377
Net effect in consolidated entities with foreign currency					
USD:NTD	1,988,602	29.76	59,180,796	1%	591,808
Financial liabilities					
Monetary items					
USD:NTD	285,178	29.76	8,486,897	1%	84,869
USD:RMB	923,723	6.5342	27,590,204	1%	275,902
JPY:RMB	3,477,770	0.0579	920,181	1%	9,202

(Foreign currency: functional currency)	December 31, 2018 Foreign currency amount (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	For the year ended December 31, 2018 Sensitivity analysis Degree of variation	Effect on comprehensive income
Financial assets					
Monetary items					
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
Net effect in consolidated entities with foreign currency					
USD:NTD	2,205,165	30.72	67,742,669	1%	677,427
Financial liabilities					
Monetary items					
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(27) 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, 2017 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 $61,798 and $46,000 for the years ended December 31, 2017 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 on December 31, 2018, and the carrying amount is measured as the expected credit loss for the 12 months following the balance sheet date.

Financial assets at fair value through profit or loss

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

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

Accounts receivable (including 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, 2018, the individual provision for impairment of accounts receivable using loss rate methodology or provision matrix is as follows:

	Individual	Group 1	Group 2	Group 3	Group 4	Total
As of December 31, 2018						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total book value	$ -	$17,427,762	$3,766,937	$ -	$3,143,584	$24,338,283
Loss allowance	$ -	($ 5,228)	($ 2,637)	$ -	($ 54,039)	($ 61,904)

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:

	For the year ended December 31, 2018
Opening balance	$ 49,182
Provision for impairment	11,873
Net exchange differences	849
Ending balance	$ 61,904

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.

vi. Please refer to Note 12(4) for the information as of December 31, 2017.

(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:

	December 31, 2017	December 31, 2018
Expiring within one year	$ 21,243,102	$ 35,316,650
Expiring over one year	3,156,849	5,233,200
	$ 24,399,951	$ 40,549,850

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: December 31, 2017	Less one year	Over one year	Total
Bonds payable	$ -	$ 8,520,060	$ 8,520,060
Long-term borrowings	4,464,000	4,464,000	8,928,000
Guarantee deposits received	-	150,723	150,723
	$ 4,464,000	$ 13,134,783	$ 17,598,783

Non-derivative financial liabilities: December 31, 2018	Less one year	Over one year	Total
Bonds payable	$ 8,794,901	$ -	$ 8,794,901
Long-term borrowings	-	9,216,000	9,216,000
Guarantee deposits received	-	110,990	110,990
	$ 8,794,901	$ 9,326,990	$ 18,121,891

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:

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

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

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

B. Financial instruments not measured at fair value

(a) Except 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 (excluding equity securities in Note 12(3)), short-term borrowings, accounts payable (including to related parties), other payables, and long-term borrowings (including current portion). The fair value of financial assets measured at cost is not disclosed because it cannot be reliably measured:

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

	December 31, 2018			
		Fair value		
	Carrying 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. 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.

ii. 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.

iii. Held-to-maturity financial assets: The fair value is based on the quoted price in an active market.

C. Financial instruments measured at fair value

(a) The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2017 and 2018 are as follows:

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

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
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 movement on Level 3 for the year ended December 31, 2018 is as follows:

	For the year ended December 31, 2018 Equity securities
Opening balance	$ 120,992
Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	(68,671)
Net exchange differences	152
Ending balance	$ 52,473

(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, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	$ 52,473	Market comparable companies	Enterprise value to EBIT multiple	8.69~14.68 (10.29)	The higher the EBIT, the higher the fair value
			Price to net value multipe	1.53	The higher the net value of shares, 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:

			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, 2017 and 2018, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2017 and 2018, there was no transfer into or out from Level 3.

(4) Effects on first-time adoption of IFRS 9

A. Summary of significant accounting policies adopted for the year ended December 31, 2017, please refer to Note 4 in consolidated financial statements for the year ended December 31, 2017

B. The reconciliations of carrying amount of financial assets under IAS 39 as of from December 31, 2017 transfer to those under IFRS 9 as of January 1, 2018 as follows:

(a) Under IAS 39, the financial assets classified as other financial assets (within ‘other current assets’) and held-to-maturity financial assets, amounting to $14,148,555 and $151,064, respectively, met the condition that it is intended to settle the principal and interest on the principal amount outstanding, therefore, they were reclassified as ‘financial assets at amortised cost’ under the first-time adoption of IFRS 9.

(b) Under IAS 39, the financial assets classified as financial assets at cost, amounting to $120,992, were not held for the purpose of trading, there, they were reclassified as ‘financial assets at fair value through other comprehensive income (equity instruments)’.

(c) The above adjustments have no impact to retained earnings and other equity based on the Group’s assessment.

C. Credit risk information for the year ended December 31, 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. 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 deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated counterparties with a minimum rating of 'A' are accepted.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality information of financial assets that are neither past due nor impaired is as follows:

Accounts receivable (including from related parties)

The credit quality of accounts receivable (including from related parties) that were neither overdue nor impaired is shown below based on the Group's Credit Quality Control Policy:

	December 31, 2017
Group 1	$ 24,163,614
Group 2	3,315,730
Group 3	-
Group 4	2,834,982
	$ 30,314,326

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.

Other current assets

The counterparties of the Group's time deposits maturity of over three months, guaranteed income financial products and private fund are banks with good credit quality and financial institutions with investment-grade credit ratings or above, so it expects that the probability of counterparty default is remote.

Held-to-maturity financial assets

The debt issuers have high credit quality and the Group controls its credit risk through transaction limits and strict assessment of credit rating levels, so it expects that the probability of default is remote.

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

	December 31, 2017
Within 30 days	$ 295,625
Between 31 and 90 days	8,488
Between 91 and 180 days	539
Over 180 days	181
	$ 304,833

The above aging analysis was based on the overdue days.

(e) The movement analysis of impaired accounts receivable is as follows:

As of December 31, 2017, accounts receivable that had been impaired were $16,066. Movement in allowance for bad debts is as follows

	December 31, 2017
Opening balance	$ 16,085
Provision for impairment	32,859
Net exchange differences	238
Ending balance	$ 49,182

The aforementioned accounts receivable were individually assessed for impairment.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

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

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

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

D. Acquisition or sale of the same security with the accumulated amount exceeding NT$300 million or 20% of paid-in capital or more: Please refer to table 3.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. 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,	
	2017	2018
Revenue from external customers	$ 109,193,005	$ 117,880,277
Inter-segment revenue	-	-
Segments' revenue	$ 109,193,005	$ 117,880,277
Measure of segment profit	$ 8,293,861	$ 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,	
	2017	2018
Reportable segment's revenue	$ 109,193,005	$ 117,880,277
Other operating segments' revenue	44,726	32,604
Total segment revenue (i.e., the consolidated revenue)	$ 109,237,731	$ 117,912,881

	For the years ended December 31,	
	2017	2018
Reportable segment's profit	$ 8,293,861	$ 13,636,827
Other operating segments' profit	(4,086)	4,049
Total segment profit	8,289,775	13,640,876
Interest income and finance costs	(6,286)	134,439
Net foreign exchange losses	(564,948)	(394,411)
Net gains on financial assets at fair value through profit or loss	58,755	15,139
Others	(1,005,513)	(1,859,548)
Profit (losses)	$ 6,771,783	$ 11,536,495

(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,	
	2017	2018
Revenues from the manufacturing PCB products	$ 109,237,731	$ 117,912,881

(5) Geographical information

Geographical information for the years ended December 31, 2017 and 2018 is as follows:

	For the years ended December 31,			
	2017		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
U.S.A	$ 68,428,524	$ -	$ 81,805,602	$ -
Mainland China	26,746,784	40,905,485	23,946,317	49,821,664
Taiwan	7,625,992	244,479	5,637,193	222,601
Singapore	365,674	-	1,040,406	-
Others	6,070,757	100,512	5,483,363	91,721
Total	$ 109,237,731	$ 41,250,476	$ 117,912,881	$ 50,135,986

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

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2017 and 2018 is as follows:

	For the years ended December 31,			
	2017		2018	
	Revenue	Segment	Revenue	Segment
Company B	$ 68,417,479	Manufacturing of PCB products	$ 81,779,622	Manufacturing of PCB products
Company A	5,869,827		6,494,871	
	$ 74,287,306		$ 88,274,493	

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

LOANS TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018 (Note 5)	Balance at December 31, 2018 (Note 6)	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 Item	Collateral Value	Limit on loans granted to a single party (Notes 3&4)	Limit on total lender's loans granted (Notes 1&4)	Footnote
0	The Company	Monterey Park Finance Limited	Other receivables	Yes	$ 614,300	$ 614,300	$ -	-	Short-term financing	$ -	Operation requirements	$ -	None	$ -	$ 22,422,083	$ 22,422,083	
0	The Company	Qi Ding Technology Qinhuangdao CO.,LTD.	Other receivables	Yes	$ 307,150	$ 307,150	$ 307,150	2.23%	Short-term financing	-	Operation requirements	-	None	-	$ 22,422,083	$ 22,422,083	
1	FAT Holdings Limited	Monterey Park Finance Limited	Other receivables	Yes	737,160	737,160	734,089	2.83%	Short-term financing	-	Operation requirements	-	None	-	3,725,583	5,215,816	
1	FAT Holdings Limited	Henley International Limited	Other receivables	Yes	614,300	614,300	-	-	Short-term financing	-	Operation requirements	-	None	-	3,725,583	5,215,816	
2	Mayco Industrial Limited	The Company	Other receivables	Yes	5,037,260	5,037,260	982,880	2.70%	Short-term financing	-	Operation requirements	-	None	-	21,847,056	21,847,056	
3	Pacific Fair International Limited	The Company	Other receivables	Yes	2,764,350	2,764,350	2,417,271	2.70%	Short-term financing	-	Operation requirements	-	None	-	3,496,218	3,496,218	
4	Pacific Stand Enterprises Limited	Monterey Park Finance Limited	Other receivables	Yes	706,445	706,445	-	-	Short-term financing	-	Operation requirements	-	None	-	-	-	
5	Monterey Park Finance Limited	Qi Ding Technology Qinhuangdao CO.,LTD.	Other receivables	Yes	1,228,600	1,228,600	614,300	2.23%	Short-term financing	-	Operation requirements	-	None	-	328,830,893	460,363,250	

No.	Lender	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018 (Note 5)	Balance at December 31, 2018 (Note 6)	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 3&4)	Ceiling on total loans granted (Notes 1&4)	Footnote
													Item	Value			
6	Garuda International Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	$ 1,535,750	$ 1,535,750	-	-	Short-term financing	$ -	Operation requirements	-	None	-	$ 10,375,146	$ 14,525,204	
6	Garuda International Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Other receivables	Yes	1,535,750	1,535,750	-	-	Short-term financing	-	Operation requirements	-	None	-	10,375,146	14,525,204	
7	Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Other receivables	Yes	3,577,683	3,577,683	1,118,026	4.35%~ 4.79%	Short-term financing	-	Operation requirements	-	None	-	405,698,650	567,978,110	
7	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Other receivables	Yes	17,888,416	17,888,416	5,388,886	4.35%	Short-term financing	-	Operation requirements	-	None	-	405,698,650	567,978,110	
7	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	5,366,525	5,366,525	2,387,209	4.35%	Short-term financing	-	Operation requirements	-	None	-	405,698,650	567,978,110	
7	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industrial (Shenzhen) Co., Ltd	Other receivables	Yes	894,421	894,421	371,185	4.35%	Short-term financing	-	Operation requirements	-	None	-	405,698,650	567,978,110	
7	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	11,180,260	11,180,260	1,395,296	4.35%	Short-term financing	-	Operation requirements	-	None	-	405,698,650	567,978,110	

Table 1, Page 2

No.	Lender	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018 (Note 5)	Balance at December 31, 2018 (Note 6)	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 Item	Collateral Value	Limit on loans granted to a single party (Notes 3&4)	Ceiling on total loans granted (Notes 1&4)	Footnote
7	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	2,236,052	2,236,052	775,910	4.35%	Short-term financing	-	Operation requirements	-	None	-	405,698,650	567,978,110	
7	Avary Holding (Shenzhen) Co., Limited	Kui Sheng Technology (Shenzhen) Limited	Other receivables	Yes	$ 357,768	$ 357,768	-	-	Short-term financing	$ -	Operation requirements	$ -	None	$ -	$ 405,698,650	$ 567,978,110	

Note 1: Financial limit on total loans granted to others by the Group is 50% of the lent company’s net assets based on their most recent audited or reviewed consolidated financial statements.
Note 2: For parties having business relationship with the Group’s subsidiaries, the financial limit on loans granted to a single party is the higher of the year-to-date purchased amount or sales amount, and 10% of the lent company’s net assets based on their most recent audited or reviewed consolidated financial statements.
Note 3: For parties necessary for short-term financing, financial limit on loans granted to a single party is 40% of the lent company’s net assets based on their most recent audited or reviewed consolidated financial statements.
Note 4: The policy for loans granted mutually between subsidiaries (except for Zhen Ding Technology Holding Limited and Zhen Ding Technology Co., Ltd.) of which the Company directly or indirectly holds 100% of the voting shares is limited to 700% of the lending company’s net assets based on the latest audited or reviewed consolidated financial statements; limit on loans granted by a subsidiary to a single subsidiary of which the Company directly or indirectly holds 100% of its voting shares is limited to 500% of the lending company’s net assets based on the latest audited or reviewed consolidated financial statements.
Note 5: Maximum amount for the period ended on the balance sheet date.
Note 6: The amount of loans granted as resolved by the Company’s Board of Directors.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

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

DECEMBER 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2018				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares	Carrying amount (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Zhen Ding Technology Co., Ltd.	SynPower Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	2,200	$ 52,473	9.02%	$ 52,473	
The Company	GZINFU	None	Current financial assets at amortised cost, net	-	122,976	-	121,981	
The Company	BOND OF BABA	None	Current financial assets at amortised cost, net	-	30,821	-	30,550	
The Company	HUAHK	None	Current financial assets at amortised cost, net	-	92,706	-	89,662	
The Company	HACOMM	None	Current financial assets at amortised cost, net	-	31,013	-	29,613	

Note 1: In accordance with IFRS 9, '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

ACQUISITION OR SALE OF THE SAME SECURITY WITH THE ACCUMULATED AMOUNT EXCEEDING $300 MILLION OR 20% OF PAID-IN CAPITAL OR MORE

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 3

Expressed in thousands of foreign currency

					Balance at January 1, 2017		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2018	
Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship (Note 2)	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Carrying amount	Gain (loss) on disposal	Number of shares	Amount
Avary Holding (Shenzhen) Co., Limited	RMB An Qi Kai Fang Financial Products	Financial assets at amortised cost	Bank of China Limited	None	-	RMB -	-	RMB 700,000	-	RMB 701,135	RMB 700,000	Note 4	-	RMB -
The Company	Excellent Navigation Trade Finance Notes Series 2018-1	Financial assets at amortised cost	FG Asset Backed Note SPC	None	-	RMB -	-	USD 30,000	-	-	-	-	-	USD 30,000
The Company	Advantage Trade Finance Notes Series 2018-1	Financial assets at amortised cost	FG Asset Backed Note SPC	None	-	RMB -	-	USD 30,000	-	-	-	-	-	USD 30,000

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.
Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.
Note 3: Aggregate purchases or sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.
Note 4: The gain on disposal of the financial assets at amortised cost is interest income.
Note 5: Paid-in capital referred to herein is the paid-in capital of parent company.

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, 2018

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	$ 49,942,518	117	60 days from the shipping date	Note 2	Note 2	$ 16,085,385	76	
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	11,315,210	27	60 days from the shipping date	Note 2	Note 2	4,595,264	22	
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	713,769	45	60 days from the shipping date	Note 2	Note 2	189,100	57	
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	1,364,237	86	60 days from the shipping date	Note 2	Note 2	144,992	43	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co.,Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	29,318,856	134	60 days from the shipping date	Note 2	Note 2	8,193,835	91	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co.,Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	3,165,880	14	90 days from invoice date	Note 2	Note 2	819,725	9	
Hong Heng Sheng ElectronicalTechnology (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	3,480,213	127	30 days from the end of the transaction month	Note 2	Note 2	210,822	79	

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	$ 33,672,610	160	60 days from the shipping date	Note 2	Note 2	$ 8,698,361	98	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	481,812	2	60 days from the received date	Note 2	Note 2	25,083	-	
Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	An indirect wholly-owned subsidiary	Sales	659,430	69	60 days from the received date	Note 2	Note 2	133,602	54	
Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	1,516,109	137	60 days from the received date	Note 2	Note 2	310,092	100	
Henley International Limited	Zhen Ding Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	683,794	126	90 days from the first day of next month of shipping	Note 2	Note 2	122,791	100	
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	13,874,374	17	90 days from the first day of next month of shipping	Note 2	Note 2	5,364,533	19	
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co.,Ltd.	An indirect wholly-owned subsidiary	Sales	740,425	1	90 days from the first day of next month of shipping	Note 2	Note 2	270,864	1	
Garuda International Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	109,467	-	90 days from the first day of next month of shipping	Note 2	Note 2	45,558	-	
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	4,615,645	6	90 days from the first day of next month of shipping	Note 2	Note 2	4,106,968	14	

Table 4, Page 2

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Garuda International Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	$ 6,435,221	8	90 days from the first day of next month of shipping	Note 2	Note 2	$ 2,397,986	8	
Garuda International Limited	Interface Technology (ChengDu) Co., Ltd.	An investee company accounted for the equity method of Hon Hai	Sales	987,234	1	90 days from the first day of next month of shipping	Note 2	Note 2	96,463	-	
Garuda International Limited	CyberTAN Technology,Inc.	An investee company accounted for the equity method of Hon Hai	Sales	140,196	-	90 days from the first day of next month of shipping	Note 2	Note 2	32,604	-	
Garuda International Limited	Foxconn Interconnect Technology Limited	An investee company accounted for the equity method of Hon Hai	Sales	294,405	-	90 days from the first day of next month of received	Note 2	Note 2	111,490	-	

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 transations, thetransaction terms to related parties weresimilar to third parties.
Note 3: Advance sales receipts.

