Stock code: 6269

Flexium Interconnect. Inc.

2019 Annual Report

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System：http://newmops.twse.com.tw
Flexium Annual Report is available at：http://www.flexium.com.tw
Printed on April 30, 2020

I. Spokesperson & deputy spokesperson name, Title, Tel. No. and Email:

	Spokesperson	Deputy spokesperson
Name	Arthur Shiung	Blue Lan
Job title	CFO	Director of Administration Division
Tel. No.	(07) 787-1008, Ext. 110	(07) 787-1008, Ext. 107
Email	Arthur_shiung@flexium.com.tw	Bluelan@flexium.com.tw

II. Headquarters, branches, plants and telephone numbers:

Headquarters and Plant: No. 23, Juguang 1st Street, Tafa Industrial Park, Daliao District, Kaohsiung City
Tel. No.: +886-7-787-1008

Taoyuan Pingzhen Office No. 42, Guangteh Street, Pingzhen City, Taoyuan County
Tel. No.: +886-3-493-8990

Kunshang Plant: No. 1399, Hanpu Road, High-Tech Industrial Park, Kunshag City, Jiangsu Province
Tel. No.: +86-512-57775599

Suzhou Plant: No. 1889, Hanpu Road, Yushan Township, Kunshan City, Jiangsu Province
Telephone No.: +86-512-86896888

U.S. Branch: 4020 Moorpark Avenue Suite 111 San Jose, CA 95117 USA
Tel. No.: +1-408-838-2234

III. Name, address, website and telephone number of stock transfer agency:

Name: Yuanta Securities
Address: B1, No. 210, Chengteh Road, Sec. 3, Taipei City
Website: http://www.yuanta.com.tw
Tel. No.: +886-2-2586-5859

IV. Name, of CPA certifying the latest annual financial statement and name, address, website and telephone number of the accounting firm:

Name of CPA: Wu Chien-Chih, Wang Kuo-hua, Accountant
Firm Name: PwC Taiwan
Address: 22F, No. 95, Mintzu 2nd Road, Kaohsiung City
Website: http://www.pwc.tw
Tel. No.: +886-7-237-3116

V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities:

Singapore Exchange
http://www.sgx.com

VI. Corporate Website:

http://www.flexium.com.tw

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A. Letter to Shareholders

In 2019, the ups and downs of the international situation affected the global economic market and Taiwan stocks also stood at the 12,000 mark at the end of the year, approaching their historical high. Despite a trade war between the two major economies, the economy still grew slightly thanks to mutual restraint, abundant hot money in the market, hot money flows, and so on. Even so, the economic policies of the major economies and the fragile trust relationships between the economies have brought uncertainty about economic growth. Competition continued to be eliminated with the industry’s development along the lines of “the big get bigger, the strong get stronger." And these trends are testing whether Flexium Interconnect can provide valuable quality services to customers, whether it can stabilize and continue to make profits, and whether it can fulfill the role of a global citizen while remaining competitive. Faced with such an environment and such challenges, Flexium has sublimated its original business philosophy of "speed, cost, service" business philosophy" to combine with a new business approach of "sincerity, gratitude, commitment, sharing." By persevering in our roles and working hard and with the help of supply chain partners, both gross and net profit records have been broken, indicating that Flexium has positively improved its optimal cost structure and process efficiency. Flexium Interconnect will maintain a consistent operating strategy, deeply cultivate the operational capabilities of customers, human resources, technology, systems and management, and meet challenges by seeking innovation and change through an approach of "dare to take responsibility and lead the future."

Business operation outcome

In 2019, Flexium Interconnect’s consolidated revenue was TWD 26 billion, marking a 3.0% decrease from 26.8 billion in 2018. Gross profit was NT $ 5.9 billion, an increase of 15.7% from NT$5.1 billion in 2018, and gross margin was 22.8%, a 3.7% increase from 19.1% in 2018. The net profit after tax was TWD 3.15 billion, an increase of 19.3% compared to TWD 2.64 billion in 2019 and basic earnings per share (EPS) was TWD 10.02; this was an increase of TWD 1.47 from the TWD 8.55 seen in 2018.

Note: No published financial forecasts were released for 2019, so no budget is forthcoming.

Market trend

Because of the impact of coronavirus, people's demand for safe, healthy and convenient hardware and software services will be greater than ever. Corresponding industries such as medical safety, remote teaching, health care and other services will be the stars of tomorrow. With the continuous popularization of mobile devices such as mobile phones, tablets and wireless transmission, coupled with the application of big data analysis, AI and cloud computing, high frequency transmission and communication will be the engines to promote economic growth. In the future, industrial competition will formally extend from the ground to the air. In addition, alliances among teams of big-players-getting-bigger is also becoming more and more obvious. Flexium Interconnect will continue to lay out the research and development technology of high frequency and conduction, and successively launch new products with strategic partners to provide better quality services and products to end customers.

Status of research and technical development

Flexium Interconnect's vision is to become a global leader in flexible board module solutions. The technology is not only being developed in the original FPC and FPCA fields, but also targets new breakthroughs in technology such as wireless, high frequency, optical communication applications and so on. The technical aspect covers material development, circuit design, manufacturing process, module testing, soft carrier board, automation equipment, product design and so on. In addition to FPC's roll-to-roll automated production line with a fine line of 20/20 um, it continues to provide revenue assistance, and the new plant's fully automated production line is also under planning. FPCA modules have also continued to be deployed in China. The newly established module Jun Kun Technology is also officially contributing to revenue; and its production supply chain of high efficiency, human-machine integration, automation and clustering has gradually blossomed. This technology and process optimization will continue to bring the company's revenue and profit to the next stage of growth. Flexium Interconnect is positioned as a multi-technology solution provider, with R&D poised as a competitive growth engine. As in the past, the company continues to intensively develop R&D and technological innovation, developing high-end and high value-added products and growing hand in hand with customers.

Reputation and corporate social responsibility

In pursuit of revenue growth and financial performance, we invest in corporate social responsibility. And continue to improve corporate governance. It is also Flexium's duty-bound business mission. Flexium Interconnect won "CommonWealth Magazine Taiwan Top Two Thousand Enterprise Survey: No. 133 in Manufacturing and No. 94 in After-Tax Net Profit." It was also recognized with awards granted by the Suzhou Kunshan Municipal Government, including "Top Ten Safe Production Enterprise," "Transformation and Upgrading of Advanced Industries," "Advanced Enterprise for Green Ecological Development," and many other honors. SGS recognized the company's Corporate Social Responsibility (CSR) report prepared in 2019 in both Chinese and English. At the same time, the Company showed a great spirit of love by donating radio communication equipment to the Kaohsiung City Fire Bureau and donating replacement desktop computers to the Linyuan District Branch (including screens). Apart from caring for police and fire units, the Company also actively participates in community building and care for vulnerable groups. Activities include "Great Love Kiln Cooking Activities" of Wing On House as well as donating 36 intelligent robots to Chaoliao Elementary School. Bringing technology to the elementary school curriculum allows children to develop logic, active thinking, and problem-solving skills in "playing through learning." The above results demonstrate the execution power of Flexium's staff to integrate social responsibility into corporate development.

Future outlook

Due to the sudden spread and impact of novel coronavirus causing a global pandemic, countries have successively cancelled or suspended mutual activities in order to avoid the continuing spread of the epidemic, thereby hitting economic activity. Since the future prospects are unknown, consumers, businesses, and investors are spending relatively conservatively. Global economic growth is predicted to slow down in 2020 and may even turn negative. As a member of its industry, the Company will inevitably be affected by this. However, Flexium is also very clear about its value. Only value-added activities such as deep-rooted technology, product upgrades, and output value enhancement will transform it into a cost-effective company to continue to attract customers, the investing public, and elite talent, bringing stability as well as continuous advancement on the road to both revenue and profit!

The growth point of industrial development is still the application and introduction of high frequency and ultra 5G, which will satisfy consumers' demand for seamless integration of video, audio, identification, security and fast convenience. With the evolution of high-frequency technology and automotive electronics, communication between cars and people, cars and cars, and cars and objects at high speeds has gradually been realized. Safer and more comfortable means of transportation will be the engine of future growth. In addition, the impact of coronavirus means that remote videoconferencing, multinational medical applications and the health industry will be on the rise. The cloud processing and optical communication products needed behind Big

Data will continue to grow exponentially. Flexium Interconnect will continue to invest resources and research and development manpower in wireless high-frequency products, automotive electronics, health care, optical communications, AI applications and other related technologies, as it continues to expand and establish the Company's long-term competitive advantage. Not only that, but Flexium's exclusive automation and APP software are also being continuously optimized and upgraded. Through data collection, analysis and application, and accurate control of output details, we utilize timely monitoring and other facilities to ensure the consistency of operations and production, and thus achieve quality control and intelligent production , flexibility, and so on, corresponding to the uncertainty of market changes.

Flexium Interconnect cherishes every dollar invested by shareholders as it actively promotes value, strengthens its customer structure and improves operational performance and advances corporate governance. This is the best way of giving back to shareholders. Thank you, shareholders, for your long-term advice, prompting and encouragement. Here, I would offer the deepest thanks to all of the employees of our Group and our third-party manufacturing partners, and also welcome our elite talent at home and abroad to join in making the Flexium Group bigger and stronger together. Finally, on behalf of the management team of Flexium Interconnect, I would like to thank all shareholders for their support and wish you all good health! Best wishes!

Chairman and President: Cheng Ming-Chi

B. Company profile

I. Date of Incorporation

December 19, 1997

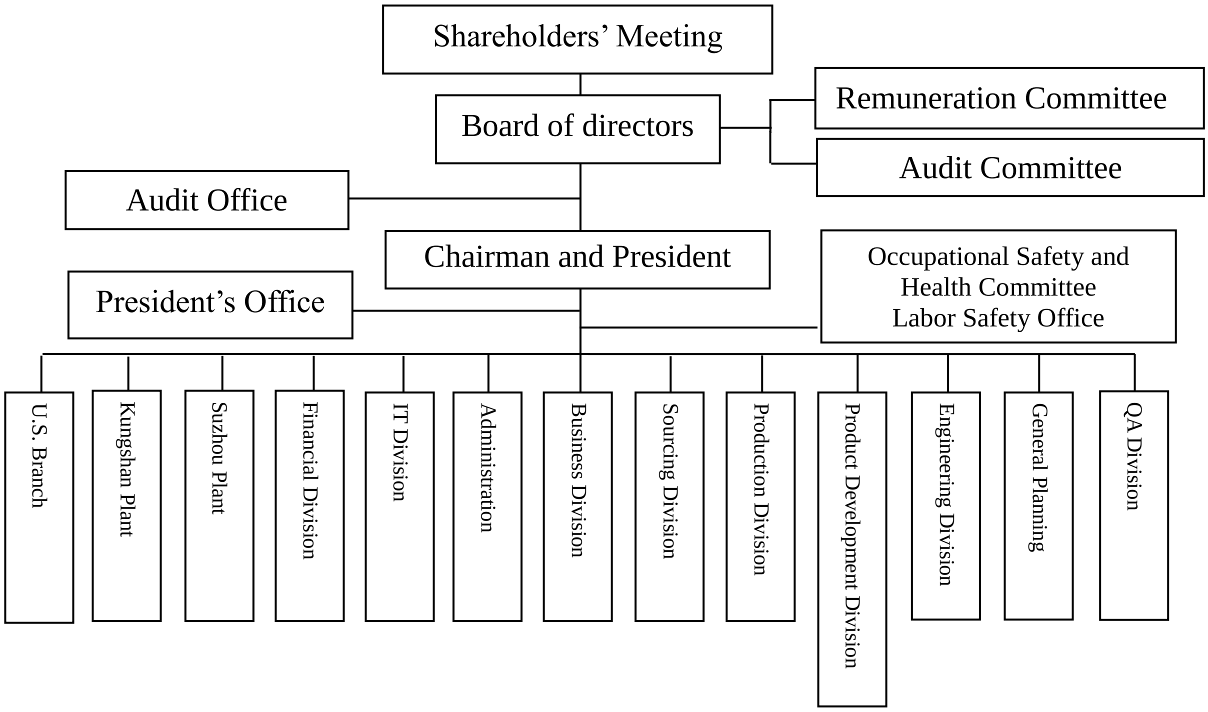
II. Company History

Year	Milestones
January 2018	On January 25, 2018, the Ministry of Economic Affairs (MOEA) approved the conversion of the employee stock option certificates and convertible bond into common shares, and the paid-in capital after the capital increase was NT$3,179,911,580.
January 2019	As approved by the Ministry of Economic Affairs on January 3, 2019, employee stock option certificates were converted to common stock. Paid-in capital amounted to NT$3,182,141,580 after the capital increase.
March 2019	As approved by the Ministry of Economic Affairs on March 7, 2019, employee stock option certificates were converted to common stock. Paid-in capital amounted to NT$3,182,491,580 after the capital increase.
August 2019	As approved by the Ministry of Economic Affairs on August 15, 2019, employee stock option certificates were converted to common stock. Paid-in capital amounted to NT$3,185,601,580 after the capital increase.
October 2019	As approved by the Ministry of Economic Affairs on October 2, 2019, restricted employee shares were issued. After the capital increase, paid-in capital amounted to NT$3,240,601,580.
January 2020	As approved by the Ministry of Economic Affairs on January 9, 2020, restricted employee shares were cancelled and convertible bonds converted into common stock; paid-in capital after capital reduction was NT$3,329,548,950.
March 2020	As approved by the Ministry of Economic Affairs on March 20, 2020, restricted employee shares were cancelled and convertible bonds converted into common stock; paid-in capital after capital reduction was NT$3,357,033,980.

C. Corporate Governance Report

I. Organization

(I) Organizational Chart (December 31, 2019)



(II) Major Corporate Functions

Chairman of Board	Control promotion of the Company's business objectives and policies
President	Set the Company's mid-term and long-term business strategies, and execute the resolutions made by shareholders' meetings and directors' meetings
Audit Office	Internal audit and operating procedure compliance management audit, etc.
President's Office	Analyze and evaluate the Company's business performance, and propose the suggestions about improvement to help the Company achieve the business objectives.
Occupational Safety and Health Committee	Occupational disaster and pollution prevention and planning, and implementation of labor safety & health education management training
the U.S. Branch	Marketing support, customers' and technical services, etc.
Kungshan Plant	Produce the Company's products, arrangement of production capacity, and upgrade production efficiency
Suzhou Plant	Produce the Company's products, arrangement of production capacity, and upgrade production efficiency
Financial Division	Arrangement of the Group's fund management operating system, foreign exchange management, preparation and control of budget, accounting and financial allocation
IT Division	Establishment, design, maintenance and control of the Company's information system strategies
Administration Division	Responsible for managing the Company's HR strategies, HR training, performance appraisal and recruitment.
Business Division	Analyze the application of new products and development of market, enhance relations with customers and serve customers, etc.
Sourcing Division	The Company's procurement, warehousing management, import/export, and planning and management, etc.
Production Division	Matters related to the manufacturing, production capacity adjustment and increase of manufacturing efficiency of all products of the Company.
Product Development Division	Coordinate high-frequency project R&D resources; formulate R&D direction; handle process technology research and development
Engineering Division	Consolidate R&D resources, set R&D orientation, and research and develop production technology
General Planning Division	Coordinate group capacity assessment and distribution; handle layout planning of each plant
QA Division	Responsible for quality assurance and upgrading of the Company's products

II. Directors, Supervisors and Management Team

(I)Directors and Supervisors

1.Directors (1)

April 20, 2020 (Book closure date) Unit: thousand shares

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman of Board	the R.O.C.	Cheng Ming-Chi	Male	June 18, 2019	3	December 9, 1997	4,106	1.31	4,236	1.26	235	0.07	-	-	Chairman of Board of Tai Peng Development Co., Ltd. National Sun Yat-sen University	Chairman and President of the Company Chairman of Board of Tai Peng Development Co., Ltd. Chairman of QuantumZ Inc. Concurrently acting as the Director of the following companies invested by the Company: FLEXIUM INTERCONNECT INC. UFLEX TECHNOLOGY CO., LTD. GRANDPLUS ENTERPRISES LIMITED SUCCESS GLORY INVESTMENTS LIMITED CHAMPION BEYOND LIMITED CHOSEN GLORY LIMITED FOREVER MASTER LIMITED BOOM BUSINESS LIMITED CLEAR SUCCESS GLOBAL LIMITED Concurrently acting as the Chairman of the following companies invested by the Company: Jun-Fong Investment Inc. Chun-Hwa Technology (Kunshan) Co., Ltd. Jun Kun Technology (Suzhou) Co., Ltd.	-	-	-	Note 2
Name of corporate shareholder	the R.O.C.	Chi Lien Investment Co., Ltd.	-	June 18, 2019	3	June 9, 2010	2,825	0.90	2,825	0.84	-	-	-	-	None	None	-	-	-	
Corporate director	the R.O.C.	Chi Lien Investment Co., Ltd. Representative: Chen Yong-Chang	Male	June 18, 2019	3	June 9, 2010	-	-	-	-	-	-	-	-	Administrative Section of Public Officials 1975 Passed Civil Service Senior Examination and completed courses of Academy for the Judiciary of 19th term Judge of Taoyuan District Court, Shihlin District Court and Taipei District Court Served as presiding judge of Keelung District Court Judge of Taiwan High Court Supervisor of the Chinese Society of Law Department of Law, National Taiwan University	Principal attorney of All-Pro Law Firm Independent director and member of remuneration committee of Center Laboratories, Inc Independent director and member of remuneration committee of Collins, Inc. Independent director and member of remuneration committee of LandMark Optoelectronics Corporation Member of remuneration committee of Sintronic Technology, Inc. Member of remuneration committee of Rodex Fasteners Corp.	-	-	-	
Corporate director	the R.O.C.	Chi Lien Investment Co., Ltd. Representative: Xun-Po Chuang	Male	June 18, 2019	3	June 13, 2012	-	-	658	0.20	-	-	-	-	Chairman of Xiang-Mei Management Consulting Ltd.	Chairman of Xiang-Mei Management Consulting Ltd.	-	-	-	
Name of corporate shareholder	the R.O.C.	Tai-Peng Development Inc.	-	June 18, 2019	3	December 9, 1997	15,460	4.93	15,460	4.60	-	-	-	-	None	None	-	-	-	

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Corporate director	the R.O.C.	Tai-Peng Development Inc. Representative : Ji-Yan Liang	Male	June 18, 2019	3	June 23, 2006	-	-	-	-	-	-	-	-	Executive vice-president of China Development Venture Capital Corporation Sales Manager of Commercial Computer department, Hewlett-Packard of USA Adjunct Lecturer, Department of Business Administration, Soochow University Master, National Chengchi University Bachelor of Department of Chemical Engineering of National Tsing Hua University	Chairman of TAINET Communication System Corp. Independent director and member of remuneration committee of Excellence MOS Corp Independent director and member of remuneration committee of EPISTAR Corporation Member of remuneration committee of Shinkong Textile Co., Ltd Member of remuneration committee of Sesoda Corporation Representative of juristic-person director of Taipei Tech Venture Capital Co., Ltd. Director of Compass Star Venture Capital Co., Ltd. Supervisor of Taipei Tech Venture Capital Co., Ltd. Representative of juristic-person director of Yuwei Asset Management Co., Ltd.	-	-	-	
Corporate director	the R.O.C.	Tai-Peng Development Inc. Representative : Jeng Xi Shih	Male	June 18, 2019	3	May 30, 2007	-	-	295	0.09	-	-	-	-	Assistant Vice-President of Taiwan Hitachi Electronic Corp. Vice President of Tong-Bao Technology Corp. Executive Vice President of Flexium Interconnect.Inc Department Of Mechanical Engineering, National Cheng Kung University	Chief Consultant of the Company	-	-	-	
Corporate director	the R.O.C.	Tai-Peng Development Inc. Representative : Lan Zhi Tang	Male	June 18, 2019	3	June 28, 2016	-	-	211	0.06	-	-	-	-	Special assistant of Chairman of Flexium PhD in Business Management of National Sun Yat-sen University	Director of Administration Division of the Company Currently at the Company's invested affiliates: Director of Jun-Fong Investment Inc. Director of FLEXIUM INTERCONNECT AMERICA LLC.	-	-	-	
Director	the R.O.C.	Lin Pei-Ru	Female	June 18, 2019	3	June 9, 2010	1,459	0.47	1,459	0.43	341	0.10	-	-	NCHU Department of Foreign Languages and Literatures.	Chairperson of the Board, Tai-Cheng Investment Corporation Chairman, Hesheng Investment Co., Ltd. Jurist-person Supervisor, Taiwan Communication System Corp.	-	-	-	
Director	the U.S.A.	David Cheng	Male	June 18, 2019	3	June 18, 2019	174	0.06	274	0.08	-	-	-	-	Product R&D Assistant Manager, Flexium Interconnect Inc. University of California, Irvine Electrical Engineering.	Deputy Director of the Company's Product Development Division Currently at the Company's invested affiliates: Director, Jun Kun Technology (Suzhou) Co., Ltd. Chairman, Flexium Interconnect America LLC.	-	-	-	
Independent director	the R.O.C.	Xin-Bin Fu	Male	June 18, 2019	3	May 18, 2001 (Note 3)	-	-	-	-	-	-	-	-	Supervisor, Flexium Interconnect Director, Machvision Inc. Co., Ltd. Professor, Department of Marketing and Circulation Management, National Kaohsiung First University of Science and Technology Section Chief, Electronic Information Section and Knowledge Service Section, Industrial Development Bureau, Ministry of Economic Affairs Ph.D., Institute of Engineering, National Chiao Tung University Master of Engineering, University of Missouri Columbia, USA	Distinguished Professor, Department of Marketing and Circulation Management, National Kaohsiung University of Science and Technology	-	-	-	
Independent director	the R.O.C.	Huang Shui-tung	Male	June 18, 2019	3	June 18, 2019	-	-	30	0.01	-	-	-	-	Passed Judicial Officer / Lawyer Higher Examination, 1972 Concluded Judicial Training Institute Phase 12 Public prosecutor, District Prosecutor's Office; Judge and President of the Courts of First and Second Instance Director, Criminal Affairs Division President of District Court in Kinmen, Penghu, Yilan, and Panchiao Taiwan High Court President, Taiwan High Court Taichung Branch Committee member, Civil Service Disciplinary Committee Master of Law, Chinese Cultural University	None	-	-	-	

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent director	the R.O.C.	Peng-Chun Wu	Female	June 18, 2019	3	June 18, 2019	-	-	-	-	-	-	155	0.05	Associate Professor / Dean of Department of Finance and Law, Ming Chuan University Chairman, Masterlink Futures Co., Ltd. Chairman, Masterlink Insurance Company Director, LandMark Optoelectronics Corp. Supervisor, Gaolin Industrial Co., Ltd. Supervisor, Taihong Technology Co., Ltd. Supervisor, Juyao Trading Co., Ltd. Supervisor, Shanghui United Investment Co., Ltd. Completed Doctor of Laws degree at Keio University, Japan Master of Law, Keio University, Japan Graduated from the Law Department of National Taiwan University	Associate Professor, Department of Finance and Law, Ming Chuan University Chairman, Songyang Investment Co., Ltd. Chairman, Chiyang Investment Co., Ltd. Independent Director, Audit Committee and Remuneration Committee of Advanced Power Electronics Corp. Supervisor, Taiwan Communication System Corp.	-	-	-	

Note 1: The current shareholdings are calculated after the total outstanding shares, 338,903,086 shares, less the treasury stock totaling 2,486,438 shares on April 20, 2020.

Note 2: In the future, in order to cooperate with laws and regulations to implement corporate governance, it is planned to increase the number of independent directors to enhance the functioning of the board of directors and strengthen the supervision function. At present, more than half of the directors of the company's board of directors are not concurrent employees or managers.

Note 3: 5/18/2001-6/8/2010 served as the company's independent supervisor; 6/9/2010-3/20/2013 and 6/11/2013-5/31/2017 served as the company's supervisor; 6/18/2019 - serving as an independent director of the company.

2. Major shareholders of the institutional shareholders

April 20, 2020 (Book closure date)

Name of Institutional Shareholders	Major Shareholders	
Tai Peng Development Co., Ltd.	Chu Yang Investment Co., Ltd.	22.50%
	Youben investment Co., Ltd.	24.70%
	Yao Hsiang International Investment Co., Ltd.	21.70%
	Tai-Cheng Investment Corporation	20.00%
Chilien Investment Co., Ltd.	Hsiun-Chen Yang	40.00%
	Cheng Ming-Chi	60.00%

3. Major shareholders of the Company's major institutional shareholders

April 20, 2020 (Book closure date)

Chu Yang Investment Co., Ltd.	Cheng Ming-Chi	41.82%
	Hsiun-Chen Yang	58.18%
Youben investment Co., Ltd.	Da-Wen Sun	100.00%
Hsiang Yao International Investment Corporation	Yu-Huei Lin	12.50%
	Yu-Mei Lin	0.00005%
	Mei-Dai Chang	0.00005%
Tai-Cheng Investment Corporation	Chi-Cheng Chang	6.90%
	Lin Pei-Ru	6.90%

4. Directors (2)

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Cheng Ming-Chi	No	No	Yes	-	-	-	-	✓	✓	✓	✓	✓	-	✓	✓	0
Chen Yong-Chang (Representative of Chi Lien)	No	Yes	Yes	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	3
Chuang Xun-Po (Representative of Chi Lien)	No	No	Yes	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	0
Ji-Yan Liang (Representative of Tai Peng)	Yes	No	Yes	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	2
Jeng Xi Shih (Representative of Tai Peng)	No	No	Yes	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	0
Lan Zhi Tang (Representative of Tai Peng)	No	No	Yes	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	0
Lin Pei-Ru	No	No	Yes	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
David Cheng	No	No	Yes	-	✓	✓	-	✓	✓	✓	✓	✓	-	✓	✓	0
Fu Xin-Bin	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wu Pei-Jun	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Huang Shui-Tong	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of

those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law

(II) Management Team

April 20, 2020 Unit: Thousand shares

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note 1)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	the R.O.C	Cheng Ming-Chi	Male	June 23, 1995	4,236	1.26	235	0.07	-	-	Chairman of Tai-Peng Development Inc. National Sun Yat-sen University	Chairman of Board of Tai Peng Development Co., Ltd. Chairman of QuantumZ Inc. Concurrently acting as the Director of the following companies invested by the Company: FLEXIUM INTERCONNECT INC UFLEX TECHNOLOGY CO., LTD. GRANDPLUS ENTERPRISES LIMITED SUCCESS GLORY INVESTMENTS LIMITED CHAMPION BEYOND LIMITED CHOSEN GLORY LIMITED FOREVER MASTER LIMITED BOOM BUSINESS LIMITED CLEAR SUCCESS GLOBAL LIMITED Concurrently acting as the Chairman of the following companies invested by the Company: Jun-Fong Investment Inc. Chun-Hwa Technology (Kunshan) Co., Ltd. Jun Kun Technology (Suzhou) Co., Ltd.	-	-	-	Note 2
Chief Operating Officer	the R.O.C	Tsai Chi-Feng	Male	February 7, 2018	319	0.09	-	-	-	-	Module Engineering Manager of AU Optronics Corp. Quality Manager of BriView Special assistant of Chairman of Flexium Feng Chia University,, Master in Mechanical Engineering	Concurrently acting as the Director of the following companies invested by the Company: Chun-Hwa Technology (Kunshan) Co., Ltd. Jun Kun Technology (Suzhou) Co., Ltd.	-	-	-	
Vice President of Business Division	the U.S.A.	Tang Chia-Hsien	Male	June 19, 2014	99	0.03	323	0.1	-	-	Apple, Global Supply & Procurement Manager Volex, project manager Golden Gate University, Master of Computer Information System	None	-	-	-	
Director of Kaohsiung Plant	the R.O.C	Shan Yi-Wen	Male	October 29, 2014	297	0.09	1	0.0-	-	-	Tom Tom, Asia-Pacific Zone, QA Director National Taiwan University of Technology, Institute of Engineering/National Chengchi University, EMBA	None	-	-	-	
Director of Kunshan Plant	the R.O.C	Ma Ruei-Chun	Male	August 1, 2011	391	0.12	-	-	-	-	Section Chief of MEKTEC Director of Foreman of Kunshan Plant of CMI Oriental Institute of Technology, Department of Electrical Engineering	None	-	-	-	
CQO	the R.O.C	Lu Yu-hung	Male	May 1, 2018	43	0.01	-	-	-	-	Quality Assurance Manager of Zhen Ding Technology Director General of FIT Quality Technical Committee Master of Statistics, National Cheng Kung University	None	-	-	-	
Director of Sourcing Division	the R.O.C	Gong Chao-Rong	Male	2004/8/1	494	0.15	-	-	-	-	Business engineer of MEKTEC National Taipei University of Technology, Textile Engineering	None	-	-	-	
Director of Administration Division	the R.O.C	Lan Zhi Tang	Male	February 4, 2015	211	0.06	-	-	-	-	Special assistant of Chairman of Flexium PhD in Business Management of National Sun Yat-sen University	Director of Jun-Fong Investment Inc. Director of FLEXIUM INTERCONNECT AMERICA LLC.	-	-	-	
CFO	the R.O.C	Hsiung Ya-Shih	Male	August 9, 2012	425	0.13	-	-	-	-	Director of Accounting Division of ASE Group East Michigan University, MBA	None	-	-	-	

Note 1: The shareholdings are calculated after the total outstanding shares, 338,903,086 shares, less the treasury stock totaling 2,486,438 shares on April 20, 2020.

Note 2: In the future, in order to cooperate with laws and regulations to implement corporate governance, it is planned to increase the number of independent directors to enhance the functioning of the board of directors and strengthen the supervision function. At present, more than half of the directors of the company's board of directors are not concurrent employees or managers.

III. Remuneration of Directors, Independent Directors, Supervisors, President, and Vice Presidents

(I) Remuneration of Directors and Independent Directors

December 31, 2019; Unit: NT$ thousand; thousand shares; %

Title	Name	Remuneration: Base Compensation (A): The Company	Remuneration: Base Compensation (A): All companies in the consolidated financial statements	Remuneration: Severance Pay (B): The Company	Remuneration: Severance Pay (B): All companies in the consolidated financial statements	Remuneration: Directors Compensation (C): The Company	Remuneration: Directors Compensation (C): All companies in the consolidated financial statements	Remuneration: Allowances (D): The Company	Remuneration: Allowances (D): All companies in the consolidated financial statements	Ratio of Total Remuneration (A+B+C+D) to Net Income (%): The Company	Ratio of Total Remuneration (A+B+C+D) to Net Income (%): All companies in the consolidated financial statements	Relevant Remuneration Received by Directors Who are Also Employees: Salary, Bonuses, and Allowances (E): The Company	Salary, Bonuses, and Allowances (E): All companies in the consolidated financial statements	Severance Pay (F): The Company	Severance Pay (F): All companies in the consolidated financial statements	Employee Compensation (G): The Company: Cash	Employee Compensation (G): The Company: Stock	Employee Compensation (G): All companies in the consolidated financial statements: Cash	Employee Compensation (G): All companies in the consolidated financial statements: Stock	Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%): The Company	Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%): All companies in the consolidated financial statements	Remuneration from ventures other than subsidiaries or from the parent company (Note 1)
Chairman and President	Cheng Ming-Chi	-	-	-	-	20,000	20,000	850	850	0.66	0.66	29,307	34,226	-	-	4,313	-	4,313	-	1.73	1.88	None
Director	Chi-Lian Investment Corporation Representative: Chen Yong-Chang																					
Director	Representative of Chi-Lian Investment Corporation: Chuang Xun-Po																					
Director	Tai-Peng Development Corporation Representative: Jeng Xi Shih																					
Director	Tai-Peng Development Corporation: Ji-Yan Liang																					
Director	Tai-Peng Development Corporation Representative: Lan Zhi Tang																					
Director	David Cheng																					
Director	Lin Pei-Ru																					
Independent director	Xin-Bin Fu																					
Independent director	Peng-Chun Wu																					
Independent director	Huang Shui-tung																					
Independent director	Zhang Shun-De (term ended)																					
Independent director	Gong Chian-Hui (term ended)																					
In addition to the disclosure of the above table, the remuneration collected by the directors for providing al services (such as acting as non-employee consultants) to the Company within the financial report in recent years is: NT$1,320 thousand																						

Breakdown ofremuneration paid to individual director	Name of director: A+B+C+D: The Company	A+B+C+D: Companies in the consolidated financial statements (H)	A+B+C+D+E+F+G: The Company	A+B+C+D+E+F+G: Companies in the consolidated financial statements (I)
Below NT$1,000,000	Zhang Shun-De / Gong Chian-Hui	Zhang Shun-De / Gong Chian-Hui	Zhang Shun-De / Gong Chian-Hui	Zhang Shun-De / Gong Chian-Hui
NT$1,000,000 (inclusive)-NT$2,000,000 (exclusive)	Lin Pei-Ru / Cheng David / Fu Xin-Bin / Wu Pei-Jun / Huang Shui-Tong	Lin Pei-Ru / Cheng David / Fu Xin-Bin / Wu Pei-Jun / Huang Shui-Tong	Lin Pei-Ru / Fu Xin-Bin / Wu Pei-Jun / Huang Shui-Tong	Lin Pei-Ru / Fu Xin-Bin / Wu Pei-Jun / Huang Shui-Tong
NT$2,000,000 (inclusive)-NT$3,500,000 (exclusive)	-	-	-	-
NT$3,500,000 (inclusive)-NT$5,000,000 (exclusive)	Cheng Ming-Chi	Cheng Ming-Chi	-	-
NT$5,000,000 (inclusive)-NT$10,000,000 (exclusive)	Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Chuang Xun-Po Tai-Peng Development Corporation Representative: Ji-Yan Liang / Jeng Xi Shih/ Lan Zhi Tang	Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Chuang Xun-Po Tai-Peng Development Corporation Representative: Ji-Yan Liang / Jeng Xi Shih/ Lan Zhi Tang	Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Chuang Xun-Po	Representative of Chi-Lian Investment Corporation: Chen Yong-Chang / Chuang Xun-Po
NT$10,000,000 (inclusive)-NT$15,000,000 (exclusive)	-	-	CHENG DAVID/ Tai-Peng Development Corporation Representative: Ji-Yan Liang / Jeng Xi Shih / Lan Zhi Tang	CHENG DAVID/ Tai-Peng Development Corporation Representative: Ji-Yan Liang / Jeng Xi Shih / Lan Zhi Tang
NT$15,000,000 (inclusive)-NT$30,000,000 (exclusive)	-	-	Cheng Ming-Chi	Cheng Ming-Chi
NT$30,000,000 (inclusive)-NT$50,000,000 (exclusive)	-	-	-	-
NT$50,000,000 (inclusive)-NT$100,000,000 (exclusive)	-	-	-	-
NT$100,000,000 and above	-	-	-	-
Total	10	10	10	10

(II) Remuneration of Supervisors

December 31, 2019; Unit: NT$ thousand; %

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		Base Compensation (A)		Bonus to Supervisors (B)		Allowances (C)				
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	
Supervisor	Chuang Xun-Po (term ended)	-	-	-	-	30	30	0%	0%	-
Supervisor	Lin Pei-Ru (term ended)									

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The Company	Companies in the consolidated financial statements (D)
Below NT$1,000,000	Chuang Xun-Po/ Lin Pei-Ru	Chuang Xun-Po/ Lin Pei-Ru
NT$1,000,000 (inclusive)-NT$2,000,000 (exclusive)	-	-
NT$2,000,000 (inclusive)-NT$3,500,000 (exclusive)	-	-
NT$3,500,000 (inclusive)-NT$5,000,000 (exclusive)	-	-
NT$5,000,000 (inclusive)-NT$10,000,000 (exclusive)	-	-
NT$10,000,000 (inclusive)-NT$15,000,000 (exclusive)	-	-
NT$15,000,000 (inclusive)-NT$30,000,000 (exclusive)	-	-
NT$30,000,000 (inclusive)-NT$50,000,000 (exclusive)	-	-
NT$50,000,000 (inclusive)-NT$100,000,000 (exclusive)	-	-
NT$100,000,000 and above	-	-
Total	2	2

(III) Remuneration of the President and Vice Presidents

December 31, 2019; Unit: NT$ thousand; thousand shares; %

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash amount	Share amount	Cash amount	Share amount			
President	Cheng Ming-Chi	7,784	12,780	-	-	27,855	27,855	5,412	-	5,412	-	1.30%	1.46%	None
Chief Operating	Tsai Chi-Feng													
Vice President of	Tang Chia-Hsien													

Range of Remuneration	Names of President and Vice Presidents	
	The Company	Companies in the consolidated financial statements (E)
Below NT$1,000,000	-	-
NT$1,000,000 (inclusive)-NT$2,000,000 (exclusive)	-	-
NT$2,000,000 (inclusive)-NT$3,500,000 (exclusive)	-	-
NT$3,500,000 (inclusive)-NT$5,000,000 (exclusive)	-	-
NT$5,000,000 (inclusive)-NT$10,000,000 (exclusive)	Tang Chia-Hsien	Tang Chia-Hsien
NT$10,000,000 (inclusive)-NT$15,000,000 (exclusive)	-	-
NT$15,000,000 (inclusive)-NT$30,000,000 (exclusive)	Tsai Chi-Feng / Cheng Ming-Chi	Tsai Chi-Feng / Cheng Ming-Chi
NT$30,000,000 (inclusive)-NT$50,000,000 (exclusive)	-	-
NT$50,000,000 (inclusive)-NT$100,000,000 (exclusive)	-	-
NT$100,000,000 and above	-	-
Total	3	3

(IV) Name of managerial officers for the distribution of employee remuneration and distribution status

2019 Unit: NT$ thousand

	Title (Note)	Name (Note)	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Cheng Ming-Chi	-	12,263	12,263	0.39%
	Chief Operating Officer	Tsai Chi-Feng				
	Vice President of Business Division	Tang Chia-Hsien				
	Director of Kaohsiung Plant	Shan Yi-Wen				
	Director of Kunshan Plant	Ma Ruei-Chun				
	CQO	Lu Yu-hung				
	Director of Sourcing Division	Gong Chao-Rong				
	Director of Administration Division	Lan Zhi Tang				
	CFO	Hsiung Ya-Shih				

Note: The managerial officers identified in the name list are the existing managerial officers on the date of publication of the annual report.

(V) Specify and compare the remuneration to directors, supervisors, presidents, and vice presidents of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements in the most recent 2 years, and specify the policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk.

1. Remuneration analysis for the past 2 years:

Unit: NT$ thousand

Year	The Company		Companies in the consolidated financial statements	
	2018	2019	2018	2019
Remuneration to directors	13,347	20,850	13,347	20,850
Remuneration to directors as a percentage of net income	0.50	0.66	0.50	0.66
Remuneration to the President and Vice President	21,251	41,051	26,085	46,047
Remuneration to the President and Vice President as a Proportion to Earnings After Tax (%)	0.80	1.30	0.99	1.46

2. The policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk:

Pursuant to Article 29-1 of the Article of Incorporation of the Company, the remuneration to directors of the Company shall not be higher than 2%, and the Company operation outcome shall be considered along with the review on individual's contribution to the performance of the Company in order to provide reasonable remunerations. The remunerations of the president, vice presidents and managerial officers shall be determined according to the salary payment standard of the Company and their background as well as business operation performance. To establish the procedure for remuneration, in addition to the consideration of the Company's overall business operation performance, future operating risks of the industry and development trend, the individual performance achievement rate and contribution to the performance of the Company is also considered in order to provide reasonable remuneration, and relevant performance valuation and salary reasonability shall be reviewed by the salary and remuneration committee and board of directors. In addition, the remuneration system shall be reviewed according to the actual operating status and relevant laws appropriately at all times in order to seek the sustainable operation and balance of risk control of the Company.

