Stock code: 6269

Flexium Interconnect. Inc.

2018 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 version and Chinese version, the Chinese version shall prevail.

Printed on April 30, 2019

1. 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

2. 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
Tel. No.: +86-512-86896888

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

3. 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

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

CPA name:Liao Ah-Shen, CPA; Wu Chien-Chih , CPA
Firm Name: PwC Taiwan
22F, No. 95, Mintzu 2nd Road, Kaohsiung City
Website: http://www.pwc.tw
Tel. No.: 886-7-237-3116

5. 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 Stock Exchange
http://www.sgx.com

6. Company website:

http://www.flexium.com.tw

Table of Content

A. Letter to shareholders

Global economics is unstable this year, and the forecasts of economies are conservative, leading to slow investment in manufacturing and service industries. Additionally, the tariff policies of major economies and the corresponding retaliatory measures of others are accelerating the uncertainty of global economic growth. Otherwise, the situation of “The big one is getting bigger and the small one getting even smaller” is more obvious. The elimination of competition and cooperation in the industry is also more intense than in the past. All of these factors are testing whether FLEXium has the value to provide qualified services to its customers and can be stable and profitable and fulfill the role of the global citizen and continue to be competitive. Faced with such an environment and challenges, all employees still uphold the spirit of FLEXium -- the speed, cost, and service stick to the post, work hard, and repel the downturn with the supply chain partners, which makes the revenue continue to grow in 2018. This represents recognition of FLEXium’s customer service, technological breakthroughs, and product development. Although the revenue has definitely grown, the gross profit margin and profit decline also show that there is still room for improvement of the company's operation management and efficiency improvement. FLEXium will adhere to its consistent operating strategy and deepen its ability to manage customers, talents, technology, systems, and management. To meet the challenge, FLEXium seeks innovation and change -- “Dare to be responsible, lead the future”.

Operational Achievements

In 2018, the consolidated revenue of Flexium Interconnect, Inc. is NT$ 26.8 billion, an increase of 3.9% over the NT$ 25.8 billion in 2017; the gross profit is NT$ 5.1 billion, a decrease of 10.5% from NT$ 5.7 billion in 2017; gross margin is 19.1%, a decrease of 2.8% from the 21.9% in 2017; the net profit after tax is NT$ 2.64 billion, a decrease of 13.7% from the NT$ 3.06 billion in 2017; the basic earnings per share is 8.55 dollars, a decrease of 1.52 dollar from the 10.07 dollars in 2017.
Note: The financial forecast was not disclosed in 2018, so there is no budgetary achievement.

Market Trends

As the average salary of each country grows, people will have more demand for friendly, safe and healthy facilities. The growth and services of corresponding industries such as mobile device platforms, automotive electronics, Internet of Things, artificial intelligence, health and leisure, and medical security will be constantly innovating. In addition, the application of big data analysis, AI and cloud computing is becoming more and more mature, applied and developed to the realization of socialization, customization and even personalization of integrated products and services. The demand for the corresponding soft board has also been in the ascendant, and the winner must be a high-frequency, wireless, voice, high-density overall solution. Therefore, we will continue to focus on the key developmental technologies above, providing quality services and products.

Technological Development

The vision of FLEXium is to become the leader of the global soft-board module solution. Our technology not only develops in the two major fields of the original FPC and FPCA but also has new breakthroughs in technologies such as high-frequency and semiconductor applications. Technical aspects include materials, circuit design, manufacturing processes, module testing, high-frequency wireless, flexible carrier boards, automation equipment, etc. The FPC of New factory in Kaohsiung can continue to provide revenue-generating benefits from a 20/20 um roll-to-roll automated production line. The long-term layout of FPCA in China on automated production lines with high efficiency and human-machine integration continues to bear fruit. High-frequency and semiconductor products are also shipping in the second half of the year. These technologies and process optimization will bring the next stage of growth to the company's revenue and profit. FLEXium is positioned as a provider of multi-technology solutions. R&D is a competitive growth engine. As always, we continue to deepen research and development and technological innovation and develop high-end and high value-added products and service to grow together with customers.

Honor and Corporate Social Responsibility

In the pursuit of revenue growth and financial performance, invest in corporate social responsibility and continue to improve corporate governance. Are also the duty of FLEXium. FLEXium won the "CommonWealth Magazine's 2,000 big enterprise survey: the 133th in the manufacturing industry and the 94th in the net profit after tax in 2018." Moreover, FLEXium was selected as a good unit by Labor Affairs Bureau of Kaohsiung City Government and was awarded the "Top Ten Safe Production Enterprises", "Transformation and Upgrading Advanced Industries", "Advanced Green Development Enterprises" and so on by the Kunshan Municipal Government of Suzhou. For the first time, we received the first Gold Certificate with international sustainable water management (AWS) in the global electronics industry In 2018, we also completed the preparation of the SGS-recognized Corporate Social Responsibility (CSR) report and actively participated in community building activities. In addition to setting up a team of volunteers, organizing blood donation activities, donating fire rescue vests, and police patrol cars, we also helped schools and infant-asylums to extend additional hardware facilities. What's more, we actively participate in community services such as warming in cold winter, small angel care, and interaction, etc., reflecting the integration of social responsibility into corporate development.

Future Prospects

In 2019, we expect the slowdown in the global economy, and the future growth will be in high-frequency, 5G applications and introduction, meeting the consumer's need for seamless, fast and convenient integration of audio and video, identification, and security. Vehicle electronics will evolve with high-frequency technology, and the dialog between cars and people, cars and cars, cars and objects at high speed will no longer be out of reach, and more comfortable and safer transportation vehicles will be the engine of future growth. The demand for soft and thin soft boards of the cloud processing server, optical communication products, medical care and health sports industries behind the big data will also continue to grow multiply. FLEXium will continue to invest resources and research and development in high-frequency, automotive electronics, health care, optical communications and other related technologies to establish a competitive advantage for the company's long-term development. More than that, FLEXium's exclusive APP software continues to optimize and upgrade, through the collection, analysis and use of big data to control output details accurately with timely monitoring and other facilities to ensure operational and production consistency, and thus achieve quality control, intelligent production, flexibility coping with the uncertainty of market changes.

FLEXium cherishes every dollar invested by shareholders by improving operational performance, playing a comprehensive role in the group, and improving corporate governance, which is the best feedback to shareholders, thanks for your long-term advices, spurs, and encouragements. I am deeply grateful to all the employees of FLEXium and the partners of subcontractors. At the same time, on behalf of the management team, I would like to thank the shareholders for your support and wish you good health! Good luck with everything!

Chairman: Ming-Chi Cheng
Managerial Person: Ming-Chi Cheng
Accounting Supervisor: Arthur Shiung

B. Company profile

I. Date of establishment

December 19, 1997

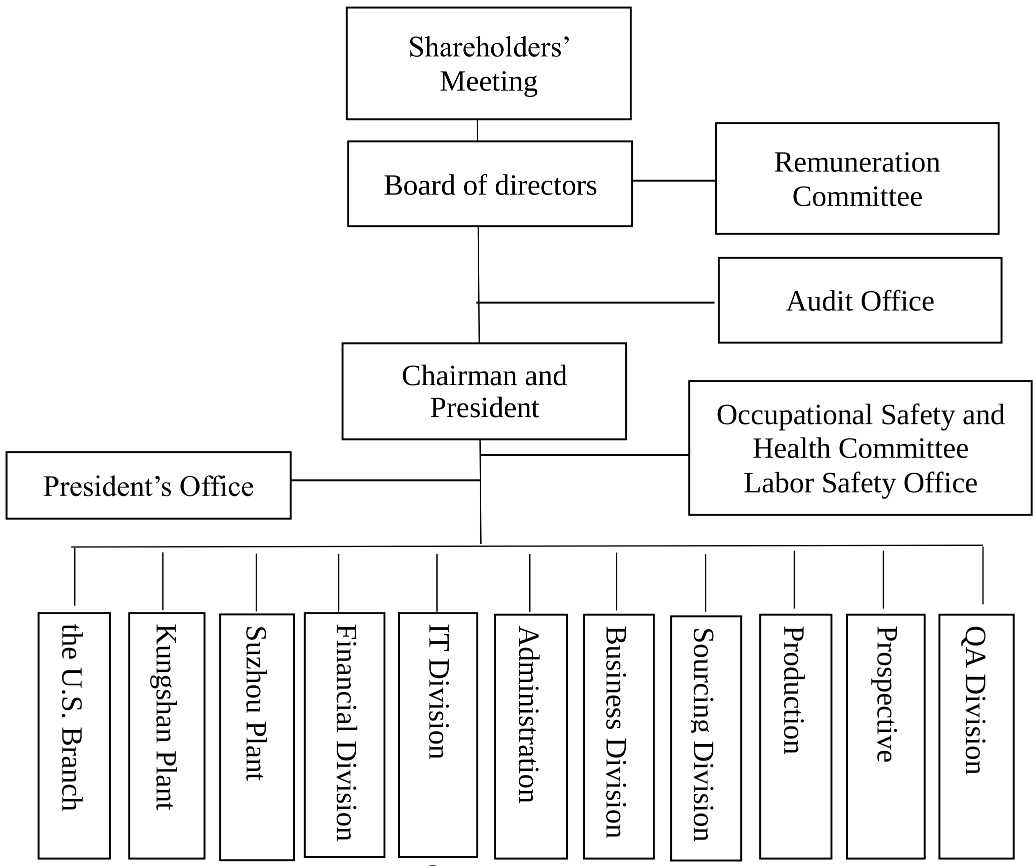
II. Company history

Year	Important events of the recent years and till the printing date of the annual report
January 2017	On January 13, 2017, 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$ 2,991,043,740.
March 2017	On March 9, 2017, the Ministry of Economic Affairs (MOEA) approved the conversion of the convertible bond into common shares, and the paid-in capital after the capital increase was NT$ 3,003,723,200.
April 2017	Established FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION
July 2017	On July 13, 2017, the Ministry of Economic Affairs (MOEA) approved the conversion of the convertible bond into common shares, and the paid-in capital after the capital increase was NT$ 3,001,762,140.
August 2017	On August 30, 2017, the Ministry of Economic Affairs (MOEA) approved the conversion of the additional paid-in capital and the employee stock option certificates as well as the convertible bond into common shares, and the paid-in capital after the capital increase was NT$ 3,176,823,760.
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	On January 3, 2019, the Ministry of Economic Affairs (MOEA) approved the conversion of the convertible bond into common shares, and the paid-in capital after the capital increase was NT$ 3,182,141,580.
March 2019	On March 7, 2019, the Ministry of Economic Affairs (MOEA) approved the conversion of the convertible bond into common shares, and the paid-in capital after the capital increase was NT$ 3,182,491,580.

C. Corporate governance report

I. Organization system

1. Company's organizational chart (2018.12.31)



II. Business lines conducted by various departments

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
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.
Audit Office	Internal audit and operating procedure compliance management audit, etc.
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.
Prospective Production Division	Matters related to the manufacturing, production capacity adjustment and increase of manufacturing efficiency of all products of the Company.
QA Division	Responsible for quality assurance and upgrading of the Company’s products

III. Profiles of directors, supervisors, president, vice presidents, assistant VPs, and heads of all departments and branches

(1) Information of Directors and Supervisors

1. Information of Directors and Supervisors (1)

April 19, 2019 Unit: Thousand shares; %

Job Title	Nationality or place of registration	Name	Gender	Election (appointment) date	Term of office	Inauguration date	Shares at election		Current shareholding		Current shares held by spouse and children of minor age		Total shareholding assuming the name of others		Major (academic degree) experience	Position(s) held concurrently in the Company and/or in any other companies	Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship		
							Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding			Job title	Name	Relationship
Corporate director	R.O.C.	Chi Lien Investment Co., Ltd.	-	2016/6/28	3 years	2010/6/9	2,424	0.78	2,825	0.90	-	-	-	-	None	None	Corporate director Representative Chairman of Board	Ming-Chih Cheng	Responsible person's spouse
Chairman of Board Chi Lien Investment Co., Ltd. Representative	R.O.C.	Ming-Chih Cheng	Male	2016/6/28	3 years	1997/12/9	-	-	4,106	1.31	235	0.08	-	-	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. 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. FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Corporate director Corporate director	Chi Lien Investment Co., Ltd. Tai-Peng Development Inc.	Responsible person's spouse Responsible person
Director Chi Lien Investment Co., Ltd. Representative	R.O.C.	Yung Chang Chan	Male	2016/6/28	3 years	2010/6/9	-	-	-	-	-	-	-	-	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 Director of TK3C, Inc. Independent director and member of remuneration committee of Center Laboratories, Inc. Independent director and member of remuneration committee of Collins, Inc. Director and member of remuneration committee of UHT Unitech Co., Ltd. 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.	None	None	None
Judicial Person Director	R.O.C.	Tai-Peng Development Inc.	-	2016/6/28	3 years	1997/12/9	13,023	4.22	15,460	4.93	-	-	-	-	None	None	Corporate director Representative Chairman of Board	Ming-Chih Cheng	Responsible person

Job Title	Nationality or place of registration	Name	Gender	Election (appointment) date	Term of office	Inauguration date	Shares at election		Current shareholding		Current shares held by spouse and children of minor age		Total shareholding assuming the name of others		Major (academic degree) experience	Position(s) held concurrently in the Company and/or in any other companies	Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship		
							Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding			Job title	Name	Relationship
Director Tai-Peng Development Corporation Representative	R.O.C.	Ji-Yan Liang	Male	2016/6/28	3 years	2006/6/23	-	-	-	-	-	-	-	-	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 Mater of Graduate School of Business Administration of National Chengchi University Bachelor of Department of Chemical Engineering of National Tsing Hua University	Legal representative chairman of TAINET Communication System Corp. Legal representative chairman of Lianchang Investment Co., Ltd. Independent director, member of remuneration committee and audit committee member of EPISTAR Corporation Supervisor of ASMedia Technology Inc. Independent director and member of remuneration committee of Excellence MOS Corp Director of Ta Chen International, Inc. Director of Rui Jin Technology Consulting Corp. Legal representative supervisor of Hua-He cultural and creative management and consulting Corp. Supervisor of csr Community International Limited Supervisor of Taipei Tech Start Venture Capital Co., Ltd. Member of remuneration committee of Sesoda Corporation Member of remuneration committee of Shinkong Textile Co., Ltd	None	None	None
Director Tai-Peng Development Corporation Representative	R.O.C.	Jeng Xi Shih	Male	2016/6/28	3 years	2007/5/30	-	-	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	None	None	None
Director Tai-Peng Development Corporation Representative	R.O.C.	Zhi Tang Lan	Male	2016/6/28	3 years	2016/6/28	-	-	141	0.04	-	-	-	-	Special assistant of Chairman of Flexium PhD in Business Management of National Sun Yat-sen University	Director of Administration Division of the Company Also serves in adjunt as the Company's transfer investment company: Director of Jun-Fong Investment Inc. re-invested by the Company Director of FLEXIUM INTERCONNECT AMERICA LLC.	None	None	None
Independent Director	R.O.C.	Sun Deh Chang	Male	2016/6/28	3 years	2006/6/15	-	-	-	-	-	-	-	-	Department of Electrophysics, NCTU MBA, University of Wales	Vice President, SMIC	None	None	None
Independent Director	R.O.C. the U.S.A.	Chien Hui Gong	Female	2016/6/28	3 years	2013/6/11	-	-	-	-	-	-	-	-	Wichita State University, MBA	Wichita State University Business School, Lecturer	None	None	None
Supervisor	R.O.C.	Pei-Ru Lin	Female	2016/6/28	3 years	2010/6/9	1,324	0.43	1,459	0.47	341	0.11	-	-	NCHU Department of Foreign Languages and Literatures.	Chairperson of the Board, Tai-Cheng Investment Co., Ltd. Chairman of He Sheng Investment Co., Ltd. Legal representative supervisor of Tainet Communication System Corp.	None	None	None
Supervisor	R.O.C.	Xun-Po Chuang	Male	2016/6/28	3 years	2002/6/13	695	0.23	766	0.24	-	-	-	-	Chairman of Xiang-Mei Management Consulting Ltd.	Chairman of Xiang-Mei Management Consulting Ltd. Also serves in adjunt as the Company's transfer investment company: Company director of Flexium (Kunshan) Co., Ltd. re-invested by the Company Supervisor of FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	None	None	None

Note: The current shareholdings are calculated after the total outstanding common shares, 318,560,158 shares, less the treasury stock totaling 4,992,438 shares on April 19, 2019.