Table 4, Page 3

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, 2018

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Receivables from related parties at December 31, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly-owned subsidiary	$ 16,085,385	3	$ 4,601,798	Subsequent collection	$ 12,961,432	$ -
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	4,595,264	2	2,345,920	Subsequent collection	3,213,107	-
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	189,100	4	25,356	Subsequent collection	189,100	-
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	144,992	11	-	-	21,400	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co.,Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	8,193,835	4	2,148,447	Subsequent collection	4,084,260	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co.,Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	819,725	3	66,519	Subsequent collection	552,598	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	210,822	10	-	-	-	-
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	8,698,361	5	-	-	7,203,733	-

Creditor	Counterparty	Relationship	Receivables from related parties at December 31, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Qi Ding Technology Qinhuangdao Co.,Ltd.	Henley International Limited	An indirect wholly-owned subsidiary	$ 133,602	6	45,547	Subsequent collection	$ 45,547	$ -
Henley International Limited	Zhen Ding Technology Co., Ltd.	An indirect wholly-owned subsidiary	122,791	6	-	-	-	-
Kui Sheng Technology (Shenzhen) Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	310,092	5	161,266	Subsequent collection	183,631	-
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	5,364,533	3	99,294	Subsequent collection	1,408,116	-
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co.,Ltd.	An indirect wholly-owned subsidiary	270,864	3	25,088	Intensify collection	-	-
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	4,106,968	2	3,772,469	Subsequent collection	364,314	-
Garuda International Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	2,397,986	3	85,258	Subsequent collection	85,258	-
Garuda International Limited	Foxconn Interconnect Technology Limited	An investee company accounted for the equity method of Hon Hai	111,490	0	-	-	-	-

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIODS

FOR THE YEAR ENDED DECEMBER 31, 2018

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount (Note 3)	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 4)
0	The Company	Qi Ding Technology Qinhuangdao Co.,Ltd.	1	Other receivables	$ 307,150	Note 5	-
1	Mayco Industrial Limited	The Company	2	Other receivables	982,880	"	1
2	Pacific Fair International Limited	The Company	2	Other receivables	2,417,271	"	2
4	FAT Holdings Limited	Monterey Park Finance Limited	3	Other receivables	734,089	"	1
5	Monterey Park Finance Limited	Qi Ding Technology Qinhuangdao Co.,Ltd.	3	Other receivables	614,300	"	-
6	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industry (Shenzhen) Co., Ltd	3	Other receivables	371,185	"	-
6	Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	3	Other receivables	1,118,026	"	1
6	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Other receivables	5,388,886	"	4
6	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Other receivables	2,387,209	"	2
6	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	1,395,296	"	1
6	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	775,910	"	1
6	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Sales	49,942,518	Note 8	42
6	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Accounts receivable	16,085,385	"	11
6	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Sales	11,315,210	"	10
6	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Accounts receivable	4,595,264	"	3
7	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Sales	713,769	"	1
7	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Accounts receivable	189,100	"	-

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 3)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
7	Hong Qun Sheng Precision Electronics (Yingkou) Co.,	Garuda International Limited	3	Sales	$ 1,364,237	"	1
7	Hong Qun Sheng Precision Electronics (Yingkou) Co.,	Garuda International Limited	3	Accounts receivable	144,992	"	-
8	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co.,Ltd.	Garuda International Limited	3	Sales	29,318,856	"	25
8	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co.,Ltd.	Garuda International Limited	3	Accounts receivable	8,193,835	"	6
8	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co.,Ltd.	Garuda Technology Co., Ltd.	3	Sales	3,165,880	Note 11	3
8	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co.,Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	819,725	"	1
9	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	3,480,213	"	3
9	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	210,822	"	-
10	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	33,672,610	Note 8	29
10	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	8,698,361	Note 8	6
10	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	481,812	Note 10	-
11	Qi Ding Technology Qinhuangdao Co.,Ltd.	Henley International Limited	3	Sales	659,430	"	1
11	Qi Ding Technology Qinhuangdao Co.,Ltd.	Henley International Limited	3	Accounts receivable	133,602	"	-
12	Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	1,516,109	"	1
12	Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	310,092	"	-
13	Henley International Limited	Zhen Ding Technology Co., Ltd.	3	Sales	683,794	Note 6	1
13	Henley International Limited	Zhen Ding Technology Co., Ltd.	3	Accounts receivable	122,791	"	-
14	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Sales	13,874,374	"	12
14	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	5,364,533	"	4
14	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co.,Ltd.	3	Sales	740,425	"	1
14	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co.,Ltd.	3	Accounts receivable	270,864	"	-

Table 6, Page 2

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 3)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
14	Garuda International Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Sales	109,467	"	-
14	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Sales	4,615,645	"	4
14	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Accounts receivable	4,106,968	"	3

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.
Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.
Note 3: Only the related party transactions exceeding the amount of NT$100 million or 20% paid-in capital are disclosed, and the opposite related party transactions are not disclosed.
Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is calculated based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts. All the transactions had been eliminated in the consolidated financial statements.
Note 5: Nature of other receivables and other payables are loans to (from) others. Please refer to Note 13(1) A for interest rate and limit on loans.
Note 6: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the first day of next month of shipping.
Note 7: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the shipping date.
Note 8: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the shipping date.
Note 9: The prices and terms to related parties were similar to third parties. Credit term is 30 days from the received date.
Note 10: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the received date.
Note 11: The prices and terms to related parties were similar to third parties. Credit term is 90 days from invoice date.
Note 12: The prices and terms to related parties were similar to third parties. Credit term is advance sales receipts.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEES(EXCLUDING THE INVESTEES IN MAINLAND CHINA)

FOR THE YEAR ENDED December 31, 2018

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, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance at December 31, 2018	Balance at December 31, 2017	Number of shares	Ownership (%)	Carrying amount			
The Company	Monterey Park Finance Limited	British Virgin Islands	Investment holding	24,645,120	24,645,120	802,250,000	100	64,530,374	8,985,351	8,985,351	
The Company	Zhen Ding Technology Co., Ltd.	Taiwan	Trading	125,488	125,488	12,548,800	100	3,212,294	(131,434)	(131,434)	
Monterey Park Finance Limited	Pacific Stand Enterprises Limited	Hong Kong	Investment holding	-	921,600	-	100	-	11,026	11,026	
Monterey Park Finance Limited	Coppertone Enterprises Limited	British Virgin Islands	Investment holding	3,157,580	3,157,580	102,785,806	100	54,673,590	8,808,241	8,807,279	
Monterey Park Finance Limited	Light Flash International Limited	British Virgin Islands	Investment holding	-	30,720	-	100	-	8,214	8,214	
Monterey Park Finance Limited	Pacific Fair International Limited	Hong Kong	Investment holding	8,401,920	8,401,920	2,133,300,000	100	8,740,545	994,716	994,716	
Monterey Park Finance Limited	Henley International Limited	Hong Kong	Trading	-	-	1	100	14,322	15,232	15,232	
Coppertone Enterprises Limited	Mayco Industrial Limited	Hong Kong	Investment holding	36,713,716	36,713,716	9,321,841,932	100	54,617,639	8,808,552	8,808,552	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited	Cayman Islands	Investment holding	154	154	5,000	100	746,213	8,289	8,289	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	Hong Kong	Trading	307,200	307,200	78,000,000	73	1,297,177	546,760	189,887	
Garuda International Limited	Garuda Technology Co., Ltd.	Taiwan	Trading	25,000	25,000	2,500,000	73	(258,027)	(399,289)	(306,416)	

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ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON THE INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED December 31, 2018

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, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net profit(loss) of investee for the year ended December 31, 2018	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 3)	Carrying amount of investments as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Manufacture and sales of PCB	$ 3,192,268	2	$ -	$ -	$ -	$ -	($ 560,612)	73	($ 430,216)	$ 218,843	$ -	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacture and sales of PCB	7,770,328	2	-	-	-	-	4,474,266	73	3,407,376	11,670,354	-	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacture and sales of PCB	4,144,021	2	-	-	-	-	(552,576)	73	(424,049)	627,918	-	
New Creation Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	-	2	-	-	-	-	(4,170)	73	(3,200)	-	-	
Avary Holding (Shenzhen) Co., Limited	Manufacture and sales of PCB	10,338,642	2	-	-	-	-	13,279,273	73	10,190,570	59,086,357	-	
Fu Bo Industrial (Shenzhen) Co., Ltd.	Manufacture and sales of PCB	492,325	2	-	-	-	-	29,696	73	22,789	442,240	-	

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, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net profit(loss) of investee for the year ended December 31, 2018	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 3)	Carrying amount of investments as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	$ 1,077,685	2	$ -	$ -	$ -	$ -	($ 5,038)	73	($ 3,866)	$ 702,859	$ -	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	6,935,242	2	-	-	-	-	2,918,885	73	2,224,378	8,075,199	-	
Qi Ding Technology Qinhuangdao Co.,Ltd.	Development, manufature and sales of electronic products	1,226,003	2	-	-	-	-	(854,401)	100	(854,401)	1,154,718	-	
Kui Sheng Technology (Shenzhen) Limited	Manufacture and sales of PCB	89,457	2	-	-	-	-	14,999	73	11,510	78,053	-	
Yun Ding Technology (Shenzhen) Limited	Manufacture and sales of PCB	22,364	2	-	-	-	-	68	73	52	16,008	-	

Note 1: The amounts in the table are shown in New Taiwan Dollars. Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the spot exchange rates at the balance sheet date.
Note 2: The methods of investments to PRC are as follows:
(1) The Group remits its own funds directly to the investee companies located in PRC
(2) Investee company, Monterey Park Finance Limited (B.V.I.), established by the Company that is located outside of Taiwan and PRC remits its own funds directly to the investee companies located in PRC.
(3) Others
Note 3: The columns investment income (loss) recognised by the Company for the year ended December 31,2018 were based on the audited financial statements of the investees in Mandland China for the same period.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2019

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

	Assets	Notes	December 31, 2018 NT$	December 31, 2019 NT$	December 31, 2019 US$
	Current assets				
1100	Cash and cash equivalents	6(1)	$ 40,652,973	$ 38,280,304	$ 1,265,465
1110	Current financial assets at fair value through profit or loss	6(2)	3,437	-	-
1136	Current financial assets at amortised cost	6(6)	8,778,797	4,790,922	158,378
1170	Accounts receivable, net	6(3)	21,631,860	24,259,541	801,968
1180	Accounts receivable due from related parties, net	6(3) and 7	2,644,519	2,828,109	93,491
1200	Other receivables	6(4)	855,783	1,306,347	43,185
130X	Inventories	6(5)	10,083,882	8,516,862	281,549
1410	Prepayments	6(4)	3,673,318	3,060,037	101,158
1460	Non-current assets or disposal groups classified as held for sale, net	6(12)	-	161,211	5,329
1470	Other current assets		569,634	383	13
11XX	**Total current assets**		88,894,203	83,203,716	2,750,536
	Non-current assets				
1517	Non-current financial assets at fair value through other comprehensive income	6(7)	52,473	193,804	6,407
1600	Property, plant and equipment	6(8)	41,913,166	46,242,613	1,528,681
1755	Right-of-use assets	6(9)	-	8,035,650	265,641
1780	Intangible assets	6(10)	185,615	360,370	11,913
1840	Deferred income tax assets	6(29)	1,024,491	1,408,038	46,547
1990	Other non-current assets	6(11)	8,037,205	437,144	14,451
15XX	**Total non-current assets**		51,212,950	56,677,619	1,873,640
1XXX	**Total assets**		$ 140,107,153	$ 139,881,335	$ 4,624,176

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2018 NT$	December 31, 2019 NT$	December 31, 2019 US$
	Current liabilities				
2100	Short-term borrowings	6(13)	$ 9,184,066	$ 9,682,812	$ 320,093
2170	Accounts payable		17,056,824	13,838,755	457,480
2180	Accounts payable to related parties	7	1,022,641	579,010	19,141
2200	Other payables	6(14)	13,346,522	12,449,520	411,554
2230	Current income tax liabilities		2,391,519	1,848,643	61,112
2260	Liabilities related to non-current assets or disposal groups classified as held for sale	6(12)	-	480,371	15,880
2280	Current lease liabilities		-	88,495	2,925
2320	Long-term liabilities, current portion	6(15)(16)	8,699,319	-	-
2399	Other current liabilities		134,168	65,273	2,158
21XX	**Total current liabilities**		51,835,059	39,032,879	1,290,343
	Non-current liabilities				
2540	Long-term borrowings	6(16)	9,194,880	8,980,884	296,889
2570	Deferred income tax liabilities	6(29)	857,644	972,792	32,158
2580	Non-current lease liabilities		-	150,912	4,990
2600	Other non-current liabilities		110,990	399,767	13,215
25XX	**Total non-current liabilities**		10,163,514	10,504,355	347,252
2XXX	**Total liabilities**		61,998,573	49,537,234	1,637,595
	Equity				
	Equity attributable to owners of parent				
	Share capital	6(19)			
3110	Ordinary share		8,047,484	9,022,299	298,258
	Capital surplus	6(20)			
3200	Capital surplus		22,000,657	29,534,781	976,356
	Retained earnings	6(21)			
3310	Legal reserve		3,505,859	4,350,638	143,823
3320	Special reserve		1,717,913	2,948,306	97,465
3350	Unappropriated retained earnings		23,731,600	26,318,375	870,029
	Other equity interest	6(22)			
3400	Other equity interest		(2,948,306)	(5,014,697)	(165,776)
31XX	**Equity attributable to owners of parent**		56,055,207	67,159,702	2,220,155
36XX	**Non-controlling interest**	6(31)	22,053,373	23,184,399	766,426
3XXX	**Total equity**		78,108,580	90,344,101	2,986,581
	Significant contingent liabilities and unrecognised contract commitments	9			
3X2X	**Total liabilities and equity**		$ 140,107,153	$ 139,881,335	$ 4,624,176

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, 2018 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

			For the years ended December 31,		
			2018	2019	
	Items	Notes	NT$	NT$	US$
4000	**Operating revenue**	6(23), 7 and 14	$ 117,912,881	$ 120,067,508	$ 3,969,174
5000	**Operating costs**	6(5) and 7	(91,851,933)	(92,845,499)	(3,069,273)
5950	**Gross profit from operations**		26,060,948	27,222,009	899,901
	Operating expenses	6(24)			
6100	Selling expenses		(1,490,569)	(1,656,854)	(54,772)
6200	Administrative expenses		(4,075,331)	(4,603,636)	(152,186)
6300	Research and development expenses		(5,637,557)	(6,139,768)	(202,968)
6450	Expected credit losses in accordance with IFRS 9	12	(11,873)	(20,943)	(692)
6000	**Total operating expenses**		(11,215,330)	(12,421,201)	(410,618)
6900	**Net operating income**		14,845,618	14,800,808	489,283
	Non-operating income and expenses				
7010	Other income	6(26)	1,668,596	2,028,257	67,050
7020	Other gains and losses	6(27)	(921,381)	(1,190,959)	(39,371)
7050	Finance costs	6(28)	(926,271)	(687,198)	(22,717)
7000	**Total non-operating income and expenses**		(179,056)	150,100	4,962
7900	**Profit before income tax**		14,666,562	14,950,908	494,245
7950	Income tax expense	6(29)	(3,130,067)	(2,549,291)	(84,274)
8200	**Profit**		$ 11,536,495	$ 12,401,617	$ 409,971

(Continued)

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

			For the years ended December 31,		
			2018	2019	
	Items	Notes	NT$	NT$	US$
	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)	$ 345	$ 609	$ 20
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(7)(22)	(68,671)	11,474	379
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(260)	(122)	(4)
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		68,586	11,961	395
	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	6(22)	(1,417,114)	(3,324,465)	(109,899)
8300	**Other comprehensive loss**		($ 1,485,700)	($ 3,312,504)	($ 109,504)
8500	**Total comprehensive income**		$ 10,050,795	$ 9,089,113	$ 300,467
	Profit attributable to:				
8610	Owners of the parent		$ 8,447,792	$ 8,685,202	$ 287,114
8620	Non-controlling interests		3,088,703	3,716,415	122,857
			$ 11,536,495	$ 12,401,617	$ 409,971
	Comprehensive income attributable to:				
8710	Owners of the parent		$ 7,217,484	$ 6,619,298	$ 218,820
8720	Non-controlling interests		2,833,311	2,469,815	81,647
			$ 10,050,795	$ 9,089,113	$ 300,467
	Basic earnings per share				
9750	**Basic earnings per share**	6(30)	$ 10.50	$ 9.93	$ 0.33
	Diluted earnings per share				
9850	**Diluted earnings per share**	6(30)	$ 9.54	$ 9.92	$ 0.33