IV. Corporate governance operating status

(I) Board of Director operation status

In 2019, the Company has held 7 Board of Directors Meeting (A), and the attendance of the directors and supervisors are as follows:

Job title	Name	Actual number of (listing) attending seats (B)	Attendance by proxy	Actual attendance (listing) of seats percentage (%) [B/A]	Remark
Chairman of Board	Cheng Ming-Chi	7	0	100%	Re-elected on June 18, 2019
Director	Tai-Peng Development Corporation: Ji-Yan Liang	7	0	100%	Re-elected on June 18, 2019
Director	Tai-Peng Development Corporation representative: Jeng Xi Shih	7	0	100%	Re-elected on June 18, 2019
Director	Tai-Peng Development Corporation representative: Lan Zhi Tang	7	0	100%	Re-elected on June 18, 2019
Director	Chi-Lian Investment Corporation representative: Chen Yong-Chang	5	1	71%	Re-elected on June 18, 2019
Director	Chi-Lian Investment Corporation representative: Chuang Xun-Po.	5	0	100% (attended 5 meetings)	Joined on June 18, 2019
Director	David Cheng	5	0	100% (attended 5 meetings)	Joined on June 18, 2019
Director	Lin Pei-Ru	5	0	100% (attended 5 meetings)	Joined on June 18, 2019
Independent director	Xin-Bin Fu	5	0	100% (Should attend 5 times)	Joined on June 18, 2019
Independent director	Peng-Chun Wu	5	0	100% (Should attend 5 times)	Joined on June 18, 2019
Independent director	Huang Shui-tung	4	1	80% (Should attend 5 times)	Joined on June 18, 2019
Independent director	Zhang Shun-De	2	0	100% (attended 2 meetings)	Term ended on June 18, 2019
Independent director	Gong Chian-Hui	2	0	100% (attended 2 meetings)	Term ended on June 18, 2019
Supervisor	Lin Pei-Ru	1	0	50% (attended 2 meetings)	Term ended on June 18, 2019
Supervisor	Chuang Xun-Po	2	0	100% (attended 2 meetings)	Term ended on June 18, 2019

Attendance Status of Independent Directors of each time of Board of Directors' Meeting in 2019 ◎: Attended in person; ☆: Attended by a proxy; ＊: Absent

2019	February 14	May 6	June 18	July 1	August 2	November 12	December 19
Zhang Shun-De	◎	◎					
Gong Chian-Hui	◎	◎					
Fu Xin-Bin			◎	◎	◎	◎	◎
Wu Pei-Jun			◎	◎	◎	◎	◎
Huang Shui-Tong			◎	◎	◎	☆	◎

Other notes:

I. Where the operations of the board of directors are subject to any one of the following conditions, the date, session number of board of directors' meeting, proposal content, comments of all independent directors and the resolution of the Company for the comments of the independent directors shall be described:

(I) Matters referred to in the Article 14-3 of the Securities and Exchange Act: The Company has established the Audit Committee, matters referred to in the Article 14-3 of the Securities and Exchange Act are therefore not applicable. For related information, please refer to Audit Committee Operations in this year's annual report.

(II) Except for the aforementioned matters, other resolutions of the board of directors' meeting rejected by the independent directors or reserved comments and are accompanied with records or written declarations: None.

II. For the execution status of the recusal of conflict of interests of directors, the name of the director, proposal content, reasons of recusal and voting participation status shall be described.

(I) The Company's 19th session of the 8th Board held on February 14, 2019.

1.(1) Discussion on the 2018 independent directors' remuneration distribution case of the Company. Since directors Zhang Shun-De and Gong Chian-Hui are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

2.Discussion on the 2018 directors' remuneration distribution motion of the Company. Since directors Cheng Ming-Chi, Chen Yung-Chang, Jeng Xi Shih, Lan Zhi Tang and Ji-Yan Liang are the interested parties of this case, they have recused themselves from the discussion and resolution thereof.

3.Discussion on the distribution of remuneration to managerial officers motion of the Company. Since directors Cheng Ming-Chi and Lan Zhi Tang are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

(II) The Company's 5th session of the 9th Board held on December 19, 2019.

1.Discussion on the 2017 H2 operating bonus distribution motion of the Company's managerial officers. Since directors Cheng Ming-Chi and Lan Zhi Tang are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

III. The evaluation cycle and period, assessment scope, method and evaluation content of the board's self (or peer) evaluation:

The company formulated the board of directors performance evaluation method on November 12, 2019.

Evaluation of the implementation of the board of directors				
Evaluation cycle	Assessment period (Note)	Assessment scope	Evaluation method	Evaluation content
Implemented once per year	Completed before the end of the first quarter of the following year	Board of Directors, individual board members and functional committees	Internal self-evaluation of the board of directors, self-evaluation of board members, peer assessment or other appropriate methods	Board performance evaluation: I. Degree of participation in company operations. II. Board decision-making quality improvement. III. Board composition and structure. IV. Selection and continuous training of directors. V. Internal controls. Performance evaluation of individual directors: I. Mastering the company's goals and tasks. II. Director's responsibilities. III. Degree of participation in company operations. IV. Internal relationship management and communication. V. Director's professional and continuous education. VI. Internal Controls. Performance evaluation of functional committees: I. Degree of participation in company operations. II. Awareness of Audit Committee responsibilities. III. Improve the quality of Audit Committee decision-making. IV. Composition of the Audit Committee and selection of members. V. Internal controls.

Note: The Company has not completed the self-assessment (or peer-assessment) of the board of directors for 2019.

IV. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors:

(I) The Company has enacted the meeting rules for directors' meetings pursuant to the laws. The functions and operations of the board all comply with the rules and related laws. The internal chief auditor will also attend the directors' meeting to report on the status of the internal audit.

(II) Directors may communicate with the chief auditor and CPAs via phone, fax or email.

(III) The Company elected 8 ordinary directors and 3 independent directors on June 18, 2019. The Audit Committee is made up of all the independent directors. As of December 31, 2019, none of the three independent directors has had a continuous term of more than 9 years.

(IV) The Company established the Remuneration Committee on December 22, 2011, which is responsible for helping the Board assess and determine the remuneration to directors and managerial officers periodically, and discuss the performance appraisal on directors and managerial officers, and the policy, system, standard and structure remuneration periodically.

(II) Audit Committee Operations

The company met 4 times in the Audit Committee in 2019 (A); independent directors' attendance was as follows:

Job title	Name	Actual number of attending seats (B)	Attendance by proxy Frequency	Actual attendance rate (%) 【B / A】	Remark
Convener	Xin-Bin Fu	4	0	100%	
Member	Peng-Chun Wu	4	0	100%	
Member	Huang Shui-tung	3	1	75	

Other notes:

I. If there any of the following situations arise the operation of the Audit Committee, the date of the board meeting should be stated, as well as the period, and motion content, the results of the Audit Committee's resolutions and the Company's handling of the Audit Committee's comments:

(I) Matters listed in Article 14-5 of the Securities and Exchange Act

(II) Except for pre-opening matters, other resolutions that have not been approved by the Audit Committee but have been approved by two-thirds or more of all directors

Board of directors	Proposal content and subsequent treatment	Items listed in Article 14-5 of the Securities and Exchange Act	Resolutions not approved by the Audit Committee but approved by two thirds or more of all directors
8/2/2019 Third meeting of the 9th session	1. The Company's consolidated financial report for the second quarter of 2019	V	None
	2. Loans of funds to subsidiaries.	V	None
	3. The Company's investment cases.	V	None
	Audit Committee Resolution Results (August 2, 2019): All members of the audit committee agreed to pass.		
	The company's handling of the opinions of the audit committee: All directors present agreed to pass.		
12/19/2019 Fifth meeting of the 9th session	1. Amendment of the Company's "Internal Control Systems"	V	None
	2. Reinvestment of undistributed surplus earnings	V	None
	Audit Committee Resolution Results (December 19, 2019): All members of the audit committee agreed to pass.		
	The company's handling of the opinions of the audit committee: All directors present agreed to pass.		

II. Implementation status for the recusal of interest of independent directors, including the name of the independent director, the content of the proposal, the reasons for recusal and voting status: None

III. Communication between the independent directors and internal chief auditor and CPAs:

(I) Communication between the internal audit supervisor and the Audit Committee:

1.The internal audit supervisor summarizes the internal audit business report to the Audit Committee on a regular basis every quarter.

2.From time to time communicate, guide and respond by phone, email or in person.

3.If there are special circumstances of importance, they may also be immediately reported to the members of the Audit Committee.

(II) Communication between accountants and the Audit Committee:

1.The Company's CPAs communicate with the Audit Committee from time to time, reporting to the members of the Audit Committee on the latest laws or financial statements review or audit results and internal control audits.

(III) The communication channels between independent directors of the company, internal audit supervisors and CPAs are smooth and diversified. The specific communication matters between independent directors and internal audit supervisors and CPAs in 2019 were as follows:

Date	Method	Communication counterparty	Communication items	Result
2/14/2019	Report to the Board of Directors	Audit Supervisor	Evaluation report on the effectiveness of the internal control system.	Fully communicated and discussed, the design and implementation of the internal control system approved by the board of directors in 2018 was deemed effective.
5/6/2019	Report to the Board of Directors	Audit Supervisor	Partial Amendment of the Company's "Internal Control Systems."	Fully communicated and discussed, the board of directors passed the amendments to the "Internal Control Systems."
8/2/2019	Corporate Governance Conference	CPA	Report on recent changes in tax laws	Fully communicated and discussed.
12/19/2019	Report to the Audit Committee	Audit Supervisor	Partial Amendment of the Company's "Internal Control Systems."	Fully communicated and discussed, and the Audit Committee passed the Amendments to the "Internal Control Systems" and submitted them to the board of directors for resolution.
			Report the 2020 internal audit plan.	Fully communicated and discussed, and the Audit Committee passed the "Internal Audit Plan for 2020" and submitted it to the board of directors for resolution.

(III) Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
I. Whether the Company has enacted and disclosed its corporate governance best-practice principles according to the "Corporate Governance Bes-Practice Principles for TWSE/GTSM Listed Companies"?	✓		The Company has established the corporate governance best-practice principles according to the "Corporate Governance Bes-Practice Principles for TWSE/GTSM Listed Companies" which has been disclosed on the Company's website.	No deviation
II. Equity structure and shareholders' equity				
(I) Whether the Company has defined its internal operating procedure for processing shareholders' suggestions, questions, disputes and legal actions, and implemented the procedure strictly?	✓		(I) The Company entrusted the shareholder service agent to handle the same on behalf of the Company, and also delegated the spokesman, deputy spokesman, and staff dedicated to investor relation and shareholder service to handle the suggestions, questions, disputes and litigation actions of shareholders.	No deviation
(II) Whether the Company has control over the list of major shareholders and the controlling parties of such shareholders?	✓		(II) The Company publishes the changes in shareholding of the insiders on the MOPS on a monthly basis, and maintains excellent relations with investors.	No deviation
(III)Whether the Company establishes the risk control mechanism and firewall between the Company and its affiliates?	✓		(III) The Company and its affiliated companies operate independently, and each of them has defined its internal control system and regulations. The Company also defined the regulations governing supervision of subsidiaries and implemented the same.	No deviation
(IV) Whether the Company has defined its internal regulations to prohibit the insiders from trading securities by means of the information undisclosed in the market?	✓		(IV) The Company has established the "Insider Trading Prevention Management Operating Procedures" and "Ethical Management Rules" which clearly specify the prohibitions on insider trading and non-disclosure agreement.	No deviation
III. Organization and responsibility of board of directors				
(I) Whether the board of directors has defined diversified policies toward formation of members and implemented the same strictly?	✓		(I) The Company conducted an election for the 9th Board in June 2019 based on the diverse directives in order to have 11 seats of directors (including 3 seats of independent directors), where 2 members of the Board are female. The professional knowledge and technical skill backgrounds of directors span across various aspects and industries of financial/accounting, technology, management and law... and are equipped with the knowledge, skills and qualities necessary for executing the duties.	No deviation
(II) Whether the Company is willing to establish other functional committees pursuant to laws, in addition to Remuneration Committee and Audit Committee?	✓		(II) The Company has established the Remuneration Committee and Audit Committee in accordance with the law; other functional members may be established according to the actual needs of the Company.	No deviation

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(III) Has the company established the Regulations Governing the Board Performance Evaluation and its evaluation methods, and does the company perform a regular performance evaluation each year and submit the results of performance evaluations to the Board of Directors and use them as reference in determining compensation for individual directors, their nomination, and additional office terms? (IV) Whether the Company periodically evaluates the impartiality and independence of the independent CPA?	✓ ✓		(III) The Company has formulated the "Regulations Governing the Board Performance Evaluation" and uses methods such as self-evaluation for Board members and overall Board self-evaluation which may be carried out by others. The performance of the Board must be evaluated at least once per year and the performance evaluation result must be submitted to the next Board meeting after the end of each year. The Company's Board performance result shall be used as a reference base for election or nomination for directors; each Board member's performance result shall be used as a reference base for the determination of their individual remuneration. (IV) The Company performs the evaluation on the impartiality and independence of the independent CPA at least once annually, and the last evaluation result has been submitted to the board of directors on December 19, 2019 for approval. For the appraisal on independence of the independent auditor, please see Page 28 of the annual report.	No deviation No deviation
IV. Is the company a TWSE/TPEx listed company, and has the company designated an appropriate number of personnel that specialize (or are involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed and assist directors and supervisors in complying with the laws and regulations to perform their duties, convention of board meetings and shareholders meetings, preparation of board meeting and shareholders meeting minutes, etc)?	✓		The financial division of the Company is staffed with the full-time (part-time) employees for handling the company governance related affairs and such personnel are respectively responsible for: 1. Prepare information needed for the Board to carry out their duties and assist in the compliance of laws and regulations. 2. Handle meeting matters in connection to Shareholders meetings, Board meetings and their Committees in accordance with the law. 3. Assist in facilitating and strengthening corporate governance.	No deviation
V. Whether the Company establishes the communication channels with interested parties (including but not limited to shareholders, employees, customers and suppliers etc.) and sets up the section exclusively for interested parties on the Company's website as well as responds to the important CSR issues concerned by the interested parties properly?	✓		1. The website of the Company is set up with the exclusive section for interested parties and maintains fair communication with shareholders, employees and suppliers via IR, shareholders' service, legal affairs, financial and other dedicated units by phone, fax and E-mail from time to time. 2. The Company's website is also equipped with the anti-corruption complaining mailbox. The Company also demands that colleagues and suppliers shall avoid unethical conduct and conflict of interest. Any case against the statement of integrity may be complained via 109@flexium.com.tw, in order to protect suppliers' interest and right. 3. The CSR Committee conducts regular discussions regarding material issues on aspects of economy, society and environment each year as well as the achievement status of all units and plans for future directions. Related results and discussions alongside suggestions of CSR are compiled and reviewed by the Chair of the Committee then submitted to the Board for report.	No deviation

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>VI. Whether the Company appoints a professional shareholder service agent to handle the affairs related to shareholders’ meetings?</td><td>✓</td><td></td><td>The Shareholder Service Agent of Yuanta Securities appointed by the Company meets the qualifications defined under the Regulations Governing the Administration of Shareholder Services of Public Companies.</td><td>No deviation</td></tr>
<tr><td>VII. Disclosure of information
(I) Whether the Company has established a website for disclosure of its financial position and status of corporate governance?</td><td>✓</td><td></td><td>(I) The Company has established a website (www.flexium.com.tw) in Chinese, English and Japanese, disclosing the financial and company governance information, and dedicated personnel are responsible for the maintaining the update of the information. In addition, relevant information can be searched through the public information observation station.</td><td>No deviation</td></tr>
<tr><td>(II) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company’s website, etc.)?</td><td>✓</td><td></td><td>(II) The Company has designated dedicated personnel (Financial Department personnel) to collect and disclose the information in order to control the Company’s external information, and also appoints spokesman and deputy spokesman in order to disclose the latest and correct information of the Company via newspaper or important information irregularly. In addition, the information related to the overview of finance and business disclosed at the Company investors’ meeting has been input into the MOPS per the requirements by TWSE.</td><td>No deviation</td></tr>
<tr><td>(III) Whether the company announces and declares its annual financial report within two months after the end of the fiscal year, and announces and declare the first, second, and third quarter financial reports and the monthly operating situation as early as possible within the prescribed time limit?</td><td>✓</td><td></td><td>(III) The company's 2018 annual financial report was completed on February 27, 2019, and the first, second, and third quarter financial reports and monthly operating conditions were announced and reported as early as possible within the prescribed time limit.</td><td>No deviation</td></tr>
<tr><td colspan="5">VIII. Whether the Company has other important information helpful in understanding the Company governance operation status?
(I) Employees’ rights and benefits and Employees’ care: The Company has handled the matter according to the Labor Standards Act and the human resource regulations in order to ensure that the employee welfare, pension system and various welfares are properly protected.

(II) Investor relations: The Company delegates dedicated personnel to disclose the important messages about finance, business and changes of insiders’ shareholdings on the “MOPS” per the relevant requirements in a timely manner, in order to make the information public and transparent. There are also a spokesperson and an acting spokesperson and a company website has been set up to disclose related information required by regulations.

(III) Supplier relations: The Company has defined the supplier management procedure to assess the environmental protection, safety and health, and green product of the suppliers, and to integrate the procurement procedure in order to be used as reference for the selection of suppliers. In addition, the Company’s website is also equipped with the anti-corruption complaining mailbox. The Company also demands that colleagues and suppliers shall avoid unethical conduct and conflict of interest. Any case against the statement of integrity may be complained via 109@flexium.com.tw, in order to protect suppliers’ interest and right.</td></tr>
</table>

(IV) Rights of stakeholders: The Company maintains fair communication channels with employees, customers and suppliers to maintain both parties' legal interest and right. The Company's website also provides the "Investor Relations" to disclose the Company's financial and stock information, and the spokesperson is delegated to answer investors' questions.

(V) Continuing education of directors and supervisors:

Name of director	Date of continued education	Organizer	Course name/organizer	Number of hours of education
Director Ji-Yan Liang	8/8/2019	Taiwan Securities Association	Legal responsibility and case study discussion on short-term and insider trading	3.0
	8/28/2019	Taiwan Academy of Banking and Finance	Workshop on Corporate Governance and Business Sustainability	3.0
	11/14/2019	Taiwan Corporate Governance Association	Realization of the value of corporate mergers and acquisitions--discussion on post-merger integration issues and establishment of management mechanisms	3.0
	11/14/2019	Taiwan Corporate Governance Association	M&A Strategic Thinking and Evaluation Practice	3.0
Director Chuang Hsieh-po	5/10/2019	Securities and Futures Development Foundation	2019 Annual Conference on Prevention of Insider Trading	3.0
	7/19/2019	Securities and Futures Development Foundation	Briefing session on insider equity trading laws compliance announcement	3.0
Director Yung Chang Chan	4/26/2019	Securities and Futures Development Foundation	2019 Annual Conference on Prevention of Insider Trading	3.0
	7/31/2019	Taipei Exchange	OTC-listed company's insider trading promotional presentation	3.0
Director David Cheng	8/27/2019	Securities and Futures Development Foundation	Board of Directors and Supervisors	12.0
Jeng Xi Shih Director	11/08/2019	Accounting Research and Development Foundation	The impact of the new "Labor Dispute Act" on enterprises and compliance auditing practices	6.0
Zhi Tang Lan Director	4/18/2019	Taiwan Academy of Banking and Finance	Workshop on Corporate Governance and Business Sustainability	3.0
	5/24/2019	Taiwan Printed Circuit Association	2019 PCB Industry Key Business Seminar	3.0
Pei-Ru Lin Director	6/12/2019	Taiwan Securities Association	Latest amendments to the Company Act and practical analysis	3.0
	8/8/2019	Taiwan Securities Association	Legal responsibility and case study discussion on short-term and insider trading	3.0
Xin-Bin Fu Independent director	12/23/2019	Accounting Research and Development Foundation	FRS16 "Leasing" FAQ and practical analysis	3.0
	12/23/2019	Accounting Research and Development Foundation	Analysis of Trends and Practice Cases for "Comprehensive Enterprise Value Management"	3.0
Peng-Chun Wu Independent director	4/26/2019	Securities and Futures Development Foundation	2019 Annual Conference on Prevention of Insider Trading	3.0
	7/17/2019	Securities and Futures Development Foundation	Briefing session on insider equity trading laws compliance announcement	3.0
Huang Shui-tung Independent director	7/17/2019	Securities and Futures Development Foundation	Briefing session on insider equity trading laws compliance announcement	3.0
	7/30/2019	Securities and Futures Development Foundation	Board of Directors and Supervisors	12.0

(VI) Status of implementation of risk management policy and risk measurement standards: Please refer to "VI. Risk analysis and Evaluation" on page 73 of this annual report.

(VII) Implementation of customer service policy: The Company keeps in touch with customers closely and advises the customers of the products benefiting them and ensure that the products meet the reliability and quality as expected. Meanwhile, the Company will take part in the customers' social responsibility boosting plans actively and integrate any new views and approaches into the Company's management system.

(VIII) Status of liability insurance purchased by the Company for directors/supervisors:

Insured Object	Insurance Company	Amount Insured (NT$)	Insurance Period
All directors and supervisors	Chubb Limited	245,864,000	August 1,2018 to August 1, 2019

(IX) Status of individual director implementing the policy on diversity of members of board of directors: The diversification implementation of each director is as follows:

Name of director	Gender	Main academic qualification	Industry experience	Academic experience	Business management ability	Professional field
Cheng Ming-Chi	Male	National Sun Yat-sen University	V		V	Financial/accounting and business administration
Chen Yong-Chang	Male	Department of Law, National Taiwan University	V		V	Law
Ji-Yan Liang	Male	Graduate School of Business Administration of National Chengchi University	V	V	V	Business Administration
Jeng Xi Shih	Male	Department Of Mechanical Engineering, National Cheng Kung University	V		V	Production management and business administration
Lan Zhi Tang	Male	PhD in Business Management of National Sun Yat-sen University	V		V	Law and business administration
Chuang Xun-Po	Male	Madou Gang Wei Elementary School	V		V	Business Administration
Cheng David	Male	University of California, Irvine Electrical Engineering	V		V	Business Administration
Lin Pei-Ru	Female	NCHU Department of Foreign Languages and Literatures.	V		V	Business Administration
Fu Xin-Bin	Male	Ph.D., Institute of Engineering, National Chiao Tung University	V	V	V	Financial/accounting and business administration
Wu Pei-Jun	Female	Completed Doctor of Laws degree at Keio University, Japan		V	V	Accounting, auditing, financial and economics
Huang Shui-Tong	Male	Master of Law, Chinese Cultural University			V	Law

(X) Succession planning and implementation for the Company's board members and important members of management:

1.Succession planning for board members: Regarding the succession planning of the board of directors, at present, the group has many senior management professionals. Therefore, the Company has a sufficient talent pool to take over vacancies among future directors. As for independent directors, the law requires they must have work experience in business, legal affairs, finance, accounting or the company’s industry. The supply of such professionals in this country is not lacking. In the company's planning, therefore, the succession of independent directors may be drawn from industry.

2.Succession planning for important members of management: Employees of the Company above the division level constant important levels of management. There are currently 15 such individuals. Each one of them has completed his or her departmental responsibilities and work instructions and trained a stand-in for their respective positions. In addition, rotation of key personnel is undertaken across departments according to development strategies, various investment plans, and employee retirement status. This aims to train personnel in various fields to facilitate transmission of talent.

IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified: The Company has set up an Audit Committee in 2019 while at the same time strengthening the disclosure of related information to meet the corporate governance regulations. The Company currently has no improvement matters and will make improvement and implementation according to the Company’s plans.

CPA independence assessment table

Evaluation index	Specific index	Assessment item	Yes	No	Remark
Independence	CPA independence	I. Whether or the independent auditor does not act as director of the Company or its affiliated Company?	V		
		II. Whether the CPA is a shareholder of the Company or its affiliates'?	V		
		III. Does the independent auditor receive salary from the Company or its affiliated Company?	V		
		IV. Whether the independent auditor confirms that his/her CPA firm has already complied with the requirements about independence.	V		
		V. Whether any CPA co-working with the independent auditor in the CPA firm does not act as director or managerial officers of the Company or hold any position which will affect the audited case materially within one year upon resignation from the position?	V		
		VI. The independent auditor has not provided the Company with audit service for seven years consecutively.	V		
		VII. Whether the independent auditor meets the requirements about independence referred to article 10 in the CPA Code of Professional Ethics.	V		
Appropriateness	Financial report quality	I. Whether the annual financial statement is completed two months after the end of fiscal year.	V		
		II. Whether semi-annual financial statement is completed within one month after the end of half year.	V		
		III. Whether the first quarter and third quarter financial reports are completed within one month after the end of the first quarter and third quarter .	V		
	Communication and interaction status with the management level	I. Whether excellent communication channels are maintained with the Company management level and directors.	V		
		II. Whether the Company can be informed of the status of the change of laws immediately.	V		

(IV) Status of establishment, functions and operations of Remuneration Committee

1. Information about Remuneration Committee members

ID	Qualifications / Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Status of independence (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remark
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent director	Fu Xin-Bin	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓			0	
Independent director	Wu Pei-Jun	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓			1	
Independent director	Huang Shui-Tong	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓			0	

Note: place a "✓" in the box below if the member met the following conditions during the time of active duty and two years prior to the elected date.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).

(3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings.

(4) Not a managerial officer listed in criteria (1) or a spouse, relative of second degree, or direct kin of third degree or closer to persons not qualified for criteria (2) and (3).

(5) Not a director, supervisor, or employee of a juristic-person shareholder that directly holds five percent or more of the total number of issued shares of the Company or of a juristic-person shareholder that ranks among the top five in shareholdings according to Paragraph 1 or Paragraph 2 Article 27 of the Company Act (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).

(6) Not a director, supervisor, or employee of another company controlled by the same person with more than half of the shares with voting rights on the company's board of directors. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)

(7) Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or equivalent position is the same person as that of the Company, or the spouse thereof. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)

(8) Not a director, supervisor, managerial officer, or shareholder holding more than 5% of a specified company or institution that has a financial or business relationships with the Company (the same does not apply, to certain companies or institutions holding more than 20% of the total issued shares of the Company, but no more than 50% and to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative remuneration exceeding NT$500,000, or a spouse thereof. This restriction does not apply to a member of the salary and Remuneration Committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not under any circumstances as stipulated in Article 30 of Company Act.

2. Information about status of Remuneration Committee

(1) The Company’s Remuneration Committee consists of 3 members.

(2) Current term of office: from June 18, 2019 to June 17, 2022; the Committee held 3 (A) meetings in 2019, and the attendance of the Committee members is summarized as follows:

Job title	Name	Actual number of attending seats (B)	Attendance by proxy Frequency	Attendance rate (%) (B/A)	Remark
Convener	Fu Xin-Bin	2	0	100.00 (attended 2 meetings)	Joined on June 18, 2019
Member	Wu Pei-Jun	2	0	100.00 (attended 2 meetings)	Joined on June 18, 2019
Member	Huang Shui-Tong	2	0	100.00 (attended 2 meetings)	Joined on June 18, 2019
Member	Zhang Shun-De	1	0	100.00 (attended 1 meeting)	Term ended on June 18, 2019
Member	Gong Chian-Hui	1	0	100.00 (attended 1 meeting)	Term ended on June 18, 2019

Other notes:

I. If the Board of Directors declines to adopt or modify a recommendation of the Remuneration Committee, the date, session, topic discussed and the resolution of the Board meeting and handling of the resolution of the Remuneration Committee shall be specified (if the compensation package approved by the Board is better than the recommendation made by the committee, please specify the discrepancy and its reason): None.

II. As to the resolution of the Remuneration Committee, if a member expresses any objection or reservation, either by recorded statement or in writing, the date, session and topic discussed of the committee meeting, all members' opinions and handling of members' opinions shall be specified: None.

III. Discussions and resolution results of the Remuneration Committee:

Remuneration Committee	Proposal content and subsequent handling	Resolution result	The Company's handling of the Remuneration Committee's opinions
2/14/2019 Eighth meeting of the 3rd session	Proposal for the Company's 2018 compensation for directors and supervisors Proposal for the Company's 2018 compensation for employees	All members agreed to pass	The board of directors was approved by all the directors present
7/1/2019 First meeting of the 4th session	Election of the convener and chairman of the 4th Salary and Compensation Committee First proposal in 2019 for the Company's managers to be granted restricted employee shares	All members agreed to pass	The board of directors was approved by all the directors present
12/19/2019 Second meeting of the 4th session	Proposal for 2H-2019 operating bonus distribution for Company managers Proposed salary adjustment for Company managers	All members agreed to pass	The board of directors was approved by all the directors present

(V) The state of the company's performance of social responsibilities, any deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies:

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
I. Whether the company follows the principle of materiality, conducts risk assessments on environmental, social and corporate governance issues related to company operations, and formulates relevant risk management policies or strategies?	✓		(I) In order to respond to various operational risks, the Company conducts annual risk assessments of the environment, health and safety, business ethics, and labor human rights related to the Company's business activities to identify and evaluate the relative importance of each risk. It implements appropriate procedures and physical control measures, and sets up processes to ensure compliance and control identified risks. These processes include its "Labor Human Rights and Business Ethics Risk Assessment Management Methods," "Environmental Assessment Assessment Management Procedures," and "Hazard Identification and Risk Assessment Management Procedures."	No deviation
II. Does the company have a specific (or part-time) unit set up to promote corporate social responsibility, have the management been authorized by the Board of Directors to handle matters and report the processing results to the Board of Directors?	✓		(I) The Company has set up a CSR Decision-Making Committee with its Chair served by the Chairman and a group of managers of first-level unit as its members of the Decision Making Committee. Under the Committee, there is a management representative which is served by the Director of Administration Division leading 5 aspects of matters relating to labor rights, health and safety, environmental protection, business ethics and management system. Members cover related departments of each issue and regular management review meetings are held to ensure the normal operation of the CSR management system. CSR budgets, management plans, implementation process are formulated every 6 months and the management representative reports to the Board meeting at least once each year.	No deviation
III. Environmental Issues (I) Does the company have an appropriate environmental management system established in accordance with its industrial character?	✓		(I) The operations of environmental management system (ISO14001) may control the air pollutants, water pollutants and waste derived from the production process in the plant. Meanwhile, the Company will apply for the related permits with the local competent authorities. 1. Air pollution: Acquired the "fixed pollution source operating permit" from the environmental protection authority; to install the washing tower to process waste gas to meet the emission standard required under laws; to entrust the inspection organization recognized by Environmental Protection Administration to inspect the emission pipelines periodically. 2. Water pollution: Acquired the "water pollution prevention permit"; the waste water generated from the production process will be processed by the basic waste water processing equipment in the plant, and then it is emitted to the waste water treatment plant in Dafa Industrial Park only reaching the standard of the waste water treatment plant in Dafa Industrial Park. 3. Management of waste: To acquire the "waste disposal plan" approved by the environmental protection authority; to boost the waste reduction and classification management, and commission the disposal service providers approved by Environmental Protection Administration to process the waste.	No deviation
(II) Is the company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?	✓		(II) The Company is dedicated to water resource recovery, reducing the amount of waste water, and making good use of water resource. Since the activation of the new recycling system in 2019, the recycling rate has increased by 26.4%, reaching the recovery rate of 42% for the entire plant. The Company also asks qualified recycling service providers to transform heavy metal to usable resources. Also in 2019, the Company has introduced the new heavy metal recovery technology - High performance copper waste liquid electrolytic recovery equipment which recycles waste liquid that contains copper, reducing the copper on content of wastewater discharge by a wide margin lowering the environmental impact caused by pollutant discharge.	No deviation
(III) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take measures to deal with climate-related issues?	✓		(III) In response to the impact of climate change on business operations, the Company is committed to energy saving and carbon reduction and water resource management and waste reuse goals and policies, in addition to the annual voluntary investigation of greenhouse gas emissions. It also conducts inventory and assessment of the feasibility of reuse of production line drainage and waste, reducing environmental impact and increasing environmental friendliness.	No deviation

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(IV) Does the company count greenhouse gas emissions, water consumption and the volume of total waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water management or other waste management?	✓		(IV) The company's implementation of environmental issues in the past two years is as follows: 1. In 2018 and 2019, greenhouse gas emissions were 21,816.68 and 24,248.133 tons of CO2e, respectively. Every year, the Company is gradually replacing equipment with higher energy consumption and lower efficiency. In 2019, the air compressor for public air supply will be replaced with a variable frequency air compressor to increase efficiency by 25.5%. 2. Water consumption of tap water in 2018 and 2019 was 712,539 units and 732,384 units, respectively. The company sets an annual target for improving the reuse rate of recycled water in order to reduce the demand for tap water. In 2019, the recovery rate of the whole plant will increase by 10%. 3. The amount of waste generated in 2018 and 2019 came to 2,355 tons and 2,541 tons, respectively. In 2019, copper waste liquid electrolytic recovery equipment was introduced, and a total of 3,995 kg of copper rods were recovered.	No deviation
IV. Social Issues (I) Whether or not the Company has defined related management policies and procedures per the relevant laws and international human right convention?	✓		(I) The Company has comprehensively considered relevant international standards, including international labor certification (Social Accountability 8000) and the Code of Conduct-Responsible Business Alliance (RBA). It has developed the “Flexium Interconnect Corporate Social Responsibility Policy” to ensure the safety of the working environment, the protection and respect of employees' rights and interests, the implementation of pollution prevention in the process and products, and the fulfillment of social responsibilities. The Company maintains the life insurance, health insurance, and sickness/injury insurance for all employees (including full-time, part-time and temporary workers), and also offers the childbirth/child raising leave and pension fund. The Company also controls the working hours as permitted by laws, and also install the reminding and pre-alarm function for overtime hours in the attendance appraisal management system. HR Dept. and system will provide various data and automated notice to provide the management and employees with suggestions effectively. The Company’s factory premises will also organize the labor-management meeting periodically. Important labor terms and conditions will be implemented upon resolution of the labor-management representatives from each plant to ensure that employees’ interest and right and opinion are respected.	No deviation
(II) Whether the company has formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and appropriately reflects business performance or results in employee compensation?	✓		(II) The Company’s operating conditions are described as follows: 1. The Company will organize the orientation training camp to explain the Company’s policy to new employees, including SHE programs, corporate development orientation, management policy and related policies, and CSR philosophy. 2. The Company distributes the enterprise culture and policy cards to each colleague each year to propagate the Company’s policies. 3. The Company provides the transparent and public performance appraisal mechanism and system. Colleagues may set their learning plan and also may define their personal annual objectives via communication and interview with their immediate supervisors. The Company will conduct the personal appraisal performance each year as the reference for raise, bonus and promotion. 4. In addition to the various time off and leave accommodations granted to all workers in accordance with the relevant provisions of the Labor Act, the Company's leave application system also offers a rule for special leave allowing employees to take leave in increments of 0.25 hours. This gives employees more flexibility in using special leave.	No deviation

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(III) Whether or not the Company provides its employees with a safe and health working environment, and regularly implements employee's safety and health education measures?	✓		(IV) The Company established its "E01 SHE Handbook" according to the latest ISO14001, OHSAS18001, related labor, safety and health and environmental protection laws and regulations, and plan, implement, check and review to ensure the completeness of the SHE management system, and then practice and integrate the well-founded health and safety management into the operations to keep higher morale and produce innovative products. The Company must be dedicated to creating a safe and health working environment for all of its employees. The Company established the medical center in which the factory physicians and nurses are stationed to provide health advice, in accordance with laws and, to maintain and promote labors' health. The Company will organize the labor health inspection, and health seminars to provide labors with health information each year. The emergency escaping drill may upgrade the labors' ability to stay calm in the case of emergency, e.g. the drills for fire protection, earthquake escape and leakage of chemical products, etc. The Company is equipped with AED, which is available to non-medical professionals in the case of heartbreak situation to prevent any situation under which the first aid cannot be sought in time. To encourage employees to implement health autonomous management, electronic sphygmomanometers are installed at all restaurants of each building and provided for employees to monitor the health index at any time. .	No deviation
(IV) Whether the company establishes an effective career development training program for employees?	✓		(IV) The Company establishes a sound training system and links the promotion system to ensure that colleagues can acquire the necessary skills to perform their duties, thereby enhancing the overall competitiveness and sustainable development of human resources. Flexium Interconnect devotes resources to employee training and development, requiring them to go through on-job training (OJT), off-job training (Off-JT) and individual self-development to improve their work abilities and develop diversified functions. Starting from 2014, our efforts through the Talent Quality-Management System (hereafter "TTQS") of the Ministry of Labor earned us the "Silver Medal for Corporate Institutions," progressing to the "Enterprise Institution Gold Medal Award" in 2016. Obviously, our achievements in talent development and training are highly recognized by the country, and we continue to improve human quality and staff development to allow employees obtain self-growth and satisfaction at work. Flexium Interconnect upholds a training vision of "becoming the benchmark of global FPC industry training," and takes its training policy as "promoting a progressive culture." Through the training planning courses of the three core functions, we continuously improve the ability of employees and exert innovative energy to create multiple key training courses for employees at all levels. Through "learn through play, play through learning," we improve professional and management skills to develop professional functions for employees while at the same time creating maximum benefits for the Company.	No deviation
(V) Regarding customer health and safety, customer privacy, marketing and labeling of products and services, whether the company complies with relevant regulations and international standards, and formulates relevant consumer protection policies and appeal procedures?	✓		(V) The company is not the manufacturer of the final product and this evaluation item is not applicable.	No deviation
(VI) Whether the company has formulated supplier management policies, where suppliers are required to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor and their implementation?	✓		(VI) Flexium Interconnect is committed to labor human rights, environmental protection, health and safety, corporate ethics, management and other fields, and has therefore formulated its "Supplier Code of Conduct Consent Form." In doing so, it has made particular reference to relevant international initiatives and requirements, including the spirit of the specifications concerning human rights, labor standards, environment and anti-corruption, and so on as found in the following documents: the UN Global Compact, the Universal Declaration of Human Rights, and the UN Framework and Guiding Principles on Business and Human Rights) as well as the Responsible Business Alliance (RBA). This content applies to all suppliers and their supply chains and contractors. It is hoped that by requiring suppliers to operate in compliance with the laws, regulations and regulations of the local government, and in further compliance with the	No deviation

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Status</th><th rowspan="2">Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>requirements of internationally recognized standards, the sustainability of the supply chain and corporate social responsibility will be improved.</td><td></td></tr>
<tr><td>V. Whether the company refers to the internationally-prepared reporting standards or guidelines, preparation of corporate social responsibility reports and other reports that disclose the company's non-financial information? Did the preliminary report obtain the confidence or assurance opinion of the third-party verification unit?</td><td>✓</td><td></td><td>(I) The Company has continued to issue corporate social responsibility reports since 2017. In addition to disclosing the Company's non-financial information to the outside world, it can also take the initiative to expose the Company's philosophy and practice of sustainable management to all stakeholders who care about Flexium Interconnect. In 2019, Flexium Interconnect will follow the latest reports and adhere to the guidelines of the GRI Standards and the AA 1000 standards. Through the participation and discussion of the CSR decision-making committee, a major analysis was conducted and the preparation of the "2018 CSR Report" was completed. The report was confirmed by a third-party verification unit and a third-party verification statement was obtained to enhance the credibility of the report .</td><td>No deviation</td></tr>
<tr><td colspan="5">VI. For companies who had established corporate responsibility code of conducts in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies”, please describe the current practice and any deviations from the code of conduct:
The Company has not yet established its Corporate Social Responsibility Best Practice Principles. For the status of the Company’s CSR, please see Pages 31-34 of this Annual Report.

VII. Other important information that helps understand the CSR operation:
The Company has compiled a “CSR Report” with the CSR operation status specified, which has been disclosed on the MOPS and the Company’s website.</td></tr>
</table>

(VI) The state of the company's performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance:

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation 2	
I. Establish ethical business policies and programs				
(I) Has the company established an ethical management policy that has been passed by its Board of Directors, and clearly specified in its rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies and methods?	✓		(I) The Company has established the "Ethical Management Rules" as well as the relevant internal rules which clearly document the policy, method the ethical corporate management policies and the commitment by the Board of Directors and senior management on rigorous and thorough implementation of such policies and methods.	No deviation
(II) Has the company established a risk assessment mechanism against unethical behavior, analyzed and assessed business activities within their business scope on a regular basis which are at a higher risk of being involved in unethical behavior, and established prevention programs at least covering the preventive measures specified in Paragraph 2, Article 7 "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"?	✓		(II) The Company has clearly stated the risk assessment mechanism against unethical behavior in the "Ethical Corporate Management Best Practice Principles", and analyzes and assesses business activities within their business scope on a regular basis which are at a higher risk of being involved in unethical behavior, and established prevention programs at least covering the preventive measures specified in Paragraph 2, Article 7 "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies".	No deviation
(III) Has the company specified operational procedures, behavioral guidelines, disciplines of violations, as well as an appeal system in the program against unethical behavior, and implemented such programs, and reviewed and revised the previous program on a regular basis?	✓		(III) The Company has clearly stated various unethical conducts in the "Ethical Corporate Management Best Practice Principles", as well as operating procedures, behavioral guidelines, disciplines of violations, as well as an appeal system against unethical behavior, and revises the previous program on a regular basis.	No deviation
II. Implementation of ethical management				
(I) Does the company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		(I) Before establishing a business relationship with another person, the Company shall evaluate the legal compliance and ethical management records of agents, suppliers, customers or other trading counterparts and check whether they involve any unethical records to ensure that its business operates in a fair and transparent manner, and it will never ask for, provide or accept bribe.	No deviation
(II) Has the company set up a dedicated responsible unit to promote corporate ethical management under the Board of Directors, and has such unit reported its execution in terms of ethical management policy and preventive programs against unethical behaviors and the supervision status to the Board of Directors on a regular basis (at least once a year)?	✓		(II) The Company has established the Ethics Management Committee handling matters of amendments, execution, interpretation, consultation service and the registration of report content of the "Ethical Corporate Management Best Practice Principles". The unit reports matters relating to its ethical management policies and plans against unethical conducts as well as the supervision execution status to the Board of Directors at least once each year.	No deviation

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation 2	
(III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(III) The Company has established the prevention of conflict of interest in the "Ethical Corporate Management Best Practice Principles" and it also provides appropriate report channels for explanations on the potential conflict of interest of the Company.	No deviation
(IV) Has the company established an effective accounting system and internal control system in order to implement ethical management, and propose relevant audit plans according to the assessment results of the risks of unethical behaviors, and review the compliance status of the prevention of unethical behaviors, or entrust an account to carry out the review?	✓		(IV) The Company has established the "internal control system". The internal audit unit will assess the risk periodically and set the audit plan, and conduct the relevant audit per the plan, and special audit, if necessary. The internal audit unit will also report the audit result to the board of directors periodically to enable the management to understand the status of the Company's internal control and achieve the purpose of management.	No deviation
(V) Does the Company regularly hold internal and external educational trainings on ethical management?	✓		(V) The Company arranges anti-corruption training courses (including training courses relating to ethical management and anti-corruption) for members of the Board and general employees on a regular basis. In 2019, 2,022 people took part contributing 10,818 hours.	No deviation
III. Operations of the Company's complaining system (I) Does the company have a specific whistleblowing and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?	✓		(I) The Company's "Ethical Corporate Management Best Practice Principles" clearly specifies 1. The Company encourages internal and external personnel to complain unethical conduct or misconduct, and will grant reward subject to the complained case. If the internal personnel make false or malicious accusation, the personnel shall be disciplined, and dismissed if the case is material. 2. The Company has set up and published the internal independent complaining mailbox (http://www.flexium.com.tw/big5/green_109.asp) available to the Company's internal and external staff on the Company's website and intranet.	No deviation
(II) Has the company implemented any standard procedures and/or subsequent measures after carrying out an investigation or confidentiality measures for handling reported misconduct?	✓		(II) The Company has defined the standard operating procedures for accepting the complaints and related non-disclosure mechanism in "Ethical Corporate Management Best Practice Principles".	No deviation
(III) Has the company taken appropriate measures to protect the whistle-blower from suffering any consequences of reporting an incident?	✓		(III) The Company keeps the identity of the whistle-blower confidential and takes appropriate measures to protect the whistle-blower from suffering consequences of reporting an incident .	No deviation
IV. Strengthening of Information Disclosure Does the company have the contents of ethical corporate management and its implementation disclosed on the website and MOPS?	✓		(I) The annual report posted by the Company on the Company's website (also posted on MOPS) has detailed the information about the effect achieved by the Company for promoting ethical management .	No deviation
V. For companies who have established Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the current practice and any deviations from the code of conduct:				
VI. Other important information facilitating understanding of the importation information on the ethical business operation status of the Company: None.				