Table 1: Major shareholders of corporate shareholders

April 19, 2019

Name of corporate shareholder	Major shareholders of corporate 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%
	Ming-Chih Cheng	60.00%

Table 2: Major shareholders of major corporate shareholders referred to in Table 1, if any

April 19, 2019

Chu Yang Investment Co., Ltd.	Ming-Chih Cheng	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%
	Pei-Ru Lin	6.90%

2. Information of Directors and Supervisors (2)

Qualifications / Name	More than 5 years of experience and the following professional qualifications			Status of independence (note 1)										Number of public companies where the person holds the title as an independent director
	Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Pass the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Required work experience in commerce, law, finance, accounting or others required by the Company	1	2	3	4	5	6	7	8	9	10	
Ming-Chih Cheng (Representative of Chi Lien)	No	No	Yes	-	✓	-	✓	✓	✓	✓	✓	✓	-	0
Yung Chang Chan (Representative of Chi Lien)	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	4
Ji-Yan Liang (Representative of Tai Peng)	Yes	No	Yes	✓	✓	✓	✓	-	✓	✓	✓	✓	-	2
Jeng Xi Shih (Representative of Tai Peng)	No	No	Yes	-	✓	✓	✓	-	✓	✓	✓	✓	-	0
Zhi Tang Lan (Representative of Tai Peng)	No	No	Yes	-	✓	✓	✓	-	✓	✓	✓	✓	-	0
Xun-Deh Chang	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chien Hui Gong	Yes	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Xun-Po Chuang	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Pei-Ru Lin	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: Respective directors and supervisors who meet the following qualifications 2 years before assumption of office and at the time of assumption of office shall put an “ “ in the appropriate space. ✓

(1) Not an employee of the Company or its affiliates
(2) Not a director or supervisor of affiliates of the Company (nevertheless, where the person is an independent director of the Company or its parent Company, subsidiary or set up according to this Act or the law of the local government).
(3) Not a natural person, spouse, underage children, or under the title of a third party who holds more than 1% of the outstanding shares issued by the Company or among the top 10 natural person shareholders.
(4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar as specified in the preceding three subparagraphs.
(5) Not a director, supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.
(6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific Company or institution in business or financial relation with the Company
(7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, Company or institution that provide business, legal, financial and accounting services to the Company or its affiliates or a spouse to be the aforementioned person. Nevertheless, members of the Remuneration Committee Charter performing duties according to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counters shall be exempted from such limitation.
(8) Not a spouse to or kin at the second pillar under the Civil Code to any other director
(9) Not under any of the categories stated in Article 30 of the Company Law
(10) No Government Apparatus agency, juristic person or its representative is elected under Article 27 of the Company Law

(2)Profiles of president, vice presidents, assistant VPs, and heads of the branches/departments

April 19, 2018 Unit: Thousand shares; %

Job title	Nationality	Name	Gender	(Election) On-board date	Shares held		Current shares held by the spouse and children of minor age		Total shareholding assuming the name of others		Major (academic degree) experience	Position(s) held concurrently in any other companies	Managers are spouse or within second-degree relative of consanguinity to each other		
					Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding			Job title	Name	Relationship
President	the R.O.C.	Ming-Chih Cheng	Male	1995/6/23	4,106	1.31	235	0.08	-	-	Chairman of Tai-Peng Development Inc. National Sun Yat-sen University	Chairman of Board of Tai Peng Development Co., Ltd. Also serves as chairman in adjunt as the Company's transfer investment 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 Also serves as chairman in adjunt as the Company's transfer investment company: Jun-Fong Investment Inc. FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	-	-	-
Kungshan Plant Chief Director	the R.O.C.	Yu-Tai Cheng	Male	2009/6/10	421	0.13	-	-	-	-	Manager of Lite-On Technology Corp., Unicap Electronics Industrial Corp. Chien Hsin University of Science and Technology, Department of Electrical Engineering	None	-	-	-
Kungshan Plant Director	the R.O.C.	Ruei-Chun Ma	Male	2011/8/1	391	0.12	-	-	-	-	Section Chief of MEKTEC Foreman of Kunshan Plant of CMI Oriental Institute of Technology, Department of Electrical Engineering	None	-	-	-
Business Division Vice President	the U.S.A.	Chia-Hsien Tang	Male	2014/6/19	29	0.01	-	-	-	-	Apple, Global Supply & Procurement Manager Volex, project manager Golden Gate University, Master of Computer Information System	None	-	-	-
Sourcing Division Director	the R.O.C.	Chao-Rong Gong	Male	2004/8/1	403	0.13	-	-	-	-	Business engineer of MEKTEC National Taipei University of Technology, Textile Engineering	None	-	-	-
CFO	the R.O.C.	Ya-Shih Hsiung	Male	2012/8/9	355	0.11	-	-	-	-	Director of Accounting Division of ASE Group East Michigan University, MBA	None	-	-	-
Foreman of Kaohsiung Plant	the R.O.C.	Yi-Wen Shan	Male	2014/10/29	215	0.07	1	-	-	-	Tom Tom, Asia-Pacific Zone, QA Director National Taiwan University of Technology, Institute of Engineering/National Chengchi University, EMBA	None	-	-	-
Administration Division Director	the R.O.C.	Zhi Tang Lan	Male	2015/2/4	141	0.04	-	-	-	-	Special assistant of Chairman of Flexium PhD in Business Management of National Sun Yat-sen University	Also serves in adjunt as the Company's transfer investment company: Director of Jun-Fong Investment Inc. re-invested by the Company Director of FLEXIUM INTERCONNECT AMERICA LLC.	-	-	-
CQO	the R.O.C.	Yu Hong Lu	Male	2018/5/1	－	－	-	-	-	-	Quality Director of Zhen Ding Technology Holding Limited Quality Technology Committee Executive Secretary of Foxconn Interconnect Technology Limited National Tsing Hua University, Master in Chemical Engineering	None	-	-	-
Chief Operating Officer	the R.O.C.	Chi-Feng Tsai	Male	2018/2/7	140	0.04	-	-	-	-	Module Engineering Manager of AU Optronics Corp. Quality Manager of BriView Special assistant of Chairman of Flexium Feng Chia University,, Master in Mechanical Engineering	Serves in adjunt as the Company's transfer investment company: Director of FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION Director of FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	-	-	-

Note 1: The current shareholdings are calculated after the total outstanding common shares, 318,560,158 shares, less the treasury stock totaling 4,992,438 shares on April 19, 2019.

IV. Remuneration to directors (including independent directors), supervisors, president and vice presidents in recent years

(1) Remuneration to directors (including independent directors) (names thereof to be disclosed by space)

December 31, 2018 Unit:NT$ thousand dollars; thousand shares; %

<table>
<tr><th rowspan="4">Job title</th><th rowspan="4">Name</th><th colspan="8">Remuneration to directors</th><th colspan="2" rowspan="2">The sum of A, B, C and D in proportion to Earnings After Tax</th><th colspan="8">Remuneration in the capacity as employees</th><th colspan="2" rowspan="2">The sum of A, B, C, D, E, F and G to earnings after tax (%)</th><th rowspan="4">Remuneration from investees beyond subsidiaries</th></tr>
<tr><th colspan="2">Remuneration (A)</th><th colspan="2">Pension (B)</th><th colspan="2">Remuneration of directors (C)</th><th colspan="2">Professional practice fees (D)</th><th colspan="2">Salary, bonus and special allowance, etc. (E)</th><th colspan="2">Retirement pension (F)</th><th colspan="4">Employee remuneration (G)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th colspan="2">The Company</th><th colspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th></tr>
<tr><th>Cash amount</th><th>Share amount</th><th>Cash amount</th><th>Share amount</th></tr>
<tr><td>Chairman and President</td><td>Chi Lien Investment Co., Ltd. Representative: Ming-Chi Cheng</td><td rowspan="7">-</td><td rowspan="7">-</td><td rowspan="7">-</td><td rowspan="7">-</td><td rowspan="7">12,857</td><td rowspan="7">12,857</td><td rowspan="7">490</td><td rowspan="7">490</td><td rowspan="7">0.50</td><td rowspan="7">0.50</td><td rowspan="7">11,517</td><td rowspan="7">14,122</td><td rowspan="7">-</td><td rowspan="7">-</td><td rowspan="7">2,893</td><td rowspan="7">-</td><td rowspan="7">2,893</td><td rowspan="7">-</td><td rowspan="7">1.05</td><td rowspan="7">1.15</td><td rowspan="7">-</td></tr>
<tr><td>Director</td><td>Chi Lien Investment Co., Ltd. Representative: Yung Chang, Chenn</td></tr>
<tr><td>Director</td><td>Tai-Peng Development Inc. Representative: Jeng Xi Shih</td></tr>
<tr><td>Director</td><td>Tai-Peng Development Inc. Representative: Ji-Yan Liang</td></tr>
<tr><td>Director</td><td>Tai-Peng Development Inc. Representative: Zi-Tang, Lan</td></tr>
<tr><td>Independent director</td><td>Sun Deh Chang</td></tr>
<tr><td>Independent director</td><td>Chien Hui Gong</td></tr>
<tr><td colspan="23">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 dollars</td></tr>
</table>

Breakdown of remuneration

Breakdown of remuneration paid to individual director	Name of director			
	A+B+C+D		A+B+C+D+E+F+G	
	The Company	All companies included in the financial statement H	The Company	All companies included in the financial statement I
Less than NT$2,000,000	Sun Deh Chang and Chien Hui Gong	Sun Deh Chang and Chien Hui Gong	Sun Deh Chang and Chien Hui Gong	Sun Deh Chang and Chien Hui Gong
NT$2,000,000 (inclusive)~NT$5,000,000			-	-
NT$5,000,000 (inclusive)~NT$10,000,000	Representative of Chi-Lian Investment Inc.: Ming-Chi Cheng/Yung-Chang Chan Representative of Tai-Peng Development Inc.: Ji-Yan Liang/Jeng Xi Shih/Zi-Tang Lan	Representative of Chi-Lian Investment Inc.: Ming-Chi Cheng/Yung-Chang Chan Representative of Tai-Peng Development Inc.: Ji-Yan Liang/Jeng Xi Shih/Zi-Tang Lan	-	-
NT$10,000,000 (inclusive)~NT$15,000,000	-	-	Representative of Tai-Peng Development Inc.: Ji-Yan Liang/Jeng Xi Shih/Zi-Tang Lan	Representative of Tai-Peng Development Inc.: Ji-Yan Liang/Jeng Xi Shih/Zi-Tang Lan
NT$15,000,000 (inclusive)~NT$30,000,000	-	-	Representative of Chi-Lian Investment Inc.: Ming-Chi Cheng/Yung-Chang Chan	Representative of Chi-Lian Investment Inc.: Ming-Chi Cheng/Yung-Chang Chan
NT$30,000,000 (inclusive)~NT$50,000,000	-	-	-	-
NT$50,000,000 (inclusive)~NT$100,000,000	-	-	-	-
NT$100,000,000 and above	-	-	-	-
Total	7	7	7	7

(2)Remuneration of supervisors (names thereof to be disclosed by space)

December 31, 2018; Unit: NT$ thousand dollars; %

Job title	Name	Remuneration to supervisors						Proportion to Earnings After Tax for the total amount of three items of B and C		Remuneration from investees beyond subsidiaries
		Remuneration (A)		Remuneration (B)		Professional practice fees (C)				
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	
Supervisor	Xun-Po Chuang	-	-	2,143	2,143	130	130	0.09%	0.09%	-
Supervisor	Pei-Ru Lin									

Note: Supervisor, Xin-Bin Fu, was resigned on 2017/5/31

Breakdown of remuneration

Breakdown of remuneration paid to individual supervisor	Supervisor's name	
	A+B+C	
	The Company	All companies included into the financial statement D
Less than NT$2,000,000	Xun-Po Chuang and Pei-Ru Lin	Xun-Po Chuang and Pei-Ru Lin
NT$2,000,000 (inclusive)~NT$5,000,000	-	-
NT$5,000,000 (inclusive)~NT$10,000,000	-	-
NT$10,000,000 (inclusive)~NT$15,000,000	-	-
NT$15,000,000 (inclusive)~NT$30,000,000	-	-
NT$30,000,000 (inclusive)~NT$50,000,000	-	-
NT$50,000,000 (inclusive)~NT$100,000,000	-	-
NT$100,000,000 and above	-	-
Total	2	2

(3)Remuneration to president and vice presidents (names thereof to be disclosed by space)

December 31, 2018; Unit: NT$ thousand dollars; thousand shares; %

Job Title (Note)	Name	Salary (A)		Pension (B)		Bonus and special allowance, *et al.* (C)		Employee remuneration amount (D)				The sum of A, B, C and D in proportion to Earnings After Tax (%)		Remuneration from investees beyond subsidiaries)
								The Company		All companies included into the financial statement				
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	Cash amount	Share amount	Cash amount	Share amount	The Company	All companies included into the financial statement	
President	Ming-Chih Cheng	7,495	12,329	-	-	9,342	9.342	4,414	-	4,414	-	0.80%	0.99%	-
Chief Operating Officer	Chi-Feng Tsai													
Vice President of Business Division	Chia-Hsien Tang													

Breakdown of remuneration

Breakdown of remuneration to each president and vice presidents of the Company	Names of the president, vice presidents and managers of the Company	
	The Company	All companies included into the financial statement (E)
Less than NT$2,000,000	-	-
NT$2,000,000 (inclusive)~NT$5,000,000	Chia-Hsien Tang	Chia-Hsien Tang
NT$5,000,000 (inclusive)~NT$10,000,000	Chi-Feng Tsai	Chi-Feng Tsai
NT$10,000,000 (inclusive)~NT$15,000,000	Ming-Chih Cheng	Ming-Chih Cheng
NT$15,000,000 (inclusive)~NT$30,000,000	-	-
NT$30,000,000 (inclusive)~NT$50,000,000	-	-
NT$50,000,000 (inclusive)~NT$100,000,000	-	-
NT$100,000,000 and above	-	-
Total	3	3

(4)Manager name of distribution of employee remuneration and distribution status

2018 Unit: NT$ thousand dollars

	Job title (Note 1)	Name (Note 1)	Share amount	Cash amount	Total	Proportion to Earnings After Tax (%)
Manager	President	Ming-Chih Cheng	-	11,000	11,000	0.42%
	Foreman of Kunshan Plant	Yu-Tai Cheng				
	Foreman of Kunshan Plant	Ruei-Chun Ma				
	Vice President of Business Division	Chia-Hsien Tang				
	Chief Operating Officer	Chi-Feng Tsai				
	Director of Sourcing Division	Chao-Rong Gong				
	Foreman of Kaohsiung Plant	Yi-Wen Shan				
	CFO	Ya-Shih Hsiung				
	Administration Division Director	Zhi Tang Lan				
	CQO	Yu Hong Lu				

Note 1: The managers identified in the name list are the existing managers on the date of publication of the annual report.

(5)Analysis of the total remuneration paid to directors, supervisors, presidents, vice presidents and managers of the Company in the most recent two years in proportion to the net profit after tax is a shown in the following table:

Unit: NT$ thousand dollars

Item / Job title	2017				2018			
	Individual financial statement		Consolidated financial statement		Individual financial statement		Consolidated financial statement	
	Amount	%	Amount	%	Amount	%	Amount	%
Director/supervisor	15,640	0.51	15,640	0.51	15,620	0.59	15,620	0.59
President, vice presidents and managers of the Company	59,919	1.96	68,137	2.23	48,394	1.83	55,739	2.11

(6)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 of directors and supervisors 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 managers 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.

V. Corporate governance operating status

(I) Board of Director operation status

The Company has held the 2018 7th session of 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 (%)	Remark
Chairman of Board	Chi-Lian Investment Corporation representative: Ming-Chi Cheng	7	0	100.00	Reelected on June 28, 2016
Director	Tai-Peng Development Corporation representative: Ji-Yan Liang	7	0	100.00	Reelected on June 28, 2016
Director	Tai-Peng Development Corporation representative: Jeng Xi Shih	7	0	100.00	Reelected on June 28, 2016
Director	Tai-Peng Development Corporation representative: Zi-Tang Lan	7	0	100.00	Elected on 2016.06.28
Director	Chi-Lian Investment Corporation representative: Yung Chang Chan	7	0	100.00	Reelected on June 28, 2016
Independent director	Sun Deh Chang	7	1	100.00	Reelected on June 28, 2016
Independent director	Chien Hui Gong	7	0	100.00	Reelected on June 28, 2016
Supervisor	Xun-Po Chuang	7	0	100.00	Reelected on June 28, 2016
Supervisor	Pei-Ru Lin	6	0	86.00	Reelected on June 28, 2016

Attendance Status of Independent Directors of each time of Board of Directors' Meeting in 2018

◎: Attended in person; ☆: Attended by a proxy; ＊: Absent

2018	2/7	5/3	6/11	7/12	8/7	11/9	12/17
Sun Deh Chang	◎	◎	◎	◎	◎	◎	◎
Chien Hui Gong	◎	◎	◎	◎	◎	◎	◎

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:

1. Matters specified in Article 14-3 of the Securities and Exchange Act:

Date	Type	Proposal content	Comments of all independent directors	Resolution of the Company for comments of independent directors
2017.8.7	16th session of 8th year of the Meeting	1. Approval on subsidiary investment loan case	No comments	Approved according to proposal content
2017.11.9	17th session of 8th year of the Meeting	1. Proposal on capital fundraising case of the Company	No comments	Approved according to proposal content
2017.12.17	18th time of 8th year of the Meeting	1. Proposal on increase of mainland China investment case of the Company	No comments	Approved according to proposal content

2. 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.

1. 12th time of 8th year of Board of Directors' meeting dated 2018.2.7 of the Company

(1) Discussion on the 2017 independent directors' remuneration distribution case of the Company. Since directors Shun-De Chang and Chien-Hui Kung are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

(2) Discussion on the 2017 directors' remuneration distribution case of the Company. Since directors Ming-Chi Cheng, Yung-Chang Chen, Jeng Xi Shih, Tzu-Tang Lan and Ji-Yan Liang are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

(3) Discussion on the managers' remuneration distribution case of the Company. Since directors Ming-Chi Cheng and Tzu-Tang Lan are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

2. 18th time of 8th year of Board of Directors' meeting dated 2018.12.17 of the Company
   (1) Discussion on the managers' 2018 H2 operating bonus distribution case of the Company. Since directors Ming-Chi Cheng and Tzu-Tang Lan are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

III. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors:
   1. The Company has enacted the parliamentary 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.
   2. Directors may communicate with the chief auditor and CPAs via phone, fax or email.
   3. 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 managers periodically, and discuss the performance appraisal on directors and managers, and the policy, system, standard and structure remuneration periodically.

IV. Communication between the independent directors and internal chief auditor and CPAs:
   1. Communications between internal audit supervisor and independent directors:
      (1) The internal audit supervisor of the Company shall provide an audit service report to the independent directors periodically during the board of directors' meeting, and shall communicate the audit report outcome to the committee members.
      (2) Shall perform communications, guidance and response periodically through telephone, email or in person.
      (3) In case of major special matters, reports to each independent director may also be made timely.
   2. Communications between CPA and independent directors:
      (1) The Company's CPA shall perform communication meetings with the members of the board of directors irregularly in order to provide reports on the latest laws and financial statement review or audit results as well as internal audit status to the independent directors.

(II) Supervisors' participation in the operation of the Board

The Company held 7th session (A) of the board of directors meetings in 2018., and the attendance record of the supervisors is listed as below:

Job title	Name	Actual attendance (B)	Actual attendance rate (%) 【B/A】	Remark
Supervisor	Xun-Po Chuang	7	100.00	Reelected on June 28, 2016
Supervisor	Pei-Ru Lin	6	86.00	Reelected on June 28, 2016

Other notes:

I. Organization of supervisors and their duties: The Company has appointed 2 supervisors. The Board will always invite the supervisors to attend the directors' meeting and state their opinion to help control the Company's overview of operation, supervise the operation of the Board and state their opinion in a timely manner.