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, 2018 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

		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
2018— New Taiwan dollars											
Balance at January 1, 2018		$ 8,047,484	$ 14,851,298	$ 2,988,615	$ 1,688,354	$ 18,486,196	($ 1,717,913)	$ -	$ 44,344,034	$ 10,917,285	$ 55,261,319
Profit for the year		-	-	-	-	8,447,792	-	-	8,447,792	3,088,703	11,536,495
Other comprehensive income (loss) for the year	6(22)	-	-	-	-	85	(1,161,722)	(68,671)	(1,230,308)	(255,392)	(1,485,700)
Total comprehensive income		-	-	-	-	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)										
General reserve		-	-	517,244	-	(517,244)	-	-	-	-	-
Special reserve		-	-	-	29,559	(29,559)	-	-	-	-	-
Cash dividends		-	-	-	-	(2,655,670)	-	-	(2,655,670)	-	(2,655,670)
Compensation cost of employee restricted stock	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
Balance at December 31, 2018		$ 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
2019— New Taiwan dollars											
Balance at January 1, 2019		$ 8,047,484	$ 22,000,657	$ 3,505,859	$ 1,717,913	$ 23,731,600	($ 2,879,635)	($ 68,671)	$ 56,055,207	$ 22,053,373	$ 78,108,580
Profit for the year		-	-	-	-	8,685,202	-	-	8,685,202	3,716,415	12,401,617
Other comprehensive income (loss) for the year	6(22)	-	-	-	-	487	(2,081,075)	14,684	(2,065,904)	(1,246,600)	(3,312,504)
Total comprehensive income		-	-	-	-	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)										
General reserve		-	-	844,779	-	(844,779)	-	-	-	-	-
Special reserve		-	-	-	1,230,393	(1,230,393)	-	-	-	-	-
Cash dividends		-	-	-	-	(4,023,742)	-	-	(4,023,742)	-	(4,023,742)
Conversion of convertible bonds	6(15)	974,815	7,431,639	-	-	-	-	-	8,406,454	-	8,406,454
Compensation cost of employee restricted stock	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)
Balance at December 31, 2019		$ 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

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

	Notes	Equity attributable to owners of the parent								Non-controlling interest	Total equity
				Retained earnings			Other equity interest				
		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		
2019— US dollars											
Balance at January 1, 2019		$ 266,033	$ 727,294	$ 115,896	$ 56,791	$ 784,516	($ 95,195)	($ 2,270)	$ 1,853,065	$ 729,037	$ 2,582,102
Profit for the year		-	-	-	-	287,114	-	-	287,114	122,857	409,971
Other comprehensive income (loss) for the year	6(22)	-	-	-	-	16	(68,795)	484	(68,295)	(41,210)	(109,505)
Total comprehensive income		-	-	-	-	287,130	(68,795)	484	218,819	81,647	300,466
Appropriations and distribution of retained earnings	6(21)										
General reserve		-	-	27,927	-	(27,927)	-	-	-	-	-
Special reserve		-	-	-	40,674	(40,674)	-	-	-	-	-
Cash dividends		-	-	-	-	(133,016)	-	-	(133,016)	-	(133,016)
Conversion of convertible bonds	6(15)	32,225	245,674	-	-	-	-	-	277,899	-	277,899
Compensation cost of employee restricted stock	6(18)	-	3,388	-	-	-	-	-	3,388	1,264	4,652
Changes in non-controlling interests-distribution of retained earnings by subsidiaries		-	-	-	-	-	-	-	-	(45,522)	(45,522)
Balance at December 31, 2019		$ 298,258	$ 976,356	$ 143,823	$ 97,465	$ 870,029	($ 163,990)	($ 1,786)	$ 2,220,155	$ 766,426	$ 2,986,581

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

		For the years ended December 31,		
		2018	2019	
	Notes	NT$	NT$	US$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		$ 14,666,562	$ 14,950,908	$ 494,245
Adjustments				
Adjustments to reconcile profit (loss)				
Depreciation expense	6(24)	6,739,651	7,724,398	255,352
Amortisation expense	6(24)	80,090	230,630	7,624
Impairment losses		745,571	1,447,245	47,843
Expected credit losses	12	11,873	20,943	692
Losses on disposal of property, plant and equipment	6(27)	165,887	65,454	2,164
Gains on disposal of land right-of-use		-	(9,031)	(299)
Rental expense - land right-of-use (within 'long-term prepaid rents')		158,965	-	
Interest income	6(26)	(1,060,710)	(1,245,417)	(41,171)
Interest expense	6(28)	926,271	687,198	22,717
Share-based payment	6(18)	124,796	140,736	4,652
Dividend income		(2,643)	-	-
Changes in operating assets and liabilities				
Changes in operating assets				
Financial assets at fair value through profit or loss		4,498	3,437	114
Notes receivable		31,447	23,387	773
Accounts receivable		7,378,839	(3,133,298)	(103,580)
Accounts receivable due from related parties		(437,064)	(235,921)	(7,799)
Other receivables		1,831,287	(237,551)	(7,853)
Inventories		1,247,962	1,233,198	40,767
Prepayments		(663,397)	308,515	10,199
Other current assets		(270,118)	264,726	8,751
Changes in operating liabilities				
Accounts payable		(5,057,452)	(2,268,393)	(74,988)
Accounts payable to related parties		339,588	(421,087)	(13,920)
Other payables		1,685,015	10,563	349
Other current liabilities		13,574	(55,038)	(1,819)
Cash inflow generated from operations		28,660,492	19,505,602	644,813
Income tax paid		(1,760,171)	(3,232,138)	(106,848)
Net cash flows from operating activities		26,900,321	16,273,464	537,965

(Continued)

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

		For the years ended December 31,		
		2018	2019	
	Notes	NT$	NT$	US$
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease in financial assets at amortised cost		$ 5,675,521	$ 3,900,819	$ 128,953
Acquisition of financial assets at fair value through other comprehensive income		-	(136,192)	(4,502)
Acquisition of property, plant and equipment	6(32)	(12,625,121)	(15,195,112)	(502,318)
Proceeds from disposal of property, plant and equipment		59,869	231,129	7,641
Acquisition of land right-of-use (within 'right-of-use assets/other non-current assets')	6(32)	(3,598,949)	(1,015,560)	(33,572)
Proceeds from disposal of land right-of-use		5,226	42,664	1,410
Acquisition of intangible assets		-	(251,124)	(8,302)
Increase in other non-current assets		(163,206)	(162,377)	(5,368)
Decrease (increase) in prepayments for business facilities		(35,144)	69,478	2,297
(Increase) decrease in refundable deposits		5,482	(15,574)	(515)
Increase in other non-current liabilities		-	182,392	6,029
Interest received		1,146,823	1,211,861	40,062
Dividend income		2,643	-	-
Net cash flows used in investing activities		(9,526,856)	(11,137,596)	(368,185)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in short-term borrowings		(6,584,316)	783,662	25,906
Increase (decrease) in guarantee deposits received		(10,399)	80,562	2,663
Cash dividends paid	6(21)	(2,655,670)	(4,023,742)	(133,016)
Repayments of convertible bonds	6(15)	-	(147,233)	(4,867)
Payments of lease liabilities		(-)	(93,137)	(3,079)
Interest paid		(667,178)	(638,742)	(21,115)
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		(827,540)	(1,377,040)	(45,522)
Net cash flows (used in) from financing activities		5,386,879	(5,415,670)	(179,030)
Effect of exchange rate changes on cash and cash equivalents		(1,254,759)	(1,981,191)	(65,494)
Net (decrease) increase in cash and cash equivalents		21,505,585	(2,260,993)	(74,744)
Cash and cash equivalents at beginning of year		19,147,388	40,652,973	1,343,900
Cash and cash equivalents at end of year		40,652,973	38,391,980	1,269,156
Components of cash and cash equivalents				
Cash and cash equivalents in the balance sheet		$ 40,652,973	$ 38,280,304	$ 1,265,465
Cash and cash equivalents classified non-current assets or disposal group as held for sale		-	111,676	3,691
Cash and cash equivalents at end of year		$ 40,652,973	$ 38,391,980	$ 1,269,156

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2019
(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	$ 349,319
Lease liabilities recognised as of January 1, 2019 by applying IFRS 16	$ 330,787

(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.

C. In adopting IFRS 16 effective January 1, 2019, the Group has elected to apply modified retrospective approach whereby the right-of-use asset and lease liability was recognised in the January 1, 2019 financial statements and financial statements for the year ended December 31, 2018 and the 4th quarter were not restated.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) The profit or loss and each component of other comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, and total comprehensive income shall also be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners). It shall be recognised directly in equity and difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2019	Description
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)	Manufacturing company	100	100	
Mayco Industrial Limited (Hong Kong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	66.38	66.38	
Pacific Fair International Limited (Hong Kong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	6.44	6.44	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2019	Description
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)
Garuda International Limited (Hongkong)	Garuda Technology Co., Ltd.	Trading company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2019	Description
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, 2018 and 2019, the non-controlling interests of the Group amounted to $22,053,373 and $23,184,399, respectively. The information on non-controlling interests and their subsidiaries is as follows:

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

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

Summary of the financial information of subsidiary

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

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

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

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

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

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

(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 $30.15 (in dollars) to US $1 (in dollar) and NT $30.91 (in dollars) to US $1 (in dollar) for the years ended December 31, 2018 and 2019, respectively; the closing rates were NT $30.72 (in dollars) to US $1 (in dollar) and NT $29.98 (in dollars) to US $1 (in dollar) as of December 31, 2018 and 2019, respectively.

(5) <u>Classification of current and non-current items</u>

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) <u>Cash equivalents</u>

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) <u>Financial assets/liabilities at fair value through profit or loss</u>

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) <u>Financial assets at fair value through other comprehensive income</u>

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) <u>Financial assets at amortised cost</u>

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 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 shell 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-own 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.

(32) Convenience translation into us dollars (unaudited)

The Group maintains its accounting records and prepares its financial statements in New Taiwan (“NT”) dollars. The United States (“US”) dollar amounts disclosed in the financial statements are presented solely for the convenience of the reader and were translated to US dollars at the rate of NT $30.25 : US $1.00, the noon buying rate in effect as of Federal Reserve Board on March 31, 2020 , as uniformly applied for all the financial statements accounts. Such translation amounts are unaudited and should not be construed as a representations that the NT dollar amounts represent, have been, or could in the future be converted into US dollars at that or any other rate.

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 serveral 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

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

A. As of December 31, 2018 and 2019, 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

Items	December 31, 2018	December 31, 2019
Current items - assets:		
Forward foreign exchange contracts	$ 3,437	$ -

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

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

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

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

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

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

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

B. As of December 31, 2018 and 2019, 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

	December 31, 2018	December 31, 2019
Other receivables		
Business tax refundable	$ 506,371	$ 828,943
Interest income receivable	198,295	232,957
Guarantee deposits receivable	-	206,899
Others	151,117	37,548
	$ 855,783	$ 1,306,347

	December 31, 2018	December 31, 2019
Prepayments		
Excess business tax paid	$ 2,940,840	$ 2,029,571
Prepaid expenses	712,844	1,015,944
Others	19,634	14,522
	$ 3,673,318	$ 3,060,037

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

	December 31, 2018		
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	$ 2,305,687	($ 294,428)	$ 2,011,259
Work in process	1,703,362	(79,178)	1,624,184
Finished goods	6,706,002	(257,563)	6,448,439
	$ 10,715,051	($ 631,169)	$ 10,083,882

	December 31, 2019		
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	$ 2,933,830	($ 224,729)	$ 2,709,101
Work in process	2,306,804	(92,292)	2,214,512
Finished goods	3,985,692	(392,443)	3,593,249
	$ 9,226,326	($ 709,464)	$ 8,516,862

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

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

(6) Financial assets at amortised cost

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

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, 2018 and 2019.

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

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,	
	2018	2019
Equity instruments	($ 68,671)	$ 11,474

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
At January 1, 2018						
Cost	$ 50,997	$ 17,000,094	$ 35,240,022	$ 9,798,157	$ 3,124,222	$ 65,213,492
Accumulated depreciation and impairment	-	(6,548,725)	(16,797,220)	(5,186,094)	-	(28,532,039)
	$ 50,997	$ 10,451,369	$ 18,442,802	$ 4,612,063	$ 3,124,222	$ 36,681,453
2018						
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	$ 51,075	$ 10,733,238	$ 20,021,786	$ 6,082,819	$ 5,024,248	$ 41,913,166
At December 31, 2018						
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)
	$ 51,075	$ 10,733,238	$ 20,021,786	$ 6,082,819	$ 5,024,248	$ 41,913,166

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
At January 1, 2019						
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)
	$ 51,075	$ 10,733,238	$ 20,021,786	$ 6,082,819	$ 5,024,248	$ 41,913,166
2019						
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	$ 51,068	$ 13,419,200	$ 20,242,510	$ 7,185,907	$ 5,343,928	$ 46,242,613
At December 31, 2019						
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)
	$ 51,068	$ 13,419,200	$ 20,242,510	$ 7,185,907	$ 5,343,928	$ 46,242,613

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 $745,571 and $1,428,715 for the years ended December 31, 2018 and 2019, 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:

	For the year ended December 31, 2019
Items affecting current profit or loss	
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

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

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

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

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	$ 161,211

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	$ 480,371

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

(14) Other payables

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

(15) Bonds payable

	December 31, 2018	December 31, 2019
2nd overseas unsecured convertible bonds:		
Bonds payable	$ 8,794,901	$ -
Less: Discount on bonds payable	(95,582)	-
	8,699,319	-
Total bonds payable	8,699,319	-
Less: Current portion of bonds payable (within 'long-term liabilities, current portion')	(8,699,319)	-
Bonds payable	$ -	$ -

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, 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)
		$ 9,194,880
Interest rate		3.41%

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)
		$ 8,980,884
Interest rate		3.02%

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

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

(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, 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)
Change in financial assumptions			
Experience adjustments	(163)	-	(163)
	(164)	509	345
Pension fund contribution	-	15	15
Balance at December 31, 2018	($ 3,911)	$ 15,741	$ 11,830

	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

(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, 2018 and 2019, 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,	
	2018	2019
Discount rate	0.75%	0.65%
Rate of future salary increase	2.00%	2.00%
Rate of employee turnover	0.41%	0.43%

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		Rate of	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%	110% of expected rate	90% of expected rate
December 31, 2018						
Increase (decrease) in present value of defined benefit obligations	($ 65)	$ 68	$ 67	($ 65)	$ -	$ -

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

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 $24,991 and $31,221 for the years ended December 31, 2018 and 2019, 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 $962,727, and $1,037,821 for the years ended December 31, 2018 and 2019, 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,	
	2018	2019
Outstanding at January 1	185,080	185,080
Numbers granted during the years	-	-
Numbers returned during the years	-	(1,808)
Outstanding at December 31	185,080	183,272

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

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

(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,	
	2018	2019
	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	804,748	902,230

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, 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	$ 5,690,348	$ 5,373,351	$ 833,332	$ 45,659	$ 10,057,967	$ 22,000,657

	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	$ 5,690,348	$ 13,624,555	$ -	$ 59,426	$ 10,160,452	$ 29,534,781

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:

	2017		2018	
	Amount	Dividends per share (in New Taiwan dollars)	Amount	Dividends per share (in New Taiwan dollars)
General reserve	$ 517,244		$ 844,779	
Special reserve	29,559		1,230,393	
Cash dividends	2,655,670	3.30	4,023,742	4.46
Total	$ 3,202,473		$ 6,098,914	

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, 2018	$ -	($ 1,717,913)	($1,717,913)
Valuation adjustment	(68,671)	-	(68,671)
Transfer of revaluation gains			-
Currency translation differences:			
–Group	-	(1,161,722)	(1,161,722)
At December 31, 2018	($ 68,671)	($ 2,879,635)	($2,948,306)

	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)	($2,948,306)
Valuation adjustment	14,684	-	14,684
Currency translation differences:			
–Group	-	(2,081,075)	(2,081,075)
At December 31, 2019	($ 53,987)	($ 4,960,710)	($5,014,697)

(23) Operating revenue

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

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

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

(25) Employee benefit expense

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

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, 2018 and 2019, employees' remunerations were accrued of $77,339 and $75,057, 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,	
	2018	2019
Interest income		
Interest income from bank deposits	$ 467,294	$ 928,582
Interest income from financial assets at amortised cost	593,416	316,835
Government grant revenue	531,158	699,025
Others	76,728	83,815
	$ 1,668,596	$ 2,028,257

(27) Other gains and losses

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

(28) Finance costs

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

(29) Income tax

A. Components of income tax expense

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

B. Reconciliation between income tax expense and accounting profit

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

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

	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	318,981	53,397	-	(7,453)	364,925
Subtotal	825,911	207,585	-	(9,005)	1,024,491
-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	(422,941)	(95,506)	-	(12,656)	(531,103)
Subtotal	(423,207)	(427,780)	(260)	(6,397)	(857,644)
Total	$ 402,704	($ 220,195)	($ 260)	($ 15,402)	$ 166,847