(VII) If the Company established the corporate governance guidelines and related articles, please disclose the inquiry method:

The Company has established the “Corporate Governance Best-Practice Principles”, “Operating Procedures for Ethical Management” and related regulations; for these measures please see the Company’s website at http://www.flexium.com.tw or on “MOPS”.

(VIII) Other significant information that will provide a better understanding of the state of the Company’s implementation of corporate governance may also be disclosed:

The Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, applicable regulations for TWSE/TPEx companies and other related acts and regulations in connection to business conducts as the basic principles for the implementation of ethical management. Moreover, the recuse system is clearly stated in the Company's “Rules of Procedure for Board of Directors Meetings” and the “Management for the Operation of Board Meetings”. When a motion given at a Board meeting concerns the personal interest of the Board member or their representatives, and if his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as a proxy for another director.

(IX) Status of internal control system:

1. Statement on Internal Control:

Flexium Interconnect. Inc.

Statement on Internal Control System

Date: February 1, 220

Based on the findings of self-assessment, the Company states that the following with regard to its internal control system during 2019:

I. The Company's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.

II. An internal control system has inherent limitations. Regardless how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing aforementioned objectives. Besides, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. However, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component contains several items. Please refer to the Regulations for aforementioned items.

IV. The Company has inspected the design and operating effectiveness of its internal control system in accordance with the aforementioned Regulations.

V. Based on the findings of such evaluation, the Company believes that, on December 31, 2019, we have maintained, in all material respects, an effective internal control system (including the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.

VI. This Statement will be an integral part of the Company's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

VII. This Statement has been passed by the Board of Directors in their meeting held on February 11, 2020; none of the attending 11 directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Flexium Interconnect. Inc.

Chairman and President: Cheng Ming-Chi Signature

2. If the Company retains CPA's service for examining internal control system, the independent auditor's report shall be disclosed: None.

(X) List of discipline, significant deficit and improvement status of violation of internal control system in most recent year and as of the publication date of the annual report: None

(XI) Materials resolution by shareholders' meeting and the Board of Directors during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report:

Important Resolutions of Shareholders Meeting		
Date	Material resolution	Execution status:
6/18/2019 General Shareholders' Meeting	Proposals: 1. Recognize the 2018 financial statements. 2. Recognize the 2018 profit distribution case.	 The resolution has been followed. Set August 4, 2019 as the record date, and a cash dividend to be distributed on August 30, 2019.
	Discussions: 1. Distribution of the Company's additional paid-in capital as cash dividends. 2. Amendment of the Company's "Articles of Incorporation." 3. Amendment of the Company's "Procedures for Acquiring or Disposing of Assets." 4. Amendment of the Company's "Director and Supervisor Election Methods" and renaming it as "Director Election Methods." 5. Amendment of the Company's "Loans and Other Operating Procedures." 6. Amendment of the Company's "Endorsement Guarantee Procedures." 7. Issuance of restricted employee shares for 2019. Election items: 1. Comprehensive re-election of directors of the Company (including independent directors).	 Set August 4, 2019 as the record date, and a cash dividend to be distributed on August 30, 2019. Approved by the Ministry of Economic Affairs on July 23, 2019. Operate according to the amended procedures. Operate in accordance with the amended election methods. Operate according to the amended procedures. Operate according to the amended procedures. Approved for issuance by the Financial Supervisory Commission on June 28, 2019. Approved by the Ministry of Economic Affairs on July 23, 2019.

Date	Important Resolutions of the Board Meeting
2/14/2019	1. Approved the Company's 2018 Annual Financial Statements 2. Approved the Company's 2018 profit distribution 3. Approved comprehensive re-election of directors of the Company (including independent directors) 4. Approved Amendment of the Company's "Articles of Incorporation" 5. Approved Convening of the Company's 2019 Shareholders' General Meeting
6/18/2019	1. Approved coordination with the Company to review internal adjustments of the CPA firm and change accountants 2. Approved amendment of a portion of the Company's "Procedures for Acquiring or Disposing of Assets" 3. Approved amendment of the Company's "Director and Supervisor Election Methods" and renamed them as "Director Election Methods" 4. Approved amendment of a portion of the Company's "Loans and Other Operating Procedures" 5. Approved the amendment of a portion of the Company's "Endorsement Guarantee Procedures" 6. Approved the amendment of a portion of the Company's "Internal Control Systems" 7. Approved the issuance of restricted employee shares for 2019 8. Approved amendment of the Company's "Articles of Incorporation" 9. Approved the Company's plan to purchase land
7/01/2019	1. Approved matters connected to the setting of the dividend record date for the Company's cash dividend distribution 2. Approved setting of the record date for restricted employee shares for the first distribution of the Company's restricted employee shares for 2019.
8/02/2019	1. Approve the loan of funds to subsidiaries 2. Approved the Company's investment case

Date	Important Resolutions of the Board Meeting
11/12/2019	1. Approved the Company's indirect investment in the mainland
12/19/2019	1. Approved drafting of the 2020 business plan 2. Approved the 2020 annual audit plan 3. Approved amendment of the Company's "Internal Control Systems"
2/11/2020	1. Approved the Company's 2019 internal control system declaration form 2. Approved the Company's employee compensation and directors' compensation distribution in 2019 3. Approved the company's 2019 annual financial report and business report 4. Approved the convening of the Company's 2020 General Shareholders' Meeting
3/23/2020	1. Approved amendment of the Company's "Articles of Incorporation" 2. The Company plans to repurchase the Company's shares in accordance with relevant regulations

(XII) Any other documented objections or qualified opinions raised by directors or supervisors against board resolutions in relation to matters, and their content in most recent year and as of the publication date of the annual report: None.

(XIII) Resignation or discharge of chairperson, president and managerial staff of accounting, finance, internal audit, and research and development in most recent year and as of the printed date of the annual report: None.

V. CPA professional fee information

(I) CPA professional fee information level table

Name of Accounting Firm	CPA's Name		Duration of audit	Remark
PwC Taiwan	Wu Jian-Chi	Wang Kuo-Hua	2019	None

Unit: NT$ thousand

Fee range \ Professional fee items		Audit fees	Non-audit fees	Total
1	Below NT$2,000 thousand		v	
2	NT$2,000thousand (inclusive)-NT$4,000 thousand			
3	4,000 thousand (inclusive)-NT$6,000 thousand	v		v
4	6,000 thousand (inclusive)-NT$8,000 thousand			
5	8,000 thousand (inclusive)-NT$10,000 thousand			
6	Above NT$10,000 thousand (inclusive)			

(II) In the case of non-audit fees paid to the CPA, CPA firm and their affiliates exceeded the audit fees in excess of 25%, the audit fees and non-audit fees and the contents of non-audit service shall be disclosed:

Unit: NT$ in thousand

Name of Accounting Firm	CPA's Name	Audit fees	Non-audit fees					CPA audit period	Remark
			System design	Commercial and industrial registration	HR	Others	Sub-total		
PwC Taiwan	Wu Jian-Chi and Wang Kuo-Hua	4,377	–	–	–	1,127	1,127	2019	Reporting of inventory write-offs, transfer pricing report, new restricted employee shares, etc.

(III) Audit fee for the change of accounting firms paid in the year is less than the previous year, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

(IV) Over 15% decrease in audit fee on a year-to-year basis, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

VI. Change of CPA information

(I) About previous CPA

<table>
<tr><td>Date of change</td><td colspan="4">From the first quarter of 2019</td></tr>
<tr><td>Reason of change and description</td><td colspan="4">Cooperation with the internal organization and personnel adjustment of the accounting firm</td></tr>
<tr><td rowspan="3">Description on whether or not the appointer or CPA terminates or refuses the appointment</td><td colspan="2">Contractual parties / status</td><td>CPA</td><td>Appointer</td></tr>
<tr><td colspan="2">Active termination of appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="2">No longer accept (continue) appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Comments and reasons for audit reports other than the unqualified opinion issued in the last two years</td><td colspan="4">Not applicable</td></tr>
<tr><td rowspan="6">Any discrepancies with the issuer</td><td rowspan="4">Yes</td><td>-</td><td colspan="2">Accounting principle or practice</td></tr>
<tr><td>-</td><td colspan="2">Disclosure of financial statement</td></tr>
<tr><td>-</td><td colspan="2">Audit scope or step</td></tr>
<tr><td>-</td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">v</td></tr>
<tr><td colspan="4">Description: None</td></tr>
<tr><td>Other disclosures
(Contents required for disclosure according to Sub-paragraphs 1-4 to 1-7 of Paragraph 6 of Article 10 of these regulations)</td><td colspan="4">None</td></tr>
</table>

(II) About CPA in succession

Firm Name	PwC Taiwan
CPA's Name	Wang Kuo-hua
Date of appointment	On May 6, 2019, the board of directors approved the change of the company's CPA--in order to cooperate with the internal regulations and personnel adjustments of PwC Taiwan. Starting from the first quarter of 2019, Wu Chien-chi and Wang Guohua will be the accountants.
Accounting process method or accounting principle for specific transactions and comment consultation and result possibly issued on the financial report before the appointment	Not applicable
Written opinions of CPA in succession different from the opinions of previous CPA	Not applicable

(III) The former accountant's reply to Article 10, paragraph 6, item 1 and item 2 of item 3 of this Standard: Not applicable.

VII. Information on the chairman, president, financial and accounting manager of the Company who has worked with the Company's external auditors or the affiliates to such auditors in the most recent year

None

VIII. Changes in shareholding and shares pledged by directors, managerial officers and shareholders with 10% shareholdings

(I) Changes in shareholding by directors, managers and major Shareholders

Job Title	Name	2019		Up to the date of April 20, 2020	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman and managerial officers	Cheng Ming-Chi	130,000	0	0	0
Name of corporate shareholder	Chilien Investment Co., Ltd.	0	0	0	0
Representative of juristic-person director	Chen Yong-Chang	0	0	0	0
Representative of juristic-person director	Chuang Xun-Po	(90,000)	0	(9,000)	0
Name of corporate shareholder	Tai Peng Development Co., Ltd.	150,000	0	0	0
Representative of juristic-person director	Ji-Yan Liang	0	0	0	0
Representative of juristic-person director	Jeng Xi Shih	0	0	0	0
Representative of juristic-person director and managerial officers	Lan Zhi Tang	70,000	0	0	0
Director	Lin Pei-Ru	0	0	0	0
Director	David Cheng	273,951	0	0	0
Independent director	Fu Xin-Bin	0	0	0	0
Independent director	Huang Shui-Tong	0	0	30,000	0
Independent director	Wu Pei-Jun	0	0	0	0
Managerial Officers	Tsai Chi-Feng	190,000	0	(36,000)	0
Managerial Officers	Shan Yi-Wen	85,000	0	(14,000)	0
Managerial Officers	Gong Chao-Rong	100,000	73,000	(14,000)	0
Managerial Officers	Tang Chia-Hsien	70,000	(29,000)	0	0
Managerial Officers	Hsiung Ya-Shih	70,000	0	(10,000)	0
Managerial Officers	Ma Ruei-Chun	40,000	0	0	0
Managerial Officers	Lu Yu-hung	70,000	59,000	(57,000)	(59,000)

Note: The officers identified in the name list are the existing officers on the date of publication of the annual report.

(II) During the transfer of shares in which the counterparty is a related party: None.

(III) During the pledge of shares in which the counterparty is a related party: None.

IX. Information about top 10 shareholders in proportion of shareholdings and who are related parties to one another, spouses, or blood relatives within the second degree of kinship

April 20, 2020 (Book closure date) Unit: shares; %

Name	Shares held in own name		Current shares held by the spouse and children of minor age		Total shareholding under the name of a third party		Information on top 10 shareholders in proportion of shareholding, who are related to one another, or are kin at the second pillar tier under the Civil Code related to one another, their names and relationship.		Remark
	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Name	Relationship	
Cathay Life Insurance	19,497,958	5.80%	0	0%	0	0%	None	None	
Tai Peng Development Co., Ltd.	15,459,784	4.60%	0	0%	0	0%	None	None	
Public Service Pension Fund Management Board 2019 domestic discretionary investment account by Cathay Investment Trust	7,025,000	2.09%	0	0%	0	0%	None	None	
Labor Pension Fund (the New Fund) 2018 2nd full discretionary special account by Fuhua Investment	6,967,089	2.07%	0	0%	0	0%	None	None	
Fubon Life Insurance Co., Ltd.	5,738,117	1.71%	0	0%	0	0%	None	None	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	5,530,334	1.64%	0	0%	0	0%	None	None	
Taishin Bank as entrusted with the custody of Flexium Interconnect Inc. special trust account for restricted stocks (issued in 2019-01) issued by employees with voting rights and no dividend distribution rights	5,320,000	1.58%	0	0%	0	0%	None	None	
Standard Chartered International Commercial Bank Business Department as entrusted with custody of Fidelity Fund Investment Account	4,847,000	1.44%	0	0%	0	0%	None	None	
U.S. JPMorgan Chase Bank Taipei Branch as entrusted with custody of investment account of Abu Dhabi Investment Authority	4,790,000	1.42%	0	0%	0	0%	None	None	
JPMorgan Chase Bank, N.A. Taipei Branch trusted Vanguard Emergency Market Stock Index Fund Investment Account Managed by Vanguard Group Corporation	4,291,990	1.28%	0	0%	0	0%	None	None	

Note: This form includes information till the last book closure of the Company before the publication date of the annual report.

X. Number of shares held and shareholding percentage of the Company, the Company's directors, managerial officers and directly or indirectly controlled entities on the same investee

Unit: thousand shares; %

Invested businesses	Held by the Company		Held by directors, supervisors, managers, and directly/indirectly controlled entities		Combined investment	
	Shares held	Shareholding ratio	Shares held	Shareholding ratio	Shares held	Shareholding ratio
FLEXIUM INTERCONNECT INC.	50	100%	-	-	50	100%
UFLEX TECHNOLOGY CO., LTD.	50	100%	-	-	50	100%
Junfeng Investment Co., Ltd.	5,000	100%	-	-	5,000	100%
GRANDPLUS ENTERPRISES LTD.	-	-	1,881	100%	1,881	100%
SUCCESS GLORY INVESTMENTS LTD	-	-	28,010	100%	28,010	100%
FLEXIUM INTERCONNECT AMERICA LLC	(Note)	100%	-	-	(Note)	100%
CHOSEN GLORY LIMITED	-	-	0	100%	0	100%
CHAMPION BEYOND LIMITED	-	-	0	100%	0	100%
FOREVER MASTER LIMITED	-	-	0	100%	0	100%
BOOM BUSINESS LIMITED	35,000	100%	-	-	35,000	100%
CLEAR SUCCESS GLOBAL LIMITED	-	-	35,000	100%	35,000	100%
Chun-Hwa Technology (Kunshan) Co., Ltd.	-	-	(Note)	100%	(Note)	100%
Jun Kun Technology (Suzhou) Co., Ltd.	-	-	(Note)	100%	(Note)	100%

Note: Not applicable, as It is a limited company.

D. Capital Overview

I. Capital and shares

(I) Source of capital stock

Unit: shares/NT$

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Others
January 2019	10	360,000,000	3,600,000,000	318,214,158	3,182,141,580	Converted employee share subscription NT$2,230,000	-	Note 1
March 2019	10	360,000,000	3,600,000,000	318,249,158	3,182,491,580	Convert employee stock options NT$350,000	-	Note 2
August 2019	10	460,000,000	4,600,000,000	318,560,158	3,185,601,580	Converted employee share subscription NT$3,110,000	-	Note 3
October 2019	10	460,000,000	4,600,000,000	324,060,158	3,240,601,580	New restricted employee shares NT$55,000,000	-	Note 4
January 2020	10	460,000,000	4,600,000,000	332,954,895	3,329,548,950	Cancellation of new restricted employee shares NT$800,000 Converted convertible bonds NT$89,747,370	-	Note 5
March 2020	10	460,000,000	4,600,000,000	335,703,398	3,357,033,980	Cancellation of new restricted employee shares NT$1,000,000 Converted convertible bonds NT$28,485,030	-	Note 6

Note 1: January 3, 2019 Jing-Shou-Shang-Tzi 10701165340 Letter approval.
Note 2: March 7, 2019 Jing-Shou-Shang-Tzi 10801023820 Letter approval.
Note 3: August 15, 2019 Jing-Shou-Shang-Tzi 10801096920 Letter approval.
Note 4: October 2, 2019 Jing-Shou-Shang-Tzi 10801133820 Letter approval.
Note 5: January 9, 2020 Jing-Shou-Shang-Tzi 10801197920 Letter approval.
Note 6: March 10, 2020 Jing-Shou-Shang-Tzi 10901029710 Letter approval.

Share Type	Authorized Capital			Remark
	Issued Shares	Un-issued Shares	Total Shares	
Common stock	335,703,398	124,296,602	460,000,000	Publicly listed

(II) Composition of shareholders

April 20, 2020 (Book closure date)

Composition of shareholders / Quantity	Government apparatus	Financial organization	Other juristic persons	Individual	Foreign institute and foreigner	Total
number of people	4	20	233	36,094	356	36,707
Shares held	16,174,089	36,875,696	43,339,809	108,131,926	131,895,128	336,416,648
Shareholding ratio	4.81%	10.96%	12.88%	32.14%	39.21%	100.00%

(III) Distribution of Ownership:

April 20, 2020 (Book closure date)

Range of shares	Number of shareholders	Shares held (shares)	Shareholding ratio (%)
1-999 shares	13,526	1,812,706	0.54
1,000-5,000 shares	19,666	34,857,596	10.36
5,001-10,000 shares	1,772	13,739,404	4.08
10,001-15,000 shares	515	6,529,001	1.94
15,001-20,000 shares	268	4,975,337	1.48
20,001-30,000 shares	275	6,977,554	2.07
30,001-40,000 shares	113	4,026,674	1.20
40,001-50,000 shares	92	4,227,703	1.26
50,001-10,000 shares	169	12,093,080	3.59
100,001-200,000 shares	107	15,765,121	4.69

Range of shares	Number of shareholders	Shares held (shares)	Shareholding ratio (%)
200,001-400,000 shares	87	25,255,754	7.51
400,001-600,000 shares	30	14,322,798	4.26
600,001-800,000 shares	19	13,220,773	3.93
800,001-1,000,000 shares	17	14,823,063	4.41
1,000,001 shares and above	51	163,790,084	48.69
Total (Note)	36,707	336,416,648	100.00

(IV) Roster of major shareholders

April 20, 2020 (Book closure date)

Shares / Name of major shareholder	Shares held	Shareholding ratio
Cathay Life Insurance	19,497,958	5.80%
Tai Peng Development Co., Ltd.	15,459,784	4.60%
Public Service Pension Fund Management Board 2019 domestic discretionary investment account by Cathay Investment Trust	7,025,000	2.09%
Labor Pension Fund (the New Fund) 2018 2nd full discretionary special account by Fuhua Investment	6,967,089	2.07%
Fubon Life Insurance Co., Ltd.	5,738,117	1.71%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	5,530,334	1.64%
Taishin Bank as entrusted with the custody of Flexium Interconnect Inc. special trust account for restricted stocks (issued in 2019-01) issued by employees with voting rights and no dividend distribution rights	5,320,000	1.58%
Standard Chartered International Commercial Bank Business Department as entrusted with custody of Fidelity Fund Investment Account	4,847,000	1.44%
U.S. JPMorgan Chase Bank Taipei Branch as entrusted with custody of investment account of Abu Dhabi Investment Authority	4,790,000	1.42%
JPMorgan Chase Bank, N.A. Taipei Branch trusted Vanguard Emergency Market Stock Index Fund Investment Account Managed by Vanguard Group Corporation	4,291,990	1.28%

(V) Information of market value, net value, earnings and dividends per share for the most recent two years:

Unit: NT$ / thousand shares

Year / Item			2018	2019	Current year up to April 30, 2019
Market value per share	Highest		120.50	115.50	124.5
	Lowest		74.50	68.30	79.5
	Average		93.88	93.29	108.35
Net value per share	Before distribution		60.34	65.86	(Note 8)
	After distribution (Note 1)		60.34	(Note 7)	Not applicable
Earnings per share	Weighted average shares (thousand shares)		309,272	314,636	(Note 8)
	EPS (Note 2)		8.55	10.02	(Note 8)
Dividends per share	Cash dividends		5.0	(Note 7)	
	Free-*Gratis* dividends	Retained shares distribution	0	(Note 7)	
		Capital surplus shares distribution	0	(Note 7)	
	Retained dividends (Note 3)		0	(Note 7)	
Return on investment analysis	Price-Earnings Ratio (Note 4)		10.98	9.31	
	Dividend yield (Note 5)		18.78	(Note 7)	
	Cash dividend yield (Note 6)		5.33%	(Note 7)	

Note 1: Please identify the status of distribution according to the resolution made by the shareholders' meeting held in the following year.

Note 2: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 3: If the terms and conditions under which the equity securities are issued provide that the stock dividend retained in the then year may be accumulated until the year in which there are allocable earnings available, please disclose the retained stock dividend accumulated until the then year.

Note 4: Price-Earnings Ratio = Average closing price per share in current year/earnings per share.

Note 5: Dividend yield = average closing price per share in current year/cash dividend per share.

Note 6: Cash dividend yields = cash dividend per share/average closing price per share in current year.

Note 7: Up to the publication date of the annual report, the board of director has not approved the 2019 surplus distribution proposal.

Note 8: Up to the publication date of the annual report, all financial statements for the first quarter have been reviewed completely by CPA.

(VI) Dividend policy and status of implementation

1. Dividend policy defined under the Articles of Incorporation

Article 29: If the Company has surplus profits after annual accounting of revenues and expenditures, it shall have its losses covered and all taxes and dues paid and set aside ten percent of the remaining profits as a legal reserve. However when the legal reserve amounts to the authorized capital, this shall not apply. In addition, after a special reserve is provided or reserved in compliance with the laws and regulations, the board of directors may combine the remaining balance with the undistributed earnings at beginning period as accumulated distributed earnings, and depending on the available fund and economic situation, to submit proposal for approval in the shareholders meeting for earning distribution.

Article 30: The industry that the Company is in is still in the growing stage. The Company expects it will have cash demand for the expansion of production line in the coming years. The proposal to distribute earnings out of distributable accumulated earnings in relation to Article 29 is submitted for approval by the Shareholders Meeting. Among which, the cash dividends shall not be less than 5% of total dividends distributed. However if cash dividend will be less than NT$ 0.1 per share it will not be distributed, the stock dividends will be distributed instead.

2. Allocation of dividends proposed at the shareholders' meeting:

Up to the publication date of the annual report of current fiscal year, the board of director of the Company has not yet approved the proposed amounts for the distribution of dividends; relevant information can be searched via the Market Observation Post System after the convention of relevant meetings.

3. Expected materials changes in the dividend policy: None.

(VII) The Impact of allotment of free dividends on business Performance and EPS: Not applicable.

(VIII) Remuneration to Employees and Directors:

1. Proportion or scope of remuneration to employees and directors as stated in the Company's Articles of Incorporation:

Depending on the profits of the current year, the Company shall distribute no lower than 2% of the profit as employees' compensation, and no higher than 2% of the profit as compensation to directors. However, if the Company has accumulated losses the profits shall be used to cover the losses before it can make any distribution.

The employee's compensation may be distributed in stocks or cash, the parties to whom the compensation distributed to may include employees of affiliated companies

2. The accounting in the case of deviation from the basis for stating employee bonus and remuneration to directors, the basis for calculating the quantity of stock dividends to be allocated, and the actual allocation:

It is deemed to be a change in accounting estimates and is listed as the change of annual profit and loss.

3. Information about the motion for allocation of remuneration resolved by a directors' meeting:

(1) The motion of 2019 distribution passed by the Company's Board of Directors meeting held on February 11, 2020 is as follows:

A. Proposal of cash bonus to employees - NT$100,000 thousand.

B. A. Proposal of remuneration to directors to employees - NT$20,000 thousand.

C. The cause resulting in discrepancy from the estimated figures for employee bonus and remuneration to directors, and the status of treatment: Not applicable, as there is no discrepancy.

(2) The amount of remuneration to employee distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income and total remuneration to employees: Not applicable.

4. Allocation of remuneration reported at a shareholders' meeting, and the result thereof:

The motion for distribution of earnings for 2019 is pending resolution by the Shareholders meeting.

5. Actual distribution status of the remunerations for employees, directors of the previous fiscal year:

The motion of 2018 distribution passed by the Company's Board of Directors meeting held on February 14, 2019 is as follows:

Item	Estimated amount for the year (NT$)	Actual distribution (NT$)	Difference
Employee cash bonus	86,000,000	86,000,000	None
Remuneration of directors and supervisors	15,000,000	15,000,000	None

(IX) Repurchase of the Company's shares:

1. Completed:

April 30, 2020

No. of repurchase	the 8th	the 9th	the 10th
Purpose of repurchase	Before the amendment: maintain company credit and shareholders' rights and benefits After the amendment: For shares transfer (Note 1)	Shares transferred to employees	Shares transferred to employees
Repurchase period:	11/02/2017 ~ 12/20/2017	6/12/2018 ~ 7/11/2018	3/24/2020 ~ 3/31/2020
Price range of repurchase	NT$ 90 ~ NT$ 160	NT$ 70 ~ NT$ 120	NT$ 70 ~ NT$ 120
Type and quantity of repurchased shares	5,000,000 common shares	2,506,000 common shares	0 common shares
Amount of repurchased shares	NT$ 584,750,001	NT$ 233,992,478	NT$ 0
The number of repurchased shares to estimated repurchase number (%)	100%	50%	0%
Number of shares canceled or transferred	2,513,562 shares	2,506,000 shares	0 share
Accumulated shares held	2,486,438 shares	2,486,438 shares	2,486,438 shares
Shares cumulatively held to total shares authorized to issue (%)	0.74%	0.74%	0.74%

Note 1: For the 8th repurchase of the Company's shares, on December 21, 2017 the board approved a change in the purpose of the repurchase to conversion to equity.

2. Still undergoing implementation:

April 30, 2020

No. of repurchase	The 11th
Purpose of repurchase	Maintain company credit and shareholders' rights and benefits
Types of shares repurchased	Common stock
Maximum amount of shares repurchased	NT$ 3,000,000,000
Period of scheduled repurchase:	4/01/2020 - 5/23/2020
Quantity to repurchase	25,000,000 shares
Price range of repurchase	NT$ 70 ~ NT$ 120
Type and quantity of repurchased shares	Common stock 0 shares
Amount of repurchased shares	NT$ 0
The number of repurchased shares to estimated repurchase number (%)	0%

II. Status of corporate bond

Status of corporate bond

Type of corporate bond		Issuance of the third unsecured overseas convertible corporate bonds
Date issued		January 22, 2019
Face value		US$100,000 or multiple thereof
Place of issuance and exchange		Singapore Exchange
Issuing price		The bond is issued at full face value.
Total amount		US$100,000 thousand
Interest rate		Coupon rate: 0%
Duration		3 years, Expiry date: January 22, 2022
Guaranteeing institution		None
Trustee		CITICORP INTERNATIONAL LIMITED
Underwriting institution:		Overseas lead underwriter: KGI ASIA LIMITED Domestic lead underwriter: KGI Securities Co. Ltd.
Certifying attorney		K&L Gates Cheng-Yang Chen, Attorney-at-Law
Independent auditor		PwC Taiwan Li Yi-Hua, CPA
Repayment method		(I) Unless the bonds are redeemed, repurchased and cancelled, or the holders of the bonds (the "Bondholders") exercise their conversion rights, the bonds will be repaid in full on the maturity date by the issuer at the face value of the bonds. (II) The redemption price at maturity will be converted into NT$ at a fixed rate and the amount in NT$ will be converted into USD at the exchange rate (11am rate of exchange set by Taipei Forex).
Outstanding principle (as of April 30, 2020)		USD61,500 thousand
Terms for redemption or early repayment		1. From the day after the second year of the issuance of this bond to the maturity date, if the closing price of the Company's common stock on the TWSE are converted into US dollars at the current exchange rate of the day reaching the issuer's early redemption amount multiplied by the conversion price and divided by the face value for 30 consecutive business days. If the bondholder's redemption price exceeds 130% of the total bonds, the issuer may redeem all or part of the bonds at the early redemption price. 2. If more than 90% of the bonds have already been redeemed, converted, bought back or cancelled, the issuer may redeem, covert, buy back or cancel all outstanding bonds at the early redemption price. 3. Due to the change in tax laws of the Republic of China, resulting in additional taxes after the date of issuance because of this bond, or if extra fees are required to be paid or increase costs, the issuer may redeem all bonds in advance at the early redemption price according to the trustee's contract. 4. The early redemption price will be converted into NT$ at a fixed rate and the amount in NT$ will be converted into USD at the exchange rate (11am rate of exchange set by Taipei Forex).
Restrictive terms		None
Name of credit rating organization, rating date, bond rating results		None
Other rights	Amount of ordinary shares converted as the publication date of the annual report	USD38,300 thousand (NT$1,181,095 thousand)
	Issuance and conversion (traded or subscribed)	See MOPS-various exclusive sections-bond section
Possible dilution of equity and impact on equity of existing shareholders		As of the publication date, 617 shares have yet to be converted. At the current conversion price of NT$79.03, the conversion price increased by approximately 24,075,726 shares. The 335,703,398 shares held by shareholders were diluted by approximately 6.69%, which poses a limited diluting effect.
Name of commissioned custodial institution for objects exchanged		Not applicable

Information about the convertible bonds

Type of corporate bond		Issuance of the third unsecured overseas convertible corporate bonds	
Item / Year		2019	Current year up to April 30, 2020
Market value of convertible corporate bond (Note)	Highest	140	150
	Lowest	101	105
	Average	120	125
Conversion price (NT$)		NT$83.95	NT$79.03
Issuance date and conversion price at time of issuance		Issuance date: January 22, 2019 Conversion price at time of issuance: NT$83.95	
Method of fulfilling conversion		Issuance of new shares	

Note: based on Bloomberg quotes

III. Status of preferred shares

None

IV. Status of GDR/ADR

None

V. Status of employee stock option certificate and new restricted employee shares

(I) Unexpired employee stock options issued by the Company as of the date the Annual Report is printed, and the effect of such options on shareholders' equity:

April 30, 2020

Type of employee stock option certificate	First employee stock option certificate in 2009
Effective date of declaration	March 17, 2010
Issuance (processing) date	March 18, 2010
Total number of units for issuance	3,000 units
Ratio of the number of acquired shares which have been subscribed to the number of issued	2.19 %
Subscription period	10 years
Exercise method	Issuance of new shares
Period and ratio in which subscription is restricted	Upon expiration of two years after the issuance, 50% Upon expiration of three years after the issuance, 75% Upon expiration of four years after the issuance, 100%
Number of shares that have been obtained through exercise of subscription rights	2,841,750 shares
NT$ amount of the shares subscribed	NT$95,864,465
Number of shares that have not been subscribed	158,250 shares
Subscription price per share of the unsubscribed shares	NT$21.9
Ratio of the number of unsubscribed shares to the number of issued (%)	0.05 %
Effect on shareholders' equity	The Company's employee stock option certificates will be executed in four years upon expiration of two years after issuance of the same. The original shareholders' equity will be diluted year by year. By so doing, the employees may be encouraged to serve in the Company permanently and the Company may promote their loyalty to the Company to create the interest for the Company and shareholders altogether to benefit the shareholders' equity.

(II) Names of managers having acquired employee stock options and names of employees ranking top ten in convertible shares.

First employee stock option certificate in 2009

April 30, 2020

Job title		Name	Number of acquired shares which have been subscribed (thousand shares)	Ratio of the number of acquired shares which have been subscribed to the number of issued (%) (Note 3)	Subscribed				Not subscribed			
					Number of shares which have been subscribed (thousand shares)	Subscription price (NT$ thousand)	Subscription amount	Ratio of the number of shares which have been subscribed to the number of issued (%) (Note 2)	Number of shares which have been subscribed (thousand shares)	Subscription price	Subscription amount (NT$ thousand)	Ratio of the number of shares which have been subscribed to the number of issued (%) (Note 3)
Managerial Officers	President	Cheng Ming-Chi	730	0.23%	730	29.90 31.30 35.50 37.98	26,298	0.23%	0	0	0	0%
	Project Director	Cheng Yu-Tai (Note 1)										
	Director of Sourcing Division	Gong Chao-Rong										
	Director of Kunshan Plant	Ma Ruei-Chun										
	Director of Administration Division	Lan Zhi Tang										
Employee	Executive Vice President	Jeng Xi Shih (Note 2)	738	0.23%	593	23.20 24.40 26.60 31.30 35.50 37.98 40.41	20,915	0.17%	0	0	0	0%
	Director	Tseng Song-Yu (Note 2)										
	Director	Kuo Cheng-Chia (Note 2)										
	Vice Director	Lien Chun-Chi (Note 2)										
	Vice Director	Chang Wen-Liang (Note 2)										
	Vice Director	Yang Fong-Hao (Note 2)										
	Manager	Wu Meng-Hsi										
	Manager	Pan Chi-Chang										
	Section Chief	Lin Yi-Hsun										
	Senior specialist	Yang Chien-Ying (Note2)										

Note 1: Term ended

Note 2: Left term

Note 3: Total number of shares issued refers to the number of shares listed in the change registration information filed with the Ministry of Economic Affairs.

VI. Handling of restricted employee shares

(I) Handling of restricted employee shares

April 30, 2020

Type of stock for restricted employee shares	1st restricted employee shares for 2019
Effective date of declaration	June 28, 2019
Issue date (Note 2)	July 1, 2019
Issued shares for restricted employee shares	5,500,000 shares
Issue price	NT$ 0
Ratio of issued restricted employee shares vs. total issuance of shares	1.64%
Restricted employee shares vesting conditions	I. After employees are allocated restricted employee shares, employees can settle the number of acquired shares annually. The proportion of restricted employee shares actually acquired in each year should be calculated by multiplying the achievement of the performance evaluation indicators of (1) and (2): (1) Number of years in service and job performance 1. Expiry of term following 1 year: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 30%. 2. Expiry of term following 2 years: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 30%. 3. Expiry of term following 3 years: If the personal performance evaluation score is 3A or more in the year before the expiry of term, the highest vested ratio is 40%. (2) Operational performance: The Company will use basic earnings per share as its operating performance standard 1. If basic consolidated earnings of the annual consolidated financial statements audited by accountants in the year before each of these expiries of term are less than NT$8, 0% of the highest vested ratio for the year shall be granted. 2. If the basic earnings per share of the consolidated annual financial statements audited by accountants in the year before each of these respective expiries of term ranges from NT$8 (inclusive) to NT$10 yuan, 60% of the highest vested ratio for the year shall be granted. 3. If the basic consolidated earnings of the annual consolidated financial statements audited by accountants in the year before each of these expiries of term is NT$10 or higher (inclusive), 100% of the highest vested ratio for the year shall be granted. (3) The aforesaid available shares are calculated based on rounding and the unit is "shares." II. In case of holidays at the above times, then matters should be handled in advance on the prior business day.
Restrictions on restricted employee shares	I. Before the vested conditions set in the preceding Article are fulfilled, except in cases of inheritance, employees must not use the restricted employee are allocated according to these measures to sell, pledge, transfer, gift to others, set up, or discriminate in other ways. II. When the restricted employee shares issued by the Procedures do not meet the established conditions set forth in the preceding article, attendance at shareholders' meetings, proposals, speaking, voting, and voting rights, etc. shall be the same as that for ordinary shares issued by the company, and shall be executed according to the trust custody contract. III. When the restricted employee shares issued by the Procedures do not meet the established conditions set forth in the preceding Article, there shall be no rights to earnings distributions (including but not limited to: dividends, bonuses, capital reserve allocated rights) nor to cash-enhanced share options. IV. From the day of the Company's non-gratuitous allotment stop transfer day, the cash dividend stop transfer day, the cash capital increase subscription stop transfer day, the shareholders' meeting transfer period determined by Article 165, Paragraph 3 of the Company Law, or other legal business stoppage period based on the facts from the first 15 business days to the reference date for the distribution of rights, employees who meet the acquired conditions during this period do not have the right to surplus distribution.
Custody of restricted employee shares	Custody shall be entrusted in the names of the employees
Where employees fail to meet the acquired conditions after being allocated or subscribed for new shares	For employees who have been assigned restricted employee shares in accordance with this method, if the time limit set in Article 5 expires but does not meet the vested conditions for performance evaluation, the shares that do not meet the vested conditions will be recovered by the Company free of charge and cancelled.
Number of shares of restricted employee shares recovered or repurchased	180,000 shares
Number of shares of restricted employee shares released	0 share
Number of shares of restricted employee shares still unreleased	5,320,000 shares
Ratio of unreleased restricted employee shares vs. total issuance of shares (%)	1.58%
Impact on shareholder rights	One year after the issuance of restricted employee shares of the company, it will be implemented in the following three years and the original shareholders' equity will be diluted year by year. In addition, this can incentivize employees' long-term willingness to serve and enhance their motivation, and jointly create the interests of the company and shareholders, which will help shareholders' rights.

(II) Managers who obtained restricted employee shares and the names and acquisition status of the top ten employees

1st restricted employee shares for 2019

April 30, 2020

	Job title	Name	Number of restricted employee shares obtained (thousand shares)	Ratio of restricted employee shares obtained vs. total issuance of shares (%) (Note 2)	Restrictions removed				Restrictions not removed			
					Number of shares with removed restrictions (thousand shares)	Issuing price (NT$ thousand dollars)	Issuing amount	Shares with removed restrictions vs. total issuance of shares (%) (note 2)	Number of shares with restrictions not removed (thousand shares)	Issuing price (NT$ thousand dollars)	Issuing amount	Shares with restrictions not removed vs. total issuance of shares (%) (Note 1)
Manager	President	Ming-Chih Cheng	1,290	0.38%	-	-	-	-	1,290	0	0	0.38%
	Chief Operating Officer	Chi-Feng Tsai										
	Vice President of Business Division	Chia-Hsien Tang										
	Project Foreman	Cheng Yu-tai										
	Foreman of Kunshan Plant	Ruei-Chun Ma										
	Foreman of Kaohsiung Plant	Yi-Wen Shan										
	CQO	Lu Yu-hung										
	Director of Sourcing Division	Chao-Rong Gong										
	Director of Administration	Zhi Tang Lan										
	CFO	Ya-Shih Hsiung										
Employee	Vice Director	Cheng Yang	750	0.22%	-	-	-	-	750	0	0	0.22%
	Vice Director	Chiang Shih-feng										
	Vice Director	Yang Chi-kang										
	Deputy Foreman	Hsu Wei-min (Resigned)										
	Project Director	Cheng Ming-chieh										
	Manager	Lin Chi-hsiung										
	Project Manager	Chen Wei-kuo										
	Assistant Manager	Lin Chung-ju										
	Section Chief	Li Wei-ting										
	Project Leader	Cheng Wei										

Note 1: Total number of shares issued refers to the number of shares listed in the change registration information fild with the Ministry of Economic Affairs.