II. Communication between the supervisors and employees and shareholders: If the supervisors deem it necessary, they may talk to employees and shareholders directly via phone, fax or email.

III. Communication between the supervisors and internal chief auditor and CPAs:
   1. Communications between internal audit supervisor and supervisor:
      (1) The internal audit supervisor of the Company shall provide audit service report to the supervisor periodically during the board of directors' meeting, and shall communicate the audit report outcome to the committee members.
      (2) Shall perform communications, guidance and response periodically through telephone, email or in person.
      (3) In case of major special matters, reports to each supervisor may also be made timely.
   2. Communication between CPA and supervisor:
      (1) The Company's CPA shall perform communication meetings with the supervisors irregularly in order to provide reports on the latest laws and financial statement review or audit results as well as internal audit status to the supervisors.

IV. If any supervisor attends the directors' meeting to state their opinion, it is necessary to specify the date, session, motions and resolution of the directors' meeting, and the Company's response to the opinion stated by the supervisor: None.

(III) Status of corporate governance, and any nonconformity to the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies

Item	Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
1. Whether or not the Company has enacted and disclosed its corporate governance best-practice principles according to the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies?	✓		The Company has operated toward corporate governance principles, and complied with the Company's internal control system and related regulations.	No deviation
2. Equity structure and shareholders' equity				No deviation
(1) Whether or not the Company has defined its internal operating procedure for processing shareholders' suggestions, questions, disputes and legal actions, and implemented the procedure strictly?	✓		(1) 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.	
(2) Whether or not the Company has control over the list of major shareholders and the controlling parties of such shareholders?	✓		(2) The Company publishes the changes in shareholding of the insiders on the MOPS on a monthly basis, and maintains excellent relations with investors.	
(3)Whether or not the Company establishes the risk control mechanism and firewall between the Company and its affiliates?	✓		(3) 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.	
(4) Whether or not the Company has defined its internal regulations to prohibit personnel from trading securities by means of the information undisclosed in the market?	✓		(4) The Company establishes the "Insider Trading Prevention Management Operation Procedure" and "Flexium Integrity Management Operation Guidelines," clearly specifying the prohibitions on insider trading and non-disclosure agreement.	
3. Organization and responsibility of board of directors				No deviation
(1) Whether or not the board of directors has defined diversified policies toward formation of members and implemented the same strictly?	✓		(1) The Company conducted the 8th session of board of directors' meeting in June 2016 based on the diverse directives in order to install 7 seats of directors (including 2 seats of independent directors), where 1 member of the board of directors is a 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.	
(2) Whether or not the Company is willing to establish other functional committees pursuant to laws, in addition to Remuneration Committee and Audit Committee?	✓		(2) The Company has established the Remuneration Committee, and in the future, the Company will also set up other similar functional committees depending upon the actual operation needs.	
(3) Whether or not the Company has defined the regulations governing performance appraisal on the board of directors and the mode of appraisal and performed the appraisal each year?	✓		(3) The Company performs the performance evaluation based on the level of contribution of directors/supervisors each year.	
(4) Whether or not the Company periodically evaluates the impartiality and independence of the independent CPA?	✓		(4) 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 2018.12.17 for approval. For the appraisal on independence of the independent auditor, please see Page 20 of the annual report.	
4. Whether or not the TWSE and TPEx companies establish full-time (concurrent) unit or personnel in charge of matters related to the Company governance (including but not limited to providing	✓		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. Providing documents necessary for the board of directors to perform their duties, preparation related	No deviation

Item	Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
information necessary for directors and supervisors to perform duties, handling matters related to resolutions of the board of directors meeting and shareholders' meeting, handling of Company registration and change for board of directors and shareholders' meeting minutes, etc.)?			to handling of board of directors' meeting and shareholders' meeting according to the law as well as preparation of meeting agenda and records. 2. Providing assistance in promoting and strengthen the company governance. 3. Handling company registration and change registration.	
5. Whether or not 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 regularly handles discussions of major economic, social and environmental-oriented issues, achievement of goals and future directions of each unit, and the compilation of relevant results, consultations with stakeholders and CSR discussions and recommendations to the Board of Directors for review shall be submitted and reported to the board of directors.	No deviation
6. Whether or not the Company appoints a professional shareholder service agent to handle the affairs related to shareholders' meetings?	✓		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.	No deviation
7. Disclosure of information (1) Whether or not the Company has established a website for disclosure of its financial position and status of corporate governance? (2) Whether or not the Company also adopts other means for disclosure (*e.g.* set-up of an English website, appointment of dedicated personnel to collect and disclose the Company's information, implementation of spokesman system, and posting of the meeting minute with institutional investors on the Company's website)?	✓ ✓		(1) 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. (2) 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.	No deviation
8. Whether or not the Company has other important information helpful in understanding the Company governance operation status? (1) Employees' interest and rights and care for employees: 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. (2) 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. In addition, a spokesperson and deputy spokesperson are also appointed, and the Company's website is also set up to disclose the information required to be disclosed per the requirement at the same time. If necessary, investors may contact the Company via telephone, fax or email at any time.				

Item	Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	

(3) Relationship with suppliers:

The Company has defined the supplier management procedure to assess the environmental protection, safety & health, and green products of the suppliers, and to integrate the procurement procedure, so as to select 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.

(4) Interested party's rights:

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 "investment section" to disclose the Company's financial and stock information, and the spokesperson is delegated to answer investors' questions.

(5) Continuing education of directors and supervisors:

Latest status on continued education:

Name of director	Date of continued education	Organizer	Course name/organizer	Number of hours of education
Director Ming Chi Cheng	2018/4/27	Securities and Futures Development Foundation	2018 insider trading compliance promotional presentation	3.0
Director Ji-Yan Liang	2018/3/15	Taiwan Listed Company Association	Leadership of the east seminar	2.0
	2018/4/11	Taiwan Academy of Banking and Finance	Corporate governance and corporate sustainability management workshop	3.0
	2018/4/16	Taiwan Listed Company Association	Role and function of corporate governance in the capital market	2.0
Director Yung Chang Chan	2018/3/14	Securities and Futures Development Foundation	Development trend of corporate corruption and the prevention of production - from the perspective of corporate governance	3.0
	2018/3/14	Securities and Futures Development Foundation	Function of the Board of Directors from corporate fraud prevention	3.0
	2018/3/22	Securities and Futures Development Foundation	Analysis and decision-making of corporate financial information	3.0
Director Zhi Tang Lan	2018/4/25	Taiwan Academy of Banking and Finance	Corporate governance and corporate sustainability management workshop	3.0
	2018/8/3	Securities and Futures Development Foundation	Corporate governance and corporate sustainability management workshop	3.0
Director Jeng Xi Shih	2018/4/25	Taiwan Academy of Banking and Finance	Internal person equity transaction law compliance promotional presentation	3.0
	2018/8/9	Business Council for Sustainable Development of Taiwan	Link between corporate social responsibility and trade	3.0
Independent director Chien Hui Gong	2018/5/25	Accounting Research and Development Foundation	Impact of BEPS Anti-tax Avoidance New Law on Corporate Finance and Taxation and Practical Countermeasures	6.0
Supervisor Xun-Po Chuang	2018/4/25	Taiwan Academy of Banking and Finance	Corporate governance and corporate sustainability management workshop	3.0
	2018/4/27	Securities and Futures Development Foundation	2018 insider trading compliance promotional presentation	3.0
Supervisor Pei-Ru Lin	2018/4/25	Taiwan Academy of Banking and Finance	Corporate governance and corporate sustainability management workshop	3.0
	2018/11/2	Securities and Futures Development Foundation	2018 insider trading compliance promotional presentation	3.0

(6) Status of implementation of risk management policy and risk measurement standards:

Please refer to Page Nos. 66~68, "Chapter VI. Risk analysis and evaluation of the annual report".

(7) Status of execution of customers' policy:

The Company keeps in touch with customers closely and advises the customers of the products benefiting them and ensures 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.

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

The Company has purchased liability insurance for its directors/supervisors since August 1, 2018. Details of 2018 directors/supervisors liability insurance are as follows:

Item	Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	

Target of insurance	Insurance company	Insured value (NTD: dollar)	Insured period (since / to)
All directors/supervisors	Insurance Company of North America	245,864,000	August 1, 2018 to August 1, 2019

(9) Status of individual director implementing the policy on diversity of members of board of directors:

The Company conducts the re-election of the 8th session of board of directors in June 2016 according to the policy on diversity, and the implementation status of the diversity of directors is as follows:

Name of director	Gender	Main educational background	Industry experience	Academic experience	Professional field
Ming-Chih Cheng	Male	National Sun Yat-sen University	V		Financial/accounting and business administration
Yung Chang Chan	Male	Department of Law, National Taiwan University	V		Law
Ji-Yan Liang	Male	MBA, National Chengchi University	V		Business Administration
Jeng Xi Shih	Male	Department of Mechanical Engineering, National Cheng Kung University	V		Production management and business administration
Zhi Tang Lan	Male	PhD in Business Management at National Sun Yat-sen University	V		Law and business administration
Sun Deh Chang	Male	MBA, University of Wales	V		Business Administration
Chien Hui Gong	Female	Wichita State University, MBA		V	Accounting, auditing, financial and economics

9. The Corporate Governance Center of the Taiwan Stock Exchange Corporation announces the corporate governance assessment result improvement status in recent years:
To improve the company governance standard, the Company has achieved the following matters in 2018:
1. After the Company has issued a dividend by the shareholders' meeting, it will be issued within 30 days after the ex-dividend date.
2. The Company insures all directors and supervisors of the directors' liability insurance.

CPA independence assessment table

Evaluation index	Specific index	Assessment item	Yes	No	Remark
Independence	CPA independence	1. Whether or the independent auditor does not act as director of the Company or its affiliated Company?	V		
		2. Whether or not the independent auditor is not a shareholder of the Company or its affiliated Company?	V		
		3. Whether or not the independent auditor does not receive salary from the Company or its affiliated Company?	V		
		4. Whether or not the independent auditor confirms that his/her CPA firm has already complied with the requirements about independence.	V		
		5. Whether or not any CPA co-working with the independent auditor in the CPA firm does not act as director or manager of the Company or hold any position which will affect the audited case materially within one year upon resignation from the position?	V		
		6. The independent auditor has not provided the Company with audit service for seven years consecutively.	V		
		7. Whether or not the independent auditor meets the requirements about independence referred to article 10 in the CPA Code of Professional Ethics.	V		
Appropriateness	Financial report quality	1. Whether or not the annual financial statement is completed two months after the end of fiscal year.	V		
		2. Whether or not semi-annual financial statement is completed within one month after the end of half year.	V		
		3. Whether or not 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	1. Whether or not excellent communication channels are maintained with the Company management level and directors.	V		
		2. Whether or not 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 (Note 1)	Qualifications / Name	More than 5 years of experience and the following professional qualifications			Status of independence (Note 2)								Number of public companies where the person holds the title as Remuneration Committee member	Remark
		Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Pass the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Required work experience in commerce, law, finance, accounting or others required by the Company	1	2	3	4	5	6	7	8		
Independent director	Sun Deh Chang	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	None	
Independent director	Chien Hui Gong	Yes	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	None	
Others	Peng-Chun Wu	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	None	

Note 1: Please specify director, independent director or others.

Note 2: Respective members who meet the following qualifications 2 years before assumption of office and at the time of assumption of office shall put an “ “ in the appropriate space. ✓

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

(2) Not a director or supervisor of the Company or its affiliates Nevertheless, where the person is an independent of the Company or its parent Company, subsidiary or set up according to this

Act or the law of the local government, such limitation shall not apply.

(3) Not a natural person, spouse, underage children, or under the title of a third party who holds more than 1% of the outstanding shares issued by the Company or among the top 10 natural person shareholders.

(4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar under the Civil Code as specified in (1) through (3).

(5) Not a director, supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.

(6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific Company or institution in business or financial relation with the Company

(7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, Company or institution that provide business, legal, financial and accounting services to the Company or its affiliates or a spouse to be the aforementioned person.

(8) Not under any of the categories stated in Article 30 of the Company Law

2. Information about status of Remuneration Committee

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

(2) Current term of office: from June 28, 2016 to June 27, 2019; the Committee held 3rd (A) meetings in 2018, and the attendance of the Committee members is summarized as follows:

Job title	Name	Actual number of attending seats (B)	Attendance by proxy	Attendance rate (%) (B/A)	Remark
Convener	Sun Deh Chang	3	0	100.00	Reelected on June 28, 2016
Member	Chien Hui Gong	3	0	100.00	Reelected on June 28, 2016
Member	Peng-Chun Wu	3	0	100.00	Reelected on June 28, 2016

Other notes:

I. Whether or not the board of directors rejects to accept or revises the recommendation of the Remuneration Committee: None.

II. For the resolutions made by Remuneration Committee, whether the member has dissenting opinion or qualified opinion and is of record or written statement: None.

III. Work of remuneration committee in the operation of board of directors:

Remuneration committee	Content of case and follow-up processing	Resolution	Company's handling of the opinions of the remuneration committee
5th session of the 3rd meeting 2018.2.7	The Company's 2017 distribution of employee and directors remuneration case	Passed by all members of the committee	Raised and passed by all attending directors of the board of directors
6th session of the 3rd meeting 2018.7.12	The Company's transfer of treasury shares to employee and related matters case	Passed by all members of the committee	Raised and passed by all attending directors of the board of directors
7th session of the 3rd meeting 2018.12.17	The Company's manager's 2018 H2 operating bonus and salary adjustment case	Passed by all members of the committee	Raised and passed by all attending directors of the board of directors

(V) Implementation of corporate social responsibility:

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
1. Promote the implementation of corporate governance (1) Whether or not the Company has defined any social responsibility policy or system, and reviewed the implementation of the same?	✓		(1) Flexium "CSR Policy" is posted on the CSR Section of the Company's website. Corporate social responsibility policy of the Company: "Social care, Health, Green, Integrity, Improvement", and CSR Roadmap execution performance review is performed every quarter. Social care: Promote the spirit of social care, care the employee and feedback the society. Health: Create friendly workplace, improve employee physical and mental health Green: Pursuit of green factory, energy saving and carbon reduction to protect the earth. Integrity: Commit to integrity operation, legal transaction and protect intellectual property. Improvement: Improve management system, continue to improve and seek for root causes.	No deviation
(2) Whether or not the Company organizes social responsibility educational training programs periodically?	✓		(2) The Company organizes social responsibility educational training and re-training as well as new employee training every quarter along with the use of graphic memory method to allow employees to memorize CSR policy and KPI more easily in order to ensure that all employees of the Company understands the social responsibility and the determination of the Company in the implementation thereof.	
(3) Whether or not the Company has established any full-time (part-time) functional units dedicated to CSR handled by the high-rank management authorized by the board of directors and reporting to the board of directors?	✓		(3) In order to implement the CSR plan effectively, the Company established the CSR Committee, represented by the Director of Administration Division in order to establish, review corporate social liability policies, system or relevant management directives. The Committee members consist of labor interest and social participation members, work safety and environmental protection members, ethical management members, and management system members, and periodic management review meetings are convened in order to ensure the normal operation of the social responsibility management system of the Company. CSR budge, management plan, implementation progress are established every half year, and the managerial representative reports to the board of directors at least once a year.	
(4) Whether or not the Company has defined a reasonable remuneration policy and integrated the employees' performance appraisal system with the CSR policy, and also established express and effective reward and punishment system?	✓		(4) The operating status of the Company is described in the following: 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.	
2. Development of sustainable environment (1) Whether or not the Company is striving to raise its resource usage effectiveness, reduce its environmental impact and improve its use of recyclable materials?	✓		(1) The Company is dedicated to recycling water resources, reducing waste water, and making good use of water resource. Since its delivery of the recycling system in 2009, the recycling rate has attained 32.5% until now. The Company also asks qualified recycling service providers to transform heavy metal to usable resources. Moreover, the Company introduces new technology for heavy metal recovery-high-performance copper waste liquid electrolysis recovery equipment, recycle copper waste liquid in the plant, and greatly reduce copper ion content in wastewater discharge, in order to reduce the environmental effect caused by emission of pollutants.	No deviation

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(2) Whether or not the Company has established an environmental management system appropriate to the characteristics of its industry?	✓		(2) 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: obtain the "Fixed Pollution Source Operation Permit" issued by the environmental protection agency, and install scrubbing tower to process waste gas inside the plant in order to properly process the gas to reach the emission standard required by the law for emission. Maintenance is performed at least once every half a year. And Each year, the cleaning of the scrubbing tower shall be performed according to the actual condition annually. In addition, testing institution approved by the Environmental Protection Administration shall be appointed to perform periodic emission channel tests according to the laws. 2. Water pollution: Acquired the "water pollution prevention permit" issued by the environmental protection agency such that the waste water generated from the manufacturing process is handled by the preliminary waste water treatment equipment inside the plant in order to reach the Dafang Industry Park water treatment plant control standard for further drainage to the Dafang Industry Park water treatment plant in the jurisdiction. Every year, the waste water plant pipeline crystallization removal work was performed to increase the waste water treatment effective capacity and to reduce the agent addition amount with saving in cost expenditure in order to achieve the stability of the waste water treatment system. 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 recycle/reuse, and commission the disposal service providers approved by Environmental Protection Administration to process the waste.	
(3) Whether or not the Company is mindful of the impact of climate change on its operations, and is executing the greenhouse gas inspection, and developing a strategy to reduce carbon emissions and other greenhouse gas?	✓		(3)The Company is used to working hard to save energy and reduce carbon, and the new equipment will be installed with automatic water and power saving device to be in line with the scheduled centralized production to reduce the power consumption for standby and the environmental impact generated from the unnecessary power consumption. 1. To respond to the energy saving and carbon reduction campaign boosted in the world, the Company saves approximately 1% of energy per year (according to the requirements of the Energy Bureau's annual low inspection of 1%). 2. To respond to the emission of greenhouse gas promoted by Environmental Protection Administration (including CO_2, CH_4, N_2O and HFCs, but excluding HFCs, SF_6 and PFCs already included into Montreal Protocol on Substances that Deplete the Ozone Layer). The Company will conduct the six greenhouse gas inspection in the Plant each year to continue controlling the carbon emissions and fulfill its corporate social responsibility. 3. 2018 years of carbon reduction performance: the street tree adopts 6 trees, carbon dioxide reduction of 72 kilograms of carbon dioxide, and responds to green energy in the new plant Dafa No. 3 plant on the top floor of solar power generation: 2018 years of power generation 306,264kWh.	
3. Maintenance of social public welfare (1) Whether or not the Company has defined related management policies and procedures per the relevant laws and international human right convention?	✓		(1) The Company took into consideration the international standards including Social Accountability 8000 and Code of Conduct - Responsible Business Alliance (RBA) and enacted the "Flexium CSR Policy" to ensure that the working environment is safe, employees' interest and right are protected and respected, pollution prevention of production process and product are fulfilled, and the corporate social responsibility is fulfilled. 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