	For the year ended December 31, 2019				
	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	$ 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	364,925	444,052	-	(61,969)	747,008
Subtotal	1,024,491	428,512	-	(44,965)	1,408,038
-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	(531,103)	20,062	-	10,529	(500,512)
Subtotal	(857,644)	(130,535)	(122)	15,509	(972,792)
Total	$ 166,847	$ 297,977	($ 122)	($ 29,456)	$ 435,246

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

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

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, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in New Taiwan dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 8,447,792	804,748	$ 10.50
Diluted earnings per share			
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

	For the year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in New Taiwan dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 8,685,202	874,836	$ 9.93
Diluted earnings per share			
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

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:

	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,	
	2018	2019
Acquisition of property, plant and equipment	$ 13,831,071	$ 15,111,159
Add: Opening balance of payable on machinery and equipment (within 'other payables')	3,066,678	4,190,436
Less: Ending balance of payable on machinery and equipment (within 'other payables')	(4,190,436)	(3,927,125)
Reclassified as held for sale	-	(27,255)
Net exchange differences	(82,192)	(152,103)
Cash paid during the period	$ 12,625,121	$ 15,195,112

	For the years ended December 31,	
	2018	2019
Acquisition of land right-of-use	$ 3,897,344	$ 719,677
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	(5,619)	3,107
Cash paid during the period	$ 3,598,949	$ 1,015,560

B. Financing activities without cash flow effects

	For the years 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, 2018 and 2019, 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

Names of related parties and relationship	Relationship with the Company
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

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

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

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

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:

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

D. Accounts payable:

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

(3) Key management remuneration

	For the years ended December 31,	
	2018	2019
Short-term employee benefits	$ 187,757	$ 236,371

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:

	December 31, 2018	December 31, 2019
Property, plant and equipment	$ 2,817,011	$ 323,591

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:

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

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:

	December 31, 2018	December 31, 2019
Unused letters of credit	$ 1,152,059	$ 1,946,326

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

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

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

<u>Foreign exchange risk</u>

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:

	December 31, 2018			For the year ended December 31, 2018	
				Sensitivity analysis	
(Foreign currency: functional currency)	Foreign currency amount (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	Degree of variation	Effect on comprehensive income
Financial assets					
Monetary items					
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
Net effect in consolidated entities with foreign currency					
USD:NTD	2,205,165	30.72	67,742,669	1%	677,427
Financial liabilities					
Monetary items					
USD:NTD	182,577	30.72	5,608,765	1%	56,088
USD:RMB	950,743	6.8632	29,185,642	1%	291,856
JPY:RMB	2,383,504	0.0619	659,774	1%	6,598

(Foreign currency: functional currency)	December 31, 2019 Foreign currency amount (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	For the year ended December 31, 2019 Sensitivity analysis Degree of variation	Effect on comprehensive income
Financial assets					
Monetary items					
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
Net effect in consolidated entities with foreign currency					
USD:NTD	2,536,935	29.98	76,057,311	1%	760,573
Financial liabilities					
Monetary items					
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

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, 2018 and 2019.

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 $46,000 and $46,692 for the years ended December 31, 2018 and 2019, 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, 2018 and 2019, the individual provision for impairment of accounts receivable using loss rate methodology or provision matrix is as follows:

	Individual	Group 1	Group 2	Group 3	Group 4	Total
As of December 31, 2018						
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)

	Individual	Group 1	Group 2	Group 3	Group 4	Total
As of December 31, 2019						
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)

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:

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

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:

	December 31, 2018	December 31, 2019
Expiring within one year	$ 35,316,650	$ 34,800,762
Expiring over one year	5,233,200	11,343,144
	$ 40,549,850	$ 46,143,906

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:

December 31, 2018	Within one year	Over one year	Total
Bonds payable	$ 8,794,901	$ -	$ 8,794,901
Long-term borrowings	-	9,216,000	9,216,000
Guarantee deposits received	-	110,990	110,990
	$ 8,794,901	$ 9,326,990	$ 18,121,891

December 31, 2019	Within one year	Over one year	Total
Long-term borrowings	$ -	$ 8,994,000	$ 8,994,000
Guarantee deposits received	-	179,511	179,511
Lease liabilities	95,128	156,246	251,374
	$ 95,128	$ 9,329,757	$ 9,424,885

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, 2018			
		Fair value		
	Carrying amount	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	$ -

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

(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:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
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

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

(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, 2018 and 2019 are as follows:

	For the years ended December 31,	
	2018	2019
Opening balance	$ 120,992	$ 52,473
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	(68,671)	11,474
Net exchange differences	152	(6,335)
Ending balance	$ 52,473	$ 193,804

(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, 2018	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	$ 52,473	Market comparable companies	Enterprise value to EBIT multiple	8.69~14.68 [10.29]	The higher the EBIT, the higher the fair value
			Price to net value multiple	[1.53]	The higher the net value, the higher the fair value

	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	9.40~33.88 [10.01]	The higher the EBIT, the higher the fair value
			Price to net value multiple	1.19~8.41 [1.83]	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

(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, 2018	
			Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrument	$ 52,473	±1%	$ 525	($ 525)

			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)

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

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

(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,	
	2018	2019
Reportable segment's revenue	$ 117,880,277	$ 120,043,667
Other operating segments' revenue	32,604	23,841
Total segment revenue (i.e., the consolidated revenue)	$ 117,912,881	$ 120,067,508

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

(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,	
	2018	2019
Revenues from the manufacturing PCB products	$ 117,912,881	$ 120,067,508

(5) Geographical information

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

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

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, 2018 and 2019 is as follows:

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

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 Item	Collateral Value	Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
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 Item	Collateral Value	Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
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	

Table 1, Page 2

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 Item	Collateral Value	Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
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)

		Party being endorsed/guaranteed												
Number (Note 1)	Endorser/ guarantor	Company name	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 Number of shares	Carrying amount (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
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 IFRS 9, '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)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
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	

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
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	

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
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	-	

Table 4, Page 3

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
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 parties as of December 31, 2019	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly-owned subsidiary	$ 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, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					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)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 3)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
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	"	-

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 3)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
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	-

Table 6, Page 2

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount (Note 3)	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 4)
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	"	-

Table 6, Page 3

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 3)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
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 INVESTEES (EXCLUDING THE INVESTEES IN MAINLAND CHINA)

FOR THE YEAR ENDED DECEMBER 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held at December 31, 2019					
Investor	Investee	Location	Main business activities	Balance at December 31, 2019	Balance at December 31, 2018	Number of shares	Ownership (%)	Carrying amount	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
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: Remitted to Mainland China	Remitted back to Taiwan	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
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.

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ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

MARCH 31, 2019 AND 2020

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Zhen Ding Technology Holding Limited and its subsidiaries (the 'Group') as of March 31, 2019 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 'Regulations Governing the Preparation of Financial Reports by Securities Issuers' and International Accounting Standard 34, 'Interim Financial Reporting' as endorsed and issued into effect by the Financial Supervisory Commission. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2019 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with 'Regulations Governing the Preparation of Financial Reports by Securities Issuers' and International Accounting Standard 34, 'Interim Financial Reporting' as endorsed and issued into effect by the Financial Supervisory Commission.

Hsu,Yung-Chien　　　　Feng, Min-Chuan

For and on behalf of PricewaterhouseCoopers, Taiwan

May 8, 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
MARCH 31, 2019, DECEMBER 31, 2019 AND MARCH 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF MARCH 31, 2019 AND 2020 ARE REVIEWED, NOT AUDITED)

			March 31, 2019	December 31, 2019	March 31, 2020	
	Assets	Notes	NT$	NT$	NT$	US$
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 38,233,232	$ 38,280,304	$ 44,154,406	$ 1,459,650
1110	Current financial assets at fair value through profit or loss	6(2)	1,918	-	-	-
1136	Current financial assets at amortised cost	6(6)	11,009,347	4,790,922	3,308,492	109,372
1170	Accounts receivable, net	6(3)	12,332,660	24,259,541	12,034,080	397,820
1180	Accounts receivable due from related parties, net	6(3) and 7	1,455,344	2,828,109	2,343,670	77,477
1200	Other receivables	6(4)	264,139	1,306,347	519,927	17,188
130X	Inventories	6(5)	7,245,344	8,516,862	11,248,681	371,857
1410	Prepayments	6(4)	4,214,982	3,060,037	2,585,231	85,462
1460	Non-current assets or disposal groups classified as held for sale, net	6(12)	-	161,211	-	-
1470	Other current assets		537,312	383	-	-
11XX	**Total current assets**		75,294,278	83,203,716	76,194,487	2,518,826
	Non-current assets					
1510	Non-current financial assets at fair value through profit or loss	6(2)	-	-	553,149	18,286
1517	Non-current financial assets at fair value through other comprehensive income	6(7)	79,617	193,804	179,986	5,950
1600	Property, plant and equipment	6(8)	42,866,655	46,242,613	45,440,605	1,502,168
1755	Right-of-use assets	6(9)	8,829,203	8,035,650	7,858,942	259,800
1780	Intangible assets	6(10)	212,217	360,370	619,427	20,477
1840	Deferred income tax assets	6(29)	922,671	1,408,038	1,302,366	43,053
1990	Other non-current assets	6(11)	331,486	437,144	428,174	14,155
15XX	**Total non-current assets**		53,241,849	56,677,619	56,382,649	1,863,889
1XXX	**Total assets**		$ 128,536,127	$ 139,881,335	$ 132,577,136	$ 4,382,715

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2019, DECEMBER 31, 2019 AND MARCH 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF MARCH 31, 2019 AND 2020 ARE REVIEWED, NOT AUDITED)

	Liabilities and Equity	Notes	March 31, 2019 NT$	December 31, 2019 NT$	March 31, 2020 NT$	March 31, 2020 US$
	Current liabilities					
2100	Short-term borrowings	6(13)	$ 7,890,825	$ 9,682,812	$ 9,185,547	$ 303,654
2170	Accounts payable		9,550,827	13,838,755	10,251,692	338,899
2180	Accounts payable to related parties	7	572,609	579,010	410,430	13,568
2200	Other payables	6(14)	9,268,251	12,449,520	10,039,006	331,868
2230	Current income tax liabilities		1,237,545	1,848,643	1,310,554	43,324
2260	Liabilities related to non-current assets or disposal groups classified as held for sale	6(12)	-	480,371	-	-
2280	Current lease liabilities		70,988	88,495	84,568	2,796
2320	Long-term liabilities, current portion	6(15)(16)	8,704,639	-	-	-
2399	Other current liabilities		116,585	65,273	33,573	1,110
21XX	**Total current liabilities**		37,412,269	39,032,879	31,315,370	1,035,219
	Non-current liabilities					
2540	Long-term borrowings	6(16)	9,226,737	8,980,884	9,057,664	299,427
2570	Deferred income tax liabilities	6(29)	912,863	972,792	1,055,451	34,890
2580	Non-current lease liabilities		255,617	150,912	130,665	4,320
2600	Other non-current liabilities		96,430	399,767	379,606	12,549
25XX	**Total non-current liabilities**		10,491,647	10,504,355	10,623,386	351,186
2XXX	**Total liabilities**		47,903,916	49,537,234	41,938,756	1,386,405
	Equity					
	Equity attributable to owners of parent					
	Share capital	6(19)				
3110	Ordinary share		8,055,497	9,022,299	9,022,299	298,258
	Capital surplus	6(20)				
3200	Capital surplus		22,084,407	29,534,781	29,551,285	976,902
	Retained earnings	6(21)				
3310	Legal reserve		3,505,859	4,350,638	4,350,638	143,823
3320	Special reserve		1,717,913	2,948,306	2,948,306	97,465
3350	Unappropriated retained earnings		24,113,927	26,318,375	27,190,092	898,846
	Other equity interest	6(22)				
3400	Other equity interest		(1,387,770)	(5,014,697)	(5,746,428)	(189,965)
31XX	**Equity attributable to owners of parent**		58,089,833	67,159,702	67,316,192	2,225,329
36XX	**Non-controlling interest**		22,542,378	23,184,399	23,322,188	770,981
3XXX	**Total equity**		80,632,211	90,344,101	90,638,380	2,996,310
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 128,536,127	$ 139,881,335	$ 132,577,136	$ 4,382,715

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2019, DECEMBER 31, 2019 AND MARCH 31, 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(THE BALANCE SHEETS AS OF MARCH 31, 2019 AND 2020 ARE REVIEWED, NOT AUDITED)

			For the three-month periods ended March 31,		
			2019	2020	
	Items	Notes	NT$	NT$	US$
4000	**Operating revenue**	6(23), 7 and 14	$ 19,413,186	$ 17,512,438	$ 578,924
5000	**Operating costs**	6(5) and 7	(16,313,054)	(14,425,502)	(476,877)
5950	**Gross profit from operations**		3,100,132	3,086,936	102,047
	Operating expenses	6(24)			
6100	Selling expenses		(303,932)	(281,293)	(9,299)
6200	Administrative expenses		(873,673)	(722,892)	(23,897)
6300	Research and development expenses		(818,971)	(899,211)	(29,726)
6450	Expected credit losses in accordance with IFRS 9	12	10,973	32,215	1,065
6000	**Total operating expenses**		(1,985,603)	(1,871,181)	(61,857)
6900	**Net operating income**		1,114,529	1,215,755	40,190
	Non-operating income and expenses				
7010	Other income	6(26)	443,518	422,042	13,952
7020	Other gains and losses	6(27)	(360,977)	170,016	5,620
7050	Finance costs	6(28)	(231,487)	(124,739)	(4,123)
7000	**Total non-operating income and expenses**		(148,946)	467,319	15,449
7900	**Profit before income tax**		965,583	1,683,074	55,639
7950	Income tax expense	6(29)	(332,683)	(418,979)	(13,851)
8200	**Profit**		$ 632,900	$ 1,264,095	$ 41,788
	Other comprehensive income				
	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(7)(22)	27,448	(12,062)	(398)
	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	6(22)	1,763,015	(983,843)	(32,524)
8300	**Other comprehensive (loss) income**		1,790,463	(995,905)	(32,922)
8500	**Total comprehensive income**		2,423,363	268,190	8,866
	Profit attributable to:				
8610	Owners of the parent		382,327	871,717	28,817
8620	Non-controlling interests		250,573	392,378	12,971
			632,900	1,264,095	41,788
	Comprehensive income attributable to:				
8710	Owners of the parent		1,942,863	139,986	4,628
8720	Non-controlling interests		480,500	128,204	4,238
			2,423,363	268,190	8,866
	Basic earnings per share				
9750	**Basic earnings per share**	6(30)	0.48	0.97	0.03
	Diluted earnings per share				
9850	**Diluted earnings per share**	6(30)	0.47	0.97	0.03

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2019 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

		Equity attributable to owners of the parent									
				Retained earnings			Other equity interest				
	Notes	Ordinary share	Capital surplus-additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
2019— New Taiwan dollars											
Balance at January 1, 2019		$ 8,047,484	$ 22,000,657	$ 3,505,859	$ 1,717,913	$ 23,731,600	($ 2,879,635)	($ 68,671)	$ 56,055,207	$ 22,053,373	$ 78,108,580
Profit for the period		-	-	-	-	382,327	-	-	382,327	250,573	632,900
Other comprehensive income (loss) for the period	6(22)	-	-	-	-	-	1,533,088	27,448	1,560,536	229,927	1,790,463
Total comprehensive income		-	-	-	-	382,327	1,533,088	27,448	1,942,863	480,500	2,423,363
Conversion of convertible bonds	6(19)(20)	8,013	60,964	-	-	-	-	-	68,977	-	68,977
Compensation cost of employee restricted stock	6(18)	-	22,786	-	-	-	-	-	22,786	8,505	31,291
Balance at March 31, 2019		$ 8,055,497	$ 22,084,407	$ 3,505,859	$ 1,717,913	$ 24,113,927	($ 1,346,547)	($ 41,223)	$ 58,089,833	$ 22,542,378	$ 80,632,211
2020— New Taiwan dollars											
Balance at January 1, 2020		$ 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
Profit for the period		-	-	-	-	871,717	-	-	871,717	392,378	1,264,095
Other comprehensive income (loss) for the period	6(22)	-	-	-	-	-	(723,432)	(8,299)	(731,731)	(264,174)	(995,905)
Total comprehensive income		-	-	-	-	871,717	(723,432)	(8,299)	139,986	128,204	268,190
Compensation cost of employee restricted stock	6(18)	-	16,504	-	-	-	-	-	16,504	6,160	22,664
Changes in non-controlling interests - acquisition of the subsidiary		-	-	-	-	-	-	-	-	3,425	3,425
Balance at March 31, 2020		$ 9,022,299	$ 29,551,285	$ 4,350,638	$ 2,948,306	$ 27,190,092	($ 5,684,142)	($ 62,286)	$ 67,316,192	$ 23,322,188	$ 90,638,380

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2019 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