VII. Mergers and acquisitions, or as assignee of new shares issued by another Company

None

VIII. Status of execution of capital utilization plan

None

E. Overview of operations

I. Business contest

(I) Scope of business

1. Primary content of business

The Company and its subsidiaries are primarily engaged in design, development, manufacturing and sale of Flexible Print Circuits (FPC), and assembly, sampling and modules thereof.

2.Current products and business weight portion thereof:

Year / Main products	2018		2019	
	Operating amount (NT$ thousand)	Business proportion (%)	Operating amount (NT$ thousand)	Business proportion (%)
Flexible printed circuit (FPC)	26,770,491	100.00	26,033,230	100.00

3. New products (services) under development:

R&D projects	Future market needs
Wafer flip chip carriers	Assembly and use for ICs
25um/25um fine line carrier boards	Carrier boards for LCD/HD
Soft and hard composite boards with 4-8 layers	Communication/medical carrier boards
6-layer multi-layer FPC	Carrier board for cameras
Thin film flip chip packages	LCD monitors
LED backlight module FPC	LCD monitors
Blind hole plating	Smartphones
Laser drilling	Notebooks
Double-panel continuous process	Touch screens
Liquid crystal polymer multilayer lamination	Smartphone

(II) Overview of industry

1. Business Overview and Development and Various Development Trends of Products

A printed circuit board (PCB) is the substrate used for the assembly of electronic components. The main function of a PCB is to solder electronic components onto a PCB and connect it with metal conductors to form an electronic circuit with specific functions, making PCBs indispensable basic parts for all electronic products.

PCBs can be categorized into 3 types: rigid PCBs, flexible print circuits

(FPCs) and IC substrates. Among these, FPCs are made by flexible copper clad laminates (FCCL) and a flexible insulating layer (FIL) using an adhesive. They then go through process such as etching to leave the necessary circuit for electronic signal transmission. Due to the characteristics of FPC including high wiring density, thin, light, small, low wiring error rate, and good ductility, it is being widely used in consumer electronics products. In recent years, as the demand for electronics products are leaning towards thinner, lighters, power-saving and touch-control, not only is the application for FPC being used more widely, they are also used more largely, indicating that they are the type of product which has the most PCB growing potential.

The largest FPC application market is still mobile phones worldwide. Due to the improvement of the smartphone penetration rate, FPC used in each smartphone is at the same time continuing increasing. Aside from components and motherboards that are connected to FPC for products such as screens, camera modules, peripherals keys, etc., connection including wireless charging function modules, several motherboards, etc. are new demand for the urge of FPC, making mobiles still the most crucial battlefield for future FPC plants. Compared to smartphones, although the annual shipment of cars is lower, the number of FPC used in each car is diverse and is growing faster. Parts used in cars include LED lights, image sensors, in-car information/entertainment display systems, door handles, and even power engine systems already using FPC. Even though portable ultrasound examination machines, robotic arms/robots, high-frequency transmission/reception antennas used in the field of biomedicine account for a small proportion of FPC, they are however, all niche products with high profits.

2. Relations with industries upstream, mid-stream, and downstream

The primary products at Flexium are PCBs, with upstream raw materials including copper foil laminates, chemicals, films, and electronic parts and components; downstream is for applications of various electronics products, including information, communication and consumer products. Characteristics of upstream materials, manufacturer process, technology level all pose material impact to PCBs; therefore, the expertise and cooperation are relatively important for upstream, midstream and downstream manufacturers

3.Competition status

The local procurement of raw materials of FPC, such as FCCL and PI, is critical to the industrial development. At the very beginning of FPC development in Taiwan, the raw materials were primarily supplied by Japan, and the profit to be sought by the relevant manufacturer was low. In the recent years, the manufacturers engaged in processing FCCL, such as Taiflex and Dupont, developed considerable production capacity in Taiwan and Mainland China. Therefore, there is no concern about supply of raw materials, and the price becomes more competitive.

The chief technology officer of the Company has earned plentiful experience in design, marketing, production and management in the FPC industry, and become the professional and top team in the FPC circle. The most advanced "Roll to Roll" automated production line is adopted. With the focus on high efficient and human-machine automated production line alongside the optimization of technology and process, the Company maintains highly competitive. The Company is determined to becoming a provider of diversified technology solutions.

(III) Overview of technology and R&D

1 R&D expenses in the most recent year

Unit: NT$ in thousand

Year	2019
R&D expenses	1,420,631
Operating revenues	26,033,230
To operating revenue (%)	5.46

2 Technology or product successfully developed in the most recent year

By product	Technology
Mobile phone wireless charging module, smart identification lens module, AR/VR virtual reality application module, AI artificial intelligence application module, smart home security system module, 3D sensing lens module, and wearable sensors.	Wireless charging FPC measurement technology, laser microvias, antenna coupling simulation software, blind and buried vias technology development, substrate-like RTR manufacturing technology development, fine-line flexible printed circuit, liquid crystal polymer multilayer lamination technology development.

(IV) Long-term and short-term business development plan

1. Short-term plan: Continue to develop the existing primary customers thoroughly, integrate technical service team, focus on non-main stream product lines of consumer electronics, such as onboard and medical products as well as the development of other products.
2. Long-term plan: dedication in the improvement of product technologies of the high-frequency and high-speed, could system applications, e.g.

Smart TV, Smart Car and Smart PC, and material research and development.

II. Overview of market and production and marketing

(I) Market analysis

1. Territories where the Company's main products are sold

Unit: NT$ in thousand

Territory \ Year		2018		2019	
		Amount	%	Amount	%
Domestic marketing		1,780,077	6.65	1,530,903	5.88
Export	Asian region	9,008,765	33.65	10,437,510	40.09
	Territories in Europe and the U.S.A.	15,981,649	59.70	14,064,817	54.03
	Sub-total	24,990,414	93.35	24,502,327	94.12
Total		26,770,491	100.00	26,033,230	100.00

2. Market share and future supply & demand and growth of the market

Flexium is one of the 3 major FPC suppliers in Taiwan with manufacturing double side, single side, multilayer and rigid-flex FPCs used in products in communications, computers and consumer electronics products.

With smart watches, smart bracelet and wearable medical monitors becoming more and more common, it indicates that consumers are able to accept various types of smart wearable devices. The demand is gradually increasing. In terms of medical monitors, with the trend of the aging society and health care, information and communication manufacturers also seized such business opportunity by developing corresponding healthcare products for future elderly and groups of people who take health-care seriously. These healthcare products include smart wearable products that enable support of long-time wear without affecting the wearer's daily life with advantages of the ability to automatically detect, collect, display and transmit data over the Internet. Furthermore, according to researchers at the Moscow Institute of Physics and Technology (MIPT) and biotechnology company GERO, it has been confirmed that it only takes one week to extract body activity data from a wearable device, which can be used to generate digital biological indicators of aging and deterioration. Therefore, via the concept of continuous health risk monitoring and real-time feedback to life and health insurance, healthcare and sports fitness providers can drive the future sales of wearable devices.

In addition, smart bracelets are also gradually improving. Not only they are equipped with touch-screens, they also have functions including mobile phone message browsing and replying, music control, mobile payment, voice assistant, etc. They even provide a detachable bracelet screen to be used as Bluetooth headset for calls. The development of diverse functions also attract more consumers, leading the trend of wearable devices.

3. Competitive niche

(1) The increase shipment of smartphones drives the growth of FPC industry.

In the past, 3-5 flexible boards were required in a functional mobile phone. Given the fact that consumers demand products to be lighter and thinner with diversity, the demand for flexible boards that can modularize electronic component functions in limited space is greater. Nowadays, flexible boards needed for a smartphone exceed 20 boards, which is four times more than a traditional mobile phone. The sale of smartphones will also affect the development of industry.

(2) Complex design needs of 5G will bring a new wave of business opportunities

From the concept of 5G technology to it being massed produced, the large scale MIMO antenna configurations that accompany it will become more complex, making the RF front-end occupy take up more space in 5G smart phones. In addition, the amount of data processed by the 5G system will grow geometrically which means the battery capacity will also need to improve, meaning that PCBs and other electronic components will be compressed to complete the package in a higher density, compact form. With 5G becoming more common, the most direct contribution is the FPC demand, especially in MIMO antenna described previously, which also pose a certain degree of promotion of innovation in terms of materials and manufacturing processes. For example, in 2019 when 5G was not yet common, Modified Polyimide (MP) which performed well in the 4G band was used as the primary material. However, with the equipment manufacturing needs brought by 5G that can adapt to LCP (Liquid crystal polymer) materials in higher bands will become mainstream.

4. Positive and negative factors for future development, and the Company's response to such factors

(1) Favorable factors: The FPC application keeps emerging on an ongoing basis, and there is no concern about the growth:

Flexible boards are used widely; downstream end products mainly include high-end consumer electronics such as smartphones, tablets, PCs and wearable devices.

FPC is primarily applied to the binding of main panel and external components. Following the increasing diversification of smart phone functions, the additional external components are increasing relatively, e.g. the connection between screen and main panel, camera module and buttons etc. Generally speaking, the quantity of FPC applied to a smart phone is several multiple of that applied to the general mobile phone.

(2) Unfavorable factors: High labor-intensive industry

The production process of FPC per se is complicate, and the back-end production process requires massive labors. Nevertheless, due to the shortage of domestic labors and the increasing wage in Mainland China year by year, the product cost is increased and the competitive strength is weakened accordingly.

(3) Response to the factors

A. Purchase automatic and semi-automatic test equipment, improve production process and quality, and increase employees' benefit to retain high-quality talents, and reduce the HR demand and operating cost to upgrade the Company's competitive strength.

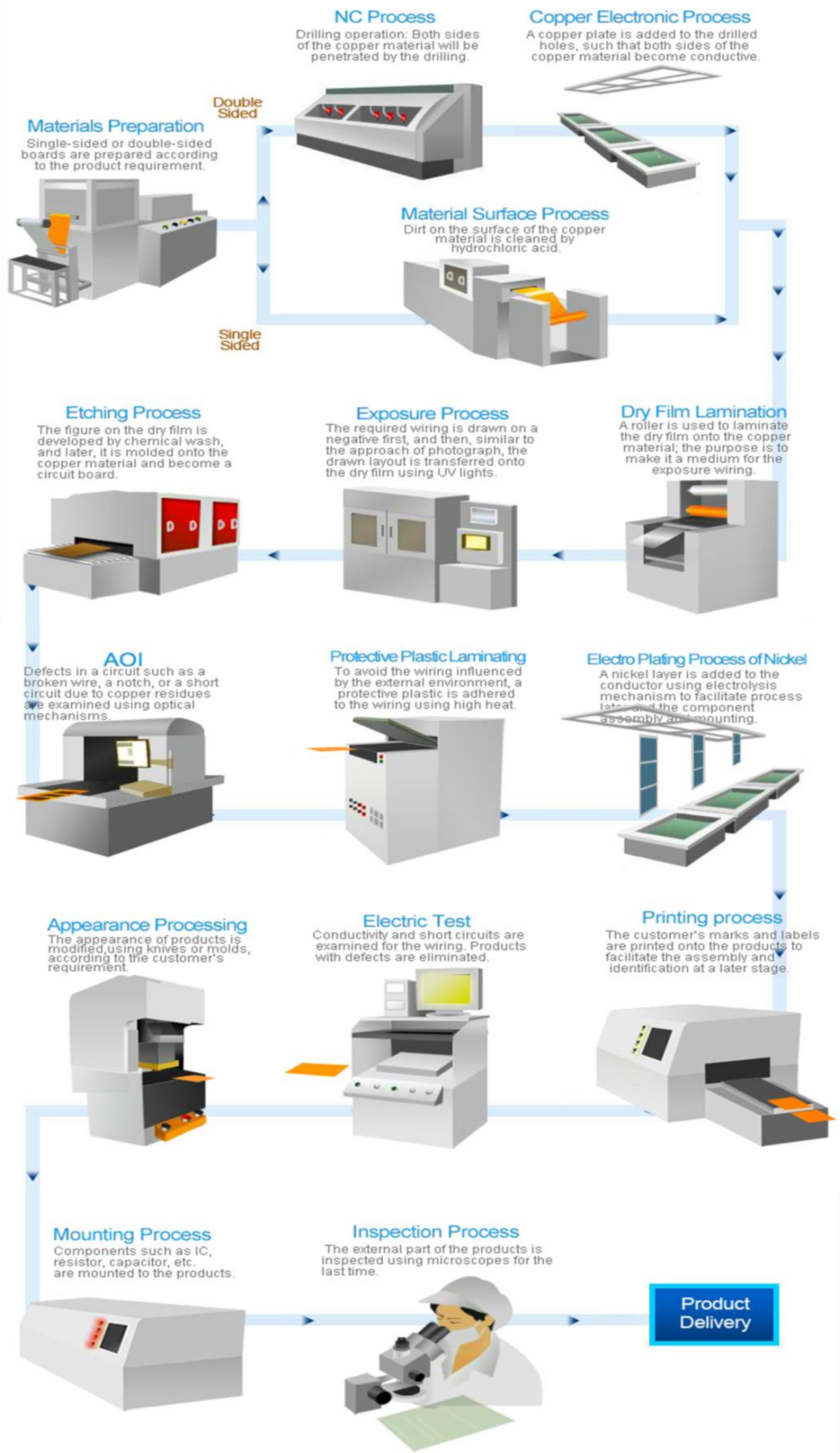
B. Transfer production of some middle-ranked and low-ranked products to the factory premises in Mainland China through the international breakdown, and introduce foreign employees adequately and perform professional training on them permanently to solve the problem about shortage of domestic labors and talents.

(II) Important purpose and production process of main products

1. Important purpose of main products

Main products	Important purpose or function
Flexible printed circuit (FPC)	Computer: Notebooks, tablet computers, printers and displays etc. Communication: Mobile phones and fax machines etc. Others: Stereo, TV, video recorder, video camera system, digital camera, electronic products for car, industrial instrument, and medical instrument etc.

2. Production process of main products



(III) Primary raw material supply status

The Company maintains long-term partnership relationship with suppliers of main raw materials to make the source of supply of main raw materials free from concern and make the cost most competitive.

(IV)A list of any suppliers and clients accounting for 10%or more of the Company's total procurement (sales) amount in either of the most two recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each

1. Information about main suppliers for the most recent two years

Unit: NT$ thousand; %

Item	2018				2019			
	Name	Amount	To the annual net purchase (%)	Relationship with the issuer	Name	Amount	To the annual net purchase (%)	Relationship with the issuer
1	Company B	2,925,585	17.56	None	Others	15,253,239	100.00	None
	Others	13,735,195	82.44	—				—
	Net purchase	16,660,780	100.00		Net purchase	15,253,239	100.00	

In 2019, the Company had no suppliers whose procurement accounted for 10% or more, indicating that there is no risk of concentration of purchases.

2. Information about main customers for the most recent two years

Unit: NT$ thousand; %

Item	2018				2019			
	Name	Amount	To the annual net sale (%)	Relationship with the issuer	Name	Amount	To the annual net sale (%)	Relationship with the issuer
1	Company A	15,803,579	59.03	None	Company A	13,931,732	53.52	None
	Others	10,966,911	40.97	-	Others	12,101,498	46.48	-
	Net sale	26,770,490	100.00		Net sale	26,033,230	100.00	

It is mainly caused by the change of the sales of customers and cooperation with the adjustment of the terminal brand manufacturer sales strategies.

(V) Production value in recent two years

Unit: M²; NT$ thousand

Year / Production value / Main product	2018			2019		
	Production capacity	Output	Output value	Production capacity	Output	Output value
Flexible printed circuit (FPC)	1,318,988	1,028,810	20,773,310	1,333,639	1,074,913	18,201,476
Total	1,318,988	1,028,810	20,773,310	1,333,639	1,074,913	18,201,476

(VI) Sales value in recent two years

Unit: thousand pieces/NT$ thousand

Year / Sale value / Main product	2018				2019			
	Domestic marketing		Export		Domestic marketing		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Flexible printed circuit (FPC)	57,653	1,780,077	774,765	24,990,414	25,299	1,530,903	772,042	24,502,327
Total	57,653	1,780,077	774,765	24,990,414	25,299	1,530,903	772,042	24,502,327

III. Employee information in the last 2 years up until the publication date of this annual report

Unit: person; %

Year		2018	2019	As of March 31, 2020
Number of employees	Direct labor	3,952	5,017	5,018
	Indirect labor	1,421	762	743
	Total	5,373	5,779	5,761
Average age		31	31	31
Average service seniority		4.01	3.38	3.41
Ratio of educational background	Ph.D	0.07%	0.08%	0.08%
	Master	2.67%	2.95%	2.90%
	University (college)	32.25%	32.01%	31.39%
	Senior high school	65.01%	58.21%	55.17%
	Below senior high school	0.00%	6.8%	11.0%

IV. Environmental protection expenditure information

In the most recent year and as of the date of publication of the annual report, losses due to environmental pollution (specifying compensation and environmental protection audit results that violate environmental protection regulations, sanction date, sanction code, regulatory provisions that were violated, details of the regulatory violation, and sanction details) and disclosure of current and future estimated amounts and possible measures:

Item	2019	As of April 30, 2020
Violation of environmental regulations	The amount of output deducting the amount declared in the joint order did not meet the amount of storage	None
Sanction date	1/22/2019	None
Sanction code	40-108-010056	None
Regulatory provisions violated	Article 31, Paragraphs 1 and 2 of the Waste Disposal Act	None
Details of violation	It was determined that in respect to your factory's copper and related compounds (total copper) (limited only to waste catalyst, dust ash, waste liquid, sludge, incinerated fly ash or bottom slag: from January to July 2018 (code: C-0110) was other general business waste not classified; and from January to May 2018 (code: D-2499) the amount of output deducting the amount declared in the joint order did not meet the amount of storage. This is a violation of Article 31, Paragraphs 1 and 2 of the Waste Disposal Act.	None
Sanction details	NT$ 60,000	None
Estimated amount that may occur	None	None
Countermeasures	The main department in this case declared that the numerical difference was sanctioned by the competent authority. The declaration operation has been optimized.	None

V. Labor relationship

(I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests:

1. Employee benefit plans

(1) The Company maintains the labor insurance and health insurance for all of its employees and also contributes pension fund on a monthly basis, term group insurance of NT$3 million to NT$12 million for its employees, and additional travel insurance of NT$5 million if the employees take a business trip.

(2) Health examination each year.

(3) Orientation training, on-the-job training, and periodic or irregular training inside and outside the factory;

(4) Issuance of employee stock and dividend as well as quarterly performance bonus,

year-end bonus according to the company business operation performance and employee individual performance.

(5) Worker Welfare Commission will organize the employees' tour and family day periodically each year, and subsidize marriage, funeral and celebration, and also emergent relief, and also grant the coupon (gift) for three major festivals and birthday coupon.

2. Continuing education and training

To increase the overall competitiveness and continuous development of talents, Flexium Interconnect, Inc. has invested a lot of resources on employee trainings and development, such that through On-job training (OJT), Off-job training and Self-development of individuals, the work abilities and diverse professional skills can be improved. With our effort, in 2014, the Company received the Talent Quality-management System (hereinafter referred to as "TTQS") "Enterprise Mechanical Board Silver Award" from the Ministry of Labor, and in 2016, the Company further improved and received the Golden Award. It demonstrates that our efforts in the talent development and training performance are greatly recognized by the nation.

Flexium Interconnect, Inc. upholds the vision of "becoming the role model for global FPC industry training" for talent training and implement the training policy of "improvement promotion culture" such that through three main core occupational skill training and planning courses, the Company continues to improve the abilities of employees and to exploit innovation energy. Various key cultivation courses are created for employees at all levels. Through the method of "learning during practice, practice during learning," the professional and management abilities of employees can be improved such that the professional skills of employees can be developed while creating the maximum benefits for the Company.

There was a total of 212,975 employee training hours in 2019. The average training time per employee is 60 hours. The content includes training for new recruits, general courses, occupational safety training, project management, training on various functions, and so on. The annual training expenditure is approximately NT$ 26.1 million.

3. Retirement system and implementation thereof

The Company has established the defined the appropriation for retirement in accordance with the "Labor Pension Act," which is applicable to employees of the nationality of R.O.C. The Company will contribute the pension fund equivalent to no less than 6% of the salary to the employee's personal pension account maintained at the Bureau of Labor Insurance, according to the labor pension system defined under the "Labor Pension Act" chosen by the employees. Employees' pension would be paid on a monthly basis or in a lump sum according to the balance in the employees' personal pension accounts and accumulated income generated.

In addition, according to the Labor Standards Act (old labor retirement in old system), 2% of the employee tax payable salary is appropriated to the labor retirement reserve at the old system retirement reserve account at the Trust Department of Bank of Taiwan.

4. Status of labor agreement and employee interests and rights protection measures:

The Company is used to valuing humane management and adhering to the philosophy about "labor integration and intergrowth and co-prosperity". Therefore, the labor-management communication is handled in multiple manners to enable the labor and management to know each other better and develop toward the same goal.

(1) Complaint channel: The Company and its subsidiaries all have established the complaining channels immediately subordinated to the President's Office, so that

the employees may report any illegal activity or event impairing employees' interest and right found by them in work to the supreme management via the confidential channels to rectify and maintain the employees' interest and right in a timely manner.

(2) Staff meeting: The staff meeting shall be held on a bi-weekly basis, in order to discuss and solve multi-departmental problems and to propagate policies to make the management more reasonable and help operations more successful.

(3) Monthly labor-management meeting: The meeting shall be held once per month in order to understand all employees' opinion and solve problems to gather employees' cohesion.

(4) Worker Welfare Commission meeting: The labor-management members may conduct special discussion about the benefit plans at the Worker Welfare Commission meeting, including the comments on employees' work and life, in order to enable the labor and management to communicate with each other as the reference for the management.

In 2018, 6 representatives for labor-management meetings were elected through the voting of employees in accordance with the "Regulations for Implementing Labor-Management Meeting", allowing employees to have fair channels for communication and for them to express opinions.

(II) Explain that, as of the publication of the annual report, the losses caused from labor disputes (including labor inspection result which violates the regulations stipulated in the Labor Standards Act - the date of penalty, penalty reference, the violation of provision, the content of the violation, penalty content). The current and future possible estimated amount and countermeasures shall also be disclosed. If it cannot be reasonably estimated, facts of the reason shall be given: None.

VI. Important contracts

Sales contract, technical cooperation contracts, engineering contracts, long term loans contracts and other significant contracts that are active or ending within a year which are sufficient to affect the interests of shareholders; with the parties, the main content, restrictions and the date of commencement and duration of the contract clearly stated.

As of April 30, 2020

Nature of contract	Contractual parties	Duration	Main contents	Restrictive clauses
Real estate lease contract	Yuan An Enterprise Co., Ltd.	March 15, 2018 - March 14 2023	Land and plant lease	None
Real estate lease contract	Chia-Huei Chiu	March 15, 2019 - March 14, 2021	Plant lease	None
Real estate lease contract	Wen-Chang Lu	2017/05/01-2020/04/30	Lease of Office at Pingzhen	None
Earthwork engineering contract	Lijin Engineering	March 1, 2019	Plant earthwork engineering in Hofa Industry park	None
Earthwork engineering contract	Lee Ming Engineering	7/30/2019	Dormitory earthwork engineering in Hofa Industry park	None

F. Financial overview

I. Condensed balance sheet and income statement for the most recent five years

(I) Consolidated Condensed Balance Sheet Under International Financial Reporting Standards (IFRS)

Unit: NT$ in thousand

Item \ Year		Financial information for the most recent five years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		15,795,569	17,393,357	23,969,161	21,138,145	25,952,009
Property, plant and equipment		5,383,606	5,017,555	6,196,860	5,630,571	7,323,353
Intangible assets		38,477	39,205	37,325	85,717	46,150
Other assets		707,953	1,066,448	522,887	770,269	1,132,175
Total amount of assets		21,925,605	23,516,565	30,726,233	27,624,702	34,453,687
Current liabilities	Before distribution	5,565,726	5,902,466	12,214,136	7,619,715	8,133,819
	After distribution	6,706,461	7,199,298	13,758,629	9,185,999	Note 2
Non-current liabilities		1,159,904	2,084,197	651,689	803,310	4,392,066
Total amount of liabilities	Before distribution	6,725,630	7,986,663	12,865,825	8,423,025	12,525,885
	After distribution	7,866,365	9,283,495	14,410,318	9,989,309	Note 2
Equities belong to the owner of the parent Company		15,199,975	15,529,902	17,860,408	19,201,677	21,927,802
Capital		2,779,829	2,995,325	3,179,912	3,182,954	3,346,328
Capital reserve		4,709,307	4,504,836	3,990,243	3,859,566	4,285,961
Retained earnings	Before distribution	7,905,876	9,543,460	11,874,509	12,987,385	15,357,966
	After distribution	6,765,141	8,246,628	10,330,016	11,421,101	Note 2
Other equities		181,316	(73,422)	(212,254)	(303,446)	(771,663)
Treasury stock		(376,353)	(1,440,297)	(972,002)	(524,782)	(290,790)
Non-controlling equities		0	0	0	0	0
Total amount of equities	Before distribution	15,199,975	15,529,902	17,860,408	19,201,677	21,927,802
	After distribution	14,059,240	14,233,070	16,315,905	17,635,393	Note 2

Note 1: All of the financial information from 2015 to 2019 have been audited and certified by CPA; the financial information of the latest quarter has not been audited by CPA up to the publication date of the annual report.

Note 2: Up to the publication date of the annual report, the board of director has not approved the 2019 surplus distribution proposal.

(II) Consolidated Condensed Comprehensive Income statements Under International Financial Reporting Standards (IFRS)

Unit: NT$ in thousand

Item \ Year	Financial information for the most recent five years (Note)				
	2015	2016	2017	2018	2019
Operating revenues	18,100,327	19,096,283	25,846,403	26,770,491	26,033,230
Operating gross profit	4,805,949	4,539,382	5,661,828	5,120,283	5,945,005
Operating income	3,403,641	3,052,351	3,960,866	3,152,974	3,797,113
Non-operating revenues and expenses	259,495	(92,601)	(84,080)	327,729	204,656
Net profit before tax	3,663,136	2,959,750	3,876,786	3,480,703	4,001,769
Net profit of the current term from continuing operations	2,758,779	2,275,180	3,056,836	2,644,712	3,153,203
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) of the current term	2,758,779	2,275,180	3,056,836	2,644,712	3,153,203
Other comprehensive income (net amount after tax) of the current term	(38,127)	(258,592)	(144,157)	(78,535)	(219,345)
Total amount of comprehensive income of the current term	2,720,652	2,016,588	2,912,679	2,566,177	2,933,858
Net profit belonging to the owner of the parent Company	2,758,779	2,275,180	3,056,836	2,644,712	3,153,203
Net profit belonging to the non-controlling equities	0	0	0	0	0
Total amount of comprehensive income belonging to the owner of the parent Company	2,720,652	2,016,588	2,912,679	2,566,177	2,933,858
Total amount of comprehensive income belonging to the non-controlling equities	0	0	0	0	0
Earnings per share	10.32	8.42	10.07	8.55	10.02

Note: All of the financial information from 2015 to 2019 have been audited and certified by CPA; the financial information of the latest quarter has not been audited by CPA up to the publication date of the annual report.

(III) Parent Company Only Condensed Balance Sheet Under International Financial Reporting Standards (IFRS)

Unit: NT$ in thousand

Item \ Year		Financial information for the most recent five years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		15,263,497	16,449,868	20,005,453	18,063,782	23,857,151
Property, plant and equipment		1,050,228	1,234,948	2,643,810	2,663,835	3,893,642
Intangible assets		36,466	37,956	31,127	77,565	42,395
Other assets		3,855,015	4,761,789	5,823,003	7,296,489	7,193,196
Total amount of assets		20,205,206	22,484,561	28,503,393	28,101,671	34,986,384
Current liabilities	Before distribution	3,849,126	4,873,282	10,015,293	8,100,020	8,686,400
	After distribution	4,989,861	6,170,114	11,559,786	9,666,304	Note 2
Non-current liabilities		1,156,105	2,081,377	627,692	799,974	4,372,182
Total amount of liabilities	Before distribution	5,005,231	6,954,659	10,642,985	8,899,994	13,058,582
	After distribution	6,145,966	8,251,491	12,187,478	10,466,278	Note 2
Equities belong to the owner of the parent Company		15,199,975	15,529,902	17,860,408	19,201,677	21,927,802
Capital		2,779,829	2,995,325	3,179,912	3,182,954	3,346,328
Capital reserve		4,709,307	4,504,836	3,990,243	3,859,566	4,285,961
Retained earnings	Before distribution	7,905,876	9,543,460	11,874,509	12,987,385	15,357,966
	After distribution	7,272,134	8,822,998	10,330,016	11,421,101	Note 2
Other equities		181,316	(73,422)	(212,254)	(303,446)	(771,663)
Treasury stock		(376,353)	(1,440,297)	(972,002)	(524,782)	(290,790)
Non-controlling equities		0	0	0	0	0
Total amount of equities	Before distribution	15,199,975	15,529,902	17,860,408	19,201,677	21,927,802
	After distribution	14,059,240	14,233,070	16,315,915	17,635,393	Note 2

Note 1: All of the financial information from 2015 to 2019 have been audited and certified by the CPA.
Note 2: Up to the publication date of the annual report, the board of director has not approved the 2019 surplus distribution proposal.

(IV) Parent Company Only Condensed Comprehensive Income statements Under International Financial Reporting Standards (IFRS)

Unit: NT$ in thousand

Item \ Year	Financial information for the most recent five years (Note)				
	2015	2016	2017	2018	2019
Operating revenues	17,780,719	18,186,196	25,425,049	26,629,126	25,681,858
Operating gross profit	3,426,254	2,942,561	3,982,755	3,070,630	4,182,922
Operating income	2,814,765	2,387,154	3,219,214	2,274,497	3,232,736
Non-operating revenues and expenses	669,979	453,168	652,478	1,153,360	795,051
Net profit before tax	3,484,744	2,840,322	3,871,692	3,427,857	4,027,787
Net profit of the current term from continuing operations	2,758,779	2,275,180	3,056,836	2,644,712	3,153,203
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) of the current term	2,758,779	2,275,180	3,056,836	2,644,712	3,153,203
Other comprehensive income (net amount after tax) of the current term	(38,127)	(258,592)	(144,157)	(78,535)	(219,345)
Total amount of comprehensive income of the current term	2,720,652	2,016,588	2,912,679	2,566,177	2,933,858
Net profit belonging to the owner of the parent Company	2,758,779	2,275,180	3,056,836	2,644,712	3,153,203
Net profit belonging to the non-controlling equities	0	0	0	0	0
Total amount of comprehensive income belonging to the owner of the parent Company	2,720,652	2,016,588	2,912,679	2,566,177	2,933,858
Total amount of comprehensive income belonging to the non-controlling equities	0	0	0	0	0
Earnings per share	10.32	8.42	10.07	8.55	10.02

Note: All of the financial information from 2015 to 2019 have been audited and certified by the CPA.

(V) The names of CPAs and audit opinions for the past 5 fiscal years

Year	Accounting firm	CPA	Audit opinions	Remark
2015	PwC Taiwan	A-Shen Liao and Yi-Chang Lin	Unqualified opinion	
2016	PwC Taiwan	A-Shen Liao and Yi-Chang Lin	Unqualified opinion	
2017	PwC Taiwan	Ah-Shen Liao and Wu Jian-Chi	Unqualified opinion	
2018	PwC Taiwan	Ah-Shen Liao and Wu Jian-Chi	Unqualified opinion	
2019	PwC Taiwan	Wu Jian-Chi and Wang Kuo-Hua	Unqualified opinion	

II. Financial analysis for the most recent 5 years

(I) Consolidated Financial Analysis Under International Financial Reporting Standards (IFRS)

Analysis item		Financial analysis for the most recent 5 years (Note) 2015	2016	2017	2018	2019
Financial structure	Liabilities to assets (%)	30.67	33.96	41.87	30.49	36.36
	Long-term capitals to property, plant and equipment (%)	303.88	351.05	298.73	355.29	359.40
Solvency	Current ratio (%)	283.80	294.68	196.24	277.41	319.06
	Quick ratio (%)	246.02	256.96	153.61	226.83	287.39
	Times Interest Earned (TIE) (%)	54.29	90.49	239.47	659.85	46.39
Operating ability	Receivable turnover (times)	4.85	5.14	4.15	3.57	3.74
	Average collection days	75.25	71.01	87.95	102.24	97.59
	Inventory turnover (times)	6.20	7.10	5.55	4.72	5.80
	Payable turnover (times)	4.74	4.67	3.73	3.77	5.24
	Average inventory turnover days	58.87	51.40	65.76	77.33	62.93
	Property, plant and equipment turnover (times)	3.36	3.67	4.61	4.53	4.02
	Total assets turnover (times)	0.83	0.84	0.95	0.92	0.84
Profitability	Return on assets (%)	13.37	10.13	11.32	9.08	10.39
	Return on equities (%)	22.79	14.81	18.31	14.27	15.33
	Net profit before tax to paid-in capital (%)	131.78	98.81	121.91	99.06	119.59
	Net profit ratio (%)	15.24	11.91	11.83	9.88	12.11
	Earnings per share (NT$)	10.83	8.42	10.07	8.55	10.02
Cash flow	Cash flow ratio (%)	96.71	19.78	25.36	40.77	(1.75)
	Cash flow adequacy ratio (%)	117.24	114.40	106.02	118.22	87.68
	Cash reinvestment ratio (%)	25.48	0.13	8.02	6.23	(5.30)
Leverage	Operating leverage	1.27	1.33	1.26	1.40	1.34
	Financial leverage	1.02	1.01	1.00	1.00	1.02

Reasons of financial ratio changes reaching 20% in the most recent two years

1	Quick ratio	Due to the decrease of accounts payable caused by decrease of material inbound in 2019
2	Times Interest Earned (TIE)	Due to the increase in the conversion interest expense of corporate bonds issued in 2019.
3	Inventory turnover (times)	Due to the decrease of the average inventory in 2019.
4	Payable turnover (times)	Due to the decrease of accounts payable caused by decrease of material inbound in 2019
5	Net profit before tax to paid-in capital (%)	Due to the increase in profits in 2019.
6	Net profit ratio (%)	Due to the increase in profits in 2019.
7	Cash flow ratio (%)	Due to the decrease of net cash flow from operating activities caused by increase of time deposits of more than three months in 2019.
8	Cash flow adequacy ratio (%)	Due to the decrease of net cash flow from operating activities caused by increase of time deposits of more than three months in 2019.
9	Cash reinvestment ratio (%)	Due to the decrease of net cash flow from operating activities caused by increase of time deposits of more than three months in 2019.

Note: All financial information in each fiscal year is audited and certified by CPAs; financial information of the latest quarter up to the publication date of the annual report has not been audited by the CPA.

(II) Parent only Financial analysis Under International Financial Reporting Standards (IFRS)

Analysis item		Financial analysis for the most recent 5 years (Note) 2015	2016	2017	2018	2019
Financial structure	Liabilities as percentage assets (%)	24.77	30.93	37.34	31.67	37.32
	Long-term capitals to property, plant and equipment (%)	1,557.38	1,426.07	699.3	750.86	675.46
Solvency	Current ratio	396.54	337.55	199.75	223.01	274.65
	Quick ratio	377.65	319.48	181.72	209.63	265.70
	Times Interest Earned (TIE)	59.22	86.88	249.25	649.85	46.83
Operating ability	Receivable turnover (times)	2.61	5.03	4.17	3.61	3.74
	Average collection days	139.84	72.56	87.52	101.10	97.59
	Inventory turnover (times)	16.18	18.86	15.85	16.14	23.26
	Payable turnover (times)	4.41	5.26	3.88	3.31	3.17

	Average inventory turnover days	22.55	19.35	23.02	22.61	15.69
	Property, plant and equipment turnover (times)	18.05	15.92	13.11	10.03	7.83
	Total assets turnover (times)	0.89	0.85	1.00	0.94	0.81
Profitability	Return on assets (%)	13.98	10.79	12.04	9.36	10.22
	Return on equities (%)	22.79	14.81	18.31	14.27	15.33
	Net profit before tax to paid-in capital (%)	125.36	94.83	121.75	107.69	120.36
	Net profit ratio (%)	15.52	12.51	12.02	9.93	12.28
	Earnings per share (NT$)	10.83	8.42	10.07	8.55	10.02
Cash flow	Cash flow ratio (%)	142.78	20.27	14.15	48.93	(31.07)
	Cash flow adequacy ratio (%)	220.57	146.73	134.17	169.31	87.81
	Cash reinvestment ratio (%)	28.85	(0.84)	0.61	11.22	(14.97)
Leverage	Operating leverage	1.09	1.11	1.10	1.23	1.17
	Financial leverage	1.02	1.01	1.00	1.00	1.03

Reasons of financial ratio changes reaching 20% in the most recent two years		
1	Current ratio	Due to the increase in current assets in time deposits of more than three months in 2019.
2	Quick ratio	Due to the decrease of accounts payable caused by decrease of material inbound in 2019
3	Times Interest Earned (TIE)	Due to the increase in the conversion interest expense of corporate bonds issued in 2019.
4	Inventory turnover (times)	Due to the decrease of the average inventory in 2019.
5	Average inventory turnover days	Due to the increase in profits in 2019.
6	Property, plant and equipment turnover (times)	Due to the increase in profits in 2019.
7	Net profit ratio (%)	Due to the increase in profits in 2019.
8	Cash flow ratio (%)	Due to the decrease of net cash flow from operating activities caused by increase of time deposits of more than three months in 2019.
9	Cash flow adequacy ratio(%)	Due to the decrease of net cash flow from operating activities caused by increase of time deposits of more than three months in 2019.
10	Cash reinvestment ratio(%)	Due to the decrease of net cash flow from operating activities caused by increase of time deposits of more than three months in 2019.

Note: The above financial information of each fiscal year has been audited and CPAs.

The formula of financial analysis is as follows:

1. Financial structure:
   (1) Liabilities to assets= total amount of liabilities/total amount of assets.
   (2) Long-term funds to property, plant and equipment= (Total amount of equities+ non-current liabilities)/net amount of property, plant and equipment.
2. Solvency:
   (1) Current ratio = current assets/current liabilities.
   (2) Quick ratio = (current assets- inventory- prepayment)/ current liabilities.
   (3) Times Interest Earned (TIE)= income tax and net profit before interest expense/ interest expense of the current term.
3. Operating ability:
   (1) Receivables (including trade receivables and notes receivables generated from operation) turnover= net sales/ balance of average receivables of each term (including trade receivables and notes receivables generated from operation).
   (2) Average collection days= 365/ receivables turnover.
   (3) Inventory turnover= sales cost/ average inventory amount.
   (4) Payables (including trade payables and notes payables generated from operation) turnover= sales cost/ balance of average payables of each term (including trade payables and notes payables generated from operation).
   (5) Average inventory turnover days= 365/ inventory turnover.
   (6) Property, plant and equipment turnover= net sales/ average net amount of property, plant and

equipment.

(7) Total assets turnover= net sales/ total amount of average assets.

4. Profitability:

(1) Return on assets= [income after tax＋interest expense × (1-tax rate)]/ total amount of average assets.

(2) Return on equities= income after tax/ total amount of average equities.

(3) Net profit ratio= income after tax/ net sales.

(4) Earnings per share= (income belonging to the owner of the parent Company - dividends of preferred shares)/ weighted average shares issued.

5. Cash flow:

(1) Cash flow ratio= net cash flow from operations/ current liabilities.

(2) Net cash flow adequacy ratio= net cash flow from operations for the most recent5 fiscal years/ (capital expenditure+ inventory increase amount+ cash dividends) for the most recent 5 fiscal years.

(3) Cash reinvestment ratio= (net cash flow amount from operations-cash dividends)/ (gross amount of property, plant and equipment+ long-term investments+ other non-current assets+ operating funds).

6. Leverage:

(1) Operating leverage= (net operating revenues - variable operating costs and expenses)/ operating profits.

(2) Financial leverage= operating profits / (operating profits - interest expenses).

III. Audit report of the Audit Committee on the most recent financial report

Audit Committee’s Audit Report

The board of directors has produced the company's 2019 annual business report, financial statements, profit distribution proposals, and so on. Among them, PWC Taiwan has been entrusted to audit the financial statements and issue an audit report. The above-mentioned business report, financial statements and profit distribution proposal has been reviewed by the Audit Committee and found to have no inconsistencies. This report is issued in accordance with relevant provisions of the Securities and Exchange Act and the Company Act.

Flexium Interconnect. Inc.
Convener of Audit Committee:

Xin-Bin Fu

May 8, 2020

IV. Consolidated financial statement of the most recent year

Please refer to Attachment 1 in this annual report.