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(2) Whether or not the Company has established any complaining mechanism and channel for employees and treated the complaints adequately?	✓		(2) There are diversified complaining channels for employees, including such tangible complain mailbox as "President's Mailbox" and email, and complaining hotline. The complaints will be managed and investigated by the supervisor of the dedicated unit (Audit Office) to ensure the confidentiality/safety of the complainant, fairness of investigation process, follow-up on continuous improvement and periodic report to the Chairman.	
(3) 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?	✓		(3) 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.	
(4) Whether or not the Company establishes the mechanism for periodic communication with employees, and notification to employees of the circumstances which might materially affect the operation in a reasonable manner?	✓		(4) The Company will hold the monthly meeting each month, at which the president will explain the Company's overview of business and important motions to all employees, and the bilateral communication channel will be provided to employees and high-rank management. Each factory premises will organize the labor-management meeting per quarter pursuant to laws. To respond to material changes in operation or mass organizational adjustment, organize presentations from time to time, and have the president explain the Company's countermeasures to the section/department heads of each factory premises. For employee complaints or recommendations, the responsible supervisors shall submit reports to the President within 24 hours after receiving such complaints or recommendations. The person in charge of complaint investigation shall be designated by the general manager, and the complete investigation shall be completed within two weeks at the latest. The 'complaint investigation report' shall be reported to the general manager and submitted to the relevant department for reply to the complaint investigation and handling. Upon receipt of the 'Complaints Report', the department shall submit a preliminary reply and the estimated progress of the processing procedure within 3 working days. Upon completion of the procedure, the Complaints Report will be completed. In addition, after the handling of the matter is finished, the complaint investigation report shall be completed, and the complaint investigation report shall be completed within two weeks the latest. The Company will organize the high-rank management meeting per quarter, MBO meeting per month, and produce the card stating the Company's business policy and operating objectives and distribute the same to all employees to enable all employees to understand the Company's business policy and objectives.	
(5) Whether or not the Company establishes the effective career development and training plan for employees?	✓		(5) The Company establishes a complete training system and associated to the promotion system in order to ensure that employees are able to acquire skills necessary for performing duties. Received the TTQS Golden Award in 2016. "Promotion of Culture for Improvement" is the training policy of Flexium. Facing the increase of market competition, Flexium believes that continuous learning is able to provide energy and innovation for the Company. Through the introduction of TTQS, the talent cultivation system of Flexium is of greater depth and enhancement. Chairman Zheng and senior supervisors all participate in the promotion and training in person; in addition, the professional skill evaluation and learning development budges have been increased. We establish talent cultivation plans based on the skills, which can be divided into the core skills, management skills and professional skills. We plan various key cultivation courses for all levels such that the content is diverse and lively, and various different application activities after training are stipulated. In addition, the quality courses are further expanded to the Kunshan plant such that staff can effectively improve professional and management skills through "hands-on learning, learning from hands-on activities" by employees. The trained employees are able to not only achieve outstanding personal performance but also stimulate the team work performance growth such that numerous department improvement awards have been acquired. Most importantly, the contribution of talents of all members of Flexium can create benefits to the organization in order to allow the company to achieve outstanding	

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
			performance; through the expansion of training outcome, all employees are able to further initiate, manage and execute various social public interest projects and to implement the corporate citizen responsibility.	
(6) Whether or not the Company defines the related consumer protection policy and complaining procedure with respect to R&D, procurement, production, operation and service procedure etc.? (7) Whether or not the Company markets and labels products and services in accordance with the related laws and international standards? (8) Whether or not the Company has evaluated whether any supplier had the record affecting environment and society before trading with the supplier? (9) Do the contracts between the Company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓ ✓ ✓ ✓		(6) Not applicable, as the Company is not a manufacturer engaged in production of final products. (7) Not applicable, as the Company is not a manufacturer engaged in production of final products. (8) The Company will conduct audit and evaluation on suppliers and contractors about the social and environmental responsibility to ensure that suppliers and contractors comply with responsible business alliance specifications or local laws and regulations. If the supplier or contractor violates the social and environmental responsibility, the cooperation between it and the Company will be affected. (9) The contracts between the Company and its major suppliers do not include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society. Notwithstanding, if the Company's supplier violates its CSR policy and causes appreciable impact on the environment and society, the cooperation between it and the Company will be affected.	
4. Enhancing information disclosure (1) Does the Company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		(1) The Company has established its website at http://www.flexium.com.tw to disclose the information about approved quality, labor safety, environmental protection certification and feedback to the society, and designated dedicated unit and personnel to maintain and update the information.	No deviation
5. If the Company has established the corporate social responsibility principles based on the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the Principles and their implementation: The Company has not yet established its corporate social responsibility principles. For the status of the Company's CSR, please see Page Nos. 22~28of this Annual Report.				

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	

6. Other important information facilitating understanding of the functioning of corporate social responsibility:

The Company is always committed to fulfill its corporate social responsibility, and the relevant public interest events are disclosed as follows

Date	Item
January 2017	The Company was invited by Dafa Industrial Park again to act as the convener of the Safety and Health Promotional Association of the Industrial Park to continue sharing the Company's experience, fulfill the educational training activities and reduce the occurrence of occupational disasters in the industrial park.
January 2017	To prevent crime, the Company supports the police work development and has sponsored the Dafa Police Association and Daliao Police Association as well as the Chaoming Police Association a total of NT$ 60,000.
May 2017	The Company is honorably published in "the Top 2,000 Corporates in Taiwan Survey by CommonWealth Magazine: ranked 173rd Company in manufacturing industry 2016, ranked 86th in net income after tax", wherein the growth rate and profitability are ranked No. 1 in flexible board plants in Taiwan.
May 2017	In order to upgrade the volunteer fireman's equipment or training foundation, the Company sponsored Dafa Friends of Police Association and Daliao Volunteer Fireman Squad NTD 30,000.
May 2017	The Company co-organized the family day with Chao Liao Elementary School in Daliao District, and invited Kaohsiung Yong An Children Home and teachers to attend the activity, in order to enable the disadvantaged group to feel the family love and to fulfill the Company's corporate social responsibility. Organized the blood donation activity, and there were 117 participants for a total 40,000cc of blood donation.
June 2017	The Company further cooperated with Chaoliao Elementary School to plan the "Flexium Dream Workshop." Chaoliao Elementary proposed the integration of skills into handicrafts for interest cultivation in order to improve the scientific creativity of students, development of woodwork courses to create relevant wooden works, such that the sense of accomplishment and self-confidence of students can be enhanced, thereby further improving the artistic quality of students, and the an investment of NT$ 180,000 was made for the construction.
July 2017	During the fire crew missions in rescuing patients, one of the important tasks is to wear vests as identification and as road reflective sign, which is also a protective gear for firemen. With the understanding that the insufficient budget of the Fire Department such that the vests cannot be replaced, for the concern of the safety of firemen, the Company donated 1,200 rescue vests to the Fire Department of all Kaohsiung City for the rescue and personnel on duty, and the complete replacement of the vests cost was NT$ 800,000.
August 2017	Linyuan Office Director indicated that there were existing patrol cars reaching the disposal period of useful lifetime, and they were not adequate for use, and the Department had longed for replacement of existing patrol cars through private funding in order to fight crimes and prevent crimes. After the Company understood the needs of the Office, the Company donated one domestic Luxgen 2,000 cc. as the police patrol car of Linyuan Office, and the cost was NT$ 800,000.
October 2017	The Company received the honor of 2016 Occupational Safety and Health Outstanding Unit from the Labor Affairs Bureau of Kaohsiung City.
November 2017	The Company received the National Industrial Section "Outstanding Member Enterprise Award" of the Industrial Sector Occupational Safety and health Promotional Plan.
December 2017	in 2017, when the Company learned that the Angel's Garden had the needs for materials and financing, and the official car was a second-hand car for transporting children in the facility to hospitals for treatment, recovery, medical care, and since the official car parking outdoor had no shelter, the Company provided NT$ 180,000 for the construction of parking lot rain shelter.
2017	The Company received the award for Safety Culture Demonstration Enterprise in Kunshan City.
2017	The Company received the award for Top 10 Best Food Safety Standard Management Advanced Unit in Kunshan City.
2017	The Company received the award for Excellent Tax Payment Enterprise for Kaoxin District of Kunshan City
2017	The Company received the award for Excellent Transformation and Upgraded Enterprise for Kaoxin District of Kunshan City
January 2018	Participated in the 'Winter Warming Fund-raising Event' held by the Chaoshan Chief of Village, and cooperated with the Chief of Village to comply regional resources, and raised 2018 invoices to support the event. The winning amount will help the low-income households in Chaoliao, Huijie and Guoxi alley..
March 2018	The 'Big Love Children's Club' event was held to share the fun with the teachers and students of the Angel's Garden, so that the children of the Angel's Garden could came to learn about the outside world and inspire the children's potential and vision through interesting activities.
May 2018	In the 2017 'CommonWealth Magazine 2000 Taiwan Enterprise' survey, the Company came in: 135th in the manufacturing industry, 86th in revenue growth rate, 74th in post-tax net profit, and 214th in interest rate. Amongst which, the revenue growth rate and the interest rate came in first in Taiwan's soft board manufacturers.
October 2018	Selected as a 'Excellence Unit of Worker Safety and Health' in Kaohsiung District.
November 2018	Distributed and announced the 2017 Corporate Social Responsibility Report. Participated in the love proposal [your vote, may decide the power of love], mobilized all employees and friends and relatives to vote for the Angel's Garden to successfully raise NT$250,000 donation.
December 2018	All employees raised funds for love, and the Angel's Garden' loving pig-raising activities raised NT$15.9 million.

The Company will continue to care the locals and do things helpful to the society to keep fulfilling its corporate social responsibility.

7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: None

(VI) Corporate observance of ethical business practices and adopted measures:

Item	Status			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
1. Establish ethical business policies and programs (1) Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies? (2) Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies? (3) Does the Company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?	✓ ✓ ✓		(1) The Company has established the "Flexium Operating Procedure for Ethical Corporate Management", as well as relevant internal codes, to clarify the policies and practices of integrity management and the commitment of the board of directors and management to actively implement the Company's promise in operating policies. (2) The Company expressly stated various unethical conducts in "Flexium Operating Procedure for Ethical Corporate Management", as well as operating procedures, guidelines of conduct, punishment for violation and rules of appeal, and implemented the same. (3) The Company expressly stated various unethical conducts in "Flexium Operating Procedure for Ethical Corporate Management", as well as operating procedures, guidelines of conduct, punishment for violation and rules of appeal, and implemented the same.	No deviation
2. Implementation of ethical management (1) Does the Company evaluate its business partner's ethical records and include ethics-related clauses in business contracts? (2) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of ethical management, and report the status thereof to the board of directors periodically? (3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (4) Whether or not the Company establishes effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis? (5) Does the Company regularly hold internal and external educational trainings on ethical management?	✓ ✓ ✓ ✓ ✓		(1) 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. (2) The Company has established the Ethics Management Committee as the dedicated unit is responsible for amendments, execution, interpretation, consultation service and reported contents registration and documentation according to "Flexium Operating Procedure for Ethical Corporate Management." The unit shall also help the board of directors and management conduct the audit and evaluation on whether the preventive measures established for the ethical management operate effectively. (3) The Company has established the prevention of conflict of interest in the "Flexium Operating Procedure for Ethical Corporate Management" and it also provides appropriate report channels for explanations on the potential conflict of interest of the Company. (4) 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. (5) For the board members and the general staff, regular anti-corruption training courses (including moral education, anti-corruption and other moral related training courses) are arranged. In 2018, 1,901 person-times participated in such courses with a total of 10,048 hours.	No deviation
3. Operations of the Company's complaining system (1) Whether or not the Company establishes both complaining and reward/punishment systems, and also convenient complaining channels, and designate competent dedicated personnel against the accused?	✓		(1) The Company expressly states in "Flexium Operating Procedure for Ethical Corporate Management" that: 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.	No deviation

Item	Status			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(2) Whether or not the Company establishes standard operating procedures for accepting complaints and related non-disclosure mechanism? (3) Whether or not the Company provides proper whistleblower protection?	✓ ✓		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. (2) The Company has defined the standard operating procedures for accepting the complaints and related non-disclosure mechanism in "Flexium Operating Procedure for Ethical Corporate Management". (3) The personnel from the Company's dedicated unit in charge of the complaints shall state in writing that the complainant's identity and contents of complaint will be kept confidential. The Company also promises to protect the complainant from being treated improperly due to the complaint, and applies "Flexium Operating Procedure for Ethical Corporate Management".	
4. Enhancing information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MPOPS?	✓		(1) 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
5. If the Company has established the ethical corporate principles based on the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the Principles and their implementation: No deviation.				
6. Other important information facilitating understanding of the importation information on the ethical business operation status of the Company: None.				

(7)If the Company has defined its corporate governance principles and related regulations, it shall disclose the way to access the rules and regulations: the Company's corporate governance rules all followed the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies". Therefore, the Company doesn't define any corporate governance principles or related regulations.

(8)Other important information that helps understand corporate governance: please view MOPS at mops.twse.com.tw and the Company's website at www.flexium.com.tw.

(9)Status of internal control system:

1. Statement on Internal Control System:

台郡科技股份有限公司

內部控制制度聲明書

日期：107年2月7日

本公司民國106年度之內部控制制度，依據自行評估的結果，謹聲明如下：

一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度。其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導具可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標的達成，提供合理的確保。

二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。

三、本公司係依據「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1.控制環境，2.風險評估，3.控制作業，4.資訊與溝通，及5.監督作業。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。

四、本公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。

五、本公司基於前項評估結果，認為本公司於民國106年12月31日的內部控制制度(含對子公司之監督與管理)，包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。

六、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。

七、本聲明書業經本公司民國107年2月7日董事會通過，出席董事7人中，無人持反對意見，均同意本聲明書之內容，併此聲明。

台郡科技股份有限公司

董事長兼總經理：鄭明智 簽章

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

(10)The punishment delivered to the Company and its staff or, the punishment delivered by the Company to the staff for a violation of internal control system, the major nonconformity, and the corrective action in the most recent year and until the date of publication of the annual report:

1.According to the result of labor inspection conducted by Kaohsiung City Government in 2018, the Company was held having employees work overtime against Paragraph 2 of Article 32 of the Labor Standard Law. Therefore, the Company was fined NT$160,000 on December 4, 2018. The Company paid the fine pursuant to laws, and also asked the responsible unit to comply with the relevant requirements defined under the Labor Standard Law to meet the labor laws and regulations.

(11) 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:

1. Important resolutions of shareholders’ meeting and execution status:

Meeting date	Material resolution	Execution status:
2018.06.14	Proposals: 1.Acceptance of proposal of review report on 2017 financial statements 2.Acceptance of proposal for distribution of 2017 profits	Result of resolution has been followed. August 14, 2018 was specified as the distribution base date, and according to the resolution of the shareholders’ meeting, all of the dividends have been distributed completely on September 6, 2018.
	Discussions: 1. Amendments of the Company’s acquisition or disposal of some of the provisions of asset handling procedures case. 2. Amendments of some of the articles of the Company's Codes of association case.	Announced on the Company website, and implemented by procedure by amendments. Announced on the Company website, and implemented by procedure by amendments.

2. Materials resolution of board of director:

Date	Material resolution
2018/2/7	1. Approval on the publication of 2017 ‘Internal Control Mechanism Statement’. 2.Approval on the Company’s 2017 distribution of employee, directors and supervisors remuneration case 3. Approval on the Company’s 2017 business report 4. Approval on date, place and agenda of shareholders' meeting in 2017 case 5. Approval on settlement of shareholders who accept more than one percent of the Company's shareholdings in writing to the Company to file shareholders' meetings, periods, venues, etc. 6. Approval on the Company’s evaluation of the independence and competence of certified accountants case 7. Approval on evaluation of impact of IFRS 16 ‘Leases’ case 8. Approval on the Company’s proposed fundraising case
2018/5/3	1.Approval on 2017 surplus distribution case 2.Approval on the Company’s 2017 Season 1 consolidated financial statement case 3.Approval on the Company’s proposed fundraising case 4.Approval on amendments of the date, location and contents of 2018 shareholders’ meeting

Date	Material resolution
2018/6/11	1.Approval on the Company's proposal to buy back Company shares according to relevant regulations case
2018/7/12	1.Approval on settlement of the relevant date of the Company's cash dividend interest-bearing benchmark date 2.Proposal of transfer of the company's treasury shares to employee and related matters
2018/8/7	1.Approval on the Company's consolidated financial statements of the second quarter of 2018 2Approval on the extension of loans to subsidiaries
2018/11/9	1.Approval on the Company's proposed fundraising case
2018/12/17	1.Approval on the 2019 audit project 2.Approval on the Company's evaluation of the independence and competence of certified accountants case 3.Approval on increase of the Company's investment in mainland China case
2019/2/14	1.Approval on the Company's 2018 financial statement case 2.Approval on the Company's 2018 surplus distribution case 3.Approval on the Company's directors (including independent directors) re-election case 4.Approval of amendments of the Company's 'Company Articles' case 5.Approval on convening the Company's 2019 shareholder regular meeting 6. Approval on settlement of right to propose and nominate, period of acceptance and place of acceptance of shareholders who accept more than one percent of the Company's shareholdings

(12)Recorded or written statements made by a director or supervisor which specifies dissent to important resolution passed by the board of directors during the most recent year and up to the date of publication of the annual report: None.