		Equity attributable to owners of the parent									
				Retained earnings			Other equity interest				
	Notes	Ordinary share	Capital surplus-additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
2020— US dollars											
Balance at January 1, 2020		$ 298,258	$ 976,356	$ 143,823	$ 97,465	$ 870,029	($ 163,990)	($ 1,785)	$ 2,220,156	$ 766,426	$ 2,986,582
Profit for the period		-	-	-	-	28,817	-	-	28,817	12,971	41,788
Other comprehensive income (loss) for the period	6(22)	-	-	-	-	-	(23,916)	(274)	(24,190)	(8,732)	(32,922)
Total comprehensive income		-	-	-	-	28,817	(23,916)	(274)	4,627	4,239	8,866
Compensation cost of employee restricted stock	6(18)	-	546	-	-	-	-	-	546	203	749
Changes in non-controlling interests - acquisition of the subsidiary		-	-	-	-	-	-	-	-	113	113
Balance at March 31, 2020		$ 298,258	$ 976,902	$ 143,823	$ 97,465	$ 898,846	($ 187,906)	($ 2,059)	$ 2,225,329	$ 770,981	$ 2,996,310

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	Notes	For the three-month periods ended March 31, 2019 NT$	2020 NT$	2020 US$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		$ 965,583	$ 1,683,074	$ 55,639
Adjustments				
Adjustments to reconcile profit (loss)				
Depreciation expense	6(24)	1,903,409	1,950,662	64,485
Amortisation expense	6(24)	30,985	41,576	1,374
Impairment losses		-	44,048	1,456
Reversal of expected credit losses	12	(10,973)	(32,215)	(1,065)
Losses on disposal of property, plant and equipment	6(27)	2,820	41,484	1,371
Interest income	6(26)	(351,661)	(237,209)	(7,842)
Interest expense	6(28)	231,487	124,739	4,124
Share-based payment	6(18)	31,291	22,664	749
Changes in operating assets and liabilities				
Changes in operating assets				
Financial assets at fair value through profit or loss		1,519	-	-
Notes receivable		(7,530)	27,561	911
Accounts receivable		9,376,479	12,306,589	406,830
Accounts receivable due from related parties		1,198,535	504,529	16,679
Other receivables		618,848	773,861	25,582
Inventories		3,028,366	(2,800,574)	(92,581)
Prepayments		(445,298)	403,694	13,345
Other current assets		89,464	374	12
Changes in operating liabilities				
Accounts payable		(7,917,667)	(3,471,969)	(114,776)
Accounts payable to related parties		(474,810)	(163,946)	(5,420)
Other payables		(2,222,701)	(2,018,951)	(66,742)
Other current liabilities		(20,993)	(31,346)	(1,036)
Cash inflow generated from operations		6,027,153	9,168,645	303,095
Income tax paid		(1,367,332)	(779,256)	(25,761)
Net cash flows from operating activities		4,659,821	8,389,389	277,334

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(UNAUDITED)

	Notes	For the three-month periods ended March 31, 2019 NT$	2020 NT$	2020 US$
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of financial assets at fair value through profit or loss		$ -	($ 553,020)	($ 18,282)
Decrease (increase) in current financial assets at amotised cost		(2,045,385)	1,467,396	48,510
Acquisition of property, plant and equipment	6(31)	(3,677,471)	(2,478,460)	(81,933)
Proceeds from disposal of property, plant and equipment		16,723	166,928	5,518
Acquisition of land right-of-use (within 'right-of-use assets')	6(31)	(974,498)	-	-
Increase in other non-current assets		(66,522)	(34,096)	(1,127)
Interest received		338,834	263,013	8,695
Net cash flows used in investing activities		(6,408,319)	(1,168,239)	(38,619)
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in short-term borrowings		(1,471,820)	(456,206)	(15,081)
Decrease in guarantee deposits received		(17,320)	(33,964)	(1,123)
Payments of lease liabilities		(23,604)	(22,818)	(754)
Interest paid		(161,430)	(60,702)	(2,007)
Change in non-controlling interests - acquisition of the subsidiary		-	3,425	113
Net cash flows used in financing activities		(1,674,174)	(570,265)	(18,852)
Effect of exchange rate changes on cash and cash equivalents		1,002,931	(776,783)	(25,678)
Net increase (decrease) in cash and cash equivalents		(2,419,741)	5,874,102	194,185
Cash and cash equivalents at beginning of period		40,652,973	38,280,304	1,265,465
Cash and cash equivalents at end of period		$ 38,233,232	$ 44,154,406	$ 1,459,650

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)
(UNAUDITED)

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 May 8, 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 2020 are as follows:

New, Revised or Amended Standards and Interpretations	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 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.

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

None.

(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' and International Accounting Standard 34, 'Interim financial reporting' as endorsed and issued into effect by the FSC.

(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 (%) March 31, 2019	Ownership (%) December 31, 2019	Ownership (%) March 31, 2020	Description
The Company	Zhen Ding Technology Co., Ltd.	Trading company	100	100	100	
The Company	Monterey Park Finance Limited (B.V.I.)	Holding company	100	100	100	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited (Cayman)	Holding company	100	100	100	
Monterey Park Finance Limited (B.V.I.)	Pacific Stand Enterprises Limited (Hong Kong)	Holding company	100	-	-	(a)
Monterey Park Finance Limited (B.V.I.)	Coppertone Enterprises Limited (B.V.I.)	Holding company	100	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) March 31, 2019	December 31, 2019	March 31, 2020	Description
Monterey Park Finance Limited (B.V.I.)	Pacific Fair International Limited (Hongkong)	Holding company	100	100	100	
Monterey Park Finance Limited (B.V.I.)	Henley International Limited (Hongkong)	Trading company	100	100	100	
Monterey Park Finance Limited (B.V.I.)	Qi Ding Technology Qinhuangdao Co., Ltd.	Manufacturing company	100	100	100	
Monterey Park Finance Limited (B.V.I.)	Huaian Jia Wei Industrial Development Co., Ltd	Trading company	100	100	100	(b)
Monterey Park Finance Limited (B.V.I.)	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Manufacturing company	-	-	-	(i)
Coppertone Enterprises Limited (B.V.I.)	Mayco Industrial Limited (Hong Kong)	Manufacturing company	100	100	100	
Mayco Industrial Limited (Hong Kong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	66.38	66.38	66.38	
Pacific Fair International Limited (Hong Kong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	6.44	6.44	6.44	
Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Manufacturing company	100	100	-	(h)
Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacturing company	100	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) March 31, 2019	Ownership (%) December 31, 2019	Ownership (%) March 31, 2020	Description
Avary Holding (Shenzhen) Co., Limited	Yu ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Qing ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Fu Bo Industry (Shenzhen) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Yun ding Technology (Shenzhen) Co., Ltd.	Trading company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Kui sheng Technology (Shenzhen) Co., Ltd.	Trading company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited (Hongkong)	Trading company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited (Singapore)	Holding company	100	100	100	(c)
Avary Holding (Shenzhen) Co., Limited	Avary Holding Investment (Shenzhen) Co., Ltd.	Investment company	-	-	100	(f)
Fu Bo Industry (Shenzhen) Co., Ltd	Zhan Yang Automation (Dongguan) Co., Ltd.	Trading company	-	-	60	(g)
Garuda International Limited (Hongkong)	Garuda Technology Co., Ltd.	Trading company	100	100	100	
Garuda International Limited (Hongkong)	Avary Japan Co., Ltd.	Trading company	-	100	100	(e)
Avary Singapore Private Limited (Singapore)	Avary Technology (India) Private Limited	Manufacturing company	-	100	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.

(f) On January 19, 2020, the Group invested in Avary Holding Investment (Shenzhen) Co., Ltd., located in Shenzhen, which has been included in the consolidation. It is mainly engaged in investment.

(g) On February 3, 2020, the Group invested in Zhan Yang Automation (Dongguan) Co., Ltd., located in Dongguan, which has been included in the consolidation. It is mainly engaged in manufacturing of automation equipment.

(h) For the year ended December 31, 2019, the Group has restructured the investment structure, and disposed all its equity interest in Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd. The registration was completed on March 12, 2020.

(i) The Group established Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd. in Shenzhen, and no capital was actually invested as the company registration is in the process.

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

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

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

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

As of March 31, 2019, December 31,2019 and March 31, 2020, the non-controlling interests of the Group amounted to $22,542,378, $23,184,399 and $23,322,188, respectively. The information on non-controlling interests and their subsidiaries is as follows:

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

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

Name of subsidiary	Principal place of business	Non-controlling interest March 31, 2020 Amount	Ownership	Description
Avary Holding (Shenzhen) Co., Limited	China	$ 23,318,792	27.18%	

Summary of the financial information of subsidiary

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

	March 31, 2019	December 31, 2019	March 31, 2020
Current assets	$ 61,068,573	$ 70,593,495	$ 63,499,811
Non-current assets	50,431,949	54,104,439	53,927,760
Current liabilities	(27,733,688)	(38,383,281)	(30,616,260)
Non-current liabilities	(827,936)	(1,013,604)	(1,012,399)
Total net assets	$ 82,938,898	$ 85,301,049	$ 85,798,912

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

	For the three-month periods ended March 31, 2019	2020
Revenue	$ 19,254,929	$ 17,113,115
Profit before income tax	1,229,273	1,809,395
Income tax expense	(307,356)	(365,719)
Profit	921,917	1,443,676
Other comprehensive income, net of tax	(45,580)	38,197
Total comprehensive income	$ 876,337	$ 1,481,873
Comprehensive income attributable to non-controlling interest	$ 480,500	$ 128,204

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

	For the three-month periods ended March 31,	
	2019	2020
Net cash from (used in) operating activities	$ 4,978,477	$ 7,571,961
Net cash used in investing activities	(5,126,684)	(1,480,305)
Net cash used in financing activities	(1,943,424)	(464,655)
Effect of exchange rate changes on cash and cash equivalents	807,350	(539,416)
Net increase (decrease) in cash and cash equivalents	(1,284,281)	5,087,585
Cash and cash equivalents at beginning of year	34,977,025	29,230,247
Cash and cash equivalents at end of year	$ 33,692,744	$ 34,317,832

(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 $30.83 (in dollars) to US $1 (in dollar) and NT $30.11 (in dollars) to US $1 (in dollar) for the three-month periods ended March 31, 2019 and 2020, respectively; the closing rates were NT $30.82 (in dollars) to US $1 (in dollar), NT $29.98 (in dollars) to US $1 (in dollars) and NT $30.23 (in dollars) to US $1 (in dollar) as of March 31, 2019, December 31, 2019 and March 31, 2020, 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 ~ 53 years
Machinery and equipment	2 ~ 10 years
Leased assets	20 years
Leasehold improvements	5 years
Other equipment	2 ~ 15 years

(17) Leases (lessee)

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.

(18) Intangible assets

A. Computer software

Computer software shell 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-own 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.

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

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.

F. The interim period income tax expense is accrued based on the estimated average annual effective income tax rate applied to the pretax income of the interim period, and the related information is disclosed accordingly.

G. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change in no connection with profit or loss is recognised in other comprehensive income or equity while the effect of the change in connection with profit or loss is recognised in profit or loss.

(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 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.

(32) Convenience translation into us dollars (unaudited)

The Group maintains its accounting records and prepares its financial statements in New Taiwan ("NT") dollars. The United States ("US") dollar amounts disclosed in the financial statements are presented solely for the convenience of the reader and were translated to US dollars at the rate of NT $30.25 : US $1.00, the noon buying rate in effect as of Federal Reserve Board on March 31, 2020 , as uniformly applied for all the financial statements accounts. Such translation amounts are unaudited and should not be construed as a representations that the NT dollar amounts represent, have been, or could in the future be converted into US dollars at that or any other rate.

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 March 31, 2020, the carrying amount of inventories was $11,248,681.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2019	December 31, 2019	March 31, 2020
Cash on hand and petty cash	$ 3,300	$ 3,285	$ 2,405
Checking accounts and demand deposits	18,830,978	26,733,935	28,649,142
Cash equivalents			
Time deposits	19,398,954	11,654,760	15,502,859
	38,233,232	38,391,980	44,154,406
Classification of non-current assets as held for sale	-	(111,676)	-
Cash and cash equivalents presented in the balance sheet	$ 38,233,232	$ 38,280,304	$ 44,154,406

A. As of March 31, 2019, December 31, 2019 and March 31, 2020, 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

Items	March 31, 2019	December 31, 2019	March 31, 2020
Current items - assets:			
Forward foreign exchange contracts	$ 1,918	$ -	$ -
Non-current items - assets:			
Privately funds	$ -	$ -	$ 553,149

A. The Group recognised net gain of $7,779 and $0 within 'financial assets at fair value through profit or loss for the three-month periods ended March 31, 2019 and 2020, respectively.

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

	March 31, 2019		
Derivative Instruments	Contract Amount (Notional Principal in thousands)		Contract Period
Current items:			
Forward foreign exchange contracts	RMB (BUY)	34,050	2019/1~2019/4
	USD (SELL)	(5,000)	

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 and March 31, 2020, the Group has no unsettled forward foreign exchange transactions.

D. The Group has classified Beijing Firstred M&A Fund that is considered to be strategic investments as financial assets at fair value through profit or loss.

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

(3) Notes and accounts receivable

	March 31, 2019	December 31, 2019	March 31, 2020
Notes receivable	$ 86,143	$ 51,209	$ 23,402
Accounts receivable	12,275,616	24,284,254	12,055,021
	12,361,759	24,335,463	12,078,423
Less: Allowance for bad debts	(29,099)	(75,922)	(44,343)
	$ 12,332,660	$ 24,259,541	$ 12,034,080

Accounts receivable due from related parties	$ 1,477,299	$ 2,833,199	$ 2,347,680
Less: Allowance for bad debts	(21,955)	(5,090)	(4,010)
	$ 1,455,344	$ 2,828,109	$ 2,343,670

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

	March 31, 2019	December 31, 2019	March 31, 2020
Not past due	$ 13,680,932	$ 27,080,296	$ 14,127,897
Between 1 and 90 days	155,729	84,908	281,077
Between 91 and 180 days	753	1,647	14,669
Over 180 days	1,644	1,811	2,460
	$ 13,839,058	$ 27,168,662	$ 14,426,103

B. As of March 31, 2019, December 31, 2019 and March 31, 2020, accounts receivable and notes receivable were all from contracts with customers. In addition, as of January 1, 2019, the balance of receivables arising from contracts with customers amounted to $24,338,283.

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

	March 31, 2019	December 31, 2019	March 31, 2020
Other receivables			
Guarantee deposits receivable	$ -	$ 206,899	$ 204,495
Interest income receivable	211,121	232,957	201,127
Business tax refundable	15,197	828,943	56,936
Others	37,821	37,548	57,369
	$ 264,139	$ 1,306,347	$ 519,927

	March 31, 2019	December 31, 2019	March 31, 2020
Prepayments			
Excess business tax paid	$ 3,221,340	$ 2,029,571	$ 1,588,649
Prepaid expenses	983,633	1,015,944	996,582
Others	10,009	14,522	-
	$ 4,214,982	$ 3,060,037	$ 2,585,231

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

(5) Inventories

	March 31, 2019		
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	$ 1,963,088	($ 218,323)	$ 1,744,765
Work in process	1,548,756	(96,564)	1,452,192
Finished goods	4,428,706	(380,319)	4,048,387
	$ 7,940,550	($ 695,206)	$ 7,245,344

	December 31, 2019		
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	$ 2,933,830	($ 224,729)	$ 2,709,101
Work in process	2,306,804	(92,292)	2,214,512
Finished goods	3,985,692	(392,443)	3,593,249
	$ 9,226,326	($ 709,464)	$ 8,516,862

	March 31, 2020		
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	$ 4,027,574	($ 277,688)	$ 3,749,886
Work in process	3,442,719	(256,123)	3,186,596
Finished goods	4,837,264	(525,065)	4,312,199
	$ 12,307,557	($ 1,058,876)	$ 11,248,681

Expenses and losses incurred on inventories for the three-month periods ended March 31, 2019 and 2020 are as follows:

	For the three-month periods ended March 31, 2019	For the three-month periods ended March 31, 2020
Cost of goods sold	$ 16,394,407	$ 14,218,407
Losses on valuation of inventory	49,739	357,916
Income from sale of scraps and wastes	(131,092)	(150,821)
	$ 16,313,054	$ 14,425,502

(6) Financial assets at amortised cost

	March 31, 2019	December 31, 2019	March 31, 2020
Current items:			
Guaranteed income financial products	$ 1,849,200	$ 3,835,070	$ 3,000,943
Time deposits with maturity of over three months	8,882,154	955,852	307,549
Corporate bonds	277,993	-	-
	$ 11,009,347	$ 4,790,922	$ 3,308,492

A. Please refer to Note 6(26) for interest income arising from financial assets at amortised cost recognised in profit or loss for the three-month periods ended March 31, 2019 and 2020.