V. Individual financial statement of most recent year

Please refer to Attachment 2 in this annual report.

VI. In the case of any insolvency of the Company and its affiliates, specify its effect on the Company’s financial position, for the most recent year and until the date of publication of the annual report

N/A

G. Review and analysis of the Company's financial position and financial performance, and a listing of risks

I. Financial status

Unit: NT$ in thousand

Item \ Year	2018	2019	Difference	
			Amount	%
Current assets	21,138,145	25,952,009	4,813,864	22.77%
Non-current assets	6,486,557	8,501,678	2,015,121	31.07%
Total assets	27,624,702	34,453,687	6,828,985	24.72%
Current liabilities	7,619,715	8,133,819	514,104	6.75%
Non-current liabilities	803,310	4,392,066	3,588,756	446.75%
Total liabilities	8,423,025	12,525,885	4,102,860	48.71%
Capital	3,182,954	3,346,328	163,374	5.13%
Capital reserve	3,859,566	4,285,961	426,395	11.05%
Retained earnings	12,987,385	15,357,966	2,370,581	18.25%
Other equities	(303,446)	(771,663)	(468,217)	154.30%
Total equity	19,201,677	21,927,802	2,726,125	14.20%

1. Main reasons for materials changes (20% or more) during the most recent two years:
   (1) Increase of current assets: Mainly due to the increase in time deposits of more than three months in 2019.
   (2) Increase of non-current assets: Mainly due to the good business operation in 2019 and the continuation of the expansion of plants, resulting in the increase of property, plant and equipment.
   (3) Increase of total assets: Mainly due to good profitability in 2019 where the capital was sufficient and the continuation of the expansion of plants, resulting in the increase of time deposits of more than three months, property, plant and equipment.
   (4) Increase of non-current liabilities: Mainly due to the issuance of corporate bonds and newly added long-term borrowing.
   (5) Increase of total amount of liabilities: Mainly due to the issuance of corporate bonds and newly added long-term borrowing.
   (6) Decrease of other equities: This is due to the decrease of the cumulative translation adjustment generated from the long-term investment.
2. Impacts of major changes during the most recent two years and future countermeasure plan: The overall performance of the Company and subsidiaries does not indicate any material abnormality, so no stipulation of countermeasures is necessary .

II. Financial performance

Unit: NT$ in thousand

Item \ Year	2018	2019	Amount increased (decreased)	Ratio of change (%)
Operating revenues	26,770,491	26,033,230	(737,261)	-2.75%
Operating costs	21,650,208	20,088,225	(1,561,983)	-7.21%
Operating expenses	1,967,309	2,147,892	180,583	9.18%
Operating profit	3,152,974	3,797,113	644,139	20.43%
Non-operating revenues and expenses	327,729	204,656	(123,073)	-37.55%
Net profit before tax	3,480,703	4,001,769	521,066	14.97%
Income tax expenses	835,991	848,566	12,575	1.50%
Net income this period	2,644,712	3,153,203	508,491	19.23%
Other comprehensive income	(78,535)	(219,345)	(140,810)	179.30%
Total amount of comprehensive income of the current term	2,566,177	2,933,858	367,681	14.33%

1. Main reasons for materials changes (20% or more) during the most recent two years:
   (1) Increase of operating profits: Mainly due to the increase of profit resulted from excellent operation of the Company.
   (2) Decrease of Non-operating revenues and expenses: Mainly due to the increase in the conversion interest expense of corporate bonds issued in 2019.
   (3) Decrease of other income: Mainly due to the decrease of the cumulative translation adjustment generated from the long-term investment.
2. Sales forecast and basis thereof: The Company does not prepare and publicly announce the financial forecast; therefore, it is not applicable.
3. Possible impacts on the future financial business of the Company and countermeasure plans: No obvious impacts on the financial business status.

III. Cash flow analysis

Unit: NT$ in thousand

Balance of cash and cash equivalents - beginning of year	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Effect of Exchange Rate Changes	Balance of cash and cash equivalents - end of year
7,392,184	(142,164)	(3,319,918)	3,080,246	(84,823)	6,925,525

(I) Cash flow change analysis and explanation

1.Cash flow change analysis and explanation and current year cash flow change status analysis:

(1) Operating activities: Net cash outflow of NT$140 million, mainly due to large commitments to time deposits of more than three months.

(2) Investment activities: Net cash outflow of NT$3.3 billion; mainly due to the acquisition of real estate, facility and equipment.

(3) Financing activities: Net cash inflow of NT$3.1 billion, mainly due to the issuance of corporate bonds.

2. The corrective measures for cash deficiency forecast and liquidity analysis: Not applicable.

(II) Improvement plan for insufficient liquidity: The Company is not subject to the condition of insufficient liquidity.

(III) Cash liquidity analysis for the coming year:

IV. Impact of major capital expenditure in recent years on financial operations

(I) Application of major capital expenditures and the source of funds

Project item	Actual or expected source of funds	Actual or expected completion	Expected possible benefits
Purchasing land and machineries	Own fund/corporate bond	In progress	Refers to benefits for expanding production capacity, enhancing competitiveness of the Company and increasing the operation efficiency .

(II) Financial Impact of Major Capital Expenditures During the Most Recent Fiscal Year:

The major capital expenditures of the Company in 2019 were mainly on self-owned funds, which do not have major unfavorable effect upon the Company's financial operations.

V. The re-investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.

(I) Re-investment policy of the Company

The investment policy of the Company is to invest in industries related to the primary business and is based on the consideration of enhancing the competitiveness of the Company such that each investment project is executed upon thorough evaluation.

(II) Main reasons for profit or loss of invested companies and improvement plan

In 2016, the investment profit listed is of the total amount of NT$608,844 thousand, which mainly came from the profit of subsidiaries.

(III) Investment plan for the coming year

According to the global plan of the Company, in the future, the Company will set up manufacturing sites at important regions internationally in order to deliver products to customers locally and to reduce the production and logistics costs. In addition, depending upon the development of business, the operating scale of subsidiaries will be expanded.

VI.Analysis and evaluation of risk factors in the most recent year and until the date of publication of the annual report

(I) The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. Interest rate:

The Company and subsidiaries have sound financial structures. In the aspect of interest rates for loans, the Company will strengthen the connection with banks and understand the trend of interest rate in order to obtain the best interest rate for loans. In addition, in the aspect of the application of short-term idle funds, we will take the low risk deposits and repurchase (government repurchase) as investment targets in order to obtain return on short-term investment.

2. Exchange rate:

The Group operates internationally; therefore, it is subject to currency risk generated due to various types of currencies, which are mainly USD and RMB. Relevant currency risk mainly comes from future commercial transactions and assets and liabilities listed.

The management level of the Group has established policies to specify the all companies of the Group to manage the currency risks for their functional currencies. Each Company of the Group shall perform hedges for the overall currency risks via the Financial Department of the Group. To management the currency risks associated with the future commercial transactions and assets and liabilities listed, each Company of the Group shall perform by using forward exchange agreements via the Financial Department of the Group. When the future commercial transactions and assets or liabilities listed use the foreign currency of non-individual functional currency for calculation, currency risk is then generated.

3. Inflation:

Inflation is the changes in the overall economics, and this element is expected to have minor effect on the Company’s income.

(II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

1. Engaging in high-risk and high-leverage investing activities

The Company has never engaged in any high-risk and high-leverage investing activities.

2. Lending funds to others and endorsements & guarantees

Handled according to the Company's "Operational Procedures for Lending Funds to Others" and "Handling Procedures of Enforcements/Guarantees".

3. Derivatives transactions

The Company adopts the principles of forward exchange and financial products and deposits, which aim to earn interest gains and are 100% capital guaranteed, when conducting derivatives. Thus, the income generated in limited. They are conducted in accordance with "Regulations Governing the Acquisition and Disposal of Assets".

(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

With regard to the future R&D plans, please refer to the disclosure of the technology development status in the "Report to Shareholders" of this Annual Report. R&D invested by the Company and its subsidiaries for 2020 is expected to account for 2.5%-4.0% of the annual revenue of the Company and its subsidiaries.

(IV) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

To cope with the domestic and foreign important changes of policies and laws, the Company and its subsidiaries review and revise the Company management rules at all time and readily establish necessary countermeasures in order to satisfy the business operation needs of the Company. In recent years and up to the publication date of the annual report, there are no major impacts of changes of domestic and foreign important policies and laws on the financial business of the Company.

(V) Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

Following the gradual emerging of wearable devices which are equipped with more and more functions, along with services of application software and content provided, it is possible that they may even replace smartphones as the mainstream technology of the future. To maintain the competitiveness of the Company and its subsidiaries, the market trend of products must be understood such that the development direction will head toward the high-density layout, slim in size and fine wire with small holes. In recent years and up to the publication date of the annual report, there are no major impacts due to changes of technology and changes of industry on the financial business of the Company and its subsidiaries.

(VI) Impacts of change of corporate image on risk management of corporate and countermeasures:

In September 2003, the Company was officially listed in the stock exchange market for public trading. All employees strive for reaching the goal of profit, fulfilling the responsibility to all shareholders. We will continue to strive for the improving the product quality in the future, maintaining the consistent excellent corporate image, and enhancing the status of the Company in the industry. In recent years and up to the publication date of the annual report, there are no changes of image of the Company such that the Company faces crisis management.

(VII) Expected benefit, possible risk and countermeasures for mergers:

In recent years and up to the publication date of the annual report, the Company has no plans for mergers.

(VIII) Expected benefit, possible risk and countermeasures for expansion of facilities:

The expansion of the facility of the Company is evaluated carefully based on the existing production capacity and future business growth. Major investments and expenditures are reviewed by the board of directors, and the investment benefits and possible risks have been considered appropriately.

(IX) Risks and counter-measures for material inbound and sales concentration:

The main product of the Company is FPC, and the main materials used are copper cladded laminates, protection films and electronic components. Since there are numerous suppliers supplying main materials at home or abroad, the supply is not over concentrated on specific suppliers for the Company. In addition, the main customers of the Company are big companies at home or abroad, and sales does not concentrate on specific customers.

(X) Impact upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and corresponding measures being or to be taken:

The Company is not subject to large amount of transfer or change of equity made by directors, supervisors or shareholders with shareholding over 10%.

(XI) Impacts, risks and counter-measures for change of management right on the Company:

The equities of the main shareholders and directors of the Company are stable, and there is no event of change of management right.

(XII) Litigious and non-litigious matters; the directors, supervisors, general managers and substantial principals of the Company, the majority shareholders and affiliated companies with a shareholding ratio of more than 10% have been determined or are included in the lawsuit; non litigation or administrative litigation results may have a significant effect on the Company's shareholders' equity or securities price as of the publication of the annual report: None.

(XIII) Information security risks:

At Flexium, we have built a comprehensive network and computer security protection system, mainly to protect the confidential information of customers and products. We strive to protect information equipment, services and data to ensure the smooth operation of the Company as a means to improve the Company’s operation efficiency and competitiveness, to ultimately control or maintain the function of important corporate services.

As external threats and hacking technologies keep on updating, the number of cyber threats and complex degree continue to increase and systems and services will be affected by information security risks. These cyber-attacks will invade Flexium’s internal network system including advanced continuous penetration attacks, phishing attacks, hacking attacks, customer information hijacking and denial of service attacks which will further damage both the Company’s operation and goodwill. To be able to reduce the impact, we carry out an inspection on a monthly basis and formulate annual strategic actions in order to ensure the appropriateness and efficiency of the system to correspond with network security threats and risks. Even though it is impossible to avoid all cyber intrusions and attacks, with preventive measures prepared as well as effectively controlling risks, disasters can be minimized and important operations can be quickly restored.

As a goal to continue to strengthen the management of information security while fulfilling the corporate responsibility to protect customers’ personal information, we have measures installed to improve all types of information risks including computer equipment management, hardware protection, application system security monitoring, internet access, etc. Furthermore, information security evaluation of the Information Security Management Measures are followed to complete related inspections regarding the technical side and management side of the system to improve and enhance the protection ability and information governance standard in terms of internet, information system security.

Also, from the perspective of risks, a repeatable measurable risk assessment procedures is built from aspects such as information security risk management, threat, control faced to guarantee the overall information security mechanism of the Company in order to maintain the network security strength. The main strategies are as follows:

1. Annual information security response

   Propose annual important information security projects and performance indicators based on the occurrence frequency and the degree of impact on operations of risk factors.

2. Monthly audit or quarterly inspection

   Response measures of information security risks are newly added according to regular information security inspection as well as the degree of threat it faces. Reviews and adjustment of strategies are conducted by annual improvement targets and information security meetings.

(XIV) Other important risks and corresponding measures: None.

VII. Other important matters:

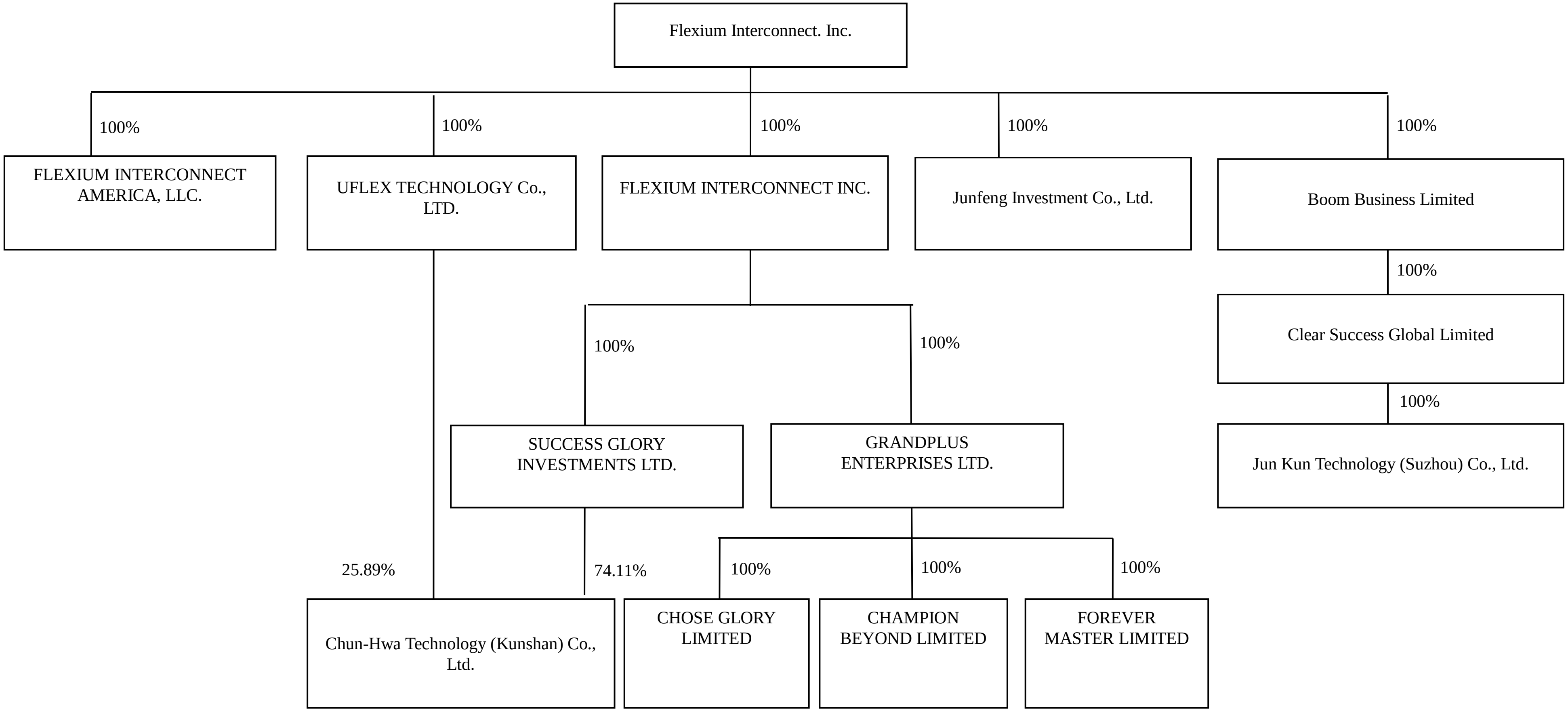
None

H. Special notes

I. Relevant information of affiliates

(I) The consolidated business report of the Company's affiliates

1. Organizational chart of the Company's affiliates



2. Basic information of the Company's affiliates

Unit: NT$ thousand

Name of corporation	Date of establishment	Address	Paid-in Capital	Main business or products
UFLEX TECHNOLOGY CO., LTD	2000.10.30	Akara Building, 24 De Castro Street, Wickhams Cay 1.Road Town, Tortola, British Virgin Islands.	39,711	Reinvestment in variable businesses
FLEXIUM INTERCONNECT INC	2002.02.20	P.O. Box 3152, Road Town Tortrola, British Virgin Islands	835,252	Reinvestment in variable businesses
Junfeng Investment Co., Ltd.	2010.04.15	Dafa Industrial Park, No. 23, Juguang 1st St., Daliao Dist.,	50,000	Reinvestment in variable
FLEXIUM INTERCONNECT AMERICA LLC	2011.01.06	4020 Moorpark Avenue Suite 216 San Jose, CA 95117 USA	8,067	Conducting marketing support, and
SUCCESS GLORY INVESTMENTS LTD	2003.03.21	Offshore Chambers, P.O. Box 217 , Apia, Samoa	859,357	Reinvestment in variable
GRANDPLUS ENTERPRISES LTD	2003.06.12	Offshore Chambers, P.O. Box 217 , Apia, Samoa	62,001	Reinvestment in variable
CHOSEN GLORY LIMITED	2014.01.02	Offshore Chambers, P.O. Box 217 , Apia, Samoa	0	Reinvestment in variable businesses
CHAMPION BEYOND LIMITED	2013.12.11	Offshore Chambers, P.O. Box 217 , Apia, Samoa	0	Reinvestment in variable
FOREVER MASTER LIMITED	2014.01.08	Offshore Chambers, P.O. Box 217 , Apia, Samoa	0	Reinvestment in variable
BOOM BUSINESS LIMITED	September 21, 2016	2nd Floor, Building B , SNPF Plaza, Savalalo ,	1,064,460	Reinvestment in variable
CLEAR SUCCESS GLOBAL LIMITED	January 9, 2017	Offshore Chambers, P.O. Box 217, Apia, Samoa	1,064,460	Reinvestment in variable
Chun-Hwa Technology (Kunshan) Co., Ltd.	2000.11.16	National High-Technology Industrial Park, No. 1399, Hanpu Rd., Kunshan City, Jiangsu Province	954,688	Research ,development, manufacturing and sales of new electronic components like flexible circuit boards
Jun Kun Technology (Suzhou) Co., Ltd.	April 11, 2017	No. 1889, Hanpu Road, Yushan Township, Kunshan City, Jiangsu Province	1,053,710	Research ,development, manufacturing and sales of new electronic components like flexible circuit boards

3. Shareholders presumed to have control and subordinate relationship with the same information: Not applicable.

4. Business covered by each afflicted company:

The businesses of the Company and affiliates cover the design, development, manufacturing and sale of Flexible Print Circuits (FPC), as well as assembly and sampling of modules and general investment business.

5. Information on directors, supervisors and presidents of affiliates

Name of corporation	Job title	Name or representative	Shares held	
			Shares held (thousand shares)	Shareholding ratio (%)
UFLEX TECHNOLOGY CO., LTD	Director	Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi)	50	100%
FLEXIUM INTERCONNECT INC	Director	Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi)	50	100%
Junfeng Investment Co., Ltd.	Chairman of Board	Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi)	5,000	100%
	Director	Flexium Interconnect. Inc. (Representative: Lan Zhi Tang)		
	Director	Flexium Interconnect. Inc. (Representative: Su Shao-Shan)		
	Supervisor	Flexium Interconnect. Inc. (Representative: Liao Yi-Wen)		
FLEXIUM INTERCONNECT AMERICA LLC	Director	CHENG DAVID	-	100%
SUCCESS GLORY INVESTMENTS LTD	Director	FLEXIUM INTERCONNECT INC. (Representative: Cheng Ming-Chi)	28,010	100%
GRANDPLUS ENTERPRISES LTD	Director	FLEXIUM INTERCONNECT INC. (Representative: Cheng Ming-Chi)	1,881	100%
CHOSEN GLORY LIMITED	Director	GRANDPLUS ENTERPRISES LTD. (Representative: Cheng Ming-Chi)	-	100%
CHAMPION BEYOND LIMITED	Director	GRANDPLUS ENTERPRISES LTD. (Representative: Cheng Ming-Chi)	-	100%
FOREVER MASTER LIMITED	Director	GRANDPLUS ENTERPRISES LTD. (Representative: Cheng Ming-Chi)	-	100%
BOOM BUSINESS LIMITED	Director	Flexium Interconnect. Inc. (Representative: Cheng Ming-Chi)	35,000	100%
CLEAR SUCCESS GLOBAL LIMITED	Director	BOOM BUSINESS LIMITED (Representative: Cheng Ming-Chi)	35,000	100%
Chun-Hwa Technology (Kunshan) Co., Ltd.	Chairman of Board	Cheng Ming-Chi	Note	100%
	Director	Cheng Wei		
	Director	Tsai Chi-Feng		
	Supervisor	Chen Long-Cheng		
Jun Kun Technology (Suzhou) Co., Ltd.	Chairman of Board	Cheng Ming-Chi	Note	100%
	Director	Tsai Chi-Feng		
	Director	CHENG DAVID		
	Supervisor	Chen Long-Cheng		

Note: It is a limited company; therefore, there are no shares.

6. Operational overview of affiliates

Unit: NT$ in thousand

Name of corporation	Capital amount	Total amount of assets	Total amount of liabilities	Net value	Operating revenues	Operating profit	Current term income (after tax)	Earnings per share (NT$) (after tax)
UFLEX	39,711	1,369,736	-	1,369,736	-	(1,428)	128,085	-
FLEXIUM	835,252	4,004,918	-	4,004,918	-	-	368,474	-
Junfeng Investment	50,000	30,162	45	30,117	-	(526)	(3,244)	-
FLEXIUM (AMERICA)	8,067	8,912	39	8,873	-	(8,125)	246	-
SUCCESS	859,357	4,154,760	45,750	4,109,010	-	(958)	371,983	-
GRANDPLUS	62,001	7,963,103	7,962,752	351	23,444,946	(71)	(77)	-
CHOSEN	-	-	-	-	-	-	-	-
CHAMPION	-	7,962,787	7,962,752	35	23,444,946	(37)	(12)	-
FOREVER	-	148,595	148,573	22	-	-	5	-
BOOM	1,064,460	1,085,264	-	1,085,264	-	-	18,211	-
CLEAR	1,064,460	1,085,264	-	1,085,264	-	-	18,211	-
Flexium (Kunshan) Co., Ltd	954,688	13,287,105	7,781,365	5,505,740	20,109,909	399,881	497,097	-
Jun Kun Technology (Suzhou)	1,053,710	1,310,664	225,400	1,085,264	457,010	(23,192)	18,211	-

The above foreign company's assets and liabilities are converted at the exchange rate on date of reporting date; the profit and loss amounts are converted at the average exchange rate during the reporting period

(II) Consolidated Financial Statement Announcement of Affiliates is as follows:

Flexium Interconnect. Inc. and subsidiaries

Declaration of consolidated financial statement of related parties.

The entities that are required to be included in the combined financial statements of the Company for 2017 (from January 1, 2019 to December 31, 2019), under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Report of Affiliated Enterprises” are the same as those included in IFRS 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company and Subsidiaries do not prepare a separate set of combined financial statements.
Hereby declare

Company name: Flexium Interconnect. Inc. and subsidiaries

Person in Charge: Cheng Ming-Chi

February 11, 2020

(III) Affiliated enterprises report: None

II. During the most recent year and as of the publication date of the annual report, the status of private placement of securities

None

III. Status of holding or disposal of shares of the Company by the subsidiaries in recent years or up to the publication date of the annual report

None

IV. Other supplementary information

None

I. Whether any of the situations listed in subparagraph 2, paragraph 3, Article 36 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report

None

Attachment 1: 2019 Consolidated Financial Report

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19003083

To the Board of Directors and Shareholders of Flexium Interconnect, Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Flexium Interconnect, Inc. and subsidiaries (the "Group") as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018 and its consolidated financial performance and its 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 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 (ROC GAAS). 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 (the "Code"), 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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 for the Group's consolidated financial statements of the current period are stated as follows:

Key audit matter - Valuation of impairment of accounts receivable

Description

For the accounting policies on accounts receivable, please refer to Note 4(10). For the uncertainty of accounting estimates and assumptions in relation to accounts receivable, please refer to Note 5(2). For the details of net accounts receivable, please refer to Note 6(5).

The criteria that the Group uses to measure expected credit loss includes the aging of accounts receivable past due, financial situation of customers, internal credit ranking and historical transaction records. Based on this criterion, the Group estimates the amounts of allowance for accounts receivable that the Group has to provision. As the estimates are subject to management's judgement and involves uncertainty, the recoverable amount may be significantly affected. Thus, we consider the valuation of impairment of accounts receivable as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. Obtained an understanding of the Group's operation and sales customers. Assessed the reasonableness of policies and process applied in allowance for accounts receivable, including the objective evidence for the loss rate and compared whether the provision policies adopted in the different periods are consistently applied.

B. Verified the consistency between the expected credit loss in the past due period for each group applied in calculating allowance for accounts receivable and the provision policies**.**

C. Verified the accuracy of the classification for accounts receivable aging to confirm that the information in the reports is consistent with its policies.

D.Sampled and performed subsequent collection tests for material accounts receivable and evaluated their recoverability.

Key audit matter - Inventory valuation

Description

For the accounting policies on inventory valuation, please refer to Note 4(14). For the uncertainty of accounting estimates and assumptions in relation to inventory valuation, please refer to Note 5(2). For the details of inventory, please refer to Note 6(6).

The Group is primarily engaged in manufacturing and sales of flexible print circuit board which belongs to a rapidly changing industry and is easily affected by the market price. Thus, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group determines inventory value using the item-by-item approach and recognised at the lower of cost and net realisable value. For inventory that is over a certain age, the net realised value was calculated from the historical experience of disposing old inventories.

The determination of net realisable value for obsolete or slow-moving inventory are subject to management's judgement and involves uncertainty. Considering the Group's inventory balance and the allowance for inventory valuation losses are material to its financial statements, we consider the inventory valuation as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. Obtained an understanding of the Group's operation and industry. Assessed the reasonableness of the policy and procedures applied to recognise allowance for inventory evaluation losses and whether the accounting policy has been consistently applied in the comparative periods of financial statements.

B. Understood the Group's inventory control procedures. Participated in the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.

C. Sampled and verified the accuracy of inventory aging calculation, confirmed and verified the reasonableness of obsolete inventories identification, the basis of net realisable value valuation of inventories to assess the reasonableness of provision of allowance for inventory valuation losses.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Flexium Interconnect, Inc. as at and for the years ended December 31, 2019 and 2018.

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 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 audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 ROC GAAS 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 ROC GAAS, 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 auditor's 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 auditor's 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Chien-Chih Wu

Kuo-Hua Wang

PricewaterhouseCoopers, Taiwan

February 11, 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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 6,925,525	20	$ 7,392,184	27
1110	Financial assets at fair value through profit or loss - current	6(2)	1,275,354	4	420,398	2
1136	Current financial assets at amortised cost - current	6(4)	8,037,220	23	2,613,320	9
1170	Accounts receivable, net	6(5)	7,067,598	20	6,818,722	25
1200	Other receivables		69,684	-	39,486	-
130X	Inventories	6(6)	2,360,044	7	3,692,815	13
1410	Prepayments		216,584	1	161,220	1
11XX	**Current Assets**		25,952,009	75	21,138,145	77
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	30,550	-	-	-
1600	Property, plant and equipment	6(7)	7,323,353	21	5,630,571	20
1755	Right-of-use assets	6(8)	143,039	1	-	-
1760	Investment property - net	6(9)	-	-	135,692	1
1780	Intangible assets	6(10)	46,150	-	85,717	-
1840	Deferred tax assets	6(27)	113,378	-	55,465	-
1990	Other non-current assets, others	6(11) and 8	845,208	3	579,112	2
15XX	**Non-current assets**		8,501,678	25	6,486,557	23
1XXX	**Total assets**		$ 34,453,687	100	$ 27,624,702	100

(Continued)

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2120	Financial liabilities at fair value through profit or loss - current	6(2)	$ 448	-	$ -	-
2170	Accounts payable		3,594,528	10	4,077,918	15
2200	Other payables	6(12)	3,928,531	11	2,988,145	11
2230	Income tax payable		561,039	2	405,584	1
2280	Current lease liabilities		15,750	-	-	-
2399	Other current liabilities, others		33,523	-	148,068	-
21XX	**Current Liabilities**		8,133,819	23	7,619,715	27
	Non-current liabilities					
2530	Bonds payable	6(13)	2,093,521	6	-	-
2540	Long-term borrowings	6(14)	1,349,962	4	-	-
2570	Deferred tax liabilities	6(27)	884,776	3	766,929	3
2580	Non-current lease liabilities		16,209	-	-	-
2600	Other non-current liabilities	6(15)	47,598	-	36,381	-
25XX	**Non-current liabilities**		4,392,066	13	803,310	3
2XXX	**Total Liabilities**		12,525,885	36	8,423,025	30
	Equity attributable to owners of parent					
	Share capital	6(13)(17)				
3110	Share capital - common stock		3,329,549	10	3,182,142	11
3130	Certificates of bond-to-stock conversion		16,779	-	-	-
3140	Advance receipts for share capital		-	-	812	-
	Capital surplus	6(13)(18)				
3200	Capital surplus		4,285,961	14	3,859,566	14
	Retained earnings	6(19)				
3310	Legal reserve		1,814,575	5	1,550,104	6
3320	Special reserve		303,446	1	212,254	1
3350	Unappropriated retained earnings		13,239,945	38	11,225,027	41
	Other equity interest	6(20)				
3400	Other equity interest		(771,663)	(3)	(303,446)	(1)
3500	**Treasury stocks**	6(17)	(290,790)	(1)	(524,782)	(2)
31XX	**Equity attributable to owners of the parent**		21,927,802	64	19,201,677	70
3XXX	**Total equity**		21,927,802	64	19,201,677	70
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	**Total liabilities and equity**		$ 34,453,687	100	$ 27,624,702	100

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	Year ended December 31			
			2019		2018	
			AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(21)	$ 26,033,230	100	$ 26,770,491	100
5000	**Operating costs**	6(6)(10)	(20,088,225)	(77)	(21,650,208)	(81)
5900	**Net operating margin**		5,945,005	23	5,120,283	19
	Operating expenses	6(10)				
6100	Selling expenses		(158,893)	(1)	(159,651)	(1)
6200	General and administrative expenses		(568,461)	(2)	(594,994)	(2)
6300	Research and development expenses		(1,420,631)	(6)	(1,211,453)	(4)
6450	Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	12(2)	93	-	(1,211)	-
6000	**Total operating expenses**		(2,147,892)	(9)	(1,967,309)	(7)
6900	**Operating profit**		3,797,113	14	3,152,974	12
	Non-operating income and expenses					
7010	Other income	6(4)(22)	293,556	1	270,259	1
7020	Other gains and losses	6(2)(23)	(731)	-	62,753	-
7050	Finance costs	6(24)	(88,169)	-	(5,283)	-
7000	**Total non-operating income and expenses**		204,656	1	327,729	1
7900	**Profit before income tax**		4,001,769	15	3,480,703	13
7950	Income tax expense	6(27)	(848,566)	(3)	(835,991)	(3)
8200	**Profit for the year**		$ 3,153,203	12	$ 2,644,712	10
	Other comprehensive income					
	Items that may not be reclassified subsequently to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(15)	$ 520	-	($ 3,843)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(20)	(219,865)	(1)	(74,692)	-
8500	**Total comprehensive income for the year**		$ 2,933,858	11	$ 2,566,177	10
	Profit, attributable to:					
8610	Owners of parent		$ 3,153,203	12	$ 2,644,712	10
	Comprehensive income attributable to:					
8710	Owners of parent		$ 2,933,858	11	$ 2,566,177	10
	Earnings per share	6(28)				
9750	**Basic earnings per share**		$ 10.02		$ 8.55	
9850	**Diluted earnings per share**		$ 9.08		$ 8.38	

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent									
		Share capital				Retained Earnings					
	Notes	Common stock	Certificates of bond-to-stock conversion	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interest	Treasury stocks	Total equity
Year ended December 31, 2018											
Balance at January 1, 2018		$ 3,179,912	$ -	$ -	$ 3,990,243	$ 1,244,420	$ 153,669	$ 10,476,420	($ 212,254)	($ 972,002)	$ 17,860,408
Effects of retrospective application and retrospective restatement	6(20)	-	-	-	-	-	-	16,500	(16,500)	-	-
Balance at 1 January after adjustments		3,179,912	-	-	3,990,243	1,244,420	153,669	10,492,920	(228,754)	(972,002)	17,860,408
Profit for the year	6(28)	-	-	-	-	-	-	2,644,712	-	-	2,644,712
Other comprehensive loss	6(20)	-	-	-	-	-	-	(3,843)	(74,692)	-	(78,535)
Total comprehensive income (loss)		-	-	-	-	-	-	2,640,869	(74,692)	-	2,566,177
Appropriation and distribution of 2017 earnings:											
Legal reserve		-	-	-	-	305,684	-	(305,684)	-	-	-
Special reserve		-	-	-	-	-	58,585	(58,585)	-	-	-
Distribution of cash dividends	6(19)	-	-	-	-	-	-	(1,544,493)	-	-	(1,544,493)
Share-based payments transactions	6(16)(17)(18)	2,230	-	812	18,456	-	-	-	-	-	21,498
Conversion of convertible bonds	6(13)(17)(18)	-	-	-	(149,133)	-	-	-	-	681,212	532,079
Purchase of treasury share	6(17)	-	-	-	-	-	-	-	-	(233,992)	(233,992)
Balance at December 31, 2018		$ 3,182,142	$ -	$ 812	$ 3,859,566	$ 1,550,104	$ 212,254	$ 11,225,027	($ 303,446)	($ 524,782)	$ 19,201,677
Year ended December 31, 2019											
Balance at January 1, 2019		$ 3,182,142	$ -	$ 812	$ 3,859,566	$ 1,550,104	$ 212,254	$ 11,225,027	($ 303,446)	($ 524,782)	$ 19,201,677
Profit for the year	6(28)	-	-	-	-	-	-	3,153,203	-	-	3,153,203
Other comprehensive income (loss)	6(20)	-	-	-	-	-	-	520	(219,865)	-	(219,345)
Total comprehensive income (loss)		-	-	-	-	-	-	3,153,723	(219,865)	-	2,933,858
Appropriation and distribution of 2018 earnings:											
Legal reserve		-	-	-	-	264,471	-	(264,471)	-	-	-
Special reserve		-	-	-	-	-	91,192	(91,192)	-	-	-
Distribution of cash dividends	6(19)	-	-	-	-	-	-	(783,142)	-	-	(783,142)
Cash dividends from capital surplus	6(18)	-	-	-	(783,142)	-	-	-	-	-	(783,142)
Share-based payments transactions	6(16)(17)(18)(20)	57,660	-	(812)	283,526	-	-	-	(248,352)	233,992	326,014
Issuance of convertible bonds	6(13)(18)	-	-	-	246,517	-	-	-	-	-	246,517
Conversion of convertible bonds	6(13)(17)(18)	89,747	16,779	-	678,249	-	-	-	-	-	784,775
Due to donated assets received	6(18)	-	-	-	1,245	-	-	-	-	-	1,245
Balance at December 31, 2019		$ 3,329,549	$ 16,779	$ -	$ 4,285,961	$ 1,814,575	$ 303,446	$ 13,239,945	($ 771,663)	($ 290,790)	$ 21,927,802

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 4,001,769	$ 3,480,703
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based payments	6(16)(18)	89,249	15,512
Expected credit (gain) loss	12(2)	(93)	1,211
(Reversal of) provision for allowance sales returns and discounts	6(5)	(50,071)	29,264
Depreciation expense	6(7)(8)(25)	1,244,129	1,228,608
Depreciation expense from investment properties	6(9)(25)	4,167	11,376
Amortization of intangible and other assets	6(10)(25)	52,881	29,663
Rental expense (land use rights)	6(11)	-	3,187
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(23)	(43,356)	(173)
Interest expense	6(24)	88,169	5,283
Interest income	6(22)	(147,628)	(110,999)
Loss on disposal of property, plant and equipment	6(23)	14,056	16,070
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease in financial assets at fair value-current		6,364	57,676
Increase in financial assets at amortised cost - current		(5,423,900)	(415,000)
(Increase) decrease in accounts receivable		(198,712)	1,264,421
(Increase) decrease in other receivables		(31,794)	19,405
Decrease in inventories		1,332,771	1,193,820
(Increase) decrease in prepayments		(55,364)	166,184
Changes in operating liabilities			
Decrease in financial liabilities at fair value - current		(1,401)	(4,631)
Decrease in accounts payable		(483,390)	(3,318,935)
Increase in other payables		93,784	182,717
(Decrease) increase in other current liabilities		(114,545)	126,700
Cash inflow generated from operations		377,085	3,982,062
Interest received		117,664	51,966
Interest paid		(628)	-
Income tax paid		(636,285)	(927,101)
Net cash flows (used in) from operating activities		(142,164)	3,106,927

(Continued)

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in financial assets at fair value		($ 6,636,856)	($ 4,721,670)
Proceeds from disposal of financial assets at fair value through profit or loss, designated upon initial recognition		5,739,983	5,907,790
Increase in financial assets at fair value through other comprehensive income - non-current		(30,550)	-
Acquisition of property, plant and equipment	6(29)	(2,345,299)	(1,694,041)
Proceeds from disposal of property, plant and equipment		16,272	59,221
Acquisition of intangible assets	6(10)	(13,450)	(78,215)
Increase in refundable deposits		(81,578)	(167,019)
Interest received		31,560	59,208
Net cash flows used in investing activities		(3,319,918)	(634,726)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of principal portion of lease liabilities	6(30)	(23,131)	-
Proceeds from issuance of bonds	6(30)	3,069,952	-
Proceeds from long-term borrowings	6(30)	1,349,962	-
Increase (decrease) in other non-current liabilities		11,737	(21,524)
Cash dividends paid	6(18)(19)	(1,566,284)	(1,544,493)
Proceeds from issuance of stock from exercising employee stock options	6(16)	7,215	5,986
Treasury stock transferred to employees	6(16)	229,550	-
Treasury stock transferred cost		-	(1,586)
Payments to acquire treasury shares	6(17)	-	(233,992)
Donated assets received	6(18)	1,245	-
Net cash flows from (used in) financing activities		3,080,246	(1,795,609)
Effect of exchange rate changes on cash and cash equivalents		(84,823)	(11,592)
Net (decrease) increase in cash and cash equivalents		(466,659)	665,000
Cash and cash equivalents at beginning of year	6(1)	7,392,184	6,727,184
Cash and cash equivalents at end of year	6(1)	$ 6,925,525	$ 7,392,184

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

(1) Flexium Interconnect, Inc. (the "Company") was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) and other relevant regulations on December 19, 1997. The Company is primarily engaged in the following: (1) manufacturing of build-up copper clad laminate; (2) manufacturing, processing, research, development, trading and repair of build-up printed circuit boards, flexible printed circuit boards, related semi-finished goods and parts; (3) manufacturing, research, development, and trading of parts for semi-finished goods of polyimide film base copper clad laminate; (4) manufacturing, processing, repair, design, trading of moulds, tools and clamping apparatuses; and (5) sale of raw materials for the products mentioned above. The Company's shares have been traded in the Taiwan Stock Exchange since September, 2003.

(2) Please refer to Note 4(3) B. for the descriptions on the primary business operations of the Company and its subsidiaries (collectively referred herein as the "Group").

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 February 11, 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 ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

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

New Standards, Interpretations and Amendments	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 condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces 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 terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by $158,690, increased 'lease liability' by $40,439 and 'long-term lease prepayments' by $118,251 with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $318 was recognised in 2019.

(d) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.04%.

E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$	41,660
Less: Short-term leases	(	314)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$	41,346
Incremental borrowing interest rate at the date of initial application		1.04%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	40,439

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	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 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

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

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

New Standards, Interpretations and Amendments	Effective date 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 condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and 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) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Note
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INC.	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	UFLEX TECHNOLOGY CO., LTD.	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INVESTMENT CO.,	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	BOOM BUSINESS LIMITED	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT AMERICA LLC.	Marketing supporting, and technology services	100	-	Note 2
FLEXIUM INTERCONNECT INC.	SUCCESS GLORY INVESTMENTS LTD.	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Business investment	100	100	
UFLEX TECHNOLOGY CO., LTD.	FLEXIUM INTERCONNECT AMERICA LLC.	Marketing supporting, and technology	-	100	Note 2
SUCCESS GLORY INVESTMENTS LTD. and UFLEX TECHNOLOGY CO., LTD.	FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Research, development, manufacturing and sale of new-type electronic components and devices (such as flexible printed circuit boards)	100	100	Note 1
GRANDPLUS ENTERPRISES LTD.	CHOSEN GLORY LIMITED	Business investment	100	100	
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Business investment	100	100	
GRANDPLUS ENTERPRISES LTD.	FOREVER MASTER LIMITED	Business investment	100	100	
BOOM BUSINESS LIMITED	CLEAR SUCCESS GLOBAL LIMITED	Business investment	100	100	
CLEAR SUCCESS GLOBAL LIMITED	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Research, development, manufacturing and sale of new-type electronic components and devices (such as flexible printed circuit boards)	100	100	

Note 1: As of December 31, 2019 and 2018, the ownership percentages of SUCCESS GLORY INVESTMENTS LTD. were both 74.11%, and the ownership percentages of UFLEX TECHNOLOGY CO., LTD. were both 25.89%.