(13)Resignation or dismissal of the Company's Chairman, president, chief accountant, financial officer, internal chief auditor and R&D officer: None.

VI. CPA professional fee information

(1) CPA professional fee information level table

Name of Accounting Firm	CPA's Name		Duration of audit	Remark
PwC Taiwan	Liao, Ah-Shen	Chih-Chih Wu	2018	

Unit: NT$ in thousand

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

(2) 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	Ah-Shen Liao and Chien-Chi Wu	3,977	—	—	—	1,006	1,006	2018	Inventory scrap, transfer pricing report, corporate bond issuance opinion and recapitalization of capital surplus fee

(3) In case the audit fees paid in the year retaining service from another CPA Firm is less than the audit fees paid in the year before, the amount of audit fees before/after the change of CPA Firm and the reasons for said changes must be disclosed: Not applicable.

(4) For audit fees reduced by more than 15% than the previous fiscal year, the amount of reduction, ratio and reason of the audit fees shall be disclosed: Not applicable.

VII. Change of CPA information

None

VIII. 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

IX. Any transfer of equity interests and pledge of equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10%

Change in equity of directors, supervisors, managers and major shareholders

Job Title	Name	2018		up to April 9, 2019	
		Shares held Shares increased (decreased)	Increase (decrease) in shares pledged	Shares held Shares increased (decreased)	Number shares under pledge Shares increased (decreased)
Corporate director	Chilien Investment Co., Ltd.	0	0	0	0
Corporate director	Tai Peng Development Co., Ltd.	960,000	4,000,000	150,000	0
Chairman and manager	Ming-Chih Cheng	0	0	0	0
Corporate director representative and manager	Zhi Tang Lan	(40,000)	0	0	0
Corporate director representative	Yung Chang Chan	0	0	0	0
Corporate director representative	Ji-Yan Liang	0	0	0	0
Corporate director representative	Jeng Xi Shih	0	0	0	0
Independent director	Sun Deh Chang	0	0	0	0
Independent director	Chien Hui Gong	0	0	0	0
Supervisor	Xun-Po Chuang	0	0	0	0
Supervisor	Pei-Ru Lin	0	0	0	0
Manager	Yu-Tai Cheng	(30,000)	0	0	0
Manager	Chao-Rong Gong	0	(70,000)	0	0
Manager	Chia-Hsien Tang	(263,949)	29,000	0	(29,000)
Manager	Ya-Shih Hsiung	0	0	0	0
Manager	Ruei-Chun Ma	0	0	0	0
Manager	Yi-Wen Shan	(15,000)	0	0	0
Manager	Chi-Feng Tsai (Note 1)	88,000	0	11,000	0
Manager	Yu-Hung, Lu (Note 2)	0	0	0	0

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

Note 1: Approved by the board of directors' meeting on 2018.2.7 as the manager.

Note 2: Approved by the board of directors' meeting on 2018.5.1 as the manager.

(2)Corresponding man affiliate for change of equity interests of directors, supervisors, managers and major shareholders: None.

(3) Corresponding man affiliate for pledge of equity interests of directors, supervisors, managers and major shareholders: None.

X. 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 16, 2018

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	16,036,958	5.11%	0	0%	0	0%	None	None	
Tai Peng Development Co., Ltd.	15,459,784	4.93%	0	0%	0	0%	None	None	
Fubon Life Insurance Co., Ltd.	8,695,117	2.77%	0	0%	0	0%	None	None	
Standard Chartered Bank Department of Business trusted Europe Credit Suisse Group AG – Renaissance Short-term Sales Investment Account	7,687,054	2.45%	0	0%	0	0%	None	None	
Nanshan Life Insurance	7,508,000	2.39%	0	0%	0	0%	None	None	
New Labor Pension Fund	5,656,056	1.90%	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	4,750,260	1.51%	0	0%	0	0%	None	None	
JPMorgan Chase Bank, N.A. Taipei Branch trusted Vanguard Total International Stock Index Fund Investment Account, a series of Vanguard Star Funds	4,551,002	1.45%	0	0%	0	0%	None	None	
Fubon Insurance Co., Ltd.	4,524,700	1.44%	75,386	0.02%	0	0%	None	None	
HSBC trusted Morgan Stanley & Co. Investment Account	4,380,381	1.40%	0	0%	0	0%	None	None	

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

XI. Quantity of shareholdings of the same investee by the Company, and directors, supervisors, managerial officers of the Company and the business directly or indirectly controlled by the Company, and the combined shareholdings

April 30, 2019 Unit: Thousand shares; %

Investee	Invested by the Company		Invested by directors, supervisors, managers, and enterprises controlled by the Company directly or indirectly		Combined investment	
	Shares held	Shareholding ratio	Shares held	Shareholding ratio	Shares held	Shareholding ratio
FLEXIUM INTERCONNECT INC.	50	100%	0	-	50	100%
UFLEX TECHNOLOGY CO., LTD.	50	100%	0	-	50	100%
Jun Feng investment Co., Ltd.	5,000	100%	0	-	5,000	100%
GRANDPLUS ENTERPRISES LTD.	1,881	100%	0	-	1,881	100%
SUCCESS GLORY INVESTMENTS LTD	28,010	100%	0	-	28,010	100%
FLEXIUM INTERCONNECT AMERICA LLC.	(Note)	100%	(Note)	-	(Note)	100%
CHOSEN GLORY LIMITED	0	100%	0	-	0	100%
CHAMPION BEYOND LIMITED	0	100%	0	-	0	100%
FOREVER MASTER LIMITED	0	100%	0	-	0	100%
BOOM BUSINESS LIMITED	20,000	100%	0	-	20,000	100%
CLEAR SUCCESS GLOBAL LIMITED	20,000	100%	0	-	20,000	100%
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION (Note 3)	(Note)	100%	(Note)	-	(Note)	100%
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION.	(Note)	100%	(Note)	-	(Note)	100%

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

D. Status of fund raising

I. Capital and shares

(1) Source of capital stock

Unit: shares/NT$

Year/Month	Issuance Price	Authorized capital stock		Paid-in capital		Remark		
		Shares held	Amount	Shares held	Amount	Source of capital stock	Offset by any property other than cash	Others
2018.01	10	360,000,000	3,600,000,000	317,991,158	3,179,911,580	Convert the convertible bonds into NT$ 2,267,820 dollars Convert the stock options into NT$820,000	None	Note 1
2019.01	10	360,000,000	3,600,000,000	318,214,158	3,182,141,580	Convert the stock options into NT$ 2,230,000 dollars	None	Note 2
2019.03	10	360,000,000	3,600,000,000	318,249,158	3,182,491,580	Convert the stock options into NT$ 350,000 dollars	None	Note 3

Note 1: January 25, 2018 Jing-Shou-Shang-Tzi No. 10701002950 Letter approval.

Note 2: January 3, 2019 Jing-Shou-Shang-Tzi No. 10701165340 Letter approval.

Note 3: March 7, 2019 Jing-Shou-Shang-Tzi No. 10801023820 Letter approval.

Type of share	Authorized capital stock			Remark
	Outstanding shares	Unissued shares	Total	
Common stock	318,249,158	41,750,842	360,000,000	Publicly listed

Note: Shelf registration system related information: Not applicable.

(2) Composition of shareholders

April 19, 2019

Composition of shareholders / Quantity	Government apparatus	Financial organization	Other juristic persons	Individual	Foreign institute and foreigner	Total
number of people	5	18	205	38,403	274	38,906
Shares held	12,783,474	46,139,396	33,779,546	125,902,077	94,963,227	313,567,720
Shareholding ratio	4.08%	14.71%	10.77%	40.15%	30.28%	100.00%

(3) Diversification of equity (no preferred stock issued)

April 19, 2019

Range of shares	Number of shareholders	Shares held (shares)	Shareholding ratio (%)
1~999 shares	13,900	1,918,334	0.61%
1,000~5,000 shares	20,637	38,648,816	12.33%
5,001~10,000 shares	2,200	16,837,160	5.37%
10,001~15,000 shares	709	8,870,525	2.83%
15,001~20,000 shares	392	7, 215,457	2.30%
20,001~30,000 shares	347	8, 754,738	2.79%
30,001~40,000 shares	164	5,778,827	1.84%
40,001~50,000 shares	104	4, 755,446	1.52%
50,001~10,000 shares	192	13,906,274	4.43%
100,001~200,000 shares	109	15,460,970	4.93%
200,001~400,000 shares	64	18, 192,567	5.80%
400,001~600,000 shares	23	11,122,120	3.55%
600,001~800,000 shares	12	8, 559,668	2.73%
800,001~1,000,000 shares	12	10,741,013	3.43%
1,000,001 shares and above	41	142,805,805	45.54%
Total (Note)	38,906	313,567,720	100.00%

(4) Roster of major shareholders

April 19, 2019

Name of major shareholder \ Shares	Shares held	Shareholding ratio
Cathay Life Insurance	16,036,958	5.11%
Tai Peng Development Co., Ltd.	15,459,784	4.93%
Fubon Life Insurance Co., Ltd.	8,695,117	2.77%
Standard Chartered Bank Department of Business trusted Europe Credit Suisse Group AG – Renaissance Short-term Sales Investment Account	7,687,054	2.45%
Nanshan Life Insurance	7,508,000	2.39%
New Labor Pension Fund	5,656,089	1.80%
JPMorgan Chase Bank, N.A. Taipei Branch trusted Vanguard Emergency Market Stock Index Fund Investment Account Managed by Vanguard Group Corporation	4,750,260	1.51%
JPMorgan Chase Bank, N.A. Taipei Branch trusted Vanguard Total International Stock Index Fund Investment Account, a series of Vanguard Star Funds	4,551,802	1.45%
Fubon Insurance Co., Ltd.	4,524,700	1.44%
HSBC trusted Morgan Stanley & Co. Investment Account	4,380,381	1.40%

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

Unit: NT$ dollars / thousand shares

Item \ Year			2017	2018	The current year ends on April 30, 2019
Market value per share	Highest		143.00	120.50	103.00
	Lowest		85.50	74.50	68.30
	Average		111.90	93.88	86.20
Net value per share	Before distribution		56.17	60.34	(Note 8)
	After distribution (Note 1)		56.17	60.34 (Note 7)	Not applicable
Earnings per share	Weighted average shares (thousand shares)		303.555	309,272	(Note 8)
	EPS (Note 2)	Before adjustment	10.07	8.55	(Note 8)
		After adjustment	10.07	8.55 (Note 7)	Not applicable
Dividends per share	Cash dividends		5.0	5.0 (Note 7)	Not applicable
	Free-Gratis dividends	Retained shares distribution	0	0	Not applicable
		Capital surplus shares distribution	0	0	Not applicable
	Retained dividends (Note 3)		0	0	Not applicable
Return on investment analysis	Price-Earnings Ratio (Note 4)		11.11	10.98	Not applicable
	Dividend yield (Note 5)		22.38	18.78 (Note 7)	Not applicable
	Cash dividend yield (Note 6)		4.47%	5.33% (Note 7)	Not applicable

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: The 2018 surplus distribution proposal is approved by the board of director on February 14, 2019, and shall yet to be approved by the shareholders meeting.

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

(6) 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. Status of distribution of dividends proposed at the 2018 shareholders' meeting:

The board of director of the Company approved the proposed NT$5 dollars per share for the distribution of cash dividends of 2018 on February 14, 2019. Total dividends are NT$1,566,284 thousand dollars. It is proposed that such distributions can be made upon approval by 2019 shareholders meeting.

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

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

(8) Remuneration to employees, directors and supervisors:

1. Proportion or scope of employee bonus and remuneration to directors/supervisors 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 and supervisors. 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

The profit of current year mentioned in the first item refers to the profit before tax in current year inclusive of the compensation to employees, directors and supervisors.

A Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as compensation to employees, directors and supervisors, and reported to the shareholders meeting for approval.

2. The accounting in the case of deviation from the basis for stating employee bonus and remuneration to directors/supervisors, 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 amount of remuneration to employees distributed in cash or stock, and remuneration to directors and supervisors.

A. Resolved to allocate for the employees the cash dividend NT$86,000 thousand dollars.

B. Resolved to allocate the directors/supervisors the remuneration, NT$15,000 thousand.

C. The cause resulting in discrepancy from the estimated figures for employee bonus and remuneration to directors/supervisors, 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: None.

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

The motion for allocation of earnings 2018 is still under resolution by the shareholders' meeting.

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

The 2017 distribution proposal approved in the shareholders' meeting dated June 14, 2018 of the Company is as follows:

Item	Shareholders' meeting resolution Distribution amount (NT$)	Original board of director's resolution Distribution amount (NT$)	Difference
Employee cash bonus	93,000,000	93,000,000	None
Remuneration of directors and supervisors	15,000,000	15,000,000	None

(9) Repurchase of the Company's shares:

April 30, 2019

No. of repurchase	the 7th	the 8th	the 9th
Purpose of repurchase	Shares transferred to employees	Before the amendment: maintain company credit and shareholders' rights and benefits After the amendment: For shares transfer (Note 1)	Shares transferred to employees
Repurchase period:	2016/12/21~2017/2/20	2017/11/2~2018/12/20	2018/6/12~2018/7/11
Price range of repurchase	NT$ 65 ~ NT$ 115	NT$ 90 ~ NT$ 160	NT$ 70 ~ NT$ 120
Repurchased shares Type and quantity	1,627,000 shares	5,000,000 shares	2,506,000 shares
Amount of repurchased shares	NT$ 145,039,802	NT$ 584,750,001	NT$ 233,992,477
Amount of shares already cancelled and transferred	1,627,000 shares	2,513,562 share	0 share
Accumulated shares of the Company held	0 shares	2,486,438 shares	4,992,438 shares
Shares cumulatively held to total shares authorized to issue (%)	0%	0.78%	1.57%

Note 1: The purpose of the 8th shares repurchased was approved by the board of directors on December 12, 2017 for conversion of equity.

II. Status of corporate bond

Status of corporate bond

April 30, 2018

<table>
<tr><td colspan="2">Type of corporate bond</td><td>First unsecured convertible corporate bonds of 2019</td></tr>
<tr><td colspan="2">Issuance date</td><td>2019/01/22</td></tr>
<tr><td colspan="2">Par value</td><td>USD$100,000 or its integral multiple</td></tr>
<tr><td colspan="2">Place of issuance and exchange</td><td>Singapore Exchange Limited</td></tr>
<tr><td colspan="2">Issuing price</td><td>The bond is issued at full face value.</td></tr>
<tr><td colspan="2">Total</td><td>USD$100,000 thousand</td></tr>
<tr><td colspan="2">Interest rate</td><td>Coupon rate: 0%</td></tr>
<tr><td colspan="2">Period</td><td>3 years; Expiry date: 2021/01/22</td></tr>
<tr><td colspan="2">Guarantee institution</td><td>None</td></tr>
<tr><td colspan="2">Trustee</td><td>CITICORP INTERNATIONAL LIMITED</td></tr>
<tr><td colspan="2">Underwriting institution</td><td>Foreign main underwriter: KGI ASIA LIMITED
Local main underwriter: KGI securities</td></tr>
<tr><td colspan="2">Certified Attorneys</td><td>Gai-Ci, Gao Law Offices Cheng-Yang, Chen, Attorney-at-Law</td></tr>
<tr><td colspan="2">CPA</td><td>PwC Taiwan Yi-Hwa, Li, CPA</td></tr>
<tr><td colspan="2">Repay method</td><td>(1) Unless the bond has been bought back, purchased back and revoked or that the bond holder (hereinafter referred to as ‘bond holder’) exercises his or her right to convert relevant rights, the bond is to be paid back fully by the issuing company according to bond value by its expiry date.
(2) Paid-back price by expiry date shall be converted to NTD according to fixed currency exchange rates. Such values shall be paid back in USD according to currency exchange rate of the time (currency exchange rate set by fixing price information displayed by Taipei Forex Inc. at 11 a.m.).</td></tr>
<tr><td colspan="2">Principle not yet repaid</td><td>USD$100,100 thousand dollars</td></tr>
<tr><td colspan="2">Redemption or early repayment clause</td><td>1. From the day when the bond has been issued for two years and before expiry date, in cases when common stock of the issuing company reaches 130% or more of the early buy-back value of issuing company times exchange rate of the time divided by denomination for an executive 30 working days by closing price of Taiwan Stock Exchange after converted to USD according to currency exchange rate of the time, the issuing company may purchase back all or part of the bond by early buy-back value.
2. If more than 90% of the bond has been purchased back, converted, bought back or revoked, the issuing company may purchase back all of the remaining circulating bond early according to early buy-back value.
3. If changes occur in Taiwan R.O.C.’s taxing legal regulations, leading to the issuing company to suffer from an increased taxing load after issuance date because of the bond and shall be responsible for extra fee or an increased cost, the issuing company may fully purchase back all of the bond early according to the early buy-back value of issuing company
4. Early buy-back value of issuing company shall be converted to NTD by fixed currency exchange rate, and purchased after converted to USD according to currency exchange rate of the time (currency exchange rate set by fixing price information displayed by Taipei Forex Inc. at 11 a.m.).</td></tr>
<tr><td colspan="2">Restrictive clauses</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating organization, rating date, bond rating results</td><td>None</td></tr>
<tr><td rowspan="2">Other rights</td><td>Amount of converted common shares</td><td>NT$0</td></tr>
<tr><td>Issuance and conversion (traded or subscribed) regulations</td><td>See MOPS-various exclusive sections-bond section</td></tr>
<tr><td colspan="2">Possible dilution of equity and impact on equity of existing shareholders</td><td>10.35%；
The dilution effect is limited and, therefore, no material impact would be rendered against the equity of existing shareholders.</td></tr>
<tr><td colspan="2">Name of commissioned custodial institution for objects exchanged</td><td>Not applicable</td></tr>
</table>

Information about the convertible bonds

Type of corporate bond		First unsecured domestic convertible corporate bonds of 2019
Item / Year		2019 until April 30, 2019
Market value of convertible corporate bond	Highest	$119.19
	Lowest	$110.28
	Average	$112.92
Conversion price (NT$)		$83.95
Issuance (processing) date and conversion price at time of issuance		Issuance date: 2019/01/22 Conversion price at time of issuance: 83.95
Method of fulfilling conversion duty		Deliver new shares

III. Status of preferred shares

None

IV. Status of GDR/ADR

None

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

(1) Unexpired employee stock option certificates issued by the Company in existence and the effect of such certificates upon shareholders' equity

April 30, 2019

Type of employee stock option certificate	First (session) 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 subscribable shares to total issued shares Ratio of total number of issued shares	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 dollar amount of the shares subscribed	NT$ 95,864,465 dollars
Number of shares that have not been subscribed	158,250 shares
Subscription price per share of the unsubscribed shares	NTS 23.2
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.