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

	March 31, 2019	December 31, 2019	March 31, 2020
Equity instruments			
Unlisted stock	$ 120,992	$ 257,184	$ 257,184
Valuation adjustment	(41,223)	(57,197)	(69,259)
Net exchange differences	(152)	(6,183)	(7,939)
	$ 79,617	$ 193,804	$ 179,986

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 three-month periods ended March 31, 2019	For the three-month periods ended March 31, 2020
Equity instruments	$ 27,448	($ 12,062)

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
At January 1, 2019						
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)
	$ 51,075	$ 10,733,238	$ 20,021,786	$ 6,082,819	$ 5,024,248	$ 41,913,166
2019						
Opening net carrying amount	$ 51,075	$ 10,733,238	$ 20,021,786	$ 6,082,819	$ 5,024,248	$ 41,913,166
Additions (transfers)	-	271,533	396,172	625,034	516,842	1,809,581
Disposals	-	-	(7,492)	(1,994)	(10,057)	(19,543)
Depreciation expense	-	(283,826)	(1,059,384)	(469,335)	-	(1,812,545)
Net exchange differences	(148)	275,925	412,044	155,691	132,484	975,996
Closing net carrying amount	$ 50,927	$ 10,996,870	$ 19,763,126	$ 6,392,215	$ 5,663,517	$ 42,866,655
At March 31, 2019						
Cost	$ 50,927	$ 18,361,416	$ 40,816,284	$ 13,265,950	$ 5,760,559	$ 78,255,136
Accumulated depreciation and impairment	-	(7,364,546)	(21,053,158)	(6,873,735)	(97,042)	(35,388,481)
	$ 50,927	$ 10,996,870	$ 19,763,126	$ 6,392,215	$ 5,663,517	$ 42,866,655

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
At January 1, 2020						
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)
	$ 51,068	$ 13,419,200	$ 20,242,510	$ 7,185,907	$ 5,343,928	$ 46,242,613
2020						
Opening net carrying amount	$ 51,068	$ 13,419,200	$ 20,242,510	$ 7,185,907	$ 5,343,928	$ 46,242,613
Additions (transfers)	-	643,875	380,449	123,906	973,494	2,121,724
Disposals	-	-	(137,668)	(70,744)	-	(208,412)
Depreciation expense	-	(332,278)	(1,018,492)	(514,507)	-	(1,865,277)
Impairment losses	-	-	(44,048)	-	-	(44,048)
Reclassification	-	(725,633)	1,094,839	(287,698)	(351,324)	(269,816)
Net exchange differences	(37)	(150,337)	(237,221)	(73,965)	(74,619)	(536,179)
Closing net carrying amount	$ 51,031	$ 12,854,827	$ 20,280,369	$ 6,362,899	$ 5,891,479	$ 45,440,605
At March 31, 2020						
Cost	$ 51,031	$ 19,812,091	$ 41,199,702	$ 13,981,128	$ 5,891,479	$ 80,935,431
Accumulated depreciation and impairment	-	(6,957,264)	(20,919,333)	(7,618,229)	-	(35,494,826)
	$ 51,031	$ 12,854,827	$ 20,280,369	$ 6,362,899	$ 5,891,479	$ 45,440,605

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 $44,048 for the three-month period ended March 31, 2020. The amounts recognised for the three-month period ended March 31, 2020 were shown within the 'operating costs' of $40,980 and the 'other gains and losses' of $3,068. 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:

	March 31, 2019	December 31, 2019	March 31, 2020
	Carrying amount	Carrying amount	Carrying amount
Land right-of-use	$ 8,503,771	$ 7,799,693	$ 7,647,501
Buildings	290,348	217,119	196,567
Transportation equipment (official vehicles)	35,084	18,838	14,874
	$ 8,829,203	$ 8,035,650	$ 7,858,942

	For the three-month periods ended March 31,	
	2019	2020
	Depreciation expense	Depreciation expense
Land right-of-use	$ 66,091	$ 62,116
Buildings	20,460	19,475
Transportation equipment (official vehicles)	4,313	3,794
	$ 90,864	$ 85,385

The acquisition of the right-of-use assets for the three-month periods ended March 31, 2019 and 2020 amounted to $690,481 and $1,093, respectively.

C. As of March 31, 2020, 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:

	For the three-month periods ended March 31,	
	2019	2020
Items affecting current profit or loss		
Interest expense from lease liabilities	$ 2,440	$ 1,639
Rental expenses for short-term lease contracts	$ 36,077	$ 95,832

E. The cash flows used in the lease payments of the Group for the three-month periods ended March 31, 2019 and 2020 amounted to $1,036,619 and $120,289, respectively.

(10) Intangible assets

	March 31, 2019	December 31, 2019	March 31, 2020
Software	$ 120,198	$ 270,859	$ 529,169
Goodwill	92,019	89,511	90,258
	$ 212,217	$ 360,370	$ 619,427

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

	March 31, 2019	December 31, 2019	March 31, 2020
Prepayments for business facilities	$ 99,462	$ 171,096	$ 161,438
Refundable deposits	46,556	102,417	101,871
Others	185,468	163,631	164,865
	$ 331,486	$ 437,144	$ 428,174

(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 was on March 12, 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	$ 161,211

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	$ 480,371

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

	March 31, 2019	December 31, 2019	March 31, 2020
Credit loans	$ 7,890,825	$ 9,682,812	$ 9,185,547
Interest rate range	2.86%~4.79%	2.17%~2.56%	1.42%~3.92%

(14) Other payables

	March 31, 2019	December 31, 2019	March 31, 2020
Payable on machinery and equipment	$ 2,420,949	$ 3,927,125	$ 3,528,727
Wages and bonuses payable	2,552,003	3,840,859	3,285,354
Payable on mold and jig	1,145,024	1,485,561	828,358
Repairs and maintenance fees payable	719,474	830,379	457,707
Payable on consumable goods	364,233	375,025	153,773
Others	2,066,568	1,990,571	1,785,087
	$ 9,268,251	$ 12,449,520	$ 10,039,006

(15) Bonds payable

	March 31, 2019	December 31, 2019	March 31, 2020
2nd overseas unsecured convertible bonds:			
Bonds payable	$ 8,752,198	$ -	$ -
Less: Discount on bonds payable	(47,559)	-	-
	8,704,639	-	-
Less:Current portion of bonds payable (within 'long-term liabilities, current portion')	(8,704,639)	-	-
Bonds payable	$ -	$ -	$ -

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

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)
		$ 8,980,884
Interest rate		3.02%

Type of borrowings	Borrowing period and repayment term	March 31, 2020
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.	$ 9,069,000
Less: Syndicated loan arrangement fees		(11,336)
		$ 9,057,664
Interest rate		3.02%

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.

(17) Pensions

A. Defined benefit plans

(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) The pension costs under defined contribution pension plans of the Group for the three month periods ended March 31, 2019 and 2020, were $14 and $9, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2021 amount to $15.

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 $6,707 and $9,010 for the three-month periods ended March 31, 2019 and 2020, respectively.

(b) The Mainland China subsidiaries of the Group have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China are based on certain percentage of employees' monthly salaries and wages with the contribution percentage of 10%~20%, and pension is contributed to the employees' individual pension accounts. Pension of each employee is managed by the government. Other than the monthly contributions, the Group has no further obligations. The pension expenses recognised in accordance with local regulations were $231,685, and $156,600 for the three-month periods ended March 31, 2019 and 2020, 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 three-month periods ended March 31,	
	2019	2020
Outstanding at January 1	185,080	183,272
Numbers granted during the periods	-	-
Numbers returned during the periods	-	-
Outstanding at March 31	185,080	183,272

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

	For the three-month periods ended March 31,	
	2019	2020
Expenses incurred on employee restricted stocks	$ 31,291	$ 22,664

(19) Share capital

A. As of March 31, 2020, 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 three-month periods ended March 31,	
	2019	2020
	Number of shares (shares in thousands)	Number of shares (shares in thousands)
At January 1	804,748	902,230
Conversion of overseas convertible bonds	801	-
At March 31	805,549	902,230

B. The 2nd overseas unsecured convertible bonds with par value of USD 2,300 thousand were converted to 'ordinary share' of 801 thousand shares with a par value of $10 in New Taiwan dollars, and the paid-in capital increased $8,013 for the three-month period ended March 31, 2019.

(20) Capital surplus

	For the three-month periods ended March 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	-	-	-	-	22,786	22,786
Redemption of bonds payable	-	67,701	(6,737)	-	-	60,964
At March 31	$ 5,690,348	$ 5,441,052	$ 826,595	$45,659	$10,080,753	$ 22,084,407

	For the three-month periods ended March 31, 2020				
	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bond conversion	Expired share options	Changes in non-controlling interests	Total
At January 1	$ 5,690,348	$ 13,624,555	$ 59,426	$ 10,160,452	$ 29,534,781
Employee restricted stocks	-	-	-	16,504	16,504
At March 31	$ 5,690,348	$ 13,624,555	$ 59,426	$ 10,176,956	$ 29,551,285

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. On March 30, 2020, the Board of Directors proposed for the appropriation of cash dividends from 2019 earnings, and the appropriations of 2018 earnings have been approved by the shareholders during their meeting on June 21, 2019. Details are summarised as follows:

	2018		2019	
	Amount	Dividends per share (in New Taiwan dollars)	Amount	Dividends per share (in New Taiwan dollars)
General reserve	$ 844,779		$ 868,520	
Special reserve	1,230,393		2,066,391	
Cash dividends	4,023,742	4.46	4,060,034	4.50
Total	$ 6,098,914		$ 6,994,945	

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.

(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	27,448	-	27,448
Currency translation differences:			
–Group	-	1,533,088	1,533,088
At March 31, 2019	($ 41,223)	($ 1,346,547)	($ 1,387,770)

	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, 2020	($ 53,987)	($ 4,960,710)	($ 5,014,697)
Valuation adjustment	(8,299)	-	(8,299)
Currency translation differences:			
–Group	-	(723,432)	(723,432)
At March 31, 2020	($ 62,286)	($ 5,684,142)	($ 5,746,428)

(23) Operating revenue

	For the three-month periods ended March 31,	
	2019	2020
Revenue from contracts with customers	$ 19,413,186	$ 17,512,438

The Group derives revenue from the transfer of goods and services at a point in time, and the Group's geographical revenue based on the countries where customers are located:

	For the three-month periods ended March 31,	
	2019	2020
Revenue from contracts with customers		
U.S.A.	$ 12,528,715	$ 10,017,022
Mainland China	4,627,535	5,238,181
Taiwan	1,242,514	989,877
Others	1,014,422	1,267,358
	$ 19,413,186	$ 17,512,438

(24) Expenses by nature

	For the three-month periods ended March 31,	
	2019	2020
Employee benefit expense	$ 2,906,905	$ 3,091,273
Depreciation expense	1,903,409	1,950,662
Amortisation expense	30,985	41,576
	$ 4,841,299	$ 5,083,511

(25) Employee benefit expense

	For the three-month periods ended March 31,	
	2019	2020
Wages and salaries	$ 2,227,737	$ 2,468,590
Employees' remuneration	8,201	7,979
Labor and health insurance fees	127,178	110,706
Pension expenses	238,406	165,619
Other personnel expenses	305,383	338,379
	$ 2,906,905	$ 3,091,273

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 three-month periods ended March 31, 2019 and 2020, employees' remunerations were accrued of $8,201 and $7,979, respectively; while directors' remunerations were accrued of $1,757 and $2,620, respectively.

C. Employees' remuneration and directors' remuneration of the Board of Directors' resolution for the year ended December 31, 2019 were equal to the amount recognised in the financial statements for the year ended December 31, 2019.

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 three-month periods ended March 31,	
	2019	2020
Interest income		
Interest income from bank deposits	$ 268,092	$ 122,925
Interest income from financial assets at amortised cost	83,569	114,284
Government grant revenue	74,638	169,448
Others	17,219	15,385
	$ 443,518	$ 422,042

(27) Other gains and losses

	For the three-month periods ended March 31,	
	2019	2020
Net currency exchange gains (losses)	($ 352,248)	$ 216,544
Net losses on disposal of property, plant and equipment	(2,820)	(41,484)
Net gains on financial assets at fair value through profit or loss	7,779	-
Others	(13,688)	(5,044)
	($ 360,977)	$ 170,016

(28) Finance costs

	For the three-month periods ended March 31,	
	2019	2020
Interest expense		
Bank borrowings	$ 179,287	$ 121,218
Amortisation of convertible bond discounts	47,833	-
Amortisation of syndicated loan arrangement fees	1,927	1,882
Interest expense from lease liabilities	2,440	1,639
	$ 231,487	$ 124,739

(29) Income tax

A. Components of income tax expense:

	For the three-month periods ended March 31,	
	2019	2020
Current tax:		
Tax payable arising from the current period	$ 251,379	$ 341,824
Total current tax	251,379	341,824
Deferred tax:		
Origination and reversal of temporary differences	$ 81,304	$ 77,155
Total deferred tax	81,304	77,155
Income tax expense	$ 332,683	$ 418,979

B. 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.

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

(30) Earnings per share

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

	For the three-month period ended March 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in New Taiwan dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 871,717	902,230	$ 0.97
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 871,717	902,230	
Assumed conversion of all dilutive potential ordinary shares			
Employees' remuneration	-	884	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	$ 871,717	903,114	$ 0.97

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) Additional information of cash flows

A. Investing activities with partial cash payments

	For the three-month periods ended March 31,	
	2019	2020
Acquisition of property, plant and equipment	$ 1,809,581	$ 2,121,724
Add: Opening balance of payable on machinery and equipment (within 'other payables')	4,190,436	3,927,125
Less: Ending balance of payable on machinery and equipment (within 'other payables')	(2,420,949)	(3,528,727)
Net exchange differences	98,403	(41,662)
Cash paid during the period	$ 3,677,471	$ 2,478,460

	For the three-month periods ended March 31,2019
Acquisition of land right-of-use	$ 675,225
Add: Opening balance of payable on land right-of-use (within 'other payables')	292,776
Net exchange differences	6,497
Cash paid during the period	$ 974,498

B. Financing activities without cash flow effects

	For the three-month periods ended March 31,2019
Convertible bonds converted to ordinary share	$ 8,013
Capital surplus	
Additional paid-in capital arising from bond conversion	67,701
Share options	(6,737)
Convertible bonds converted to equity	$ 68,977

C. Changes in liabilities from financing activities

For the three-month periods ended March 31, 2019 and 2020, 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

Names of related parties and relationship	Relationship with the Company
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:

	For the three-month periods ended March 31,	
	2019	2020
Sales of goods:		
Entity with significant influence over the Company	$ 1,130,496	$ 1,162,347
Other related parties	167,265	765,380
	$ 1,297,761	$ 1,927,727

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:

	For the three-month periods ended March 31,	
	2019	2020
Purchases of goods:		
Entity with significant influence over the Company	$ 133,572	$ 97,186
Other related parties	305,624	716,039
	$ 439,196	$ 813,225

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:

	March 31, 2019	December 31, 2019	March 31, 2020
Accounts receivable - related parties:			
Entity with significant influence over the Company	$ 1,344,171	$ 2,587,592	$ 1,531,088
Other related parties	133,128	245,607	816,592
	1,477,299	2,833,199	2,347,680
Allowance for bad debts	(21,955)	(5,090)	(4,010)
	$ 1,455,344	$ 2,828,109	$ 2,343,670

D. Accounts payable:

	March 31, 2019	December 31, 2019	March 31, 2020
Accounts payable - related parties:			
Entity with significant influence over the Company	$ 93,530	$ 122,034	$ 55,917
Other related parties	479,079	456,976	354,513
	$ 572,609	$ 579,010	$ 410,430

(3) Key management compensation

	For the three-month periods ended March 31,	
	2019	2020
Short-term employee benefits	$ 19,259	$ 22,850

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	March 31, 2019	December 31, 2019	March 31, 2020
Property, plant and equipment	$ 262,757	$ 323,591	$ 778,400

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

	March 31, 2019	December 31, 2019	March 31, 2020
Unused letters of credit	$ 1,102,912	$ 1,946,326	$ 3,622,486

C. 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. The exchange ratio is temporarily that one ordinary share of Boardtek Electronics Corporation will be temporarily converted to 0.2 ordinary share of

Zhen Ding Technology Holding Limited.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On May 8, 2020, the Board of Directors of the Group proposed for the issuance of 3rd overseas unsecured convertible bonds.

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

	March 31, 2019	December 31, 2019	March 31, 2020
Financial assets			
Financial assets at amortised cost	$ 63,832,034	$ 71,465,606	$ 62,360,575
Financial assets at fair value through profit or loss	1,918	-	553,149
Financial assets at fair value through other comprehensive income	79,617	193,804	179,986
	$ 63,913,569	$ 71,659,410	$ 63,093,710
Financial liabilities			
Financial liabilities at amortised cost	$ 45,310,318	$ 45,710,492	$ 39,088,234
Lease liabilities	326,605	239,407	215,233
	$ 45,636,923	$ 45,949,899	$ 39,303,467

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

<u>Foreign exchange risk</u>

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:

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

(Foreign currency: functional currency)	December 31, 2019 Foreign currency amount (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	For the year ended December 31, 2019 Sensitivity analysis Degree of variation	Effect on comprehensive income
Financial assets					
Monetary items					
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
Net effect in consolidated entities with foreign currency					
USD:NTD	2,536,935	29.98	76,057,311	1%	760,573
Financial liabilities					
Monetary items					
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)	March 31, 2020 Foreign currency amount (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	For the three-month periods ended March 31, 2020 Sensitivity analysis Degree of variation	Effect on comprehensive income
Financial assets					
Monetary items					
USD:NTD	259,922	30.23	$7,857,442	1%	$ 78,574
USD:RMB	891,465	7.0851	26,875,086	1%	268,751
Net effect in consolidated entities with foreign currency					
USD:NTD	2,526,754	30.23	76,383,773	1%	763,838
Financial liabilities					
Monetary items					
USD:NTD	47,627	30.23	1,439,764	1%	14,398
USD:RMB	523,473	7.0851	15,781,195	1%	157,812
JPY:RMB	4,453,202	0.0655	1,241,120	1%	12,411

v. Please refer to Note 6(27) for the total exchange gain including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2019 and 2020.