Note 2: The ownership percentage of FLEXIUM INTERCONNECT AMERICA LLC. is 100% held by FLEXIUM INTERCONNECT INC. due to the organizational restructuring in the second quarter of 2019.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(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 consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

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 at the period end 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 other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

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

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(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;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

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. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future 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. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

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:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

The Group's time deposits which do not fall under 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 financial assets at amortised cost, at each reporting 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 that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Operating 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 labour, 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	2 ~ 35 years
Machinery equipment	3 ~ 15 years
Transportation equipment	3 ~ 15 years
Office equipment	5 ~ 10 years
Other equipment	2 ~ 10 years

(16) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Operating leases (lessee)

Payments made under an 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) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 3 years.

(19) Intangible assets

Computer software is stated at cost and amortized using the straight-line method over its estimated economic service life.

(20) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is 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. When the circumstances or reasons for recognizing 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.

(21) Borrowings

Borrowings comprise long-term and short-term bank borrowings. 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.

(22) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(24) Derecognition of financial liabilities

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

(25) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount 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.

(26) Financial liabilities and equity instruments

Bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The

Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus-stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

A. Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. 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 circulation using the effective interest method.

C. Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in 'capital surplus-stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable-net' as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - stock warrants.

(27) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(28) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

ii.Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees', directors' and supervisors' remuneration

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

(29) Employee share-based payment

A.For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are 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-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Employee restricted shares:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) The issued employee restricted shares before meeting the vesting conditions are not entitled to appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase.

(c) For restricted stocks where employees do not need to pay to acquire those stocks. If employees resign during the vesting period, the Company will redeem without consideration and retire those stocks.

(30) 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 Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred 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 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 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 tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount 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 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. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(31) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(32) Dividends

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

(33) Revenue recognition

A. The Group manufactures and sells flexible printed circuit board 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 wholesaler'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.

B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances.

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

(34) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(35) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

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 causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The above information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Expected credit losses for accounts receivable

The Group shall measure the loss allowance at an amount equal to lifetime expected credit losses for accounts receivable. When assessing expected credit losses, the Group must use judgements to determine the influence factors for the collectibility of accounts receivable such as customers' operation conditions and historical transaction records which may influence the payment abilities of customers also consider the time value of money and future economic conditions to estimate reasonable and supporting information. The aforementioned judgements and considerations may all have significant impacts on the measurement outcome of expected credit losses.

B. 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.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash:		
Cash on hand and revolving funds	$ 1,018	$ 988
Checking accounts and demand deposits	3,003,757	2,796,313
	3,004,775	2,797,301
Cash equivalents:		
Time deposits	3,670,729	4,594,883
Bonds sold under repurchase agreements	250,021	-
	3,920,750	4,594,883
	$ 6,925,525	$ 7,392,184

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

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

C. The above time deposits and bonds sold under the repurchase agreement with original maturities of less than three months were classified as cash equivalents.

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

Items	December 31, 2019	December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	$ 31,664	$ 30,692
Forward foreign exchange	8,303	-
Structured certificates of deposit	1,251,504	403,015
	1,291,471	433,707
Valuation adjustments	(16,117)	(13,309)
	$ 1,275,354	$ 420,398
Current items:		
Financial liabilities designated as at fair value through profit or loss		
Put options of convertible bonds	$ 448	$ -

A. The Group recognised net gain of $43,356 and $173, respectively, for the years ended December

31, 2019 and 2018.

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

	December 31, 2019	
Derivative Financial Assets	Contract Amount (notional principal)	Contract Period
Structured certificates of deposit	RMB 170,000 thousand	2019.10~2020.01
Structured certificates of deposit	RMB 70,000 thousand	2019.12~2020.02
Structured certificates of deposit	RMB 50,000 thousand	2019.12~2020.03
Forward foreign exchange contracts	RMB 33,000 thousand	2019.11~2020.02

	December 31, 2018	
Derivative Financial Assets	Contract Amount (notional principal)	Contract Period
Structured certificates of deposit	RMB 90,000 thousand	2018.07~2019.01

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

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Items	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments		
Unlisted stocks	$ 30,550	$ -
Valuation adjustments	-	-
	$ 30,550	$ -

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $30,550 as at December 31, 2019.

B. There was no amount recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income for the years ended December 31, 2019 and 2018.

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

(4) Financial assets at amortised cost

Items	December 31, 2019	December 31, 2018
Current items		
Time deposits mature in excess of three months	$ 8,037,220	$ 2,613,320

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the years ended December 31,			
	2019		2018	
Interest income	$	12,006	$	2,801

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

(5) Accounts receivable

	December 31, 2019		December 31, 2018	
Accounts receivable	$	7,068,863	$	6,870,153
Less: Allowance for doubtful accounts	(	1,106)	(	1,201)
Allowance for sales returns and discounts	(	159)	(	50,230)
	$	7,067,598	$	6,818,722

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

	December 31, 2019		December 31, 2018	
Up to 90 days	$	7,043,497	$	6,806,574
91 to 180 days		6,735		43,535
181 to 365 days		88		1,006
Over one year		18,543		19,038
	$	7,068,863	$	6,870,153

The above ageing analysis was based on overdue dates.

B. As of December 31, 2019 and 2018, and January 1, 2018, the balances of receivables from contracts with customers amounted to $7,068,863, $6,870,153 and $8,134,574, respectively.

C. The Group does not hold collateral as security for accounts receivable.

D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were $7,067,598 and $6,818,722, respectively.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2019		December 31, 2018	
Raw materials	$	531,055	$	577,684
Work in process and semi-finished goods		772,125		711,609
Finished goods		1,056,864		2,403,522
	$	2,360,044	$	3,692,815

The cost of inventories recognised as expense for the years ended December 31, 2019 and 2018, was $20,088,225 and $21,650,208 respectively, including the amount of $70,622 for the year ended December 31, 2018, that the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because the related inventory were scrapped or sold, as well as the amount of $238,842 for the year ended

December 31, 2019, that the Group wrote down from cost to net realisable value accounted for as increase of cost of goods sold.

(7) Property, plant and equipment

A. Book values of property, plant and equipment are as follows:

	December 31, 2019	December 31, 2018
Land	$ 786,599	$ 657,573
Buildings	1,029,368	1,091,569
Machinery	4,832,717	3,431,943
Transportation equipment	8,079	5,262
Office equipment	966	1,040
Other equipment	100,390	100,274
Construction in progress and equipment under acceptance	565,234	342,910
	$ 7,323,353	$ 5,630,571

B. Changes in property, plant and equipment are as follows:

	For the year ended December 31, 2019					
Cost	Opening net book amount	Additions and transfer	Deduction	Reclassifications	Effects of exchange rate changes	Closing net book amount
Land	$ 657,573	$ -	$ -	$ 129,026	$ -	$ 786,599
Buildings	1,894,215	86,189	-	29,998	(53,700)	1,956,702
Machinery	7,661,439	2,532,867	(205,197)	-	(172,452)	9,816,657
Transportation equipment	20,735	3,172	(2,443)	3,482	(426)	24,520
Office equipment	14,374	-	-	-	(407)	13,967
Other equipment	393,369	40,230	(8,224)	(3,482)	(7,540)	414,353
Construction in progress and equipment under acceptance	342,910	226,416	-	-	(4,092)	565,234
	$ 10,984,615	$ 2,888,874	($ 215,864)	$ 159,024	($ 238,617)	$ 13,578,032

	For the year ended December 31, 2018					
Cost	Opening net book amount	Additions and transfer	Deduction	Reclassifications	Effects of exchange rate changes	Closing net book amount
Land	$ 516,599	$ -	$ -	$ 140,974	$ -	$ 657,573
Buildings	1,904,502	15,884	(2,664)	6,192	(29,699)	1,894,215
Machinery	7,411,734	523,492	(172,197)	(701)	(100,889)	7,661,439
Transportation equipment	19,531	2,127	(672)	-	(251)	20,735
Office equipment	14,609	-	(27)	-	(208)	14,374
Other equipment	352,023	53,820	(8,575)	-	(3,899)	393,369
Construction in progress and equipment under acceptance	289,023	55,218	-	-	(1,331)	342,910
	$ 10,508,021	$ 650,541	($ 184,135)	$ 146,465	($ 136,277)	$ 10,984,615

	For the year ended December 31, 2019					
Accumulated depreciation and impairment	Opening net book amount	Additions	Deduction	Reclassifications	Effects of exchange rate changes	Closing net book amount
Buildings	$ 802,646	$ 125,750	$ -	$ 27,499	($ 28,561)	$ 927,334
Machinery	4,229,496	1,053,562	(182,343)	-	(116,775)	4,983,940
Transportation equipment	15,473	2,427	(2,443)	1,404	(420)	16,441
Office equipment	13,334	38	-	-	(371)	13,001
Other equipment	293,095	36,229	(7,781)	(1,404)	(6,176)	313,963
	$ 5,354,044	$ 1,218,006	($ 192,567)	$ 27,499	($ 152,303)	$ 6,254,679

Accumulated depreciation and impairment	For the year ended December 31, 2018 Opening net book amount	Additions and transfer	Deduction	Reclassifications	Effects of exchange rate changes	Closing net book amount
Buildings	$ 655,949	$ 158,698	($ 2,664)	$ 4,128	($ 13,465)	$ 802,646
Machinery	3,362,059	1,030,898	(101,321)	(69)	(62,071)	4,229,496
Transportation equipment	13,058	2,804	(221)	-	(168)	15,473
Office equipment	13,497	49	(25)	-	(187)	13,334
Other equipment	266,598	36,159	(6,624)	-	(3,038)	293,095
	$ 4,311,161	$ 1,228,608	($ 110,855)	$ 4,059	($ 78,929)	$ 5,354,044

C. No borrowing costs were capitalized as part of property, plant and equipment for the years ended December 31, 2019 and 2018.

D. Details of property, plant and equipment transferred from investment property for the years ended December 31, 2019 and 2018 are provided in Note 6(9) B.

E. The Group did not have property, plant and equipment pledged to others as collaterals.

F. Property, plant and equipment were not classified as operating leases assets.

(8) Leasing arrangements - lessee

Effective 2019

A. The Group leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used for leasing, subleasing, selling or any action affecting the ownership of the lessor.

B. Short-term leases with a lease term of 12 months or less comprise certain machinery and equipment, business vehicles and accommodations.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	
Land	$	110,890
Buildings		32,067
Transportation equipment (Business vehicles)		82
	$	143,039

	For the year ended December 31, 2019	
Land	$	3,192
Buildings		22,440
Transportation equipment (Business vehicles)		491
	$	26,123

D. For the year ended December 31, 2019, the additions to right-of-use assets was $15,555.

E. Information on profit or loss in relation to lease contracts is as follows:

Items affecting profit or loss	For the year ended December 31, 2019	
Interest expense on lease liabilities	$	467
Expense on short-term lease contracts		34,724

F. For the year ended December 31, 2019, the Group's total cash outflow for leases was $58,322.

(9) Investment property

	2019		
	Land	Buildings	Total
At January 1			
Cost	$ 129,026	$ 29,998	$ 159,024
Accumulated depreciation and impairment	-	(23,332)	(23,332)
	$ 129,026	$ 6,666	$ 135,692
Opening net book amount as at January 1	$ 129,026	$ 6,666	$ 135,692
Reclassifications	(129,026)	(2,499)	(131,525)
Depreciation	-	(4,167)	(4,167)
Closing net book amount as at December 31	$ -	$ -	$ -
At December 31			
Cost	$ -	$ -	$ -
Accumulated depreciation and impairment	-	-	-
	$ -	$ -	$ -

	2018		
	Land	Buildings	Total
At January 1			
Cost	$ 270,000	$ 36,190	$ 306,190
Accumulated depreciation and impairment	-	(16,084)	(16,084)
	$ 270,000	$ 20,106	$ 290,106
Opening net book amount as at January 1	$ 270,000	$ 20,106	$ 290,106
Reclassifications	(140,974)	(2,064)	(143,038)
Depreciation	-	(11,376)	(11,376)
Closing net book amount as at December 31	$ 129,026	$ 6,666	$ 135,692
At December 31			
Cost	$ 129,026	$ 29,998	$ 159,024
Accumulated depreciation and impairment	-	(23,332)	(23,332)
	$ 129,026	$ 6,666	$ 135,692

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	For the years ended December 31,	
	2019	2018
Rental income from investment property	$ 3,399	$ 10,699
Direct operating expenses arising from the investment property that generated rental income during the period	$ 4,446	$ 12,046

B. Investment property reclassified to property, plant and equipment amounted to $131,525 and $143,038, respectively, due to the use of investment property was changed to self-use in 2019 and 2018.

C. The fair value of investment property held by the Group as at December 31, 2018 was $232,126, which was estimated using the quoted value of the same location with the same nature from the website of trading prices of real estate from the Ministry of Interior. The fair value measurements are being categorized within Level 3.

(10) Intangible assets-computer software cost

A. Changes in computer software cost are as follows:

	2019	2018
At January 1	$ 85,717	$ 37,325
Additions-acquired separately	13,450	78,215
Amortization	(52,881)	(29,663)
Effects of exchange rate changes	(136)	(160)
At December 31	$ 46,150	$ 85,717

B. Details of amortization on intangible assets are as follows:

	For the years ended December 31,	
	2019	2018
Operating costs	$ 37	$ 119
Administrative expenses	11,951	19,238
Research and development expenses	40,893	10,306
	$ 52,881	$ 29,663

(11) Other non-current assets-other

Items	December 31, 2019	December 31, 2018
Prepayment for land purchases	$ 582,435	$ 250,494
Prepayments for equipment	2,925	31,611
Refundable deposits	259,848	178,756
Long-term prepaid rent	-	118,251
	$ 845,208	$ 579,112

A. Information about the refundable deposits that were pledged to others as collaterals is provided in Note 8.

B. The Group recognized rental expenses of $3,187 for the year ended December 31, 2018.

(12) Other payables

	December 31, 2019	December 31, 2018
Processing fees payable	$ 765,658	$ 984,632
Wages and salaries payable	370,667	404,689
Payables on employees' compensation and remuneration to directors and supervisors	172,763	194,000
Payables on machinery and equipment	1,044,282	197,812
Other payables	1,575,161	1,207,012
	$ 3,928,531	$ 2,988,145

(13) Bonds payable

	December 31, 2019	December 31, 2018
Third overseas unsecured convertible bonds	$ 2,241,923	$ -
Less: Discount on bonds payable	(148,402)	-
	2,093,521	-
Less: current portion		
(Shown as Long-term liabilities, current portion)	-	-
	$ 2,093,521	$ -

A.The terms of the Fourth domestic unsecured convertible bonds issued by the Company are as follows:

(a) On April 12, 2016, the Company issued 0% coupon, 2-year and 8-month domestic unsecured convertible bonds in the amount of $1,600,000. The bonds along with interest payable refund (which is 1.3389% of the face value of the bond at maturity) are repayable in full by cash at face value at maturity. The bonds were traded in the Taipei Exchange since April 12, 2016.

(b) The bondholders have the right to ask for conversion of the bonds into common stock during the period from the date after one month of issuance of bonds to the maturity date, except during the mandatory stop transfer period as required by law. The converted shares have same rights and obligations as common shares. As of December 12, 2018, the bonds with face value in the amount of $1,600,000 had been converted into 22,514 thousand shares of common stocks.

(c) The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT$83.7 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. As of December 12, 2018, the conversion price was adjusted to NT$65.8 (in dollars) per share.

(d) Under the terms of the bonds, all bonds redeemed (including those repurchased from Taipei Exchange), matured and converted will be retired and not to be reissued. The rights and obligations of the bonds will also cease.

(e)The fair value of equity conversion options in the amount of $35,723 was separated from bonds payable and was recognized in “Capital reserve from stock options” in accordance with IAS 32. As of December 12, 2018, the balance of “Capital reserve from stock options” after adjusting the amount converted into common stock is $0. The annual effective interest rate of the bonds payable after separation is 1.47%.

B. The terms of the Third overseas unsecured convertible bonds issued by the Company are as follows:

(a) On January 22, 2019, the Company issued 0% coupon, 3-year unsecured convertible bonds in the amount of US$100 million. Except for the Company’s bonds that were redeemed, repurchased and retired or had their conversion rights exercised by the bondholders (the “bondholders”), the bonds are repayable in full by cash at face value at maturity. Redemption price at maturity would be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment. The bonds were traded in the Singapore Exchange Limited since January 22, 2019.

(b) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders and the mandatory stop transfer period regulated by law and agreed in the bond indenture separately, the bondholders have the right to ask for conversion of the bonds into common shares of the Company in accordance with the relevant regulation and the bond indenture during the period from the date after 90 days of the bonds issue to 10 days before the maturity date, or on the day that the bondholders exercise the put option, or the fifth business day before the issue company exercise the early redemption.

As at December 31, 2019, the bonds with face value in the amount of US$ 23 million had been converted into 8,975 thousand shares of common stocks (shown as ‘Share capital - common stock’ of $89,747 and ‘capital surplus, additional paid-in capital arising from bond conversion’ of $627,875). And the registration was completed. In addition, the bonds with face value in the amount of US$ 4,300 thousand had been converted into 1,678 thousand shares of common stocks (shown as ‘certificates of bond-to-stock conversion’ of $16,779 and ‘capital surplus, additional paid-in capital arising from bond conversion’ of $117,673), however, the registration is not yet completed.

(c) The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT$83.95 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. At the time of conversion, the principal of the bond is multiplied by the fixed exchange rate of 30.838

agreed on the pricing date as the numerator, and the conversion price at the time of conversion is used as the denominator to calculate the number of shares convertible into common stocks. As at December 31, 2019, the conversion price was adjusted to NT$79.03 (in dollars) per share.

(d) The rules of put options are as follows:

i. The bondholders have no right to ask for whole or partial redemption of the bonds, except the following:

(i) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders, the bondholders have right to ask for whole or partial redemption of the bonds with an added interest rate of 0.425% per annum (compounded semi-annually) on the face value as the premium which is equivalent to 100.8527% of the face value (the “early redemption price for the bondholders”), after two years from the issue date.

(ii) If the Company’s common shares are unlisted from the Taiwan Stock Exchange or ceased trading over 30 consecutive business days, the bondholders have right to ask for only whole redemption of the bonds with an added interest rate of 0.425% per annum on the face value as the premium (the “early redemption amount”).

(iii) If any changes occurs to the Company’s controlling power as defined in the bond indenture (the “bond indenture”), the bondholders have right to ask for only whole redemption of the bonds.

ii. The exercise of the aforementioned put options by the bondholders and the acceptance of the bondholders’ requests by the Company shall in accordance with the procedures of the bond indenture. The early redemption price for the bondholders and the early redemption amount of bonds shall be paid on the payment date defined in the bond indenture by cash.

iii. The early redemption price for the bondholders and the early redemption amount of bonds shall be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.

(e) The rules of redemption are as follows:

i. For the period starting 2 years from the issue date until the maturity date, if the closing price (If the ex-right or the ex-dividend incurred, the adoption of the closing price shall be imputed to the price before ex-right and ex-dividend during the transaction date of the ex-right or the ex-dividend to the effective date of the ex-rights) of the issuing company’s common shares converted to USD using the currency exchange rate of the day on the Taiwan Stock Exchange reaches 130% of the total amount of the early redemption price multiply conversion price on that day (using the fixed currency exchange rate on the price settlement date to convert to USD) divided by the face value for 30 consecutive business days, the issuing company has the right to redeem all or part of bonds at the early redemption price.

ii. If over 90% of the outstanding bonds’ is redeemed, converted repurchased or retired, the Company can redeem all the bonds that are still outstanding at the early redemption price.

iii. If changes to the R.O.C.’s tax regulations occur after the issue date and cause the Company to bear more tax or to pay extra interest expenses or increase in costs for the bonds, the Company can redeem all the bonds at the early redemption price in accordance with the bond indenture. And the bondholders have no right to ask the issuing company covers the extra tax and expense for their nonparticipation of the redemption.

iv. The early redemption amount of bonds shall all be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.

(f) Under the terms of the bonds, all bonds redeemed (including from secondary market), matured and converted will be retired and not to be reissued.

(g) Regarding the issuance of convertible bonds, the equity conversion options amounting to $246,517 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. As of December 31, 2019, the balance of "Capital reserve from stock options" after adjusting the amount converted into common stock is $179,218. The non-equity redeem options, put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The annual effective interest rate of the bonds payable after separation is 3.335%.

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2019
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from May 20, 2019 to May 20, 2026; interest is payable monthly; principal is repayable in instalments.	0.05%~1.30%	None	$ 413,518
Unsecured borrowings	Borrowing period is from May 20, 2019 to May 20, 2029; interest is payable monthly; principal is repayable in instalments.	0.05%~1.30%	None	379,552
Unsecured borrowings	Borrowing period is from July 15, 2019 to July 15, 2026; interest is payable monthly; principal is repayable in instalments.	0.05%~1.30%	None	556,892
				1,349,962
Less: Current portion				-
				$ 1,349,962

A. As of December 31, 2018, had Company had no long-term borrowings.

B. Details of interest expense of bank borrowings recognised in profit or loss are provided in Note 6(24).

(15) Pensions

A. Defined benefit plans

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, 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 Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 62,733	$ 61,344
Fair value of plan assets	(41,300)	(38,091)
Net defined benefit liability (shown as 'Other non-current liabilities')	$ 21,433	$ 23,253

(c) Changes in present value of defined benefit obligations are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2019			
Balance at January 1	($ 61,344)	$ 38,091	($ 23,253)
Interest (expense) income	(950)	603	(347)
	($ 62,294)	$ 38,694	($ 23,600)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	959	959
Experience adjustments	(439)	-	(439)
	(439)	959	520
Pension fund contribution	-	1,647	1,647
Balance at December 31	($ 62,733)	$ 41,300	($ 21,433)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
For the year ended December 31, 2018			
Balance at January 1	($ 55,740)	$ 35,033	($ 20,707)
Interest (expense) income	(1,003)	645	(358)
	($ 56,743)	$ 35,678	($ 21,065)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	758	758
Experience adjustments	(4,601)	-	(4,601)
	(4,601)	758	(3,843)
Pension fund contribution	-	1,655	1,655
Balance at December 31	($ 61,344)	$ 38,091	($ 23,253)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation 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 securitization 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 earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	December 31, 2019	December 31, 2018
Discount rate	1.30%	1.55%
Future salary increases	3.00%	3.00%

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

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 2,602)	$ 2,738	$ 11,639	($ 9,687)
December 31, 2018				
Effect on present value of defined benefit obligation	($ 2,664)	$ 2,809	$ 11,996	($ 9,913)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis during 2019 and 2018 are the same.

(f)Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amounts to $1,647.

(g)As of December 31, 2019, the weighted average duration of that retirement plan is 18.8 years.

B. Defined contribution plan

(a)Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, Taiwan-based companies 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 benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The Company’s mainland China subsidiaries, 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 (PRC) are based on a certain percentage of employees’ monthly salaries and wages.

(c)The pension costs under the defined contribution pension plans of the Group for the years ended December 31 2019 and 2018 were $164,549 and $150,866, respectively.

(16) Share-based payment

A. Options granted after January 1, 2008

(a) The exercise price under stock-based employee compensation plan in 2010 was determined at the closing price ($46.95 in dollars per share) of the Company’s common stock upon issuance of the stock option. If there is a change in common stock or the Company distributes cash dividend, the exercise price would be adjusted according to specific formulas. As of December 31, 2019, the exercise price of employee share options was adjusted to NT$ 21.90 (in dollars). The expected vesting period is 10 years. After 2 years from the date of grant, an employee may exercise the options in accordance with certain schedules as prescribed by the employee option plan.

(b) Details of the share-based payment arrangements are as follows:

	2019		2018	
Stock options	Number of options (in thousands)	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	429	$ 23.20	687	$ 24.40
Options exercised	(311)	23.20	(258)	23.20
Options outstanding at December 31	118	21.90	429	23.20
Options exercisable at December 31	118	21.90	429	23.20

(c) The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2019 and 2018 was $96.70 and $77.97, respectively.

(d) The information on outstanding employee stock compensation plans is set forth below:

	December 31, 2019				
	Stock options outstanding			Stock options exercisable	
Exercise price (in dollars)	Number of options (in thousands)	Weighted-average expected remaining period	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
$ 21.90	118	2 months	$ 21.90	118	$ 21.90

	December 31, 2018				
	Stock options outstanding			Stock options exercisable	
Exercise price (in dollars)	Number of options (in thousands)	Weighted-average expected remaining period	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
$ 23.20	429	1 years and 2 months	$ 23.20	429	$ 23.20

(e) The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

	March 18, 2010
Dividend yield rate	0%
Expected price volatility	40%
Risk-free interest rate	2%
Expected terms	10 years
Weighted-average fair value per share (in dollars)	11.10~16.91

(e) Expenses incurred on equity-settled share-based payment transactions for the years ended December 31, 2019 and 2018 were both $0.

B. On July 1, 2019, the Board of Directors of the Company has resolved to issue employee restricted shares:

(a) Details of the share-based payment arrangements are as follows:

Type of arrangement	Grant date	Number of shares granted (in thousands)	Contract period	Vesting conditions
Restricted stock transferred to employees (Note 1)	2019.07.01	5,500	3 years	Service period and performance condition (Note 2)

Note 1: The restricted shares issued by the Company cannot be transferred during the vesting period before meeting the vesting conditions. The right of attendance, proposal, presentation, voting and election at the shareholders' meeting are the same as the Company's issued ordinary shares, except appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase. The Company has rights to take back the unvested shares at no consideration and retire the shares if employees resign during the vesting period.

Note 2: For the employees who are currently working in the Company, whose services have reached 1 year, 2 years and 3 years since the allocation of restricted shares and who achieved the target performance and have made contributions, the ceiling of accumulated vested share ratio is 30%, 30% and 40%, respectively.

(b) Details of the share-based payment arrangements are as follows: (Shares in thousands)

	2019
Employee restricted shares at January 1	-
Option issued for the year	5,500
Option retired for the year	(80)
Employee restricted shares at December 31	5,420

(c) Expenses incurred on share-based payment transactions amounted to $89,249 for the year ended December 31, 2019.

C. On July 12, 2018, the Board of Directors adopted a resolution to transfer treasury stocks purchased from the ninth purchase to employees.

(a) Information on the stock options is as follows:

Type of arrangement	Grant date	Number of shares (in thousands)	Vesting conditions
Treasury stock transferred to employees	2018.7.12	$ 2,506	Vested immediately

(b) Details of the share-based payment arrangements are as follows:

	2019		2018	
Stock options	Number of options (in thousands)	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	2,506	$ 93.37	-	$ -
Options granted	-	-	2,506	93.37
Options exercised	(2,506)	91.60	-	-
Options outstanding at December 31	-	-	2,506	93.37
Options exercisable at December 31	-	-	2,506	93.37

(c) The fair value of stock options on the grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Weighted-average stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life (in years)	Risk-free interest rate	Fair value per share (in dollars)
Treasury stock transferred to employees	2018.7.12	$ 97.90	$ 93.37	39.74%	0.05	0.11%	$ 6.19

(d) The compensation cost recognised at the grant date was $15,512.

(17) Share capital

A. As of December 31, 2019, the Company's authorized capital was $4,600,000 (including 20,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was $3,329,549, consisting of 332,955 thousand shares of rdinary stock, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows: (Shares in thousands)

	2019	2018
At January 1	313,222	307,615
Employee stock options exercised	346	223
Employee restricted shares	5,420	-
Conversion of convertible bonds	8,975	7,890
Buyback of treasury stock	-	(2,506)
Treasury share transferred to employees	2,506	-
At December 31	330,469	313,222

B. For the year ended December 31, 2019, the additions to employee restricted shares was $3,460, and the registration was completed.

C. The Company issued common stocks in the amount of $2,230 for the exercise of employee stock options for the year ended December 31, 2018, and the registration had been completed. As of December 31, 2018, the registration of advance receipts for share capital of $812 has not been completed.

D. The Board of Directors during its meeting on July 1, 2019 adopted a resolution to issue employee restricted ordinary shares (see Note 6(16)) with the effective date set on September 5, 2019. The subscription price is $0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. After meeting their vesting conditions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

E. The information on conversion requests on convertible bonds for the year ended December 31, 2019 is provided in Note 6(13).

F. Treasury shares

(a)Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2019	
Name of company holding the shares	Reason for reacquisition	Number of shares in thousands	Carrying amount
The Company	For conversion of equity	2,486	290,790

Name of company holding the shares	Reason for reacquisition	December 31, 2018		
		Number of shares in thousands	Carrying amount	
The Company	For conversion of equity	2,486	$	290,790
	To be reissued to employees	2,506		233,992
		4,992	$	524,782

(b)Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c)Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d)Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees or be distributed for equity transfer within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(e)On December 24, 2015, the Board of Directors resolved to repurchase 20 million shares of the Company and transferred the shares to employees, all the procedures were in line with related regulations. In addition, on February 16, 2016, the Board of Directors resolved to change its motivation of repurchasing treasury shares so that the Company distributed treasury shares for equity transfer. The ordinary shares transferred from convertible bonds in 2018 were 5,376 thousand shares. As of December 31, 2019, the Company repurchased 20 million shares, including 20 million shares were distributed for equity transfer.

(f)To maintain the Company's credit and the stockholders' equity, the Board of Directors during their meeting resolved to repurchase the Company's shares in the amount of 5 million shares that in accordance with related regulations on November 1, 2017. In addition, the Board of Directors resolved to change the purpose of repurchased shares for equity transfer on December 21, 2017. The ordinary shares transferred from convertible bonds in 2018 were 2,514 thousand shares. As of December 31, 2019, the Company has repurchased its own shares in the amount of 5 million shares, including 2,514 thousand shares were distributed from equity transfer.

(g)The shares which were repurchased by the Company and transferred to employees amounted to 5 million shares in accordance with related regulations, and as resolved by the Board of Directors on June 11, 2018. The shares transferred to the employees in 2019 were 2,506 thousand shares. As of December 31, 2019, the Company has repurchased its own shares in the amount of 2,506 thousand shares and all 2,506 thousand shares were transferred to employees.

(h)Information on treasury shares reissued to employees is provided in Note 6(16).

(18) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2019						
	Share premium	Treasury share transactions	Employee stock options	Stock options	Donated assets	Employee restricted shares	Total
At January 1, 2019	$3,651,766	$ 187,037	$ 20,763	$ -	$ -	$ -	$3,859,566
Employee stock options exercised	8,047	-	(3,480)	-	-	-	4,567
Treasury stock transferred to employees	-	11,069	(15,512)	-	-	-	(4,443)
Employee restricted shares	-	-	-	-	-	283,402	283,402
Due to donated assets received	-	-	-	-	1,245	-	1,245
Cash dividends from capital surplus	(783,142)	-	-	-	-	-	(783,142)
Conversion option of convertible bonds	745,548	-	-	179,218	-	-	924,766
At December 31, 2019	$3,622,219	$ 198,106	$ 1,771	$ 179,218	$ 1,245	$ 283,402	$4,285,961

	2018				
	Share premium	Treasury share transactions	Employee stock options	Stock options	Total
At January 1, 2018	$ 3,781,674	$ 188,623	$ 8,137	$ 11,809	$ 3,990,243
Employee stock options exercised	5,830	-	(2,886)	-	2,944
Share-based payment transactions	-	-	15,512	-	15,512
Conversion option of convertible bonds	(135,738)	(1,586)	-	(11,809)	(149,133)
At December 31, 2018	$ 3,651,766	$ 187,037	$ 20,763	$ -	$ 3,859,566

B. On June 18, 2019, the shareholders during their meeting resolved to distribute cash dividends from capital surplus in the amount of $783,142, at NT$2.5 per share.

C. For details of capital reserve from stock options, please refer to Note 6(13).

(19) Retained earnings

A. Under the Company’s Articles of Incorporation, the current year’s earnings, if any, shall first be used to pay all taxes and offset prior years’ operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and setting aside or reversal for special reserve in accordance with related laws or Competent Authority’s rule, if any, the Board of Directors should present the distribution of the remaining earnings along with undistributed earnings at beginning of periods for the approval of the shareholders based on the capital condition and economic development.

B. The Company's dividend policy is in line with the development plan and capital requirement for expanding production line in the near future as the Company is currently in the growth phase. Therefore, the Board of Directors proposed the appropriation of unappropriated retained earnings at the shareholders' meeting for approval. Cash dividend shall be more than 5% of total dividends, but will not be distributed if it is lower than $0.1 per share, which will instead be distributed in the form of stocks.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The Company resolved that total dividends for the distribution of earnings for 2018 was $1,544,493 ($5 (in dollars) per share). On June 18, 2019, the shareholders resolved that total dividends for the distribution of earnings for 2018 was $783,142 ($2.5 (in dollars) per share).

(20) Other equity items

	2019		
	Currency translation	Unearned compensation	Total
At January 1	($ 303,446)	$ -	($ 303,446)
Currency translation differences:			
–Group	(219,865)	-	(219,865)
Issuance of employee restricted shares	-	(248,352)	(248,352)
At December 31	($ 523,311)	($ 248,352)	($ 771,663)

	2018		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	$ 16,500	($ 228,754)	($ 212,254)
Revaluation transferred to retained earnings	(16,500)	-	(16,500)
Currency translation differences:			
–Group	-	(74,692)	(74,692)
At December 31	$ -	($ 303,446)	($ 303,446)

(21) Operating revenue

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major geographical regions:

	For the years ended December 31,	
	2019	2018
	Revenue	Revenue
Taiwan	$ 1,530,903	$ 1,780,077
China	9,344,453	7,537,695
Asia (excluding Taiwan and China)	1,093,057	1,471,070
Europe and America	14,064,817	15,981,649
	$ 26,033,230	$ 26,770,491

(22) Other income

	For the years ended December 31,	
	2019	2018
Interest income:		
Interest income from bank deposits	$ 116,068	$ 54,842
Other interest income	31,560	56,157
Total interest income	147,628	110,999
Rent income	3,682	10,815
Other income-other	142,246	148,445
	$ 293,556	$ 270,259

(23) Other gains and losses

	For the years ended December 31,	
	2019	2018
Loss on disposal of property, plant and equipment	($ 14,056)	($ 16,070)
Foreign exchange (losses) gains	(18,050)	96,643
Net gain on financial assets/ liabilities at fair value through profit or loss	43,356	173
Others	(11,981)	(17,993)
	($ 731)	$ 62,753

(24) Finance costs

	For the years ended December 31,	
	2019	2018
Interest expense:		
Bank borrowings	$ 189	$ 5,225
Convertible bonds	87,409	-
Imputed interest on deposits	104	58
Interest on lease liabilities	467	-
	$ 88,169	$ 5,283

(25) Expenses by nature

	For the years ended December 31,	
	2019	2018
Employee benefit expense	$ 3,631,407	$ 3,366,514
Depreciation charge on property, plant and equipment	1,218,006	1,228,608
Depreciation expenses on right-of-use assets	26,123	-
Depreciation charge on investment property	4,167	11,376
Amortisation on intangible assets	52,881	29,663

(26) Employee benefit expense

	For the years ended December 31,	
	2019	2018
Wages and salaries	$ 3,086,045	$ 2,909,510
Employee restricted stock	89,249	-
Employee stock options	-	15,512
Labor and health insurance fees	147,015	140,090
Pension costs	164,896	151,224
Other personnel expenses	144,202	150,178
	$ 3,631,407	$ 3,366,514

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, if any, shall not be less than 1% for employees' compensation, and shall be less than 2% for directors' and supervisors' remuneration. However, if the Company has accumulated deficit, the earnings shall first be reserved to offset the deficit.

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at $100,000 and $86,000, respectively; directors' and supervisors' remuneration were accrued at $20,000 and $15,000 respectively, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on certain proportion of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' and supervisors' remuneration of 2018 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2018 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company resolved by the Board of Directors and the shareholders at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax expense

Components of income tax expense:

	For the years ended December 31,	
	2019	2018
Current tax：		
Current tax on profits for the year	$ 745,470	$ 614,881
Tax on undistributed earnings	75,928	114,275
Over estimation of prior year's income tax	(29,658)	(55,892)
Total current tax	791,740	673,264
Deferred tax:		
Origination and reversal of temporary differences	56,826	65,891
Impact of change in tax rate	-	96,836
Total deferred tax	56,826	162,727
Income tax expense	$ 848,566	$ 835,991

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	$ 880,993	$ 812,827
Effect from items adjusted in accordance with tax regulation	(78,697)	(35,219)
Tax on undistributed earnings	75,928	114,275
Over estimation of prior year's income tax	(29,658)	(55,892)
Income tax expense	$ 848,566	$ 835,991

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

	For the year ended December 31, 2019				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Effects of excharge rate changes	December 31
Temporary differences:					
－Deferred tax assets:					
Allowance for sales returns and discounts	$ 31,312	($ 31,312)	$ -	$ -	$ -
Allowance for obsolescence and decline in market value of inventories	4,910	81,351	-	(3,072)	83,189
Unrealised gross profit	13,969	(2,967)	-	-	11,002
Unrealised compensated absences	3,272	1,414	-	-	4,686
Cost of bond issuance	-	1,846	-	-	1,846
Unrealised exchange loss	-	5,493	-	-	5,493
Refund liability	-	3,591	-	-	3,591
Unrealised estimated expense	1,748	653	-	-	2,401
Impairment of assets	-	988	-	(37)	951
Others	254	(35)	-	-	219
Subtotal	$ 55,465	$ 61,022	$ -	($ 3,109)	$ 113,378
－Deferred tax liabilities:					
Gain on foreign investment accounted for under equity method	(760,493)	(122,418)	-	-	(882,911)
Pension expense	(1,582)	(260)	-	-	(1,842)
Unrealised exchange gain	(4,854)	4,854	-	-	-
Others	-	(24)	-	1	(23)
Subtotal	($ 766,929)	($ 117,848)	$ -	$ 1	(884,776)
Total	($ 711,464)	($ 56,826)	$ -	($ 3,108)	($ 771,398)

	For the year ended December 31, 2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Effects of exchange rate changes	December 31
Temporary differences:					
－Deferred tax assets:					
Allowance for sales returns and discounts	$ 3,580	$ 27,732	$ -	$ -	$ 31,312
Allowance for obsolescence and decline in market value of inventories	20,738	(15,828)	-	-	4,910
Unrealised gross profit	19,131	(5,162)	-	-	13,969
Unrealised compensated absences	2,581	691	-	-	3,272
Cost of bond issuance	306	(306)	-	-	-
Unrealised estimated expense	2,532	(784)	-	-	1,748
Others	22	232	-	-	254
Subtotal	$ 48,890	$ 6,575	$ -	$ -	$ 55,465
－Deferred tax liabilities:					
Gain on foreign investment accounted for under equity method	(596,043)	(164,450)	-	-	(760,493)
Pension expense	(1,124)	(458)	-	-	(1,582)
Unrealised exchange gain	(460)	(4,394)	-	-	(4,854)
Subtotal	(597,627)	(169,302)	-	-	(766,929)
Total	($ 548,737)	($ 162,727)	$ -	$ -	($ 711,464)

D. The Company’s income tax returns through 2017 have been assessed and approved by the Tax Authority.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 7, 2018, the Company’s applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(28) Earnings per share

	For the year ended December 31, 2019				
	Amount after tax		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
Basic earnings per share					
Profit attributable to ordinary shareholders of the parent	$	3,153,203	314,636	$	10.02
Diluted earnings per share					
Profit attributable to ordinary shareholders of the parent	$	3,153,203	314,636		
Assumed conversion of all dilutive potential ordinary shares					
Employees' stock options		-	154		
Employees' compensation		-	1,046		
Convertible bonds		44,248	35,592		
Employee restricted stock		-	853		
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$	3,197,451	352,281	$	9.08

	For the year ended December 31, 2018				
	Amount after tax		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)	
Basic earnings per share					
Profit attributable to ordinary shareholders of the parent	$	2,644,712	309,272	$	8.55
Diluted earnings per share					
Profit attributable to ordinary shareholders of the parent	$	2,644,712	309,272		
Assumed conversion of all dilutive potential ordinary shares					
Employees' stock options		-	498		
Employees' compensation		-	1,326		
Convertible bonds		4,180	4,987		
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$	2,648,892	316,083	$	8.38

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31, 2019	For the years ended December 31, 2018
Purchase of property, plant and equipment (including prepayments for business facilities)	$ 3,191,769	$ 891,357
Add: opening balance of payable on equipment	197,812	1,000,496
Less: ending balance of payable on equipment	(1,044,282)	(197,812)
Cash paid during the period	$ 2,345,299	$ 1,694,041

B. Financing activities with no cash flow effects:

	For the years ended December 31, 2019	For the years ended December 31, 2018
Convertible bonds being converted to capital stocks and capital surplus	$ 784,775	$ 532,079

(30) Changes in liabilities from financing activities

2019	Lease liability	Bonds payable	Long-term borrowings	Liabilities from financing activities-gross
At January 1	$ 40,439	$ -	$ -	$ 40,439
Changes in cash flow from financing activities	(23,131)	3,069,952	1,349,962	4,396,783
Increase in lease liabilities	15,555	-	-	15,555
Amortisation of discounts on bonds payable	-	87,409	-	87,409
Conversion rights of convertible bonds	-	(246,517)	-	(246,517)
Put options of convertible bonds	-	(32,548)	-	(32,548)
Convertible bonds converted to capital stocks and capital surplus	-	(784,775)	-	(784,775)
Impact of changes in foreign exchange rate	(904)	-	-	(904)
December 31	$ 31,959	$ 2,093,521	$ 1,349,962	$ 3,475,442

No such transaction in 2018.