(2)Names and subscription status of managers who have obtained employee stock option certificates and of employees who rank among the top ten in terms of the number of shares to which they have subscription rights through employee stock option certificate acquired, cumulative to the date of publication of the annual report.

First employee stock option certificate in 2009

April 30, 2019

	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 2)	Subscribed				Not subscribed			
					Number of shares which have been subscribed (thousand shares)	Subscription price (NT$ thousand dollars)	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)	Subscripti on price	Subscription amount (NT$ thousand dollars)	Ratio of the number of shares which have been subscribed to the number of issued (%) (Note 2)
Manager	President	Ming-Chih Cheng	730	0.23%	730	29.90 31.30 35.50 37.98	26,298	0.23%	0	0	0	0%
	Foreman of Kunshan Plant	Yu-Tai Cheng										
	Director of Sourcing Division	Chao-Rong Gong										
	Foreman of Kunshan Plant	Ruei-Chun Ma										
	Director of Administration Division	Zhi Tang Lan										
Employee	Executive Vice President	Jeng Xi Shih (Note 1)	738	0.23%	593	23.20 26.60 31.30 35.50 37.98 40.41	20,915	0.17%	0	0	0	0.02%
	Director	Song-Yu Tseng (Note 1)										
	Director	Cheng-Chia Kuo (Note 1)										
	Vice Director	Chun-Chi Lien										
	Vice Director	Wen-Liang Chang (Note 1)										
	Vice Director	Fong-Hao Yang (Note 1)										
	Manager	Meng-Hsi Wu										
	Manager	Chi-Chang Peng										
	Section Chief	Yi-Hsun Lin										
	Senior specialist	Chien-Ying Yang (Note 1)										

Note 1: Resigned

Note 2: The total number of issued shares refers to the number of shares registered in the change registration information at the Ministry of Economic Affairs.

(3)Restriction on employee share subscription warrant: None.

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

None

VII. Status of execution of capital utilization plan

None

E. Overview of operations

I. Business contest

(1) 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 Circuit (FPC), and assembly, sampling and modules thereof.

2.Current products and business weight portion thereof:

By product	Net operating revenues (NT$ thousand dollars)	Weight (%)
Flexible printed circuit	26,770,491	100.00

3. New products (services) under development:

R&D Item	Future market needs
Wafer flip chip substrate	Use in IC construction
25um / 25um thin-line substrate	Substrate used for LCD / HD
4-8 layered flexible -hard combo substrate	Substrate for communication / medical use
6 layered multi-layer flexible substrate	Substrate used for camera
COF	LCD monitor
LED backlight module flexible substrate	LCD monitor
Blind and buried vias hole plating	Smartphone
Laser drilling	Laptop
Double substrate continuous process	Touch screen

(2) Overview of industry

1. Current industrial condition and development

The Printed Circuit Board (PCB) is a basic panel used in the assembling of electronic modules. Its main function is to connect different electronic modules into a single printed circuit board, thereby constructing electronic circuits with specific functions using metal conductors in the printed circuit board as links. Therefore, PCBs are now basic components for all electronic products.

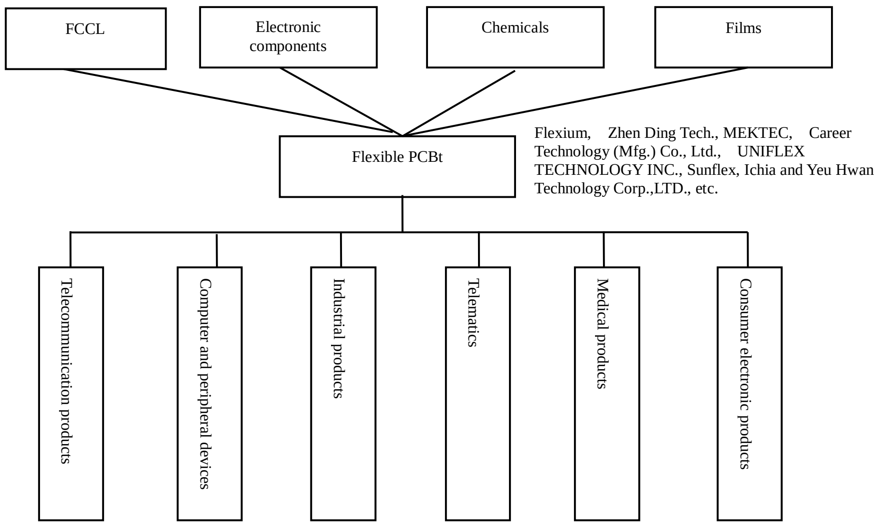
PCBs can be mainly divided into Rigid PCBs, flexible PCBs and IC panels. Amongst which, flexible PCBs are produced by connecting and compressing FCCL with flexible insulation layers. After various processing procedures such as corrosion and engraving, only the needed circuits are left to act as media for the transmission of electronic signals. As PCBs possess characteristics such as dense circuit lines, is light, thin, small with decreased error rate for circuit lines, good ductility and malleability, etc., flexible PCBs are widely applied to the making of consumer electronic products.

Upstream of flexible PCBs offer main ingredients including copper-clad panels, chemicals, films and electronic components. Downstream of which can be applie to various electronic products including information, telecommunication and consumer goods. In recent years, many component functions are modulized, creating products such as LED monitor modules, camera modules and LED back-light modules, etc. As interior circuit design of PCBs are relatively complex, they have been developed to be widely applied on suitable flexible panels of various modules. Such flexible panels are suitable to unique modules and requires different characteristics, such as the mobile phone lens modules require flexible printed circuits with high twistiness, LED back-light modules require a high level of heat-resistance, upstream ingredients, manufacturing processes, level of technology can play a significant impact on the quality of flexible PCBs. Therefore, the flexible printed circuit industry pursues the completeness and compatibility of the up-stream, mid-stream and down-stream dealers.

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

Relations among the upstream, mid-stream and downstream of the flexible boar industry is shown in the following:

Chart showing relations with the flexible board industries upstream, mid-stream and downstream in Taiwan



3.Development trends of products

In recent years, as electronic products are in the face of the need for thinner, lighter, better energy-conserving and touch panels, flexible PCBs are applied in more aspects with wider usage. The Industrial Technology Research Institute (IEK) expects that global flexible PCB product value of 2018 can increase to USD$12.6 billion from $11.7 billion of 2017, showing that flexible PCBs are the type of products with best potential for development amongst all PCBs.

As flexible PCBs are mainly applied to the production of various electronic products, including that of information, telecommunication and consumer goods, the future growth and trends of development of the market the Company and its subsidies belong to shall be closely related to the market of such products.

4.Competition

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.

Mobile devices and new devices and technology evolve rapidly and thereby make the competition become more and more intensive. The Company outperforms the others because it not only engages in production and sale of the FPC for computers, LCD, consumable electronic products and e-equipment, and the FPC similar to navigation screen for car, but also participates in the discussion with customers about design to the stage of product design, in order to control the cost effectively. Meanwhile, with the speedy and rapid service, the Company provides customers with the one-stop service ranging from production to shooting of trouble.

(3)Overview of technology and R&D

1.R&D expenses invested in the most recent year and until the date of publication of the annual report

Unit: NT$ in thousand

Year	2018
R&D expenses	1,211,453
Operating revenues	26,770,491
To operating revenue (%)	4.53

2.Technology or product developed successfully in the most recent year and until the date of publication of the annual report

By product	Technology
Mobile phone wireless charging module, intellectual identification lens module, AR / VR application module, AI application module, smart home security system module, laptop computer battery module	Wireless charging FPC measurement technology, laser micro-hole drilling, antenna laser diagram, simulation software for coupling of near-field and antenna, microvia full fillet technology development, substrate-like RTR manufacturing technology development, surface mount technology, fine-line flexible printed circuit board

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

1. 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.
2. 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.

II. Overview of market and production and marketing

(1) Market analysis

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

Unit: NT$ in thousand

Territory \ Year		2017 Amount	2017 %	2018 Amount	2018 %
Domestic marketing		1,686,990	6.53	1,780,077	6.65
Export	Asian region	9,264,305	35.84	9,008,765	33.65
	Territories in Europe and the U.S.A.	14,895,108	57.63	15,981,649	59.70
	Sub-total	24,159,413	93.47	24,990,414	93.35
Total		25,846,403	100.00	26,770,491	100.00

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

As one of the top three flexible print circuit (FPC) provider in Taiwan, Flexium offers main products of double sided, single-sided and multilayer rigid-flex panels, etc. used in telecommunication, computer and consumer electronic products.

With the popularization of smart watches, smart bracelets and wearable medical monitors, consumers are well adapted to the various smart wearable devices, and the need for which is growing day by day.

Amongst which, in the modern aging society and popular trends for healthcare, even the telecommunication industry is eying the huge profit health monitering devices can bring. Smart wearable devices can be worn for a long time without affecting users' everyday lifestyle. They can detect, collect, display information automatically for a long time, while also being able to connect to online information and transmit which online for future elderly and healthcare fanatics to develop the corresponding healthcare solutions for themselves. As proven by researchers from Moscow Institute of Physics and Technology (MIPT) and biological technology company GERO, one may develop aging and weakening digital biological standards from body activity information collected by wearable devices for a period of merely one week. Therefore, continuous health risk monitoring may offer instant information for life and healthcare insurances, medical care and exercise providers, acting as an immense pushing force for the sales of wearable devices in the future.

Moreover, as smart bracelets are improved continually, the latest models include special features such as being able to view, reply messages, control music playing, mobile payment, audio assistant, etc., in addition to touch screens. Detachable bracelet screens and Bluetooth earphones are also included in some models for use. Such diverse development of functions are attracting more and more consumers, bringing on the trend of wearable devices.

According to a research conducted by Gartner, an international research consulting organization, global sales of wearable devices will increase from 347.53 million in 2018 to 504.65 million in 2021. Such growth is a result of the development of branded manufacturers such as Apple and Xiaomi, but also because of the growth of the above-mentioned wearable medical monitors, smart bracelets and the introduction of traditional watch brands in the competition of smart wearable devices. As a result, with the growth of sales of wearable devices, flexible PCBs that are widely applied in the production of which are also benefitted and the market of which is expected to grow alongside that of wearable devices.

3. Competitive niche

(1)Growth in shipped smartphone offers force for growth of flexible PCB industry

In the past, the production of one functional mobile phone shall use around 3 to 5 pieces of flexible PCBs. As nowdays, consumers ask for products that are lighter, thinner and with more diverse functions, manufacturers must use flexible PCBs in limited space to maximize functional modules of electronic components. The latest smartphone models shall require more than 20 pieces of flexible PCBs, which is more than four times that of traditional phones. Therefore, sales of smartphones can also affect development of the industry.

Nonetheless, growth of the need for smartphones have come to halter in recent years, and sales did not prosper as expected. However, the popularization of 5G networks in the future will undoubtedly speeden how 4G phones are being replaced, thereby bringing on a wave of purchase for new phones from smartphone users. Also, various mobile phone manufacturers are devoting a large amount of resources in research and development and sales of foldable phones and those with multi-cameras. The need for flexible PCBs will only grow in the future.

Furthermore, according to the prediction of IDC in May 2018, the global smartphone market is expected to experience a gradual increase of global shipping amount of 1.462 billion in 2018 to 1.654 billion in 2022. Compound annual growth rate (CAGR) from 2018 to 2022 is 2.5%, showing that sales of flexible PCBs will continue to grow, thereby supporting growth for the industry.

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

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

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.

In the future, electronic products will become thinner and lighter with more diversified functions, indicating that the trend of portable electronic products. The FPC industry is expected to stimulate the growth of demand for FPC by following the trend.

(2)Negative factors: High population density 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 of product 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.

(2) Important purpose and production process of main products

1. Important purpose of main products

Main products	Important purpose or function
Flexible print Circuit board	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

(3) 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.

(4)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	2017				2018			
	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	3,793,205	19.73	None	Company B	2,925,585	17.56	None
2	Others	15,436,914	80.27	—	Others	13,735,195	82.44	—
	Net purchase	19,230,119	100.00		Net purchase	16,660,780	100.00	

Over the last two years, the number of suppliers accounted for more than 10% of the material inbound of the Company is only 1 supplier, and the number of suppliers for material inbounds of the Company less than 10% accounts for 80%, which indicates that the main suppliers of the Company are in excellent cooperation, the material supply sources are stable, and there are no concentration of material inbound.

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

Unit: NT$ thousand; %

Item	2017				2018			
	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	14,718,449	56.95	None	Company A	15,803,579	59.03	None
2	Others	11,127,955	43.05	—	Others	10,966,911	40.97	—
	Net sale	25,846,404	100.00		Net sale	26,770,490	100.00	

Mainly affected by changes in customer business and adjustments to sale strategies of end branded manufacturers.

(5)Production value in recent two years

Unit: M²; NT$ thousand dollars

Year / Production value / Main product	2017			2018		
	Production capacity	Output	Output value	Production capacity	Output	Output value
Flexible printed circuit	1,241,172	992, 938	20, 574, 669	1,318,988	1,028,810	20,773,310
Total	1,241,172	992, 938	20, 574, 669	1,318,988	1,028,810	20,773,310

(6)Sales value in recent two years

Unit: thousand pieces/NT$ thousand dollars

Year / Sale value / Main product	2017				2018			
	Domestic marketing		Export		Domestic marketing		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Flexible printed circuit	57,974	1,686,990	717,573	24,159,413	57,653	1,780,077	774,765	24,990,414
Total	57,974	1,686,990	717,573	24,159,413	57,653	1,780,077	774,765	24,990,414

III. Number of employees for the most recent two years and until the date of publication of annual report

Unit: person; %

Year		2017	2018	2019 up to the date of March 31
Number of employees	Direct labor	5,170	3,952	5,319
	Indirect labor	1,382	1,421	1,4244
	Total	6,552	5,373	6,743
Average age		31	31	31
Average service seniority		2.98	4.01	3.22
Ratio of educational background	Ph.D.	0.08%	0.07%	0.06%
	Master	2. 22%	2.67%	2.75%
	University (college)	30.80%	32.25%	29.68%
	Senior high school	66.90%	65.01%	67.51%
	Below senior high school	0.00%	0.00%	0.00%

IV. Environmental protection expenditure information

Total losses (including damage awards) and fines for environmental pollution for the most recent two years, and during the current fiscal year up to the date of publication of the annual report, future countermeasures (including corrective measures) and possible expenditure:

Item	2018	2019 up to the date of April 30
Loss suffered for environmental pollution	RMB $940,000	NT 60,000
Future response	Complete rectification work according to the requirements of local environmental protection agencies in China, and implement monitoring and management of relevant waste disposal equipment	The penalty is due to a false declaration and the system will be optimized in the future.
Possible expenditure	None	None

V. Labor relationship

(1)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.

In 2018, the total number of hours of employee training is 135,131 hours, and on average, each employee training hour is 48 hours. The content of the training includes new employee training, general knowledge courses, project management and various professional skill trainings. The annual training expense is of the total of approximately NT$ 17.39 million dollars.

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 therefrom.

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.

Also, 6 labor and management meeting labor representatives were elected by employees in 2018 in accordance with 'Labor and Management Meeting Guidelines', giving employees a channel for smooth communication and delivery of opinions.

(2)Loss suffered due to labor disputes of the latest fiscal year and up to the printing date of annual report:

None

VI. Important contracts

Up to the date of April 30, 2019

Nature of contract	Contractual parties	Duration	Main contents	Restrictive clauses
Real estate lease contract	Yuan An Enterprise Co., Ltd.	2018/03/15~2023/03/14	Land and plant lease	None
Real estate lease contract	Chia-Huei Chiu	2019/03/15~2021/03/14	Plant lease	None
Real estate lease contract	Wen-Chang Lu	2017/05/01~2020/04/30	Lease of Office at Pingzhen	None
Real estate lease contract	Forward Electronics	2018/02/16	Land and plant lease	None
Real estate sale contract	Kaohsiung City Government	2018/09/12	Purchase of Ho Fa Industrial Park land	i. Construction shall be completed and put to use within 3 years after land is accepted. ii. Land may be transferred upon 5 years of land use.
Land construction contract	LiJin Engineering Co., Ltd.	2019/03/11	Land construction of Ho Fa Industrial Park plant	None

F. Financial overview

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

(1) Information of Condensed balance sheets and statements of comprehensive income under International Financial Reporting Standards

1. Consolidated condensed balance sheet

Unit: NT$ in thousand

Item \ Year		Financial information for the most recent five years (Note 1)				
		2014	2015	2016	2017	2018
Current assets		13,929,204	15,795,569	17,393,357	23,969,161	21,138,145
Real estate, plants and equipment		5,555,217	5,383,606	5,017,555	6,196,860	5,630,571
Intangible assets		49,678	38,477	39,205	37,325	85,717
Other assets		676,040	707,953	1,066,448	522,887	770,269
Total amount of assets		20,210,139	21,925,605	23,516,565	30,726,233	27,624,702
Current liabilities	Before distribution	8,888,735	5,565,726	5,902,466	12,214,136	7,619,715
	After distribution	9,431,743	6,706,461	7,199,298	13,758,629	9,185,999
Non-current liabilities		2,314,553	1,159,904	2,084,197	651,689	803,310
Total amount of liabilities	Before distribution	11,203,288	6,725,630	7,986,663	12,865,825	8,423,025
	After distribution	11,746,296	7,866,365	9,283,495	14,410,318	9,989,309
Equities belong to the owner of the parent Company		9,006,851	15,199,975	15,529,902	17,860,408	19,201,677
Capital		2,225,691	2,779,829	2,995,325	3,179,912	3,182,954
Capital reserve		1,199,800	4,709,307	4,504,836	3,990,243	3,859,566
Retained earnings	Before distribution	5,692,748	7,905,876	9,543,460	11,874,509	12,987,385
	After distribution	5,149,740	6,765,141	8,822,998	10,330,016	11,421,101
Other equities		216,800	181,316	(73,422)	(212,254)	(303,446)
Treasury stock		(328,188)	(376,353)	(1,440,297)	(972,002)	(524,782)
Non-controlling equities		0	0	0	0	0
Total amount of equities	Before distribution	9,006,851	15,199,975	15,529,902	17,860,408	19,201,677
	After distribution	8,463,843	14,059,240	14,233,070	16,315,905	17,635,393

Note 1: All of the financial information from 2014 to 2018 have been audited and certified by CPA; the financial information of the latest quarter has not been audited by CPA up to the printing date of annual report.