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 $10,711 and $11,409 for the three-month periods ended March 31, 2019 and 2020, 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:

<u>Cash and cash equivalents</u>

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.

<u>Financial assets at amortised cost</u>

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.

<u>Accounts receivable (including due from related parties)</u>

(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 March 31, 2019, December 31, 2019 and March 31, 2020, the individual

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

	Individual	Group 1	Group 2	Group 3	Group 4	Total
As of March 31, 2019						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total carrying amount	$ -	$ 9,739,204	$2,417,239	$ -	$1,682,615	$ 13,839,058
Loss allowance	$ -	($ 2,922)	($ 1,692)	$ -	($ 46,440)	($ 51,054)

	Individual	Group 1	Group 2	Group 3	Group 4	Total
As of December 31, 2019						
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)

	Individual	Group 1	Group 2	Group 3	Group 4	Total
As of March 31, 2020						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total carrying amount	$ -	$ 6,724,578	$5,284,968	$ 540,428	$1,876,129	$14,426,103
Loss allowance	$ -	($ 2,017)	($ 3,699)	($ 2,972)	($ 39,665)	($ 48,353)

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:

	For the three-month periods ended March 31,	
	2019	2020
Opening balance	$ 61,904	$ 81,012
Provision for impairment	(10,973)	(32,215)
Net exchange differences	123	(444)
Ending balance	$ 51,054	$ 48,353

Other receivables

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

Financial assets at fair value through other comprehensive income

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

(c) Liquidity risk

i. Cash flow forecasting is performed by each Group entity and aggregated by the Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient undrawn committed borrowing facilities (Note 6) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and applicable external regulatory or legal requirements, such as foreign currency restrictions.

ii. The Group has the following undrawn borrowing facilities:

	March 31, 2019	December 31, 2019	March 31, 2020
Expiring within one year	$ 42,745,722	$ 34,800,762	$ 35,964,697
Expiring over one year	9,650,686	11,343,144	15,496,080
	$ 52,396,408	$ 46,143,906	$ 51,460,777

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-dervative financial liabilities:

March 31, 2019	Within one year	Over one year	Total
Bonds payable	$ 8,752,198	$ -	$ 8,752,198
Long-term borrowings	-	9,246,000	9,246,000
Guarantee deposits received	-	96,430	96,430
Lease liabilities	76,988	265,076	342,064
	$ 8,829,186	$ 9,607,506	$ 18,436,692

Non-dervative financial liabilities:

December 31, 2019	Within one year	Over one year	Total
Long-term borrowings	$ -	$ 8,994,000	$ 8,994,000
Guarantee deposits received	-	179,511	179,511
Lease liabilities	95,128	156,246	251,374
	$ 95,128	$ 9,329,757	$ 9,424,885

Non-dervative financial liabilities:

March 31, 2020	Within one year	Over one year	Total
Long-term borrowings	$ -	$ 9,069,000	$ 9,069,000
Guarantee deposits received	-	143,895	143,895
Lease liabilities	90,594	134,651	225,245
	$ 90,594	$ 9,347,546	$ 9,438,140

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:

	March 31, 2019			
	Carrying	Fair value		
	amount	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at amortised cost - corporate bond	$ 277,993	$ 276,339	$ -	$ -
Financial liabilities:				
Bonds payable	$ 8,704,639	$ -	$ 8,732,984	$ -
Guarantee deposits received	96,430	-	96,228	-
Total	$ 8,801,069	$ -	$ 8,829,212	$ -

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

	March 31, 2020			
	Carrying	Fair value		
	amount	Level 1	Level 2	Level 3
Financial liabilities:				
Guarantee deposits received	$ 143,895	$ -	$ 143,593	$ -

(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 is as follows:

March 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss	$ -	$ 1,918	$ -	$ 1,918
Financial assets at fair value through other comprehensive income	$ -	$ -	$ 79,617	$ 79,617

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

March 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss	$ -	$ -	$ 553,149	$ 553,149
Financial assets at fair value through other comprehensive income	$ -	$ -	$ 179,986	$ 179,986

(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 three-month periods ended March 31, 2019 and 2020 are as follows:

	For the three-month periods ended March 31,		
	2019	2020	
	Equity securities	Equity securities	Debt securities
Opening balance	$ 52,473	$ 193,804	$ -
Acquisition of financial assets at fair value through profit or loss	-	-	553,020
Unrealised gains (losses) from financial assets at fair value through other comprehensive income	27,448	(12,062)	-
Net exchange differences	(304)	(1,756)	129
Ending balance	$ 79,617	$ 179,986	$ 553,149

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

(b) The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value as of March 31, 2019	Valuation technique	Significant unobservale input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	$ 79,617	Market comparable companies	Enterprise value to EBIT multiple	8.06~19.57 [9.54]	The higher the EBIT, the higher the fair value
			Price to net value multiple	1.18~8.39 [2.09]	The higher the net value, the higher the fair value

	Fair value as of December 31, 2019	Valuation technique	Significant unobservale input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	$ 75,783	Market comparable companies	Enterprise value to EBIT multiple	9.40~33.88 [10.01]	The higher the EBIT,the higher the fair value
			Price to net value multiple	1.19~8.41 [1.83]	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 March 31, 2020	Valuation technique	Significant unobservale input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	$ 77,430	Market comparable companies	Enterprise value to EBIT multiple	6.30~25.96 [7.80]	The higher the EBIT, the higher the fair value
			Price to net value multiple	1.11~5.94 [2.00]	The higher the net value, the higher the fair value
Unlisted shares	$ 102,556	Market comparable companies	Enterprise value to EBIT multiple	32.27~87.79 [43.42]	The higher the EBIT, the higher the fair value
Debt securities:					
Funds	$ 553,149	The lastest transaction price	Not applicable	Not applicable	Not applicable

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

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

			For the three-month periods ended March 31, 2020	
			Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instrumen	$ 179,986	±1%	$ 1,800	($ 1,800)
Debt instrument	553,149	±1%	5,531	(5,531)
			$ 7,331	($ 7,331)

E. For the three-month periods ended March 31, 2019 and 2020, there was no transfer between Level 1 and Level 2.

F. For the three-month periods ended March 31, 2019 and 2020, 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: Please refer to table 4.

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 5.

H. Receivables from related parties reaching NT $100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative financial instruments: None.

J. The business relationship and significant transactions between the inter-companies: Please refer to table 7.

(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 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

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

(4) Information on major shareholders

Information on major shareholders: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

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

(2) Reportable segment information

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

	For the three-month periods ended March 31,	
	2019	2020
Revenue from external customers	$ 19,400,592	$ 17,512,438
Inter-segment revenue	-	-
Segments' revenue	$ 19,400,592	$ 17,512,438
Measure of segment profit	$ 1,330,647	$ 1,250,433

(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 the reconciliation from reportable segments' profit to profit or loss for the period are as follows:

	For the three-month periods ended March 31,	
	2019	2020
Reportable segment's revenue	$ 19,400,592	$ 17,512,438
Other operating segments' revenue	12,594	-
Total segment revenue (i.e., the consolidated revenue)	$ 19,413,186	$ 17,512,438

	For the three-month periods ended March 31,	
	2019	2020
Reportable segment's profit	$ 1,330,647	$ 1,250,433
Other operating segments' profit	4,751	-
Total segment profit	1,335,398	1,250,433
Interest income and finance costs	120,174	112,470
Net foreign exchange gains (losses)	(352,248)	216,544
Net gains on financial assets at fair value through profit or loss	7,779	-
Others	(478,203)	(315,352)
Profit (losses)	$ 632,900	$ 1,264,095

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

LOANS TO OTHERS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the three-month periods ended March 31, 2020 (Note 3)	Balance at March 31, 2020 (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 Item	Collateral Value	Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
0	The Company	Monterey Park Financial Limited	Other receivables	Yes	$ 302,250	$ 302,250	$ -	-	Short-term financing	$ -	Operation requirements	$ -	None	$ -	$ 26,926,477	$ 26,926,477	
1	FAT Holdings Limited	Monterey Park Financial Limited	Other receivables	Yes	302,250	302,250	-	-	Short-term financing	-	Operation requirements	-	None	-	3,768,647	5,276,106	
2	Mayco Industrial Limited	The Company	Other receivables	Yes	4,956,900	4,956,900	1,178,775	3.30%	Short-term financing	-	Operation requirements	-	None	-	303,879,410	425,431,174	
2	Mayco Industrial Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	1,511,250	1,511,250	604,500	3.10%~ 3.30%	Short-term financing	-	Operation requirements	-	None	-	303,879,410	425,431,174	
2	Mayco Industrial Limited	Henley International Limited	Other receivables	Yes	906,750	906,750	-	-	Short-term financing	-	Operation requirements	-	None	-	303,879,410	425,431,174	
3	Pacific Fair International Limited	The Company	Other receivables	Yes	2,720,250	2,720,250	2,569,125	3.30%	Short-term financing	-	Operation requirements	-	None	-	47,055,719	65,878,007	
4	Monterey Park Finance Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	302,250	302,250	-	-	Short-term financing	-	Operation requirements	-	None	-	368,509,476	515,913,266	

No.	Lender	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three-month periods ended March 31, 2020 (Note 3)	Balance at March 31, 2020 (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 Item	Collateral Value	Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
5	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Other receivables	Yes	$ 638,250	$ 638,250	$ -	-	Short-term financing	$ -	Operation requirements	-	None	-	$ 627,555	$ 627,555	(5)
6	Garuda International Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	1,511,250	1,511,250	-	-	Short-term financing	-	Operation requirements	-	None	-	15,402,503	21,563,504	
6	Garuda International Limited	Avary Technology (India) Private Limited	Other receivables	Yes	906,750	906,750	-	-	Short-term financing	-	Operation requirements	-	None	-	1,232,200	1,232,200	
6	Garuda International Limited	Avary Singapore Private Limited	Other receivables	Yes	453,375	453,375	302,310	2.90%	Short-term financing	-	Operation requirements	-	None	-	15,402,503	21,563,504	
7	Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Other receivables	Yes	85,100	85,100	-	-	Short-term financing	-	Operation requirements	-	None	-	34,318,206	34,318,206	
7	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Other receivables	Yes	10,637,500	10,637,500	3,552,925	4.15%~ 4.35%	Short-term financing	-	Operation requirements	-	None	-	34,318,206	34,318,206	
7	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	5,106,000	5,106,000	3,712,488	4.05%~ 4.35%	Short-term financing	-	Operation requirements	-	None	-	34,318,206	34,318,206	
7	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industry (Shenzhen) Co., Ltd.	Other receivables	Yes	851,000	851,000	225,515	4.35%	Short-term financing	-	Operation requirements	-	None	-	34,318,206	34,318,206	

Table 1, Page 2

No.	Lender	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three-month periods ended March 31, 2020 (Note 3)	Balance at March 31, 2020 (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 Item	Collateral Value	Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
7	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	$ 6,382,500	$ 6,382,500	$ 2,284,935	4.05%~ 4.20%	Short-term financing	$ -	Operation requirements	-	None	-	$ 34,318,206	$ 34,318,206	
7	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	2,127,500	2,127,500	676,545	4.05%~ 4.35%	Short-term financing	-	Operation requirements	-	None	-	34,318,206	34,318,206	
7	Avary Holding (Shenzhen) Co., Limited	Kui Sheng Technology (Shenzhen) Co., Ltd.	Other receivables	Yes	340,400	340,400	-	-	Short-term financing	-	Operation requirements	-	None	-	34,318,206	34,318,206	

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.

Note 5: The Group established Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd. in Shenzhen, and no capital was actually invested as the company registration is in the process.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

PROVISION OF ENDORSEMENTS AND GUARANTEES TO OTHERS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: 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 three-month periods ended March 31, 2020 (Note 5)	Outstanding endorsement/ guarantee amount at March 31, 2020 (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	The Company	Qi Ding Technology Qinhuangdao Co., Ltd.	2	$ 6,731,619	$ 604,500	$ 604,500	$ 604,500	$ -	0.90%	$ 67,316,193	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)

MARCH 31, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

				As of March 31, 2020				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares	Carrying amount (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Zhen Ding Technology Co., Ltd.	Synpower Co., Ltd.	None	Financial assets at fair value through other comprehensive income	2,200,000	$ 77,430	9.02%	$ 77,430	
Avary Holding (Shenzhen) Co., Limited	Jiangsu Aisen Semiconductor Material Co., Ltd.	None	Financial assets at fair value through other comprehensive income	2,600,000	102,556	4.26%	102,556	
Avary Holding Investment (Shenzhen) Co., Ltd.	Beijing Firstred M&A Fund	None	Financial assets at fair value through profit or loss	-	553,149	4.88%	553,149	

Note 1: In accordance with IFRS9, 'Financial instruments', marketable securities in the table refer to shares, bonds, beneficiary certificates and other related derivative securities.

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

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

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

ACQUISITION OR SALE OF THE SAME SECURITY WITH THE ACCUMULATED COST EXCEEDING $300 MILLION OR 20% OF THE COMPANY'S PAID-IN CAPITAL

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

Table 4

Expressed in thousands of foreign currency

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2020		Addition (Note 3)		Disposal (Note 3)				Balance as at March 31, 2020	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Carrying amount	Gain (loss) on disposal	Number of shares	Amount
Avary Holding Investment (Shenzhen) Co., Ltd.	Beijing Firstred M&A Fund	Financial assets at fair value through profit or loss	Firstred Fund Management (Beijing) Co., Ltd.	None	-	-	-	RMB 130,000	-	-	-	-	-	RMB 130,000

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.
Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.
Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT $300 million or 20% of paid-in capital or more.
Note 4: The gain on disposal of the matured financial assets at amortised cost is interest income.
Note 5: Paid-in capital referred to herein is the paid-in capital of parent company.

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 THREE-MONTH PERIOD ENDED MARCH 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect subsidiary	Sales	$ 3,741,857	59	60 days from the shipping date	Note 2	Note 2	$ 2,892,719	47	
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect subsidiary	Sales	2,018,627	32	60 days from the shipping date	Note 2	Note 2	2,583,932	42	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect subsidiary	Sales	7,113,953	83	60 days from invoice date	Note 2	Note 2	5,688,812	80	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect subsidiary	Sales	1,341,885	16	90 days from invoice date	Note 2	Note 2	1,205,881	17	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect subsidiary	Sales	139,122	2	60 days from invoice date	Note 2	Note 2	170,873	2	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect subsidiary	Sales	553,797	73	60 days from the shipping date	Note 2	Note 2	272,701	58	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect subsidiary	Sales	123,165	16	60 days from the shipping date	Note 2	Note 2	115,112	24	

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect subsidiary	Sales	$ 3,440,910	84	60 days from invoice date	Note 2	Note 2	$ 2,626,615	81	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect subsidiary	Sales	631,723	15	60 days from the shipping date	Note 2	Note 2	544,550	17	
Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	An indirect subsidiary	Sales	274,024	66	60 days from the received date	Note 2	Note 2	242,320	59	
Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect subsidiary	Sales	212,867	100	60 days from the received date	Note 2	Note 2	237,491	100	
Henley International Limited	Zhen Ding Technology Co., Ltd.	An indirect subsidiary	Sales	274,647	100	90 days from the shipping date	Note 2	Note 2	242,986	100	
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect subsidiary	Sales	1,386,257	10	90 days from the first day of next month of shipping	Note 2	Note 2	621,631	6	
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect subsidiary	Sales	280,520	2	90 days from the first day of next month of shipping	Note 2	Note 2	1,264,983	12	
Garuda International Limited	Foxconn (Far East) and its subsidiaries	An indirect subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	1,160,347	8	90 days from the first day of next month of shipping	Note 2	Note 2	1,528,437	14	
Garuda Technology Co., Ltd.	Reco Technology (Chengdu) Co., Ltd.	An indirect subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	671,316	16	90 days from the first day of next month of receipt	Note 2	Note 2	672,464	15	

Note 1: The opposite related party transactions are not disclosed.
Note 2: Unless the transaction terms were determined in accordance with mutual agreements due to no similar transactions, the transaction terms to related parties were similar to third parties.
Note 3: Advance sales receipts.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES REACHING NT $100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE

MARCH 31, 2020

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Receivables from related parties as of March 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect subsidiary	$ 2,892,719	1	$ -	-	$ 29,623,839	$ -
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect subsidiary	2,583,932	1	-	-	13,697,207	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect subsidiary	5,688,812	1	-	-	2,377,449	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect subsidiary	1,205,881	2	-	-	413,525	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect subsidiary	170,873	1	15,657	Subsequent collection	69,583	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect subsidiary	272,701	1	-	-	1,068,081	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect subsidiary	115,112	0	-	-	136,064	-
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect subsidiary	2,626,615	1	-	-	912,945	-