7. RELATED PARTY TRANSACTIONS

Key management compensation

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	$ 81,174	$ 66,364
Post-employment benefits	187	186
Share-based payments	20,929	5,447
	$ 102,290	$ 71,997

8. PLEDGED ASSETS

	Book value		
Pledged asset	December 31, 2019	December 31, 2018	Purpose
Refundable deposits (recorded in "Other non-current assets, others")	$ 244,439	$ 166,996	Guarantee for land bid

9. COMMITMENTS AND CONTINGENT LIABILITIES

(1) As of December 31, 2019 and 2018, the Group issued promissory notes amounting to $2,111,387 and $1,064,844 for loans, sales on credit and forward exchange contracts, respectively.

(2) As of December 31, 2019 and 2018, the Group entered into several contracts for construction and acquisition of machinery with total values of $5,419,602 and $2,433,616, respectively, and the unpaid balance on these contracts amounted to $4,278,881 and $1,802,407, respectively.

10. SIGNIFICANT CATASTROPHE

None.

11. SUBSEQUENT EVENTS

None.

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, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total debt is calculated as 'current and non-current liabilities' as shown in the consolidated balance sheet.

During 2019, the Group's strategy, which was unchanged from 2018, was to maintain the balance of the capital structure. The gearing ratio at December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 12,525,885	$ 8,423,025
Total assets	$ 34,453,687	$ 27,624,702
Gearing ratio	36	30

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 1,275,354	$ 420,398
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 30,550	$ -
Financial assets at amortised cost		
Cash and cash equivalents	$ 6,925,525	$ 7,392,184
Financial assets at amortised cost	8,037,220	2,613,320
Accounts receivable	7,067,598	6,818,722
Other receivables	69,684	39,486
Refundable deposits	259,848	178,756
	$ 22,359,875	$ 17,042,468

	December 31, 2019	December 31, 2018
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	$ 448	$ -
Financial liabilities at amortised cost		
Accounts payable	$ 3,594,528	$ 4,077,918
Other payables	3,928,531	2,988,145
Bonds payable (including current portion)	2,093,521	-
Long-term borrowings (including current	1,349,962	-
Guarantee deposits received	26,165	11,385
	$ 10,992,707	$ 7,077,448
Lease liabilities	$ 31,959	$ -

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). 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, 2019					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 349,054	30.1060	$ 10,508,620	1%	$ 105,086	$ -
USD:RMB	206,267	6.9762	6,209,874	1%	62,099	-
Non-monetary items						
USD:NTD	1,000	30.1060	30,550	1%	-	306
Financial liabilities						
Monetary items						
USD:NTD	233,573	30.1060	7,031,949	1%	(70,319)	-
USD:RMB	135,962	6.9762	4,093,272	1%	(40,933)	-

	December 31, 2018					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 331,454	30.7330	$ 10,186,576	1%	$ 101,866	$ -
USD:RMB	228,320	6.8632	7,016,959	1%	70,170	-
Financial liabilities						
Monetary items						
USD:NTD	218,399	30.7330	6,712,056	1%	(67,121)	-
USD:RMB	128,034	6.8632	3,934,869	1%	(39,349)	-

v.The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to ($18,050) and $96,643, respectively.

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise shares issued by the domestic and companies. The prices of equity securities would change due to the change of the future oversea value of investee companies. However, the Group has settled a stop loss limit, no significant price risk is expected.

Cash flow and fair value interest rate risk

i. The Group's issued zero coupon liability financial instruments with embedded conversion options and call options. The fair value of the financial instrument is exposed under the risk of market fluctuation. There was no cash flow risk arising from significant changes in interest rate after assessment.

ii. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. As of December 31, 2019, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars.

(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 on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Group manages their credit risk taking into consideration the entire group's concern. 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.

iii.If the contract payments were past due over certain days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv.The default occurs when the contract payments are expected unrecoverable and are transferred to overdue receivables

v. The Group classifies customers' accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2019 and 2018, the provision matrix classified by customers are as follows:

	Group A	Group B	Group C	Group D	Group E	Total
December 31, 2019						
Total book value	$ 4,141,352	$ 23,550	$ 2,370,307	$ 453,904	$ 79,750	$ 7,068,863
Allowance for sales returns and discounts	(159)	-	-	-	-	(159)
Book value	$ 4,141,193	$ 23,550	$ 2,370,307	$ 453,904	$ 79,750	$ 7,068,704
Expected loss rate	0.01%	0.01%	0.02%	0.03%	0.00%	
Loss allowance	$ 411	$ 3	$ 572	$ 117	$ 3	$ 1,106

	Group A	Group B	Group C	Group D	Group E	Total
December 31, 2018						
Total book value	$ 4,578,593	$ 333,808	$ 1,657,437	$ 38,625	$ 261,690	$ 6,870,153
Allowance for sales returns and discounts	(50,230)	-	-	-	-	(50,230)
Book value	$ 4,528,363	$ 333,808	$ 1,657,437	$ 38,625	$ 261,690	$ 6,819,923
Expected loss rate	0.01%	0.02%	0.03%	0.01%	0.02%	
Loss allowance	$ 584	$ 65	$ 492	$ 5	$ 55	$ 1,201

Accounts receivable is grouped based on stock liquidity, paid-in capital, current ratio and debt ratio of counterparties.

vii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2019
	Accounts receivable
At January 1	$ 1,201
Reversal of impairment loss	(93)
Effects of exchange rate changes	(2)
At December 31	$ 1,106

	2018
	Accounts receivable
At January 1_IAS 39	$ -
Adjustments under new standards	-
At January 1_IFRS 9	-
Provision for impairment	1,211
Effect of exchange rate changes	(10)
At December 31	$ 1,201

For provisioned loss for the years ended December 31, 2019 and 2018, the reversal of impairment loss and impairment loss arising from customers' contracts is ($93) and $1,211, respectively.

(c)Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.

ii.Surplus cash held by the operating entities over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, Bonds with repurchase agreements, structured certificates of deposit and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As of December 31, 2019 and 2018, the Group held money market position of $16,228,778 and $10,424,914, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The table below 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 table are the contractual undiscounted cash flows.

Non-derivative financial liabilities: December 31, 2019	Less than 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:			
Accounts payable	$ 3,594,528	$ -	$ -
Other payables	3,928,531	-	-
Lease liabilities	16,086	8,834	7,925
Bonds payable	-	2,241,923	-
Long-term borrowings	675	675	1,351,939
Derivative financial liabilities:			
Put options of convertible bonds	448	-	-

December 31, 2018	Less than 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:			
Accounts payable	$ 4,077,918	$ -	$ -
Other payables	2,988,145	-	-

(3) Fair value information

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:Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks with quoted market prices 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 or indirectly. The fair value of the Group's investment in certain derivative instruments is included in Level 2.

Level 3:Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, financial assets at amortised cost accounts receivable, other receivables, guarantee deposits paid (recorded in "Other non-current assets-others"), accounts payable, other payables, lease liabilities, bonds payable, long-term borrowings and guarantee deposits received (recorded in "Other non-current assets-others"), are approximate to their fair values.

D. 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:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 15,547	$ -	$ -	$ 15,547
Forward foreign exchange contracts	-	8,303	-	8,303
Structured certificates of deposit	-	1,251,504	-	1,251,504
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	30,550	30,550
	$ 15,547	$ 1,259,807	$ 30,550	$ 1,305,904
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Put options of convertible bonds	$ -	$ -	$ 448	$ 448

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 17,383	$ -	$ -	$ 17,383
Structured certificates of deposit	-	403,015	-	403,015
	$ 17,383	$ 403,015	$ -	$ 420,398

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

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

ii. The assessment of structured certificates of deposit is calculated based on the product revenue that is provided by counterparties.

iii. Forward exchange contracts are usually valued based on the current forward exchange rate.

iv. 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 .

v. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)I.

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

F. The following chart is the movement of Level 3 for the year ended December 31, 2019:

	2019	
	Derivative instruments	Non-derivative equity instrument
At January 1	$ -	$ -
Issued in the period	(32,848)	-
Gains recognised in profit or loss (Note)	32,100	-
Investments in the year	-	30,550
Conversion in the year	300	-
December 31	($ 448)	$ 30,550
Movement of unrealised gain in profit or loss of assets and liabilities held as of December 31, 2019 (Note)	$ 32,100	$ -

Note: Recorded as non-operating income and expense.

G. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

H. Treasury segment 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 using the actuarial reports issued by external experts. 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 line 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.

I. 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 at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument:					
Convertible bonds	$ 448	Binary tree Convertible bond valuation model	Stock price volatility	34.32%~37.56%	The higher the stock price volatility, the lower the fair value
Non-derivative equity instrument:					
Unlisted shares	$ 30,550	Discounted cash flow	Long-term revenue growth rate and long-term pre-tax operating margin	N/A	The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value;

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, 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, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	$ 30,550	±1%	$ -	$ -	$ 306	($ 306)
Financial liabilities						
Hybrid instrument	Stock price volatility	±5%	$ 309	$ -	$ -	$ -

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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 (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer table 3.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Please refer to table 4.

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 instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including 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, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

The Group operates business in manufacturing and sale of flexible PCBs. The Company allocates resources and assesses performance of the Group as a whole, and has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The Group evaluates the performances of the operating segments based on their net income (loss).

(3) Information about segment profit or loss, assets and liabilities

The segment information is provided to the Chief Operating Decision-Maker for the reportable segments. Please refer to the balance sheet and statement of comprehensive income.

(4) Reconciliation for segment income (loss)

The revenue from customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. The amounts provided to the Chief Operating Decision-Maker with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

(5) Information on products and services

Revenue from external customers is mainly from sales of flexible printed circuit boards and related raw materials and supplies.

(6) Revenue information by geographic areas

Revenue information by geographic areas of the Group for 2019 and 2018 is shown below:

	For the years ended December 31,			
	2019		2018	
	Revenue	Non-Current Assets	Revenue	Non-Current Assets
Taiwan	$ 1,530,903	$ 4,565,836	$ 1,780,077	$ 3,326,594
China	9,344,453	3,791,854	7,537,695	3,104,436
Asia (excluding Taiwan and China)	1,093,057	-	1,471,070	-
Europe and America	14,064,817	60	15,981,649	62
	$ 26,033,230	$ 8,357,750	$ 26,770,491	$ 6,431,092

Revenue recognition is based on clients' geographic locations and non-current assets are classified based on their locations.

(7) Information on major customers

Information on major customers of the Group for 2019 and 2018 is shown below:

	For the year ended December 31, 2019		For the year ended December 31, 2018
Customer	Revenue	Customer	Revenue
A	$ 13,931,732	A	$ 15,803,579

Attachment 2: 2019 Parent Only Financial Report

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19002849

To the Board of Directors and Shareholders of Flexium Interconnect, Inc.

Opinion

We have audited the accompanying balance sheets of Flexium Interconnect, Inc. (the "Company") as at December 31, 2019 and 2018, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

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 (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), 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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements of the current period are stated as follows:

Key audit matter - Valuation of impairment of accounts receivable

Description

For the accounting policies on accounts receivable, please refer to Note 4(9). For the uncertainty of accounting estimates and assumptions in relation to accounts receivable, please refer to Note 5(2). For the details of net accounts receivable, please refer to Note 6(5).

The criteria that the Company uses to measure expected credit loss includes the aging of accounts receivable past due, financial situation of customers, internal credit ranking and historical transaction records. Based on this criterion, the Company estimates the amounts of allowance for accounts receivable that the Company has to provision. As the estimates are subject to management's judgement and involves uncertainty, the recoverable amount may be significantly affected. Thus, we consider the valuation of impairment of accounts receivable as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. Obtained an understanding of the Company's operation and sales customers. Assessed the reasonableness of policies and process applied in allowance for accounts receivable, including the objective evidence for the loss rate and compared whether the provision policies adopted in the different periods are consistently applied.

B. Verified the consistency between the expected credit loss in the past due period for each group applied in calculating allowance for accounts receivable and the provision policies.

C. Verified the accuracy of the classification for accounts receivable aging to confirm that the information in the reports is consistent with its policies.

D. Sampled and performed subsequent collection tests for material accounts receivable and evaluated their recoverability.

Key audit matter - Inventory valuation

Description

For the accounting policies on inventory valuation, please refer to Note 4(13). For the uncertainty of accounting estimates and assumptions in relation to inventory valuation, please refer to Note 5(2). For the details of inventory, please refer to Note 6(6).

The Company is primarily engaged in manufacturing and sales of flexible print circuit board which belongs to a rapidly changing industry and is easily affected by the market price. Thus, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Company determines inventory value using the item-by-item approach and recognised at the lower of cost and net realisable value. For inventory that is over a certain age, the net realised value was calculated from the historical experience of disposing old inventories.

The determination of net realisable value for obsolete or slow-moving inventory are subject to management's judgement and involves uncertainty. Considering the Company's inventory balance and the allowance for inventory valuation losses are material to its financial statements, we consider the inventory valuation as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

A. Obtained an understanding of the Company's operation and industry. Assessed the reasonableness of the policy and procedures applied to recognise allowance for inventory evaluation losses and whether the accounting policy has been consistently applied in the comparative periods of financial statements.

B. Understood the Company's inventory control procedures. Participated in the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.

C. Sampled and verified the accuracy of inventory aging calculation, confirmed and verified the reasonableness of obsolete inventories identification, the basis of net realisable value valuation of inventories to assess the reasonableness of provision of allowance for inventory valuation losses.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ROC GAAS 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 financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

E. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Chien-Chih Wu	Guo-Hua Wang

PricewaterhouseCoopers, Taiwan

February 11, 2020

The accompanying parent company only 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 parent company only 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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 5,994,442	17	$ 6,298,505	23
1136	Current financial assets at amortised cost - current	6(4)	8,037,220	23	2,613,320	9
1170	Accounts receivable, net	6(5)	6,930,112	20	6,743,037	24
1180	Accounts receivable - related parties	6(5) and 7	1,857,527	5	1,235,493	4
1200	Other receivables	7	260,374	1	89,866	-
130X	Inventories	6(6)	742,554	2	1,058,065	4
1410	Prepayments		34,922	-	25,496	-
11XX	**Current Assets**		23,857,151	68	18,063,782	64
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	30,550	-	-	-
1550	Investments accounted for under equity method	6(7)	6,498,908	19	6,197,394	22
1600	Property, plant and equipment	6(8) and 7	3,893,642	11	2,663,835	10
1755	Right-of-use assets	6(9)	16,115	-	-	-
1760	Investment property - net	6(10)	-	-	135,692	-
1780	Intangible assets	6(11)	42,395	-	77,565	-
1840	Deferred income tax assets	6(27)	33,939	-	55,465	-
1960	Non-current prepayments for investments	7	-	-	458,436	2
1990	Other non-current assets, others	6(12) and 8	613,684	2	449,502	2
15XX	**Non-current assets**		11,129,233	32	10,037,889	36
1XXX	**Total assets**		$ 34,986,384	100	$ 28,101,671	100

(Continued)

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2120	Financial liabilities at fair value through profit or loss - current	6(2)	$ 448	-	$ -	-
2170	Accounts payable		653,637	2	496,683	2
2180	Accounts payable - related parties	7	6,105,225	18	6,329,163	23
2200	Other payables	7	1,409,942	4	807,633	3
2230	Current income tax liabilities		489,388	1	355,478	1
2280	Current lease liabilities		6,293	-	-	-
2399	Other current liabilities, others		21,467	-	111,063	-
21XX	**Current Liabilities**		8,686,400	25	8,100,020	29
	Non-current liabilities					
2530	Corporate bonds payable	6(13)	2,093,521	6	-	-
2540	Long - term borrowings	6(14)	1,349,962	4	-	-
2570	Deferred income tax liabilities	6(27)	884,753	2	766,929	3
2580	Non-current lease liabilities		9,905	-	-	-
2600	Other non-current liabilities	6(15)	34,041	-	33,045	-
25XX	**Non-current liabilities**		4,372,182	12	799,974	3
2XXX	**Total Liabilities**		13,058,582	37	8,899,994	32
	Equity					
	Share capital	6(13)(17)				
3110	Share capital - common stock		3,329,549	10	3,182,142	11
3130	Certificates of bond - to - stock conversion		16,779	-	-	-
3140	Advance receipts for share capital		-	-	812	-
	Capital surplus	6(13)(18)				
3200	Capital surplus		4,285,961	13	3,859,566	14
	Retained earnings	6(19)				
3310	Legal reserve		1,814,575	5	1,550,104	5
3320	Special reserve		303,446	1	212,254	1
3350	Unappropriated retained earnings		13,239,945	38	11,225,027	40
	Other equity interest	6(20)				
3400	Other equity interest		(771,663)	(3)	(303,446)	(1)
3500	**Treasury stocks**	6(17)	(290,790)	(1)	(524,782)	(2)
3XXX	**Total equity**		21,927,802	63	19,201,677	68
	Significant contingent liabilities and unreecognized contract	9				
3X2X	**Total liabilities and equity**		$ 34,986,384	100	$ 28,101,671	100

The accompanying notes are an integral part of these parent company only financial statements.

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Year ended December 31			
			2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(21) and 7	$ 25,681,858	100	$ 26,629,126	100
5000	**Operating costs**	6(6) and 7	(21,498,936)	(84)	(23,558,496)	(88)
5900	**Net operating margin**		4,182,922	16	3,070,630	12
	Operating expenses	6(11) and 7				
6100	Selling expenses		(79,981)	-	(76,624)	-
6200	General and administrative expenses		(343,468)	(1)	(359,058)	(2)
6300	Research and development expenses		(526,850)	(2)	(359,256)	(1)
6450	Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	12(2)	113	-	(1,195)	-
6000	**Total operating expenses**		(950,186)	(3)	(796,133)	(3)
6900	**Operating profit**		3,232,736	13	2,274,497	9
	Non-operating income and expenses					
7010	Other income	6(4)(22) and 7	253,334	1	168,755	-
7020	Other gains and losses	6(2)(23)	20,749	-	195,391	1
7050	Finance costs	6(24)	(87,876)	-	(5,283)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)	608,844	2	794,497	3
7000	**Total non-operating income and expenses**		795,051	3	1,153,360	4
7900	**Profit before income tax**		4,027,787	16	3,427,857	13
7950	Income tax expense	6(27)	(874,584)	(4)	(783,145)	(3)
8200	**Profit for the year**		$ 3,153,203	12	$ 2,644,712	10
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(15)	$ 520	-	($ 3,843)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(20)	(219,865)	(1)	(74,692)	-
8500	**Total comprehensive income for the year**		$ 2,933,858	11	$ 2,566,177	10
	Earnings per share	6(28)				
9750	**Basic earnings per share**		$	10.02	$	8.55
9850	**Diluted earnings per share**		$	9.08	$	8.38

The accompanying notes are an integral part of these parent company only financial statements.

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Share capital				Retained Earnings					
	Notes	Common stock	Certificates of bond-to-stock conversion	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interest	Treasury stocks	Total equity
Year ended December 31, 2018											
Balance at January 1, 2018		$ 3,179,912	$ -	$ -	$ 3,990,243	$ 1,244,420	$ 153,669	$ 10,476,420	($ 212,254)	($ 972,002)	$ 17,860,408
Effects of retrospective application and retrospective restatement	6(20)	-	-	-	-	-	-	16,500	(16,500)	-	-
Balance at 1 January after adjustments		3,179,912	-	-	3,990,243	1,244,420	153,669	10,492,920	(228,754)	(972,002)	17,860,408
Profit for the year	6(28)	-	-	-	-	-	-	2,644,712	-	-	2,644,712
Other comprehensive loss	6(20)	-	-	-	-	-	-	(3,843)	(74,692)	-	(78,535)
Total comprehensive income (loss)		-	-	-	-	-	-	2,640,869	(74,692)	-	2,566,177
Appropriation and distribution of 2017 earnings:											
Legal reserve		-	-	-	-	305,684	-	(305,684)	-	-	-
Special reserve		-	-	-	-	-	58,585	(58,585)	-	-	-
Distribution of cash dividends	6(19)	-	-	-	-	-	-	(1,544,493)	-	-	(1,544,493)
Share-based payment transactions	6(16)(17)(18)	2,230	-	812	18,456	-	-	-	-	-	21,498
Conversion of convertible bonds	6(13)(17)(18)	-	-	-	(149,133)	-	-	-	-	681,212	532,079
Purchase of treasury share	6(17)	-	-	-	-	-	-	-	-	(233,992)	(233,992)
Balance at December 31, 2018		$ 3,182,142	$ -	$ 812	$ 3,859,566	$ 1,550,104	$ 212,254	$ 11,225,027	($ 303,446)	($ 524,782)	$ 19,201,677
Year ended December 31, 2019											
Balance at January 1, 2019		$ 3,182,142	$ -	$ 812	$ 3,859,566	$ 1,550,104	$ 212,254	$ 11,225,027	($ 303,446)	($ 524,782)	$ 19,201,677
Profit for the year	6(28)	-	-	-	-	-	-	3,153,203	-	-	3,153,203
Other comprehensive income (loss)	6(20)	-	-	-	-	-	-	520	(219,865)	-	(219,345)
Total comprehensive income (loss)		-	-	-	-	-	-	3,153,723	(219,865)	-	2,933,858
Appropriation and distribution of 2018 earnings:											
Legal reserve		-	-	-	-	264,471	-	(264,471)	-	-	-
Special reserve		-	-	-	-	-	91,192	(91,192)	-	-	-
Distribution of cash dividends	6(19)	-	-	-	-	-	-	(783,142)	-	-	(783,142)
Cash dividends from capital surplus	6(18)	-	-	-	(783,142)	-	-	-	-	-	(783,142)
Share-based payment transactions	6(16)(17)(18)(20)	57,660	-	(812)	283,526	-	-	-	(248,352)	233,992	326,014
Issuance of convertible bonds	6(13)(18)	-	-	-	246,517	-	-	-	-	-	246,517
Conversion of convertible bonds	6(13)(17)(18)	89,747	16,779	-	678,249	-	-	-	-	-	784,775
Due to donated assets received	6(18)	-	-	-	1,245	-	-	-	-	-	1,245
Balance at December 31, 2019		$ 3,329,549	$ 16,779	$ -	$ 4,285,961	$ 1,814,575	$ 303,446	$ 13,239,945	($ 771,663)	($ 290,790)	$ 21,927,802

The accompanying notes are an integral part of these parent company only financial statements.

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2019	Years ended December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 4,027,787	$ 3,427,857
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based payments	6(16)(18)	89,249	15,512
Expected credit (gain) loss	12(2)	(113)	1,195
(Reversal of) provision for allowance for sales returns and discounts	6(5)	(49,876)	28,816
Depreciation expense	6(8)(9)(25)	483,002	446,702
Depreciation expense from investment properties	6(10)(25)	4,167	11,376
Amortization of intangible and other assets	6(11)(25)	47,110	25,411
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	6(2)(23)	(32,771)	915
Interest expense	6(24)	87,876	5,283
Interest income	6(22)	(103,204)	(45,338)
Share of profit of associates and joint ventures accounted for using equity method	6(7)	(608,844)	(794,497)
Gain on disposal of property, plant and equipment	6(23)	(395)	(80)
Unrealized profit from sales		55,010	69,845
Realized profit from sales		(69,845)	(112,534)
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease in financial assets at fair value-current		2,072	46,927
Increase in financial assets at amortised cost-current		(5,423,900)	(415,000)
(Increase) decrease in accounts receivable		(137,086)	1,181,527
(Increase) decrease in accounts receivable -related parties		(622,034)	603,138
(Increase) decrease in other receivables		(170,301)	60,742
Decrease in inventories		315,511	656,144
(Increase) decrease in prepayments		(9,426)	65,546
Changes in operating liabilities			
Decrease in financial liabilities at fair value-current		(1,401)	(4,631)
Increase (decrease) in accounts payable		156,954	(179,461)
Decrease in accounts payable to related parties		(223,938)	(389,862)
Increase (decrease) in other payables		74,274	(103,608)
(Decrease) increase in other current liabilities		(89,596)	106,699
Cash (outflow) inflow generated from operations		(2,199,718)	4,708,624
Interest received		102,770	47,482
Interest paid		(394)	-
Income tax paid		(601,324)	(792,767)
Net cash flows (used in) from operating activities		(2,698,666)	3,963,339

(Continued)

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31, 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in financial assets at fair value through other comprehensive income-non-current		($ 30,550)	$ -
Acquisition of investments accounted for using equity method		(8,067)	-
Proceeds from capital reduction of investments accounted for under equity method		568,803	-
Increase in prepayments for investments		-	(458,436)
Acquisition of property, plant and equipment	6(29)	(1,132,688)	(1,205,609)
Proceeds from disposal of property, plant and equipment		395	220
Acquisition of intangible assets	6(11)	(11,940)	(71,849)
Increase in refundable deposits		(78,473)	(166,925)
Interest received		227	154
Net cash flows used in investing activities		(692,293)	(1,902,445)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of principal portion of lease liabilities	6(30)	(6,260)	-
Proceeds from issuance of bonds	6(30)	3,069,952	-
Proceeds from long-term borrowings	6(30)	1,349,962	-
Increase (decrease) in other non-current liabilities		1,516	(863)
Cash dividends paid	6(18)(19)	(1,566,284)	(1,544,493)
Proceeds from issuance of stock from exercising employee stock options	6(16)	7,215	5,986
Treasury stock transferred to employees	6(16)	229,550	-
Treasury stock transferred cost		-	(1,586)
Payments to acquire treasury shares	6(17)	-	(233,992)
Donated assets received	6(18)	1,245	-
Net cash flows from (used in) financing activities		3,086,896	(1,774,948)
Net (decrease) increase in cash and cash equivalents		(304,063)	285,946
Cash and cash equivalents at beginning of year	6(1)	6,298,505	6,012,559
Cash and cash equivalents at end of year	6(1)	$ 5,994,442	$ 6,298,505

The accompanying notes are an integral part of these parent company only financial statements.

FLEXIUM INTERCONNECT, INC.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANISATION

Flexium Interconnect, Inc. (the “Company”) was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) and other relevant regulations on December 19, 1997. The Company is primarily engaged in the following: (1) manufacturing of build-up copper clad laminate; (2) manufacturing, processing, research, development, trading and repair of build-up printed circuit boards, flexible printed circuit boards, related semi-finished goods and parts; (3) manufacturing, research, development, and trading of parts for semi-finished goods of polyimide film base copper clad laminate; (4) manufacturing, processing, repair, design, trading of moulds, tools and clamping apparatuses; and (5) sale of raw materials for the products mentioned above. The Company’s shares have been traded in the Taiwan Stock Exchange since September, 2003.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These financial statements authorised for issuance by the Board of Directors on February 11, 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 (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

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

New Standards, Interpretations and Amendments	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
Company’s financial condition and financial performance based on the Company’s assessment.

IFRS 16, ‘Leases’

A. IFRS 16, ‘Leases’, replaces 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 terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Company increased ‘right-of-use asset’ and ‘lease liability’ both by $19,512 with respect to the lease contracts of lessees on January 1, 2019.

C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $20 was recognised in 2019.

(d) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.

D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.04%.

E. The Company recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 20,231
Less: Short-term leases	(20)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$ 20,211
Incremental borrowing interest rate at the date of initial application	1.04%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$ 19,512

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	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 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

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

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

New Standards, Interpretations and Amendments	Effective date 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 Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the parent company only 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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in New Taiwan dollars, which is the Company's functional currency.

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 at the period end 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 other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

(a) The operating results and financial position of all the Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) 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;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) 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.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

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. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

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 Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

The Company’s time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company 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.

(10) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company 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 that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(12) Operating 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.

(13) 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 labour, 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.

(14) Investments accounted for using equity method / subsidiaries and associates

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company 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.

B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses in proportion to its ownership.

D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

G. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

I. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

K. In accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the profit or loss and other comprehensive income or loss presented on the parent company only financial statements are consistent with those presented on the consolidated financial statements. In addition, owner's equity presented on the parent company only is consistent with equity attributable to owners of parent presented on the consolidated financial statements.

(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 Company 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	2 ~ 35 years
Machinery equipment	3 ~ 15 years
Transportation equipment	3 ~ 15 years
Office equipment	5 ~ 10 years
Other equipment	2 ~ 10 years

(16) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(17) Operating leases (lessee)

Payments made under an 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) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 3 years.

(19) Intangible assets

Computer software is stated at cost and amortized using the straight-line method over its estimated economic service life.

(20) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is 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. When the circumstances or reasons for recognizing 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.

(21) Borrowings

Borrowings comprise long-term and short-term bank borrowings. 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.

(22) Notes and accounts payable

C. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

D. B.The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(24) Derecognition of financial liabilities

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

(25) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount 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.

(26) Financial liabilities and equity instruments

Bonds payable

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

A. Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. 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 circulation using the effective interest method.

C. Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognised in 'capital surplus - stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable - net' as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - stock warrants.

(27) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(28) Employee benefits

D. Short-term employee benefits

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

E. Pensions

(b) Defined contribution plans

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

(b) Defined benefit plans

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

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.

F. Employees', directors' and supervisors' remuneration

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

(29) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are 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-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Employee restricted shares:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) The issued employee restricted shares before meeting the vesting conditions are not entitled to appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase.

(c) For restricted stocks where employees do not need to pay to acquire those stocks. If employees resign during the vesting period, the Company will redeem without consideration and retire those stocks.

(30) 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 Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred 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 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 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 Company 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 tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount 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 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. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(31) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(32) Dividends

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

(33) Revenue recognition

A. The Company manufactures and sells flexible printed circuit board 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 wholesaler'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 Company has objective evidence that all criteria for acceptance have been satisfied.

B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances.

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

(34) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company'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 causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The above information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Expected credit losses for accounts receivable

The Company shall measure the loss allowance at an amount equal to lifetime expected credit losses for accounts receivable. When assessing expected credit losses, the Company must use judgements to determine the influence factors for the collectibility of accounts receivable such as customers' operation conditions and historical transaction records which may influence the payment abilities of customers also consider the time value of money and future economic conditions to estimate reasonable and supporting information. The aforementioned judgements and considerations may all have significant impacts on the measurement outcome of expected credit losses.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company 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.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash:		
Cash on hand and revolving funds	$ 644	$ 507
Checking accounts and demand deposits	2,404,747	2,015,278
	2,405,391	2,015,785
Cash equivalents:		
Time deposits	3,339,030	4,282,720
Bonds sold nuder repurchase agreements	250,021	-
	3,589,051	4,282,720
	$ 5,994,442	$ 6,298,505

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

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

C. The above time deposits and bonds sold under the repurchase agreement with original maturities of less than three months were classified as cash equivalents.

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

Items	December 31, 2019	December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Forward foreign exchange	$ -	$ -
Current items:		
Financial liabilities designated as at fair value through profit or loss		
Put options of convertible bonds	$ 448	$ -

The Company recognised net gain (loss) of $32,771 and ($915), respectively, for the years ended December 31, 2019 and 2018.

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

Items	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments		
Unlisted stocks	$ 30,550	$ -
Valuation adjustments	-	-
	$ 30,550	$ -

A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $30,550 as at December 31, 2019.

B. There was no amount recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income for the years ended December 31, 2019 and 2018.

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

(4) Financial assets at amortised cost

Items	December 31, 2019	December 31, 2018
Current items:		
Time deposits mature in excess of three months	$ 8,037,220	$ 2,613,320

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the years ended December 31,	
	2019	2018
Interest income	$ 12,006	$ 2,801

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

(5) Accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable	$ 6,931,194	$ 6,794,108
Less: Allowance for doubtful accounts	(1,082)	(1,195)
Allowance for sales returns and discounts	-	(49,876)
	$ 6,930,112	$ 6,743,037
Accounts receivable-related parties	$ 1,857,527	$ 1,235,493

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

	December 31, 2019	December 31, 2018
Up to 90 days	$ 8,763,353	$ 7,965,545
91 to 180 days	6,735	44,002
181 to 365 days	90	1,016
Over one year	18,543	19,038
	$ 8,788,721	$ 8,029,601

The above ageing analysis was based on overdue dates.

B. As of December 31, 2019 and 2018, and January 1, 2018, the balances of receivables (including related parties) from contracts with customers amounted to $8,788,721, $8,029,601 and $9,814,266, respectively.

C. The Company does not hold collateral as security for accounts receivable.

D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable (including related parties) were $8,787,639 and $7,978,530, respectively.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2019	December 31, 2018
Raw materials	$ 67,573	$ 48,534
Work in process and semi-finished goods	148,614	116,878
Finished goods and merchandise inventory	526,367	892,653
	$ 742,554	$ 1,058,065

The cost of inventories recognised as expense for the years ended December 31, 2019 and 2018, was $21,498,936 and $23,558,496 respectively, including the amount of $1,042 and $97,439 for the years ended December 31, 2019 and 2018, respectively, that the Company reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because the related inventory were scrapped or sold.

(7) Investments accounted for using equity method

A. Details are as follows:

	December 31, 2019	December 31, 2018
FLEXIUM INTERCONNECT INC.	$ 4,004,918	$ 3,831,871
UFLEX TECHNOLOGY CO., LTD.	1,369,736	1,683,552
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	30,117	33,361
BOOM BUSINESS LIMITED	1,085,264	648,610
FLEXIUM INTERCONNECT AMERICA LLC.	8,873	-
	$ 6,498,908	$ 6,197,394

B. Subsidiaries

(a) For the information about the subsidiaries, please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2019.

(b) For the years ended December 31, 2019 and 2018, gains on investments accounted for using equity method amounted to $608,844 and $794,497, respectively.

(8) Property, plant and equipment

C. Book values of property, plant and equipment are as follows:

	December 31, 2019	December 31, 2018
Land	$ 786,599	$ 657,573
Buildings	317,492	289,914
Machinery	2,232,992	1,439,390
Transportation equipment	4,285	1,958
Other equipment	44,955	44,919
Construction in progress and equipment under acceptance	507,319	230,081
	$ 3,893,642	$ 2,663,835

D. Changes in property, plant and equipment are as follows:

	For the year ended December 31, 2019				
Cost	Opening net book amount	Additions and transfer	Deduction	Reclassifications	Closing net book amount
Land	$ 657,573	$ -	$ -	$ 129,026	$ 786,599
Buildings	413,619	46,271	-	29,998	489,888
Machinery	2,985,438	1,238,298	(14,134)	-	4,209,602
Transportation equipment	8,942	3,172	(2,443)	-	9,671
Office equipment	2,964	-	-	-	2,964
Other equipment	185,490	9,962	-	-	195,452
Construction in progress and equipment under acceptance	230,081	277,238	-	-	507,319
	$ 4,484,107	$ 1,574,941	($ 16,577)	$ 159,024	$ 6,201,495

	For the year ended December 31, 2018				
Cost	Opening net book amount	Additions and transfer	Deduction	Reclassifications	Closing net book amount
Land	$ 516,599	$ -	$ -	$ 140,974	$ 657,573
Buildings	397,562	12,529	(2,664)	6,192	413,619
Machinery	2,730,610	268,244	(13,416)	-	2,985,438
Transportation equipment	6,815	2,127	-	-	8,942
Office equipment	2,964	-	-	-	2,964
Other equipment	154,164	32,329	(1,003)	-	185,490
Construction in progress and equipment under acceptance	221,481	8,600	-	-	230,081
	$ 4,030,195	$ 323,829	($ 17,083)	$ 147,166	$ 4,484,107

	For the year ended December 31, 2019				
Accumulated depreciation and impairment	Opening net book amount	Additions	Deduction	Reclassifications	Closing net book amount
Buildings	$ 123,705	$ 21,192	$ -	$ 27,499	$ 172,396
Machinery	1,546,048	444,696	(14,134)	-	1,976,610
Transportation equipment	6,984	845	(2,443)	-	5,386
Office equipment	2,964	-	-	-	2,964
Other equipment	140,571	9,926	-	-	150,497
	$ 1,820,272	$ 476,659	($ 16,577)	$ 27,499	$ 2,307,853

Accumulated depreciation and impairment	For the year ended December 31, 2018				
	Opening net book amount	Additions	Deduction	Reclassifications	Closing net book amount
Buildings	$ 104,568	$ 17,673	($ 2,664)	$ 4,128	$ 123,705
Machinery	1,139,756	419,568	(13,276)	-	1,546,048
Transportation equipment	6,471	513	-	-	6,984
Office equipment	2,964	-	-	-	2,964
Other equipment	132,626	8,948	(1,003)	-	140,571
	$ 1,386,385	$ 446,702	($ 16,943)	$ 4,128	$ 1,820,272

C. No borrowing costs were capitalized as part of property, plant and equipment for the years ended December 31, 2019 and 2018.

D. Details of property, plant and equipment transferred from investment property for the years ended December 31, 2019 and 2018 are provided in Note 6(10) B.

E. The Company did not have property, plant and equipment pledged to others as collaterals.

F. Property, plant and equipment were not classified as operating leases assets.

(9) Leasing arrangements – lessee

Effective 2019

A. The Company leases various assets including buildings and business vehicles. Rental contracts are typically made for periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used for leasing, subleasing, selling or any action affecting the ownership of the lessor.

B. Short-term leases with a lease term of 12 months or less comprise certain machinery and equipment, business vehicles and accommodations.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	For the year ended December 31, 2019
	Carrying amount	Depreciation charge
Buildings	$ 16,033	$ 5,852
Transportation equipment (Business vehicles)	82	491
	$ 16,115	$ 6,343

D. For the year ended December 31, 2019, the additions to right-of-use assets was $2,946.

E. Information on profit or loss in relation to lease contracts is as follows:

Items affecting profit or loss	For the year ended December 31, 2019
Interest expense on lease liabilities	$ 234
Expense on short-term lease contracts	839

F. For the year ended December 31, 2019, the Company’s total cash outflow for leases was $7,333.

(10) Investment property

	2019		
	Land	Buildings	Total
At January 1			
Cost	$ 129,026	$ 29,998	$ 159,024
Accumulated depreciation and impairment	-	(23,332)	(23,332)
	$ 129,026	$ 6,666	$ 135,692
Opening net book amount as at January 1	$ 129,026	$ 6,666	$ 135,692
Reclassifications	(129,026)	(2,499)	(131,525)
Depreciation	-	(4,167)	(4,167)
Closing net book amount as at December 31	$ -	$ -	$ -
At December 31			
Cost	$ -	$ -	$ -
Accumulated depreciation and impairment	-	-	-
	$ -	$ -	$ -

	2018		
	Land	Buildings	Total
At January 1			
Cost	$ 270,000	$ 36,190	$ 306,190
Accumulated depreciation and impairment	-	(16,084)	(16,084)
	$ 270,000	$ 20,106	$ 290,106
Opening net book amount as at January 1	$ 270,000	$ 20,106	$ 290,106
Reclassifications	(140,974)	(2,064)	(143,038)
Depreciation	-	(11,376)	(11,376)
Closing net book amount as at December 31	$ 129,026	$ 6,666	$ 135,692
At December 31			
Cost	$ 129,026	$ 29,998	$ 159,024
Accumulated depreciation and impairment	-	(23,332)	(23,332)
	$ 129,026	$ 6,666	$ 135,692

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	For the years ended December 31,	
	2019	2018
Rental income from investment property	$ 3,399	$ 10,699
Direct operating expenses arising from the investment property that generated rental income during the year	$ 4,446	$ 12,046

B. Investment property reclassified to property, plant and equipment amounted to $131,525 and $143,038, respectively, due to the use of investment property was changed to self-use in 2019 and 2018.

C. The fair value of investment property held by the Company as at December 31, 2018 was $232,126, which was estimated using the quoted value of the same location with the same nature from the website of trading prices of real estate from the Ministry of Interior. The fair value measurements are being categorized within Level 3.