2. Individual condensed balance sheet

Unit: NT$ in thousand

Item		Financial information for the most recent five years (Note 1) 2014	2015	2016	2017	2018
Current assets		15,255,835	15,263,497	16,449,868	20,005,453	18,063,782
Real estate, plants and equipment		920,139	1,050,228	1,234,948	2,643,810	2,663,835
Intangible assets		46,805	36,466	37,956	31,127	77,565
Other assets		3,738,500	3,855,015	4,761,789	5,823,003	7,296,489
Total amount of assets		19,961,279	20,205,206	22,484,561	28,503,393	28,101,671
Current liabilities	Before distribution	8,649,624	3,849,126	4,873,282	10,015,293	8,100,020
	After distribution	9,192,632	4,989,861	6,170,114	11,559,786	9,666,304
Non-current liabilities		2,304,804	1,156,105	2,081,377	627,692	799,974
Total amount of liabilities	Before distribution	10,954,428	5,005,231	6,954,659	10,642,985	8,899,994
	After distribution	11,497,436	6,145,966	8,251,491	12,187,478	10,466,278
Equities belong to the owner of the parent Company		9,006,851	15,199,975	15,529,902	17,860,408	19,201,677
Capital		2,225,691	2,779,829	2,995,325	3,179,912	3,182,954
Capital reserve		1,199,800	4,709,307	4,504,836	3,990,243	3,859,566
Retained earnings	Before distribution	5,692,748	7,905,876	9,543,460	11,874,509	12,987,385
	After distribution	5,149,740	6,765,141	8,822,998	10,330,016	11,421,101
Other equities		216,800	181,316	(73,422)	(212,254)	(303,446)
Treasury stock		(328,188)	(376,353)	(1,440,297)	(972,002)	(524,782)
Non-controlling equities		0	0	0	0	0
Total amount of equities	Before distribution	9,006,851	15,199,975	15,529,902	17,860,408	19,201,677
	After distribution	8,463,843	14,059,240	14,233,070	16,315,915	17,635,393

Note 1: All of the financial information from 2014 to 2018 have been audited and certified by CPA.

3. Consolidated condensed statements of comprehensive income

Unit: NT$ in thousand

Item \ Year	Financial information for the most recent five years (Note 1)				
	2014	2015	2016	2017	2018
Operating revenues	13,071,783	18,100,327	19,096,283	25,846,403	26,770,491
Operating gross profit	2,892,982	4,805,949	4,539,382	5,661,828	5,120,283
Operating income	1,783,966	3,403,641	3,052,351	3,960,866	3,152,974
Non-operating revenues and expenses	274,791	259,495	(92,601)	(84,080)	327,729
Net profit before tax	2,058,757	3,663,136	2,959,750	3,876,786	3,480,703
Net profit of the current term from continuing operations	1,486,886	2,758,779	2,275,180	3,056,836	2,644,712
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) of the current term	1,486,886	2,758,779	2,275,180	3,056,836	2,644,712
Other comprehensive income (net amount after tax) of the current term	169,906	(38,127)	(258,592)	(144,157)	(78,535)
Total amount of comprehensive income of the current term	1,656,792	2,720,652	2,016,588	2,912,679	2,566,177
Net profit belonging to the owner of the parent Company	1,486,886	2,758,779	2,275,180	3,056,836	2,644,712
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	1,656,792	2,720,652	2,016,588	2,912,679	2,566,177
Total amount of comprehensive income belonging to the non-controlling equities	0	0	0	0	0
Earnings per share	6.40	10.32	8.42	10.07	8.55

Note 1: All of the financial information from 2014 to 2018 have been audited and certified by CPA; the financial information of the latest quarter has not been audited by CPA up to the printing date of annual report.

4.Individual condensed statements of comprehensive income

Unit: NT$ in thousand

Item \ Year	Financial information for the most recent five years (Note 1)				
	2014	2015	2016	2017	2018
Operating revenues	12,747,020	17,780,719	18,186,196	25,425,049	26,629,126
Operating gross profit	1,713,154	3,426,254	2,942,561	3,982,755	3,070,630
Operating income	1,208,627	2,814,765	2,387,154	3,219,214	2,274,497
Non-operating revenues and expenses	700,909	669,979	453,168	652,478	1,153,360
Net profit before tax	1,909,536	3,484,744	2,840,322	3,871,692	3,427,847
Net profit of the current term from continuing operations	1,486,886	2,758,779	2,275,180	3,056,836	2,644,712
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) of the current term	1,486,886	2,758,779	2,275,180	3,056,836	2,644,712
Other comprehensive income (net amount after tax) of the current term	171,950	(38,127)	(258,592)	(144,157)	(78,535)
Total amount of comprehensive income of the current term	1,656,792	2,720,652	2,016,588	2,912,679	2,566,177
Net profit belonging to the owner of the parent Company	1,486,886	2,758,779	2,275,180	3,056,836	2,644,712
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	1,656,792	2,720,652	2,016,588	2,912,679	2,566,177
Total amount of comprehensive income belonging to the non-controlling equities	0	0	0	0	0
Earnings per share	6.40	10.32	8.42	10.07	8.55

Note 1: All of the financial information from 2014 to 2018 have been audited and certified by CPA.

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

Year	Accounting firm	CPA	Audit opinions	Remark
2014	PwC Taiwan	A-Shen Liao and Yi-Chang Lin	Unqualified opinion	
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	A-Shen Liao and Chien-Chi Wu	Unqualified opinion	
2018	PwC Taiwan	Ah-Shen Liao and Chien-Chi Wu	Unqualified opinion	

II. Financial analysis for the most recent 5 years

(1) Consolidated financial analysis

Analysis item		Financial analysis for the most recent 5 years (Note 1)				
	Year	2014	2015	2016	2017	2018
Financial structure (%)	Liabilities to assets	55.39	30.67	33.96	41.87	30.49
	Long-term capitals to property, plant and equipment	203.80	303.88	351.05	298.73	355.29
Solvency %	Current ratio	156.71	283.80	294.68	196.24	277.41
	Quick ratio	135.32	246.02	256.96	153.61	226.83
	Interest protection multiples	19.44	54.29	90.49	239.47	659.85
Operating ability	Receivable turnover (times)	2.64	4.85	5.14	4.15	3.57
	Average collection days	138.25	75.25	71.01	87.95	102.24
	Inventory turnover (times)	5.82	6.20	7.10	5.55	4.72
	Payable turnover (times)	3.58	4.74	4.67	3.73	3.77
	Average inventory turnover days	62.71	58.87	51.40	65.76	77.33
	Real estate, plants and equipment turnover (times)	2.35	3.36	3.67	4.61	4.53
	Total assets turnover (times)	0.65	0.83	0.84	0.95	0.92
Profitability	Return on assets (%)	8.05	13.37	10.13	11.32	9.08
	Return on equities (%)	17.35	22.79	14.81	18.31	14.27
	Net profit before tax to paid-in capital (%)	92.58	131.78	98.81	121.91	99.06
	Net profit ratio (%)	11.37	15.24	11.91	11.83	9.88
	Earnings per share (dollar)	6.71	10.83	8.42	10.07	8.55
Cash flow	Cash flow ratio	38.23	96.71	19.78	25.36	40.77
	Cash flow adequacy ratio (%)	65.86	117.24	114.40	106.02	118.22
	Cash reinvestment ratio (%)	22.77	25.48	0.13	8.02	6.23
Leverage	Operating leverage	1.44	1.27	1.33	1.69	1.40
	Financial leverage	1.07	1.02	1.01	1.00	1.00

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

1	Liabilities to assets	Due to the decrease of account payable caused by decrease of material inbound in 2018.
2	Current ratio	Due to the decrease of account payable caused by decrease of material inbound in 2018.
3	Quick ratio	Due to the decrease of account payable caused by decrease of material inbound in 2018.
4	Interest protection multiples	This is due to the decrease in profits in 2018.
5	Asset return rate (%)	This is due to the decrease in profits in 2018.
6	Equity return rate (%)	This is due to the decrease in profits in 2018.
7	Rate of net profit before tax to paid-in capital (%)	This is due to the decrease in profits in 2018.
8	Cash flow ratio (%)	This is due to the decrease of net cash flow from operating activities caused by decrease of profit in 2018.
9	Cash reinvestment ratio (%)	This is due to the decrease of net cash flow from operating activities caused by decrease of profit in 2018.

Note 1: All of the financial information in each fiscal year have been audited and certified by CPA; the financial information of the latest quarter has not been audited by CPA up to the printing date of annual report.

(2)Individual financial analysis

Analysis item		Financial analysis for the most recent 5 years (Note 1)				
	Year	2014	2015	2016	2017	2018
Financial structure (%)	Liabilities to assets	54.88	24.77	30.93	37.34	31.67
	Long-term capitals to property, plant and equipment	1,229.34	1,557.38	1,426.07	699.3	750.86
Solvency %	Current ratio	176.38	396.54	337.55	199.75	223.01
	Quick ratio	168.79	377.65	319.48	181.72	209.63
	Interest protection multiples	20.08	59.22	86.88	249.25	649.85
Operating ability	Receivable turnover (times)	1.56	2.61	5.03	4.67	3.61
	Average collection days	233.97	139.84	72.56	78.15	101.10
	Inventory turnover (times)	8.69	16.18	18.86	15.85	16.14
	Payable turnover (times)	3.48	4.41	5.26	3.87	3.31
	Average inventory turnover days	42.00	22.55	19.35	23.05	22.61
	Real estate, plants and equipment turnover (times)	13.59	18.05	15.92	14.66	10.03
	Total assets turnover (times)	0.70	0.89	0.85	1.11	0.94
Profitability	Return on assets (%)	8.67	13.98	10.79	12.04	9.36
	Return on equities (%)	17.37	22.79	14.81	18.31	14.27
	Net profit before tax to paid-in capital (%)	85.80	125.36	94.83	121.75	107.69
	Net profit ratio (%)	11.66	15.52	12.51	10.75	9.93
	Earnings per share (dollar)	6.40	10.83	8.42	10.07	8.55
Cash flow	Cash flow ratio	38.54	142.78	20.27	14.15	48.93
	Cash flow adequacy ratio (%)	106.68	220.57	146.73	134.17	169.31
	Cash reinvestment ratio (%)	23.66	28.85	(0.84)	(0.85)	11.22
Leverage	Operating leverage	1.19	1.09	1.11	2.04	1.23
	Financial leverage	1.09	1.02	1.01	1.00	1.00

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

1	Liabilities to assets	This is due to the increase of account payable caused by increase of material inbound in 2018.
2	Long-term capitals to property, plant and equipment	This is due to the issuance of the domestic fourth conversion of corporate bonds such that it turns into short-term liability.
3	Current ratio	This is due to the increase of account payable caused by increase of material inbound in 2018.
4	Quick ratio	This is due to the increase of account payable caused by increase of material inbound in 2018.
5	Interest protection multiples	This is due to the increase in profits in 2018.
6	Payable turnover (times)	Due to the increase of account payable caused by increase of material inbound in 2018.
7	Total assets turnover (times)	This is due to the increase in profits in 2018.
8	Return on equities (%)	This is due to the increase in profits in 2018.
9	Net profit before tax to paid-in capital (%)	This is due to the increase in profits in 2018.
10	Cash flow adequacy ratio	This is due to the increase of net cash flow from operating activities caused by increase of profit in 2018.
11	Cash reinvestment rate8	This is due to the increase of net cash flow from operating activities caused by increase of profit in 2018.
12	Operating leverage	This is due to the increase of product sales in 2018.

Note 1: The above financial information of each fiscal year has been audited and CPAs.
Note 2: Net cash flow from operating activities is of a negative value; therefore, its financial ratio is not calculated.

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 real estate, plants and equipment= (Total amount of equities+ non-current liabilities)/net amount of real estate, plants and equipment.
2. Solvency
   (1) Current ratio = current assets/current liabilities.
   (2) Quick ratio = (current assets- inventory- prepayment)/ current liabilities.
   (3) Interest protection multiples= 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) Real estate, plants and equipment turnover= net sales/ average net amount of real estate, plants and equipment.
(7) Total assets turnover= net sales/ total amount of average assets.

4. Profit ability
(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 recent 5 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 real estate, plants 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. Supervisors' audit report on financial statement for the most recent year

監察人審查報告書

茲准董事會造送本公司民國一0六年度財務報表暨合併財務報表，連同營業報告書，業經本監察人查核完竣，認為尚無不合。爰依照公司法第二一九條之規定，備具本報告書，敬請　鑒察。

此致

台郡科技股份有限公司

監察人：莊　勳　波

林　珮　如

中　華　民　國　一〇七　年　二　月　九　日

IV. Consolidated financial statement of the most recent year

Please refer to annual report. Enclosure 1

V. Individual financial statement of the most recent year

Please refer to annual report. Enclosure 2

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

None

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	2017	2018	Difference	
			Amount	%
Current assets	23,969,161	21,138,145	(2,831,016)	(12%)
Non-current assets	6,757,072	6,486,557	(270,515)	(4%)
Total amount of assets	30,726,233	27,624,702	(3,101,531)	(10%)
Current liabilities	12,214,136	7,619,715	(4,594,421)	(38%)
Non-current liabilities	651,689	803,310	151,621	23%
Total amount of liabilities	12,865,825	8,423,025	(4,442,800)	(35%)
Capital	3,179,912	3,182,954	3,042	6%
Capital reserve	3,990,243	3,859,566	(130,677)	0%
Retained earnings	11,874,509	12,987,385	1,112,876	9%
Other equities	(212,254)	(303,446)	(91,192)	43%
Total amount of shareholder equities	17,860,408	19,201,677	1,341,269	8%

1. Main reasons for materials changes (20% or more) during the most recent two years:
   (1) Decrease of current liabilities: This is mainly due to the relatively less amount of material inbound in 2018 such that the account payable is decreased.
   (2) Increase of non-current liabilities: This is mainly due to the increased deferred income tax liabilities in 2018.
   (3) Decrease of total amount of liabilities: This is mainly due to the relatively less amount of material inbound in 2018 such that the account payable is decreased.
   (4) Increase of retained earnings: This is mainly due to the net profit in 2018.
   (5) 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	2017	2018	Amount increased (decreased)	Ratio of change (%)
Operating revenues	25,846,403	26,770,491	924,088	4%
Operating costs	20,184,575	21,650,208	1,465,633	7%
Operating gross profit	5,661,828	5,120,283	(541,545)	(10%)
Operating expenses	1,700,962	1,967,309	266,347	16%
Operating profit	3,960,866	3,152,974	(807,892)	(20%)
Non-operating revenues and interests	(84,080)	327,729	411,809	490%
Net profit before tax from continuing operating department	3,876,786	3,480,703	(396,083)	(10%)
Income tax expenses	819,950	835,991	16,041	2%
Net profit after tax from continuing operating department	3,056,836	2,644,712	(412,124)	(13%)

1. Main reasons for materials changes (20% or more) during the most recent two years:
(1) Decrease of operating revenues: This is mainly due to the decrease of company operating gross profit.
(2) Decrease of net profits before tax from continuing operating department: This is mainly due to the decrease of profit resulted from decrease of operating revenue of the Company.
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

Cash balance at the beginning of the term (1)	Net cash flow from operations of the whole year (2)	Cash inflow (outflow) from investment and finance of the whole year (3)	Amount of cash surplus (deficiency) (1)+(2)-(3)	Corrective measures for cash deficiency	
				Investment plan	Property management plan
6,727,184	3,106,927	(2,430,335)	7,403,776	—	—

(1) 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 inflow of NT$ 3,106,927 thousand dollars; this is due to the continuous profit.

(2) Investment activities: Net cash outflow of NT$ 634,726 thousand dollars; this is due to the acquisition of real estate, facility and equipment.

(3) Financing activities: Net cash outflow of NT$ 1,795,609 thousand dollars; this is due to the issuance of cash dividends.

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

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

(3) Cash liquidity analysis for the coming year: Not applicable.

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

1. Application of major capital expenditures and the source of funds

Project item	Actual or estimated source of funds	Actual or estimated date of completion	Expected possible benefit generated
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.

2. Impact of major capital expenditures on financial operations:

The major capital expenditures of the Company in 2018 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.

1.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.

2.Main reasons for profit or loss of invested companies and improvement plan

In 2018, the investment profit listed is of the total amount of NT$794,497 thousand dollars, which mainly comes from the profit of subsidiaries.

3.Investment plan for 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

(1) 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:

i. 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.

ii. 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.

iii. Inflation:

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

(2) 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:

(i) Up to the recent years and up to the printing date of the annual report, the Company and its subsidiaries have not engaged in high risk and high leverage investments.

(ii) Up to the recent years and up to the printing date of the annual report, 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 Acquisition or Disposition of Assets.”

(iii) The Company and its subsidiaries are established with the “Operation Procedure for Lending Fund to Others” in order to be used as a basis for fund lending to others.

(iv) The Company and its subsidiaries are established with the “Endorsement Guarantee Operation Procedure” in order to be used as a basis for handling endorsement guarantee to the external.

(3) 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 and R&D expense expected to be invested in, please refer to the disclosure of the technology development status in the “Report to Shareholders” of this Annual Report.

However, there are not enough FPC talents. The training for research and development personnel requires a long period of time to cultivate the ability. In the aspect of personnel training, the Company and subsidiaries strive for the training on research and development personnel. Aside from the training for professional techniques, we also conduct trainings for staff of management level, so they may efficiently plan, organize, lead and control the resources owned by the organization.

In 2019, the training and budget for R&D personnel of the Company and its subsidiaries expected to be invested by the Company and its subsidiaries will account for 2.5%~4.0% of the annual revenue of the Company and its subsidiaries.