Creditor	Counterparty	Relationship	Receivables from related parties as of March 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect subsidiary	$ 544,550	1	$ -	-	$ 124,862	-
Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	An indirect subsidiary	242,320	1	-	-	136,199	-
Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect subsidiary	237,491	1	-	-	775,500	-
Henley International Limited	Zhen Ding Technology Co., Ltd.	An indirect subsidiary	242,986	1	-	-	86,928	-
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect subsidiary	621,631	1	-	-	1,224	-
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	An indirect subsidiary	178,099	0	-	-	35,601	-
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect subsidiary	1,264,983	0	32,623	Subsequent collection	1,129,141	-
Garuda International Limited	Foxconn (Far East) and subsidiaries	An indirect subsidiary of Hon Hai Precision Industry Co., Ltd.	1,528,437	1	141,982	Subsequent collection	686,573	-
Garuda Technology Co., Ltd.	Reco Technology (Chengdu) Co., Ltd.	An indirect subsidiary of Hon Hai Precision Industry Co., Ltd.	672,464	0	-	-	121,244	-

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIODS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 3)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
1	Mayco Industrial Limited	The Company	2	Other receivables	$ 1,178,775	Note 5	1
1	Mayco Industrial Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	3	Other receivables	604,500	"	-
2	Pacific Fair International Limited	The Company	2	Other receivables	2,569,125	"	2
3	Garuda International Limited	Avary Singapore Private Limited	3	Other receivables	302,310	"	-
4	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industry (Shenzhen) Co., Ltd	3	Other receivables	225,515	"	-
4	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Other receivables	3,552,925	"	3
4	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Other receivables	3,712,488	"	3
4	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	2,284,935	"	2
4	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	676,545	"	1
4	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Sales	3,741,857	Note 8	21
4	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Accounts receivable	2,892,719	"	2
4	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Sales	2,018,627	"	12
4	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Accounts receivable	2,583,932	"	2
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Sales	7,113,953	"	41
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Accounts receivable	5,688,812	"	4
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	1,341,885	Note 11	8
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	1,205,881	"	1

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 3)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	$ 139,122	Note 9	1
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	170,873	"	-
6	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	553,797	Note 8	3
6	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	272,701	"	-
6	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	123,165	"	-
6	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	115,112	"	1
7	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	3,440,910	"	20
7	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	2,626,615	Note 8	2
7	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	631,723	"	4
7	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	544,550	"	-
8	Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	3	Sales	274,024	Note 10	2
8	Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	3	Accounts receivable	242,320	"	-
9	Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	212,867	"	1
9	Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	237,491	"	-
10	Henley International Limited	Zhen Ding Technology Co., Ltd.	3	Sales	274,647	Note 6	2
10	Henley International Limited	Zhen Ding Technology Co., Ltd.	3	Accounts receivable	242,986	"	-
11	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Sales	1,386,257	"	8
11	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	621,631	"	-
11	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Accounts receivable	178,099	"	-

Table 7, Page 2

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 3)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
11	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Sales	$ 280,520	"	2
11	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Accounts receivable	1,264,983	"	1

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 shipping date.

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 INVESTEES

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at March 31, 2020			Net profit (loss) of the investee for the three-month period ended March 31, 2020	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2020	Footnote
				Balance at March 31, 2020	Balance at December 31, 2019	Number of shares	Ownership (%)	Carrying amount			
The Company	Monterey Park Finance Limited	British Virgin Islands	Investment holding	$ 25,884,438	$ 25,884,438	856,250,000	100	$ 73,371,367	$ 1,007,010	$ 1,007,010	
The Company	Zhen Ding Technology Co., Ltd.	Taiwan	Trading	125,488	125,488	12,548,800	100	3,012,406	(39,887)	(39,887)	
Monterey Park Finance Limited	Coppertone Enterprises Limited	British Virgin Islands	Investment holding	3,107,215	3,107,215	102,785,806	100	60,829,670	940,246	940,006	
Monterey Park Finance Limited	Pacific Fair International Limited	Hong Kong	Investment holding	8,267,905	8,267,905	2,133,300,000	100	9,411,144	117,130	117,130	
Monterey Park Finance Limited	Henley International Limited	Hong Kong	Trading	-	-	1	100	15,945	(2,174)	(2,174)	
Coppertone Enterprises Limited	Mayco Industrial Limited	Hong Kong	Investment holding	36,128,113	36,128,113	9,321,841,932	100	60,775,882	940,246	940,246	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited	Cayman Islands	Investment holding	151	151	5,000	100	754,191	3,582	3,582	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	Hong Kong	Trading	302,300	302,300	78,000,000	73	2,103,175	(40,954)	201,962	
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited	Singapore	Investment holding	442,265	3	14,630,000	73	287,039	(18,588)	(13,536)	
Garuda International Limited	Garuda Technology Co., Ltd.	Taiwan	Trading	25,000	25,000	2,500,000	73	(59,899)	86,577	63,046	
Garuda International Limited	Avary Japan Co., Ltd.	Japan	Trading	25,092	5,576	1,800	73	14,319	(2,439)	(1,776)	

				Initial investment amount		Shares held at March 31, 2020					
Investor	Investee	Location	Main business activities	Balance at March 31, 2020	Balance at December 31, 2019	Number of shares	Ownership (%)	Carrying amount	Net profit (loss) of the investee for the three-month period ended March 31, 2020	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2020	Footnote
Avary Singapore Private Limited	Avary Technology (India) Private Limited	India	Manufacturing	$ 290,120	$ 290,120	71,620,000	73	$ 189,130	($ 16,380)	($ 11,928)	

Table 8, Page 2

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

Table 9

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, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2020: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2020: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020	Net profit (loss) of investee for the three-month period ended March 31, 2020	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2020 (Note 3)	Carrying amount of investments as of March 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2020	Footnote
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacture and sales of PCB	$ 9,950,115	2	$ -	$ -	$ -	$ -	$ 1,157,758	73	$ 665,444	$ 15,892,404	$ -	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacture and sales of PCB	3,942,196	2	-	-	-	-	(147,033)	73	(107,070)	470,524	-	
Avary Holding (Shenzhen) Co., Limited	Manufacture and sales of PCB	9,835,122	2	-	-	-	-	1,443,676	73	1,051,298	62,476,723	-	
Fu Bo Industry (Shenzhen) Co., Ltd.	Manufacture and sales of PCB	468,347	2	-	-	-	-	6,759	73	4,922	444,431	-	
Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	1,025,198	2	-	-	-	-	653	73	475	667,495	-	

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, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020	Net profit (loss) of investee for the three-month period ended March 31, 2020	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2020 (Note 3)	Carrying amount of investments as of March 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	$ 9,363,222	2	$ -	$ -	$ -	$ -	($ 136,243)	73	$ 2,705	$ 10,008,326	$ -	
Qi Ding Technology Qinhuangdao Co., Ltd.	Development, manufacture and sales of electronic products and related imports and exports	2,029,742	2	-	-	-	-	(48,790)	100	(48,790)	1,568,888	-	
Kui Sheng Technology (Shenzhen) Co., Ltd.	Manufacture and sales of PCB	85,100	2	-	-	-	-	14,685	73	10,693	92,000	-	
Yun Ding Technology (Shenzhen) Co., Ltd.	Manufacture and sales of PCB	21,275	2	-	-	-	-	(22)	73	(16)	16,198	-	
Huaian Jia Wei Industrial Development Co., Ltd.	Manufacture and sales of Building materials, Furniture and hardware tools	694,362	2	-	-	-	-	(236)	100	(236)	691,015	-	

Table 9, Page 2

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, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020	Net profit (loss) of investee for the three-month period ended March 31, 2020	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the three-month period ended March 31, 2020 (Note 3)	Carrying amount of investments as of March 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Avary Holding Investment (Shenzhen) Co., Ltd.	Investment	$ 557,404	2	$ -	$ -	$ -	$ -	($ 136)	73	($ 99)	$ 405,806	$ -	
Zhan Yang Automation (Dongguan) Co., Ltd.	Research and development, sales, processing of automation equipment and related imports and exports	8,510	2	-	-	-	-	(20)	44	(9)	3,710	-	

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 three-month period ended March 31, 2020 were based on the audited financial statements of the investees in Mainland China for the same period.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
INFORMATION ON MAJOR SHAREHOLDERS
MARCH 31, 2020

Table 10

	Shares	
Name of major shareholders	Number of shares held	Ownership (%)
Foxconn (Far East) Limited	305,515,627	33.86%

APPENDIX A – THE SECURITIES MARKET OF THE ROC

The information presented in this section has been extracted from publicly available documents that have not been prepared or independently verified by us, the Initial Purchasers or any of our respective affiliates or advisors in connection with this offering. References to the FSC in this section include both ROC Securities and Futures Commission and the ROC Securities and Exchange Commission, the predecessors of the Securities and Futures Bureau of the FSC.

In September 1960, the ROC government established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market and the TWSE began to take shape soon thereafter. In the 1970s and the early 1980s, the ROC government implemented a number of steps designed to upgrade the quality and importance of the ROC securities markets, such as encouraging listing on the TWSE and establishing an over-the-counter securities exchange. In the mid-1980s, the ROC government began to revise its laws and regulations in a manner designed to facilitate the gradual internationalization of the ROC securities markets. In 1997, the ROC Securities and Exchange Commission was renamed the ROC Securities and Futures Commission. Effective July 1, 2004, the ROC Securities and Futures Commission has been renamed the ROC Securities and Futures Bureau, and its supervisory authority has been transferred from the Ministry of Finance to the FSC.

THE TAIWAN STOCK EXCHANGE

In 1961, the FSC established the TWSE to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and private banks and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user's fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms (firms which are permitted to combine the activities of brokerage trading and underwriting), must be made through the TWSE.

The TWSE commenced operations in 1962. During the early 1980s, the FSC actively encouraged new listings on the TWSE and the number of listed companies has grown from 119 in 1983 to 942 as of December 31, 2019. As of May 31, 2020, the market capitalization of companies listed on the TWSE was approximately NT$33.3 trillion.

Historically, ROC companies have listed only shares and bonds on the TWSE. However, the FSC has encouraged companies to list other types of securities. In 1988, the Ministry of Finance permitted the issuance of ROC's first exchangeable bonds. Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds and bonds issued by super-national financial institutions are also listed on the TWSE or traded on the TPEx (which is discussed below). The FSC also has promulgated regulations which permit foreign issuers to list certain securities on the TWSE.

The TWSE considers the following factors when evaluating a company for listing:

- the number of shareholders and distribution of shareholdings among such shareholders;
- the length of time in business;
- the amount of paid-in capital; and
- profitability.

However, special listing criteria apply to technology companies and key businesses engaging in national economic development.

The following table sets forth, for the periods indicated information relating to the TWSE.

Period	No. of Listed Companies at Period End	Stock Trading Values	Index High	Index Low	Index at Period End
		(in NT$ billions)			
1996	382	12,907.6	6,982.81	4,690.22	6,933.94
1997	404	37,241.2	10,116.84	6,820.35	8,187.27
1998	437	29,619.0	9,277.09	6,251.38	6,418.43
1999	462	29,291.5	8,608.91	5,474.79	8,448.84
2000	531	30,526.6	10,202.20	4,614.63	4,739.09
2001	584	18,354.9	6,104.24	3,446.26	5,551.24
2002	638	21,874.0	6,462.30	3,850.04	4,452.45
2003	669	20,333.2	6,142.32	4,139.50	5,890.69
2004	697	23,875.4	7,034.10	5,316.87	6,139.69
2005	691	18,818.9	6,575.53	5,632.97	6,548.34
2006	688	23,900.4	7,823.72	6,257.80	7,823.72
2007	698	33,043.9	9,809.88	7,344.56	8,506.28
2008	718	26,115.4	9,295.20	4,089.93	4,591.22
2009	741	29,680.5	8,188.11	4,242.61	8,188.11
2010	758	28,218.7	8,972.50	7,071.67	8,972.50
2011	790	26,197.4	9,145.35	6,633.33	7,072.08
2012	809	20,238.2	8,144.04	6,894.66	7,699.50
2013	838	18,940.9	8,623.43	7,616.64	8,611.51
2014	854	21,898.5	9,569.17	8,264.48	9,307.26
2015	874	20,191.5	9,973.12	7,410.34	8,338.06
2016	892	16,771.1	9,392.68	7,664.01	9,253.50
2017	907	23,972.2	10,854.57	9,272.88	10,642.86
2018	928	29,608.9	11,253.11	9,478.99	9,727.41
2019	942	26,464.6	12,122.45	9,382.51	11,997.14
2020 (January-May 2020)	944	14,723.0	12,179.81	8,681.34	10,942.16

Source: https://www.twse.com.tw

THE TAIPEI EXCHANGE (TPEx)

To complement the TWSE, Taipei Exchange (the "TPEx", formerly known as GreTai Securities Market) was established in September 1982 on the initiative of the FSC to encourage the trading of securities of companies that do not qualify for listing on the TWSE. As of May 31, 2020, 776 companies had listed equity securities on the TPEx and the total market capitalization of those companies was NT$3.4 trillion.

The TPEx has established specific requirements for trading securities on the TPEx based on the history of a company, the number and distribution of a company's shareholders, amount of capital, profitability and capital structure.

PRICE LIMITS, COMMISSIONS, TRANSACTION TAX AND OTHER MATTERS

The TWSE has placed limits on block trading and on the range of daily price movements. According to the TWSE's block trading guidelines, an order for sale or purchase of one class of securities that involves 500 or more trading lots or trading amounts exceeding NT$15 million, and transactions involving five or more different classes of securities and trading amounts exceeding NT$15 million must be registered and executed in accordance with the guidelines. Fluctuations in the price of stock traded on the TWSE are currently subject to a restriction of 10% above and below the previous day closing price (or reference price set by the TWSE if the previous day closing price is not available because of lack of trading activity).

However, these restrictions have been modified from time to time by the FSC based on market conditions. Brokerage commission can be set at any rate of the transaction price, provided that any rate exceeding 0.1425% shall be reported to the TWSE and notified to the client in advance. A securities transaction tax, currently levied at 0.3% of the transaction price for shares and at 0.1% of the transaction price for non-governmental bonds, is payable by the seller of equity securities. Such securities transaction taxes are withheld at the time of the transaction giving rise to such tax. In addition, no securities transaction tax will be imposed on the transfer of corporate bonds and financial debentures from January 1, 2010 to December 31, 2026. Sales of shares of companies listed on the TWSE are currently sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in effecting such sales. Starting from January 15, 2016, upon the occurrence of any matter which may have a material impact on the shareholders' equity or the price of securities of a TWSE-listed company (e.g., merger), such company should apply to the TWSE, or the TWSE should request, for suspension of trading of its shares for one to three trading days (or a longer period if necessary).

REGULATION AND SUPERVISION

The FSC has extensive regulatory authority over public companies. Public companies are generally required to obtain the deemed approval from the FSC for all securities offerings. The FSC has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the FSC establishes standards for financial reporting and carries out licensing and supervision of participants in the ROC securities market.

The FSC has responsibility for implementing ROC Securities and Exchange Act and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, ROC Securities and Exchange Act specifically empowers the FSC to promulgate necessary rules. ROC Securities and Exchange Act prohibits market manipulation. For example, it permits an issuer to recover short-swing trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the shares of the issuer. ROC Securities and Exchange Act prohibits trading by "insiders" based on non-public information that materially affects share price movement prior to publication of such information and within 18 hours after publication of such information. "Insiders" include:

- directors, supervisors, managers, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the issuing company's shares, as well as the spouses, minor children and nominees of these parties and any individual designated by a governmental or corporate director or supervisor to act on its behalf;

- any person who has learned material, non-public information due to an occupational or controlling relationship with the issuing company;

- any person who has discharged from the status or position in the first and second bullet points for not more than six months; and

- any person who has learned material, non-public information from any of the above.

Sanctions include imprisonment. In addition, damages may be awarded to persons injured by the transaction. ROC Securities and Exchange Act also imposes criminal liability on certified public accountants and lawyers who make false certifications in their examination and audit of an issuer's contracts, reports and other documents related to securities transactions. The FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

In addition, ROC Securities and Exchange Act provides for civil liability for material misstatements or omissions made by issuers and regulation of tender offers. The FSC does not have criminal or civil enforcement powers under ROC Securities and Exchange Act. Criminal actions may be pursued only by government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The FSC is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;
- temporary suspension of operation;
- imposition of administrative fines; and
- revocation of licenses.

In addition to providing a market for securities trading, the TWSE reviews applications by ROC issuers to list securities on the TWSE. If issuers of listed securities violate laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the FSC, delist the securities of these issuers.

For foreign issuer who lists its shares for trading on the TWSE, such as us, in addition to the above-mentioned regulations and supervision, certain restrictions and provisions of the ROC Securities and Exchange Act shall also be applicable to such foreign companies, including but not limited to the following:

- responsibility for preparation and announcement of financial statements;
- responsibility for preparation and distribution of prospectus;
- reporting obligations of change of shareholding of directors, managers and shareholders who hold more than 10% of the shares of the issuer;
- tender offer;
- private placement of securities; and
- margin trading.

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