(11) Intangible assets-computer software cost

A. Changes in computer software cost are as follows:

	2019	2018
At January 1	$ 77,565	$ 31,127
Additions-acquired separately	11,940	71,849
Amortization	(47,110)	(25,411)
At December 31	$ 42,395	$ 77,565

B. Details of amortization on intangible assets are as follows:

	For the years ended December 31,	
	2019	2018
Administrative expenses	$ 10,175	$ 17,677
Research and development expenses	36,935	7,734
	$ 47,110	$ 25,411

(12) Other non-current assets

Items	December 31, 2019	December 31, 2018
Prepayment for land purchases	$ 366,659	$ 250,494
Prepayments for equipment	-	30,456
Refundable deposits	247,025	168,552
	$ 613,684	$ 449,502

Information about the refundable deposits that were pledged to others as collaterals is provided in Note 8.

(13) Bonds payable

	December 31, 2019	December 31, 2018
Third overseas unsecured convertible bonds	$ 2,241,923	$ -
Less: Discount on bonds payable	(148,402)	-
	2,093,521	-
Less: current portion		
(Shown as Long-term liabilities, current portion)	-	-
	$ 2,093,521	$ -

A.The terms of the Fourth domestic unsecured convertible bonds issued by the Company are as follows:

(a) On April 12, 2016, the Company issued 0% coupon, 2-year and 8-month domestic unsecured convertible bonds in the amount of $1,600,000. The bonds along with interest payable refund (which is 1.3389% of the face value of the bond at maturity) are repayable in full by cash at face value at maturity. The bonds were traded in the Taipei Exchange since April 12, 2016.

(b) The bondholders have the right to ask for conversion of the bonds into common stock during the period from the date after one month of issuance of bonds to the maturity date, except during the mandatory stop transfer period as required by law. The converted shares have same rights and obligations as common shares. As of December 12, 2018, the bonds with face value in the amount of $1,600,000 had been converted into 22,514 thousand shares of common stocks.

(c) The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT$83.7 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. As of December 12, 2018, the conversion price was adjusted to NT$65.8 (in dollars) per share.

(d) Under the terms of the bonds, all bonds redeemed (including those repurchased from Taipei Exchange), matured and converted will be retired and not to be reissued. The rights and obligations of the bonds will also cease.

(e) The fair value of equity conversion options in the amount of $35,723 was separated from bonds payable and was recognized in “Capital reserve from stock options” in accordance with IAS 32. As of December 12, 2018, the balance of “Capital reserve from stock options” after adjusting the amount converted into common stock is $0. The annual effective interest rate of the bonds payable after separation is 1.47%.

B. The terms of the Third overseas unsecured convertible bonds issued by the Company are as follows:

(a) On January 22, 2019, the Company issued 0% coupon, 3-year unsecured convertible bonds in the amount of US$100 million. Except for the Company’s bonds that were redeemed, repurchased and retired or had their conversion rights exercised by the bondholders (the "bondholders"), the bonds are repayable in full by cash at face value at maturity. Redemption price at maturity would be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment. The bonds were traded in the Singapore Exchange Limited since January 22, 2019.

(b) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders and the mandatory stop transfer period regulated by law and agreed in the bond indenture separately, the bondholders have the right to ask for conversion of the bonds into common shares of the Company in accordance with the relevant regulation and the bond indenture during the period from the date after 90 days of the bonds issue to 10 days before the maturity date, or on the day that the bondholders exercise the put option, or the fifth business day before the issue company exercise the early redemption.

As of December 31, 2019, the bonds with face value in the amount of US$ 23 million had been converted into 8,975 thousand shares of common stocks (shown as 'Share capital - common stock' of $89,747 and 'capital surplus, additional paid-in capital arising from bond conversion' of $627,875). And the registration was completed. In addition, the bonds with face value in the amount of US$ 4,300 thousand had been converted into 1,678 thousand shares of common stocks (shown as 'certificates of bond-to-stock conversion' of $16,779 and 'capital surplus, additional paid-in capital arising from bond conversion' of $117,673), however, the registration is not yet completed.

(c) The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT$83.95 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. At the time of conversion, the principal of the bond is multiplied by the fixed exchange rate of 30.838 agreed on the pricing date as the numerator, and the conversion price at the time of conversion is used as the denominator to calculate the number of shares convertible into common stocks. As of December 31, 2019, the conversion price was adjusted to NT$79.03 (in dollars) per share.

(d) The rules of put options are as follows:

i. The bondholders have no right to ask for whole or partial redemption of the bonds, except the following:

(i) Except for the bond redeemed early, repurchased and retired, bonds that were converted by their bondholders, the bondholders have right to ask for whole or partial redemption of the bonds with an added interest rate of 0.425% per annum (compounded semi-annually) on the face value as the premium which is equivalent to 100.8527% of the face value (the "early redemption price for the bondholders"), after two years from the issue date.

(ii) If the Company's common shares are unlisted from the Taiwan Stock Exchange or ceased trading over 30 consecutive business days, the bondholders have right to ask for only whole redemption of the bonds with an added interest rate of 0.425% per annum on the face value as the premium (the "early redemption amount").

(iii) If any changes occurs to the Company's controlling power as defined in the bond indenture (the "bond indenture"), the bondholders have right to ask for only whole redemption of the bonds.

ii. The exercise of the aforementioned put options by the bondholders and the acceptance of the bondholders' requests by the Company shall in accordance with the procedures of the bond indenture. The early redemption price for the bondholders and the early redemption amount of bonds shall be paid on the payment date defined in the bond indenture by cash.

iii. The early redemption price for the bondholders and the early redemption amount of bonds shall be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.

(e) The rules of redemption are as follows:

i. For the period starting 2 years from the issue date until the maturity date, if the closing price (If the ex-right or the ex-dividend incurred, the adoption of the closing price shall be imputed to the price before ex-right and ex-dividend during the transaction date of the ex-right or the ex-dividend to the effective date of the ex-rights) of the issuing company's common shares converted to USD using the currency exchange rate of the day on the Taiwan Stock Exchange reaches 130% of the total amount of the early redemption price multiply conversion price on that day (using the fixed currency exchange rate on the price settlement date to convert to USD) divided by the face value for 30 consecutive business days, the issuing company has the right to redeem all or part of bonds at the early redemption price.

ii. If over 90% of the outstanding bonds' is redeemed, converted repurchased or retired, the Company can redeem all the bonds that are still outstanding at the early redemption price.

iii. If changes to the R.O.C.'s tax regulations occur after the issue date and cause the Company to bear more tax or to pay extra interest expenses or increase in costs for the bonds, the Company can redeem all the bonds at the early redemption price in accordance with the bond indenture. And the bondholders have no right to ask the issuing company covers the extra tax and expense for their nonparticipation of the redemption.

iv. The early redemption amount of bonds shall all be translated into NTD at the fixed exchange rate of 30.838, then translate the NTD into USD using the currency rate on that day for repayment.

(f) Under the terms of the bonds, all bonds redeemed (including from secondary market), matured and converted will be retired and not to be reissued.

(g) Regarding the issuance of convertible bonds, the equity conversion options amounting to $246,517 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. As of December 31, 2019, the balance of "Capital reserve from stock options" after adjusting the amount converted into common stock is $179,218. The non-equity redeem options, put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The annual effective interest rate of the bonds payable after separation is 3.335%.

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral		December 31, 2019
Long-term bank borrowings					
Unsecured borrowings	Borrowing period is from May 20, 2019 to May 20, 2026; interest is payable monthly; principal is repayable in instalments.	0.05%~1.30%	None	$	413,518
Unsecured borrowings	Borrowing period is from May 20, 2019 to May 20, 2029; interest is payable monthly; principal is repayable in instalments.	0.05%~1.30%	None		379,552
Unsecured borrowings	Borrowing period is from July 15, 2019 to July 15, 2026; interest is payable monthly; principal is repayable in instalments.	0.05%~1.30%	None		556,892
					1,349,962
Less: Current portion					-
				$	1,349,962

A. As of December 31, 2018, the Company had no long-term borrowings.

B. Details of interest expense of bank borrowings recognised in profit or loss are provided in Note 6(24).

(15) Pensions

A. Defined benefit plans

(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, 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 Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 62,733	$ 61,344
Fair value of plan assets	(41,300)	(38,091)
Net defined benefit liability (shown as 'Other non-current liabilities')	$ 21,433	$ 23,253

(d) Changes in present value of defined benefit obligations are as follows:

	Present value of defined benefit obligations		Fair value of plan assets		Net defined benefit liability
For the year ended December 31, 2019					
Balance at January 1	($	61,344)	$	38,091	($ 23,253)
Interest (expense) income	(	950)		603	(347)
	($	62,294)	$	38,694	($ 23,600)
Remeasurements:					
Return on plan assets (excluding amounts included in interest income or expense)		-		959	959
Experience adjustments	(	439)		-	(439)
	(	439)		959	520
Pension fund contribution		-		1,647	1,647
Balance at December 31	($	62,733)	$	41,300	($ 21,433)

	Present value of defined benefit obligations		Fair value of plan assets		Net defined benefit liability
For the year ended December 31, 2018					
Balance at January 1	($	55,740)	$	35,033	($ 20,707)
Interest (expense) income	(	1,003)		645	(358)
	($	56,743)	$	35,678	($ 21,065)
Remeasurements:					
Return on plan assets (excluding amounts included in interest income or expense)		-		758	758
Experience adjustments	(	4,601)		-	(4,601)
	(	4,601)		758	(3,843)
Pension fund contribution		-		1,655	1,655
Balance at December 31	($	61,344)	$	38,091	($ 23,253)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation 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 securitization 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 earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	December 31, 2019	December 31, 2018
Discount rate	1.30%	1.55%
Future salary increases	3.00%	3.00%

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

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 2,602)	$ 2,738	$ 11,639	($ 9,687)
December 31, 2018				
Effect on present value of defined benefit obligation	($ 2,664)	$ 2,809	$ 11,996	($ 9,913)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis during 2019 and 2018 are the same.

(f)Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2020 amounts to $1,647.

(g)As of December 31, 2019, the weighted average duration of that retirement plan is 18.8 years.

B. Defined contribution plan

(a)Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, Taiwan-based companies of the Company contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were $44,411 and $43,897, respectively.

(16) Share-based payment

A. Options granted after January 1, 2008

(a) The initial exercise price under stock-based employee compensation plan in 2010 was $46.95 (in dollars) per share. If there is a change in common stock or the Company distributes cash dividend, the exercise price would be adjusted according to specific formulas. As of December 31, 2019, the adjusted exercise price was NT$21.90 (in dollars). The expected vesting period is 10 years. After 2 years from the date of grant, an employee may exercise the options in accordance with certain schedules as prescribed by the employee option plan.

(b) Details of the employee stock options are set forth below:

	2019		2018	
Stock options	Number of options (in thousands)	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	429	$ 23.20	687	$ 24.40
Options exercised	(311)	23.20	(258)	23.20
Options outstanding at December 31	118	21.90	429	23.20
Options exercisable at December 31	118	21.90	429	23.20

(c) The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2019 and 2018 was $96.70 and $77.97, respectively.

(d) The information on outstanding employee stock compensation plans is set forth below:

	December 31, 2019				
	Stock options outstanding			Stock options exercisable	
Exercise price (in dollars)	Number of options (in thousands)	Weighted-average expected remaining period	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
$ 21.90	118	2 months	$ 21.90	118	$ 21.90

	December 31, 2018							
	Stock options outstanding					Stock options exercisable		
Exercise price (in dollars)		Number of options (in thousands)	Weighted-average expected remaining period	Weighted-average exercise price (in dollars)		Number of options (in thousands)	Weighted-average exercise price (in dollars)	
$	23.20	429	1 years and 2 months	$	23.20	429	$	23.20

(e) The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

	March 18, 2010
Dividend yield rate	0%
Expected price volatility	40%
Risk-free interest rate	2%
Expected terms	10 years
Weighted-average fair value per share (in dollars)	11.10~16.91

(f) Expenses incurred on equity-settled share-based payment transactions for the years ended December 31, 2019 and 201 were both $0.

B. On July 1, 2019, the Board of Directors of the Company has resolved to issue employee restricted shares:

(a) Details of the share-based payment arrangements are as follows:

Type of arrangement	Grant date	Number of shares granted (in thousands)		Contract period	Vesting conditions
Restricted stock transferred to employees (Note 1)	2019.07.01	$	5,500	3 years	Service period and performance condition (Note 2)

Note 1: The restricted shares issued by the Company cannot be transferred during the vesting period before meeting the vesting conditions. The right of attendance, proposal, presentation, voting and election at the shareholders' meeting are the same as the Company's issued ordinary shares, except appropriation of earnings (including but not limited to dividend, bonus and the distribution rights of capital surplus) and share options of cash capital increase. The Company has rights to take back the unvested shares at no consideration and retire the shares if employees resign during the vesting period.

Note 2: For the employees who are currently working in the Company, whose services have reached 1 year, 2 years and 3 years since the allocation of restricted shares and who achieved the target performance and have made contributions, the ceiling of accumulated vested share ratio is 30%, 30% and 40%, respectively.

(b) Details of the share-based payment arrangements are as follows: (Shares in thousands)

	2019
Employee restricted shares at January 1	-
Option issued for the year	5,500
Option retired for the year	(80)
Employee restricted shares at December 31	5,420

(c) Expenses incurred on share-based payment transactions amounted to $89,249 for the year ended December 31, 2019.

C. On July 12, 2018, the Board of Directors adopted a resolution to transfer treasury stocks purchased from the ninth purchase to employees.

(a) Information on the stock options is as follows:

Type of arrangement	Grant date	Number of shares (in thousands)	Vesting conditions
Treasury stock transferred to employees	2018.7.12	$ 2,506	Vested immediately

(b) Details of the share-based payment arrangements are as follows:

Stock options	2019 Number of options (in thousands)	2019 Weighted-average exercise price (in dollars)	2018 Number of options (in thousands)	2018 Weighted-average exercise price (in dollars)
Options outstanding at January 1	2,506	$ 93.37	-	$ -
Options granted	-	-	2,506	93.37
Options exercised	(2,506)	91.60	-	-
Options outstanding at December 31	-	-	2,506	93.37
Options exercisable at December 31	-	-	2,506	93.37

(c) The fair value of stock options on the grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Weighted-average stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life (in years)	Risk-free interest rate	Fair value per share (in dollars)
Treasury stock transferred to employees	2018.7.12	$ 97.90	$ 93.37	39.74%	0.05	0.11%	$ 6.19

(d) The compensation cost recognised at the grant date was $15,512.

(17) Share capital

A. As of December 31, 2019, the Company’s authorized capital was $4,600,000 (including 20,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was $3,329,549, consisting of 332,955 thousand shares of ordinary stock, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company’s ordinary shares outstanding are as follows: (Shares in thousands)

	2019	2018
At January 1	313,222	307,615
Employee stock options exercised	346	223
Exployee restricted shares	5,420	-
Conversion of convertible bonds	8,975	7,890
Buyback of treasury stock	-	(2,506)
Treasury share transferred tro employees	2,506	-
At December 31	330,469	313,222

B. For the year ended December 31, 2019, the additions to employee restricted shares was $3,460, and the registration was completed.

C. The Company issued common stocks in the amount of $2,230 for the exercise of employee stock options for the year ended December 31, 2018, and the registration had been completed. As of December 31, 2018, the registration of advance receipts for share capital of $812 has not been completed.

D. The Board of Directors during its meeting on July 1, 2019 adopted a resolution to issue employee restricted ordinary shares (see Note 6(16)) with the effective date set on September 5, 2019. The subscription price is $0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. After meeting their vesting conditions, the rights and obligations of these shares issued are the same as other issued ordinary shares.

E. The information on conversion requests on convertible bonds for the year ended December 31, 2019 is provided in Note 6(13).

F. Treasury shares

(a)Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2019	
Name of company holding the shares	Reason for reacquisition	Number of shares in thousands	Carrying amount
The Company	For conversion of equity	2,486	$ 290,790

		December 31, 2018	
Name of company holding the shares	Reason for reacquisition	Number of shares in thousands	Carrying amount
The Company	For conversion of equity	2,486	$ 290,790
The Company	To be reissued to employees	2,506	233,992
		4,992	$ 524,782

(b)Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c)Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d)Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees or be distributed for equity transfer within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(e) On December 24, 2015, the Board of Directors resolved to repurchase 20 million shares of the Company and transferred the shares to employees, all the procedures were in line with related regulations. In addition, on February 16, 2016, the Board of Directors resolved to change its motivation of repurchasing treasury shares so that the Company distributed treasury shares for equity transfer. The ordinary shares transferred from convertible bonds in 2018 were 5,376 thousand shares. As of December 31, 2019, the Company repurchased 20 million shares, including 20 million shares were distributed for equity transfer.

(f)To maintain the Company's credit and the stockholders' equity, the Board of Directors during their meeting resolved to repurchase the Company's shares in the amount of 5 million shares that in accordance with related regulations on November 1, 2017. In addition, the Board of Directors resolved to change the purpose of repurchased shares for equity transfer on December 21, 2017. The ordinary shares transferred from convertible bonds in 2018 were 2,514 thousand shares. As of December 31, 2019, the Company has repurchased its own shares in the amount of 5 million shares, including 2,514 thousand shares were distributed from equity transfer.

(g)The shares which were repurchased by the Company and transferred to employees amounted to 5 million shares in accordance with related regulations, and as resolved by the Board of Directors on June 11, 2018. The shares transferred to the employees in 2019 were 2,506 thousand shares. As of December 31, 2019, the Company has repurchased its own shares in the amount of 2,506 thousand shares and all 2,506 thousand shares were transferred to employees.

(h)Information on treasury shares reissued to employees is provided in Note 6(16).

(18) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2019						
	Share premium	Treasury share transactions	Employee stock options	Stock options	Donated assets	Employee restricted shares	Total
At January 1, 2019	$ 3,651,766	$ 187,037	$ 20,763	$ -	$ -	$ -	$ 3,859,566
Employee stock options exercised	8,047	-	(3,480)	-	-	-	4,567
Treasury stock transferred to employees	-	11,069	(15,512)	-	-	-	(4,443)
Employee restricted shares	-	-	-	-	-	283,402	283,402
Due to donated assets received	-	-	-	-	1,245	-	1,245
Cash dividends from capital surplus	(783,142)	-	-	-	-	-	(783,142)
Conversion option of convertible bonds	745,548	-	-	179,218	-	-	924,766
At December 31, 2019	$ 3,622,219	$ 198,106	$ 1,771	$ 179,218	$ 1,245	$ 283,402	$ 4,285,961

	2018				
	Share premium	Treasury share transactions	Employee stock options	Stock options	Total
At January 1, 2018	$ 3,781,674	$ 188,623	$ 8,137	$ 11,809	$ 3,990,243
Employee stock options exercised	5,830	-	(2,886)	-	2,944
Share-based payment transactions	-	-	15,512	-	15,512
Conversion option of convertible bonds	(135,738)	(1,586)	-	(11,809)	(149,133)
At December 31, 2018	$ 3,651,766	$ 187,037	$ 20,763	$ -	$ 3,859,566

B. On June 18, 2019, the shareholders during their meeting resolved to distribute cash dividends from capital surplus in the amount of $783,142, at NT$2.5 per share.

C. For details of capital reserve from stock options, please refer to Note 6(13).

(19) Retained earnings

A. Under the Company’s Articles of Incorporation, the current year’s earnings, if any, shall first be used to pay all taxes and offset prior years’ operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance, and setting aside or reversal for special reserve in accordance with related laws or Competent Authority’s rule, if any, the Board of Directors should present the distribution of the remaining earnings along with undistributed earnings at beginning of periods for the approval of the shareholders based on the capital condition and economic development.

B. The Company’s dividend policy is in line with the development plan and capital requirement for expanding production line in the near future as the Company is currently in the growth phase. Therefore, the Board of Directors proposed the appropriation of unappropriated retained earnings at the shareholders’ meeting for approval. Cash dividend shall be more than 5% of total dividends, but will not be distributed if it is lower than $0.1 per share, which will instead be distributed in the form of stocks.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The Company resolved that total dividends for the distribution of earnings for 2018 was $1,544,493 ($5 (in dollars) per share). On June 18, 2019, the shareholders resolved that total dividends for the distribution of earnings for 2018 was $783,142 ($2.5 (in dollars) per share).

(20) Other equity items

	2019		
	Currency translation	Unearned Compensation	Total
At January 1	($ 303,446)	$ -	($ 303,446)
Currency translation differences:			
–Group	(219,865)	-	(219,865)
Issuance of employee restricted shares	-	(248,352)	(248,352)
At December 31	($ 523,311)	($ 248,352)	($ 771,663)

	2018		
	Unrealised gains (losses) on valuation	Currency translation	Total
At January 1	$ 16,500	($ 228,754)	($ 212,254)
Revaluation transferred to retained earnings	(16,500)	-	(16,500)
Currency translation differences:			
–Group	-	(74,692)	(74,692)
At December 31	$ -	($ 303,446)	($ 303,446)

(21) Operating revenue

Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major geographical regions:

	For the years ended December 31,	
	2018	2017
	Revenue	Revenue
Taiwan	$ 1,524,149	$ 1,763,139
China	9,028,949	7,444,594
Asia (excluding Taiwan and China)	1,063,943	1,439,744
Europe and America	14,064,817	15,981,649
	$ 25,681,858	$ 26,629,126

(22) Other income

	For the years ended December 31,	
	2019	2018
Interest income:		
Interest income from bank deposits	$ 102,977	$ 45,184
Other interest income	227	154
Total interest income	103,204	45,338
Rent income	3,682	10,815
Other income	146,448	112,602
	$ 253,334	$ 168,755

(23) Other gains and losses

	For the years ended December 31,	
	2019	2018
Gains on disposal of property, plant and equipment	$ 395	$ 80
Foreign exchange (losses) gains	(7,143)	207,601
Net gain (loss) on financial assets/ liabilities at fair value through profit or loss	32,771	(915)
Others	(5,274)	(11,375)
	$ 20,749	$ 195,391

(24) Finance costs

	For the years ended December 31,	
	2019	2018
Interest expense:		
Bank borrowings	$ 189	$ -
Convertible bonds	87,409	5,225
Imputed interest on deposits	44	58
Interest on lease liabilities	234	-
	$ 87,876	$ 5,283

(25) Expenses by nature

	For the years ended December 31,	
	2019	2018
Employee benefit expense	$ 1,462,688	$ 1,355,257
Depreciation charge on property, plant and equipment	476,659	446,702
Depreciation expenses on right-of-use assets	6,343	-
Depreciation charge on investment property	4,167	11,376
Amortisation on intangible assets	47,110	25,411

(26) Employee benefit expense

	For the years ended December 31,	
	2019	2018
Wages and salaries	$ 1,171,441	$ 1,139,040
Employee restricted stock	89,249	-
Employee stock options	-	15,512
Labor and health insurance fees	104,957	99,372
Pension costs	44,758	44,255
Other personnel expenses	52,283	57,078
	$ 1,462,688	$ 1,355,257

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, if any, shall not be less than 1% for employees' compensation, and shall be less than 2% for directors' and supervisors' remuneration. However, if the Company has accumulated deficit, the earnings shall first be reserved to offset the deficit.

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at $100,000 and $86,000, respectively; directors' and supervisors' remuneration were accrued at $20,000 and $15,000, respectively, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on certain proportion of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' and supervisors' remuneration of 2018 as resolved by the

Board of Directors were in agreement with those amounts recognised in the 2018 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company resolved by the Board of Directors and the shareholders at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax expense

Components of income tax expense:

	For the years ended December 31, 2019	2018
Current tax：		
Current tax on profits for the year	$ 682,161	$ 520,635
Tax on undistributed earnings	75,928	114,275
Over estimation of prior year's income tax	(22,855)	(14,492)
Total current tax	735,234	620,418
Deferred tax:		
Origination and reversal of temporary differences	139,350	65,891
Impact of change in tax rate	-	96,836
Total deferred tax	139,350	162,727
Income tax expense	$ 874,584	$ 783,145

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31, 2019	2018
Tax calculated based on profit before tax and statutory tax rate	$ 805,557	$ 685,571
Effect from items adjusted in accordance with tax regulation	15,954	(2,209)
Tax on undistributed earnings	75,928	114,275
Over estimation of prior year's income tax	(22,855)	(14,492)
Income tax expense	$ 874,584	$ 783,145

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

	For the year ended December 31, 2019				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Temporary differences:					
－Deferred tax assets:					
Allowance for sales returns and discounts	$ 31,312	($ 31,312)	$ -	$ -	$ -
Allowance for obsolescence and decline in market value of inventories	4,910	(209)	-	-	4,701
Unrealised gross profit	13,969	(2,967)	-	-	11,002
Unrealised compensated absences	3,272	1,414	-	-	4,686
Cost of bond issuance	-	1,846	-	-	1,846
Unrealised exchange loss	-	5,493	-	-	5,493
Refund liability	-	3,591	-	-	3,591
Unrealised estimated expense	1,748	653	-	-	2,401
Others	254	(35)	-	-	219
Subtotal	$ 55,465	($ 21,526)	$ -	$ -	$ 33,939
－Deferred tax liabilities:					
Gain on foreign investment accounted for under equity method	($ 760,493)	($ 122,418)	$ -	$ -	($ 882,911)
Pension expense	(1,582)	(260)	-	-	(1,842)
Unrealised exchange gain	(4,854)	4,854	-	-	-
Subtotal	(766,929)	(117,824)	-	-	(884,753)
Total	($ 711,464)	($ 139,350)	$ -	$ -	($ 850,814)

	For the year ended December 31, 2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Temporary differences:					
－Deferred tax assets:					
Allowance for sales returns and discounts	$ 3,580	$ 27,732	$ -	$ -	$ 31,312
Allowance for obsolescence and decline in market value of inventories	20,738	(15,828)	-	-	4,910
Unrealised gross profit	19,131	(5,162)	-	-	13,969
Unrealised compensated absences	2,581	691	-	-	3,272
Cost of bond issuance	306	(306)	-	-	-
Unrealised estimated expense	2,532	(784)	-	-	1,748
Others	22	232	-	-	254
Subtotal	$ 48,890	$ 6,575	$ -	$ -	$ 55,465
－Deferred tax liabilities:					
Gain on foreign investment accounted for under equity method	($ 596,043)	($ 164,450)	$ -	$ -	($ 760,493)
Pension expense	(1,124)	(458)	-	-	(1,582)
Unrealised exchange gain	(460)	(4,394)	-	-	(4,854)
Subtotal	(597,627)	(169,302)	-	-	(766,929)
Total	($ 548,737)	($ 162,727)	$ -	$ -	($ 711,464)

D. The Company’s income tax returns through 2017 have been assessed and approved by the Tax Authority.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 7, 2018, the Company’s applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(28) Earnings per share

	For the year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 3,153,203	314,636	$ 10.02
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 3,153,203	314,636	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	154	
Employees' compensation	-	1,046	
Convertible bonds	44,248	35,592	
Employee restricted stock	-	853	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 3,197,451	352,281	$ 9.08

	For the year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 2,644,712	309,272	$ 8.55
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 2,644,712	309,272	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	498	
Employees' compensation	-	1,326	
Convertible bonds	4,180	4,987	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 2,648,892	316,083	$ 8.38

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2019	2018
Purchase of property, plant and equipment (including prepayments for business facilities)	$ 1,660,650	$ 557,299
Add: Opening balance of other payables (including related parties)	134,296	782,606
Less: Ending balance of other payables (including related parties)	(662,258)	(134,296)
Cash paid during the period	$ 1,132,688	$ 1,205,609

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2019	2018
Convertible bonds being converted to capital stocks and capital surplus	$ 784,775	$ 532,079

(30) Changes in liabilities from financing activities

	2019			
	Lease liability	Bonds payable	Long-term borrowings	Liabilities from financing activities-gross
At January 1	$ 19,512	$ -	$ -	$ 19,512
Changes in cash flow from financing activities	(6,260)	3,069,952	1,349,962	4,413,654
Increase in lease liabilities	2,946	-	-	2,946
Amortisation of discounts on bonds payable	-	87,409	-	87,409
Conversion rights of convertible bonds	-	(246,517)	-	(246,517)
Put options of convertible bonds	-	(32,548)	-	(32,548)
Convertible bonds converted to capital stocks and capital surplus	-	(784,775)	-	(784,775)
At December 31	$ 16,198	$ 2,093,521	$ 1,349,962	$ 3,459,681

No such transaction in 2018.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
FLEXIUM INTERCONNECT INC. (“FLEXIUM”)	The Company's wholly-owned subsidiary
SUCCESS GLORY INVESTMENTS LTD. (“SUCCESS”)	FLEXIUM's wholly-owned subsidiary
GRANDPLUS ENTERPRISES LTD. (“GRANDLUS”)	FLEXIUM's wholly-owned subsidiary
UFLEX TECHNOLOGY CO., LTD. (“UFLEX”)	The Company's wholly-owned subsidiary
FLEXIUM INTERCONNECT AMERICA LLC (“FLEXIUM USA”)	UFLEX's wholly-owned subsidiary,while it became the wholly-owned subsidiary of the Company since the second quarter of 2019.
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION (“FLEXIUM INTERCONNECT(KUNSHAN)”)	Subsidiary held by UFLEX and SUCCESS with 25.89% and 74.11% ownership, respectively.
FLEXIUM INTERCONNECT INVESTMENT Co., Ltd. (“FLEXIUM INTERCONNECT INVESTMENT”)	The Company's wholly-owned subsidiary
CHOSEN GLORY LIMITED (“CHOSEN”)	GRANDLUS's wholly-owned subsidiary
CHAMPION BEYOND LIMITED (“CHAMPION”)	GRANDLUS's wholly-owned subsidiary
FOREVER MASTER LIMITED (“FOREVER”)	GRANDLUS's wholly-owned subsidiary
BOOM BUSINESS LIMITED (“BOOM”)	The Company's wholly-owned subsidiary
CLEAR SUCCESS GLOBAL LIMITED (“CLEAR”)	BOOM's wholly-owned subsidiary
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION (“FLEXIUM TECHNOLOGY (SUZHOU)”)	CLEAR's wholly-owned subsidiary

(2) Significant related party transactions

A. Operating revenue, net:

	For the years ended December 31,	
	2019	2018
Sales of goods:		
- GRANDPLUS	$ -	$ -

(a) Sales revenue (from sales of materials and supplies) and operating costs (from purchases of goods) arising from processing services for the subsidiary, FLEXIUM INTERCONNECT (KUNSHAN), through an offshore entity were written off when preparing the parent company only financial statements. For the years ended December 31, 2019 and 2018, the write-offs amounted to $3,015,676 and $2,448,983, respectively.

(b) Sales of work in progress to the related parties have no comparative transactions. The prices are based on mutual agreement. The prices of materials and supplies are costs plus margin. The credit terms are 180 days for related parties and 45~120 days for regular clients after monthly billing for related parties.

B. Purchases:

	For the years ended December 31,	
	2019	2018
Purchases of goods:		
- GRANDPLUS	$ 17,435,813	$ 19,769,465

(a) Sales revenue (from sales of materials and supplies) and operating costs (from purchases of goods) arising from processing services for the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN), through an offshore entity were written off when preparing the parent company only financial statements. Please refer to Note 7(2)A. for details of operating revenue, net.

(b) Prices of purchases from the related parties are the same with those from other suppliers. The payment terms are 90 days to the related parties and 60~90 days to other suppliers after monthly billing.

C. Miscellaneous income

	For the years ended December 31,	
	2019	2018
SUCCESS	$ 78,976	$ -
UFLEX	26,486	83,649
	$ 105,462	$ 83,649

D. Other expenses

	For the years ended December 31,	
	2019	2018
SUCCESS	$ 70,043	$ -
UFLEX	36,306	85,599
FLEXIUM USA	8,342	10,183
	$ 114,691	$ 95,782

E. Accounts receivable

	December 31, 2019	December 31, 2018
GRANDPLUS	$ 1,857,527	$ 1,235,493

F. Other receivables

	December 31, 2019	December 31, 2018
FOREVER	$ 148,574	$ 28,873
SUCCESS	45,750	-
UFLEX	-	27,150
	$ 194,324	$ 56,023

G. Prepayments for investments

	December 31, 2019	December 31, 2018
BOOM	$ -	$ 458,436

H. Accounts payable

	December 31, 2019	December 31, 2018
GRANDPLUS	$ 6,105,225	$ 6,329,163

I. Other payables

	December 31, 2019	December 31, 2018
SUCCESS	$ 36,926	$ -
UFLEX	-	19,912
FOREVER	-	2,980
	$ 36,926	$ 22,892

J. Property transactions

Acquisition of property, plant and equipment

	For the years ended December 31,	
	2019	2018
FOREVER	$ 6,245	$ 14,125

(3) Key management compensation

	For the years ended December 31,	
	2019	2018
Short-term employee benefits	$ 73,796	$ 64,689
Post-employment benefits	187	186
Share-based payments	20,929	5,447
	$ 94,912	$ 70,322

8. PLEDGED ASSETS

	Book value		
Pledged asset	December 31, 2019	December 31, 2018	Purpose
Refundable deposits (recorded in "Other non-current assets, others")	$ 244,439	$ 166,996	Guarantee for land bid

9. COMMITMENTS AND CONTINGENT LIABILITIES

(1) As of December 31, 2019 and 2018, the Company issued promissory notes amounting to $2,089,810 and $1,042,454 for loans, sales on credit and forward exchange contracts, respectively.

(2) As of December 31, 2019 and 2018, the Company entered into several contracts for construction and acquisition of machinery with total values of $4,643,153 and $2,205,231, respectively, and the unpaid balance on these contracts amounted to $3,778,776 and $1,687,725, respectively.

10. SIGNIFICANT CATASTROPHE

None.

11. SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

The Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total debt is calculated as 'current and non-current liabilities' as shown in the consolidated balance sheet.

During 2019, the Company's strategy, which was unchanged from 2018, was to maintain the balance of the capital structure. The gearing ratio at December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Total liabilities	$ 13,058,582	$ 8,899,994
Total assets	$ 34,986,384	$ 28,101,671
Gearing ratio	37	32

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 30,550	$ -
Financial assets at amortised cost		
Cash and cash equivalents	$ 5,994,442	$ 6,298,505
Financial assets at amorfised cost	8,037,220	2,613,320
Accounts receivable (including related parties)	8,787,639	7,978,530
Other receivables	260,374	89,866
Refundable deposits	247,025	168,552
	$ 23,326,700	$ 17,148,773

	December 31, 2019	December 31, 2018
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated at fair value through profit or loss	$ 448	$ -
Financial liabilities at amortised cost		
Accounts payable (including related parties)	$ 6,758,862	$ 6,825,846
Other payables	1,409,942	807,633
Bonds payable (including current portion)	2,093,521	-
Long-term borrowings (including current portion)	1,349,962	-
Guarantee deposits received	12,608	9,792
	$ 11,624,895	$ 7,643,271
Lease liabilities	$ 16,198	$ -

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).

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

(Remainder of page intentionally left blank)

	December 31, 2019					
	Foreign currency			Sensitivity analysis		
	amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 349,054	30.1060	$ 10,508,620	1%	$ 105,086	$ -
Non-monetary items						
USD:NTD	1,000	30.1060	30,550	1%	-	306
Long-term equity investments accounted for under equity method						
USD:NTD	214,867	30.1060	6,468,791	1%	-	64,688
Financial liabilities						
Monetary items						
USD:NTD	233,573	30.1060	7,031,949	1%	(70,319)	-

	December 31, 2018					
	Foreign currency			Sensitivity analysis		
	amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 331,454	30.7330	$ 10,186,576	1%	$ 101,866	$ -
Long-term equity investments accounted for under equity method						
USD:NTD	200,567	30.7330	6,164,033	1%	-	61,640
Financial liabilities						
Monetary items						
USD:NTD	218,399	30.7330	6,712,056	1%	(67,121)	-

v. The total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018 amounted to ($7,143) and $207,601, respectively.

<u>Price risk</u>

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

ii. The Company's investments in equity securities comprise shares issued by the domestic or foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. However, the Company has settled a stop loss limit, no significant price risk is expected.

<u>Cash flow and fair value interest rate risk</u>

i.The Company's issued zero coupon liability financial instruments with embedded conversion options and call options. The fair value of the financial instrument is exposed under the risk of market fluctuation. There was no cash flow risk arising from significant changes in interest rate after assessment.

ii The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. As of December 31, 2019, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.

(b)Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Company manages their credit risk taking into consideration the entire company's concern. According to the Company's credit policy, each local entity in the Company 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.

iii. If the contract payments were past due over certain days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The default occurs when the contract payments are expected unrecoverable and are transferred to overdue receivables

v. The Company classifies customers' accounts receivable in accordance with credit risk on trade. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vi. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2019 and 2018, the provision matrix classified by customers is as follows:

	Group A	Group B	Group C	Group D	Group E	Total
December 31, 2019						
Book value	$ 4,039,845	$ 1,686	$ 2,369,976	$ 452,849	$ 66,838	$ 6,931,194
Expected loss rate	0.01%	0.01%	0.02%	0.03%	0.00%	
Loss allowance	$ 392	$ -	$ 572	$ 117	$ 1	$ 1,082

	Group A	Group B	Group C	Group D	Group E	Total
December 31, 2018						
Total book value	$ 4,542,978	$ 308,441	$ 1,657,362	$ 36,879	$ 248,448	$ 6,794,108
Allowance for sales returns and discounts	(49,876)	-	-	-	-	(49,876)
Book value	$ 4,493,102	$ 308,441	$ 1,657,362	$ 36,879	$ 248,448	$ 6,744,232
Expected loss rate	0.01%	0.02%	0.03%	0.01%	0.02%	
Loss allowance	$ 580	$ 60	$ 492	$ 5	$ 58	$ 1,195

Accounts receivable is grouped based on stock liquidity, paid-in capital, current ratio and debt ratio of counterparties.

vii. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2019
At January 1	$ 1,195
Reversal of impairment loss	(113)
At December 31	$ 1,082

	2018
At January 1_IAS 39	$ -
Adjustments under new standards	-
At January 1_IFRS 9	-
Provision for impairment	-
Effect of exchange rate changes	1,195
At December 31	$ 1,195

For provisioned loss for the years ended December 31, 2019 and 2018, the reversal of impairment loss and provision for arising from customers' contracts are ($113) and $1,195, respectively.

(c)Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by

Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.

ii.Surplus cash held by the operating entities over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, structured certificates of deposit and bonds sold under repruchase agreement, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2019 and 2018, the Company held money market position of $14,031,018 and $8,911,318, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii.The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities: December 31, 2019	Less than 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:			
Accounts payable (including related parties)	$ 6,758,862	$ -	$ -
Other payables	1,409,942	-	-
Lease liabilities	6,254	4,946	5,333
Bonds payable	-	2,241,923	-
Long-term borrowings	675	675	1,351,939
Derivative financial liabilities:			
Put options of convertible bonds	448	-	-
December 31, 2018	Less than 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:			
Accounts payable (including related parties)	$ 6,825,846	$ -	$ -
Other payables	807,633	-	-

(3) Fair value information

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:Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks with quoted market prices 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 or indirectly. The fair value of the Company's investment in certain derivative instruments is included in Level 2.

Level 3:Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. Financial instruments not measured at fair value

The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, financial assets at amortised cost accounts receivable, other receivables, guarantee deposits paid (recorded in "Other non-current assets-others"), accounts payable, other payables, lease liabilities, bonds payable, long-term borrowings and guarantee deposits received (recorded in "Other non-current assets-others"), are approximate to their fair values.

D. 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:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehemsive income				
Equity securities	$ -	$ -	$ 30,550	$ 30,550
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Put options of convertible bonds	$ -	$ -	$ 448	$ 448
December 31, 2018				
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ -	$ -	$ -	$ -

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

i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

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 parent company only balance sheet date.

iii. For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Company must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)I.

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

F. The following chart is the movement of Level 3 for the year ended December 31, 2019

	2019	
	Derivative instruments	Non-derivative equity instrument
At January 1	$ -	$ -
Issued in the year	(32,848)	-
Gains recognised in profit or loss (Note)	32,100	-
Investments in the year	-	30,550
Conversion in the year	300	-
December 31	($ 448)	$ 30,550
Movement of unrealised gain in profit or loss of assets and liabilities held as at December 31, 2019 (Note)	$ 32,100	$ -

Note: Recorded as non-operating income and expense.

G. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

H. Treasury segment 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 using the actuarial reports issued by external experts. 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 line 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.

I. 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 at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument:					
Convertible bonds	$ 448	Binary tree Convertible bond valuation model	Stock price volatility	34.32%~37.56%	The higher the stock price volatility, the lower the fair value
Non-derivative equity instrument:					
Unlisted shares	$ 30,550	Discounted cash flow	Long-term revenue growth rate and long-term pre-tax operating margin	N/A	The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, 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, 2019				
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable	Unfavourable	Favourable	Unfavourable
Financial assets						
Equity instruments	$ 30,550	±1%	$ -	$ -	$ 306	($ 306)
Financial liabilities						
Hybrid instrument	Stock price volatility	±5%	$ 309	$ -	$ -	$ -

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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 (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer table 3.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: Please refer to table 4.

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 instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including 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, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

14. SEGMENT INFORMATION

None.