(4) 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 printing 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.

(5) 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:

With the increase of popularity of wearable devices, there are more and more functions to the devices as they become much smarter along with applications and services. Many giant companies start to introduce related products. Wearable equipment will push the innovation and revolution of the entire market, which may even replace the smartphone to become the main stream of future technology development. 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 printing 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.

(6) 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; fulfill the responsibilities 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 printing date of annual report, there are no changes of image of the Company such that the Company faces crisis management.

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

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

(8) 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.

(9) 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.

(10) Impacts, risks and countermeasures for large amount of transfer or change of equity made by directors, supervisors or main shareholders with shareholding over 10% on the Company:None

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

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

(12) List major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or any Company director, any Company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any Company or companies controlled by the Company; and (2) have been concluded by means of a final and affirmative judgment, or are still under litigation, and such dispute could materially affect shareholders' equity or the prices of the Company's securities: None

(13) Information security risk

Flexium has constructed a set of complete network and computer security protection system, in order to best protect customer and product confidential information, offer all-rounded protection to information equipment, services and information security by law, thereby ensuring smooth operation of the Company. The goal of which is to improve Company operating efficiency and competitiveness, monitor or protect important functions to the Company’s service operations.

With the continuous revolutions of external threats and hacker technologies, the number of network threats and complexity of which continue to grow, putting system and service of the Company under information security risk. Such network attacks hack into Flexium's internal network system illegally, by ways including integrated continuous infiltrating attacks, network phishing attacks, hacking interception of customer information and distributed denial-of-service attack (DDoS), etc., thereby damaging operation and reputation of the Company.

In response, Flexium conducts monthly checks and yearly strategy planning to ensure adequacy and efficiency of such strategies to tackle threats and risks of network security. However, the Company cannot avoid invasions and attacks from different parties completely, one may only establish countermeasures and control risky factors to minimalize possible damage or ensure that the Company may quickly restore important service operations.

In hope to continue to strengthen management of information security, and to best protect customer personal information, Flexium has planned and strengthened management measures for aspects such as computer device management, hardware protection, application system security monitoring, online services, etc. Furthermore, the Company has completed technology and management related review measures according to information security evaluation items of the Information Security Management Guidelines, in order to improve and enhance network and information system security protection abilities and information management standards.

Moreover, in the risk-oriented perspective, the Company built a risk evaluation procedure that can be measured repeatedly for the incident management and response for information security risk management, threat, monitor the Company faces, in order to ensure overall information security mechanism of Flexium is able to maintain a strong level of network security. Its main strategies are as follows:

- Annual information security response

  Plan annual important information security project and performance standards according to frequency of the emergence of risk factors and their impact on business operations.
- Monthly audit or seasonal check

  Conduct regular information security checks and implement information security risk countermeasures according to the threat level the Company is under. Review and adjust set strategies through yearly target for improvements and information security meetings.

(14) Other important risks, and mitigation measures being or to be taken: None.

VII. Other important matters:

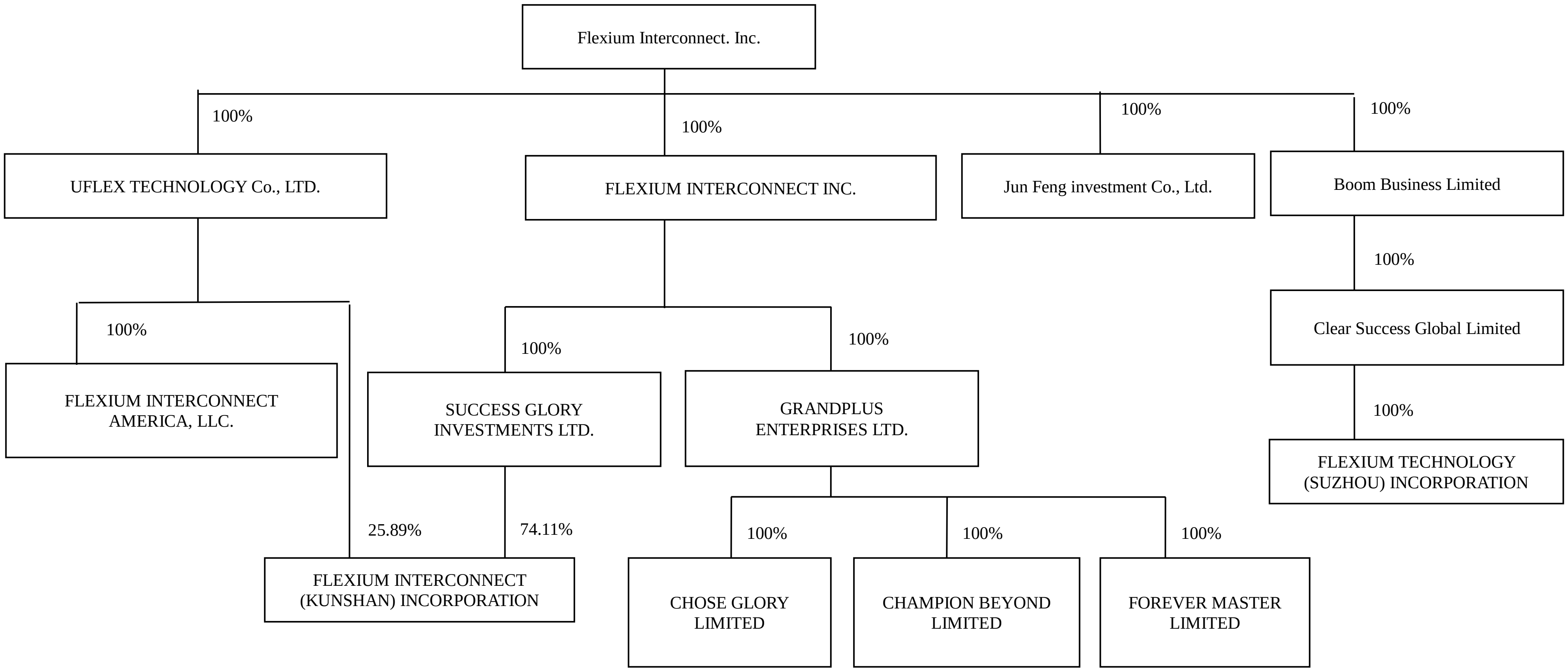
None

H. Special notes

I. 1. Relevant information of affiliates

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

1. Organization chart of the Company's affiliates (December 31, 2018)



2.Basic information of the Company's affiliates (December 31, 2018)

Name of corporation	Date of establishment	Address	Paid-in Capital (NT$ thousand dollars)	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.	468,199	Reinvestment in variable businesses
FLEXIUM INTERCONNECT INC	2002.02.20	P.O Box 3152,Road Town Tortrola,British Virgin Islands	975,567	Reinvestment in variable businesses
Jun Feng investment Co., Ltd.	2010.04.15	Dafa Industrial Park, No. 23, Juguang 1st St., Daliao Dist., Kaohsiung City	50,000	Reinvestment in variable businesses
FLEXIUM INTERCONNECT AMERICA LLC	2011.01.06	4020 Moorpark Avenue Suite 216 San Jose, CA 95117 USA	7,282	Conducting marketing support, and customer and technical services
SUCCESS GLORY INVESTMENTS LTD	2003.03.21	Offshore Chambers, P.O. Box 217 , Apia, Samoa	859,357	Reinvestment in variable businesses
GRANDPLUS ENTERPRISES LTD	2003.06.12	Offshore Chambers, P.O. Box 217 , Apia, Samoa	62,001	Reinvestment in variable businesses
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 businesses
FOREVER MASTER LIMITE	2014.01.08	Offshore Chambers, P.O. Box 217 , Apia, Samoa	0	Reinvestment in variable businesses
BOOM BUSINESS LIMITED	2016.09.21	2nd Floor,Building B , SNPF Plaza, Savalalo , Apia, Saoma	606,024	Reinvestment in variable businesses
CLEAR SUCCESS GLOBAL LIMITED	2017.01.09	Offshore Chambers, P.O. Box 217, Apia, Samoa	606,024	Reinvestment in variable businesses
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	2000.11.16	National High-Technology Industrial Park, No. 1399, Hanpu Rd., Kunshan City, Jiangsu Province	974,571	Research ,development, manufacturing and sales of new electronic components like flexible circuit boards
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	2017.04.11	No. 1889, Hanpu Road, Yushan Township, Kunshan City, Jiangsu Province	614,660	Research ,development, manufacturing and sales of new electronic components like flexible circuit boards

3. Information of directors, supervisors and the President of each affiliate (2018.12.31)

Name of corporation	Job title	Name or representative	Shares held	
			Shares (thousand shares)	Shareholding ratio (%)
UFLEX TECHNOLOGY CO., LTD	Director	Flexium Interconnect. Inc. (Representative: Ming-Chi Cheng)	15,849	100%
FLEXIUM INTERCONNECT INC	Director	Flexium Interconnect. Inc. (Representative: Ming-Chi Cheng)	31,173	100%
Jun Feng investment Co., Ltd.	Chairman of Board	Flexium Interconnect. Inc. (Representative: Ming-Chi Cheng)	5,000	100%
	Director	Flexium Interconnect, Inc. (Representative: Zi-Tang Lan)		
	Director	Flexium Interconnect, Inc. (Representative: Shao-Shan Su)		
	Supervisor	Flexium Interconnect, Inc. (Representative: Mei-Chen Lee)		
FLEXIUM INTERCONNECT AMERICA LLC	Director	UFLEX TECHNOLOGY CO., LTD. (Representative: Lan, Zi-Tang)	–	100%
SUCCESS GLORY INVESTMENTS LTD	Director	FLEXIUM INTERCONNECT INC. (Representative: Ming-Chi Cheng)	28,010	100%
GRANDPLUS ENTERPRISES LTD	Director	FLEXIUM INTERCONNECT INC. (Representative: Ming-Chi Cheng)	1,881	100%
CHOSEN GLORY LIMITED	Director	GRANDPLUS ENTERPRISES LTD. (Representative: Ming-Chi Cheng)	–	100%
CHAMPION BEYOND LIMITED	Director	GRANDPLUS ENTERPRISES LTD. (Representative: Ming-Chi Cheng)	–	100%
FOREVER MASTER LIMITE	Director	GRANDPLUS ENTERPRISES LTD. (Representative: Ming-Chi Cheng)	–	100%
BOOM BUSINESS LIMITED	Director	Flexium Interconnect. Inc. (Representative: Ming-Chi Cheng)	20,000	100%
CLEAR SUCCESS GLOBAL LIMITED	Director	BOOM BUSINESS LIMITED (Representative: Ming-Chi Cheng)	20,000	100%
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Chairman of Board	UFLEX TECHNOLOGY CO., LTD. (Representative: Ming-Chi Cheng)	Note	100%
	Director	UFLEX TECHNOLOGY CO., LTD. (Representative: Xun-Po Chuang)		
	Director	UFLEX TECHNOLOGY CO., LTD. (Representative: Qi-Feng Tsai)		
	Supervisor	UFLEX TECHNOLOGY CO., LTD. (Representative: Cheng, Ming-Jung)		
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Chairman of Board	CLEAR SUCCESS GLOBAL LIMITED. (Representative: Ming-Chi Cheng)	Note	100%
	Director	CLEAR SUCCESS GLOBAL LIMITED. (Representative: Qi-Feng Tsai)		
	Director	CLEAR SUCCESS GLOBAL LIMITED. (Representative: Yang Cheng)		
	Supervisor	CLEAR SUCCESS GLOBAL LIMITED. (Representative: Xun-Po Chuang)		

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

4. Overview of operation of affiliates (2018)

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 (dollars) (after tax)
UFLEX	468,199	1,776,343	27,580	1,748,763	-	(5,426)	185,687	-
FLEXIUM	975,567	4,018,539	-	4,018,539	-	-	525,724	-
Junfeng Investment	50,000	33,403	43	33,361	-	(639)	5,167	-
FLEXIUM (AMERICA)	7,282	8,864	43	8,821	-	(8,093)	2,280	-
SUCCESS	859,357	4,018,096	-	4,018,096	-	(1)	513,299	-
GRANDPLUS	62,001	7,565,091	7,564,657	434	25,071,524	-	34	-
CHOSEN	-	-	-	-	12,680	-	-	-
CHAMPION	-	7,564,705	7,564,657	48	25,058,844	(1)	23	-
FOREVER	-	33,918	33,901	17	-	-	9	-
BOOM	606,024	1,107,046	-	1,107,046	-	-	29,617	-
CLEAR	606,024	1,107,046	-	1,107,046	-	-	29,617	-
FLEXIUM (KUNSHAN)	974,571	13,003,558	7,254,713	5,748,848	22,092,637	786,970	707,652	-
FLEXIUM (SUZHOU)	614,660	1,269,639	162,592	1,107,046	434,466	-30,813	29,617	-

Note: Foreign companies will be converted into NTD based on the exchange rate on December 31, 2018.

(2) Consolidated Financial Statements of the Company's affiliates:

Flexium Interconnect Co., Ltd. and its subsidiaries

Affiliates consolidated financial report statement

The Company hereby declares

The companies to be included in the Company's affiliates consolidated financial statements according to 'Affiliates Consolidated Financial Statements and Affiliates Report Preparation Guidelines for Affiliates Merging Operation Report' and those to be included in the parent company and affiliates consolidated financial report according to Article 10 of the International Financial Reporting Standards in 2018 (from January 1, 2018 to December 31, 2018) are the same. Information of affiliates to be disclosed in the affiliates consolidated financial statements has been disclosed in the consolidated financial statements of the above-mentioned parent company, therefore, the affiliates consolidated financial statement is not prepared separately.

Name of Company: Flexium Interconnect Co., Ltd.

Person in charge: Ming Chi, Cheng

Date: February 14, 2019

(3) Relationship reports: None

II. Status of private placement of securities for the most recent year and until the date of publication of the annual report

None

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

None

IV. Other maters requiring supplemental descriptions

None

I. Whether or not any of the situations listed in subparagraph 2, paragraph 2, 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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

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

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2018, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of the parent company and its subsidiaries under International Financial Reporting Standard No. 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of the parent company and its subsidiaries, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

FLEXIUM INTERCONNECT, INC.

By

MING-CHI CHENG

Chairman
February 14, 2019

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18002663

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, 2018 and 2017, 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, 2018 and 2017, 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(8). 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(3).

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 allowance for material accounts receivable as one of the key audit matters.

How our audit addressed the matter

We have evaluated the impairment of accounts receivable and performed the following audit procedures:

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. Assessed the reasonableness of the relevant supporting documents of expected credit loss in the past due period for each group.

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. Selected samples and performed confirmation of material accounts receivable. Tested the reconciliation statement of the differences between the replies and account balances.

Key audit matter - Estimate of allowance for inventory valuation losses

Description

For the accounting policies on inventory valuation, please refer to Note 4(12). 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(4).

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 and individually identified obsolete or slow-moving inventory, 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 estimates of the allowance for inventory valuation losses as one of the key audit matters.

How our audit addressed the matter

For inventory which is over a specific age and obsolete inventory that is checked item by item, we have tested the inventory valuation loss process conducted by the management and performed the following audit procedures:

A. Compared financial statements to check whether the provision policy of allowance for inventory valuation loss is consistently applied in all reporting periods and assessed the reasonability of the provision policy.

B. Tested the estimated net realisable value of obsolete and damaged inventory reported. Discussed with management and obtained supporting evidences.

C. Tested the accuracy of logic of management identified individual obsolete or damaged inventory aging report, and confirmed whether the obsolete inventories are recorded in the report.

D. Assessed the reasonability and evidences of management in identifying individual obsolete or damaged inventory.

E. Observed inventory count to match the count information with the obsolete or damaged inventory report which was compiled by management.

F. Verified inventory write-down and allowance for individual inventory valuation losses and compared with individual inventory's impairment provision during the latest period, and assessed the reasonableness of allowance of 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, 2018 and 2017.

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 supervisors, 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:

1. 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.
2. 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.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. 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.

5. 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.

6. 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.

Liao, A-Shen

Liao, A-Shen

Wu, Chien-Chih

Wu, Chien-Chih

PricewaterhouseCoopers, Taiwan

February 14, 2019

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 7,392,184	27	$ 6,727,184	22
1110	Financial assets at fair value through profit or loss	6(2) and 12(4)	420,398	2	1,621,153	5
1125	Available-for-sale financial assets - current	12(4)	-	-	43,211	-
1170	Accounts receivable, net	6(3)	6,818,722	25	8,113,608	27
1200	Other receivables		39,486	-	59,066	-
130X	Inventories	6(4)	3,692,815	13	4,886,635	16
1410	Prepayments		161,220	1	319,984	1
1476	Other current financial assets	6(8)	2,613,320	9	2,198,320	7
11XX	**Current Assets**		21,138,145	77	23,969,161	78
	Non-current assets					
1600	Property, plant and equipment	6(5)	5,630,571	20	6,196,860	20
1760	Investment property - net	6(6)	135,692	1	290,106	1
1780	Intangible assets	6(7)	85,717	-	37,325	-
1840	Deferred tax assets	6(23)	55,465	-	48,890	-
1990	Other non-current assets, others	6(8) and 8	579,112	2	183,891	1
15XX	**Non-current assets**		6,486,557	23	6,757,072	22
1XXX	**Total assets**		$ 27,624,702	100	$ 30,726,233	100

(Continued)

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2170	Accounts payable		$ 4,077,918	15	$ 7,396,853	24
2200	Other payables	6(9)	2,988,145	11	3,607,951	12
2230	Income tax payable		405,584	1	659,421	2
2320	Long-term liabilities, current portion	6(10)	-	-	528,543	2
2399	Other current liabilities, others	12(5)	148,068	-	21,368	-
21XX	**Current Liabilities**		7,619,715	27	12,214,136	40
	Non-current liabilities					
2570	Deferred tax liabilities	6(23)	766,929	3	597,627	2
2600	Other non-current liabilities	6(11)	36,381	-	54,062	-
25XX	**Non-current liabilities**		803,310	3	651,689	2
2XXX	**Total Liabilities**		8,423,025	30	12,865,825	42
	Equity attributable to owners of parent					
	Share capital	6(13)				
3110	Share capital - common stock		3,182,142	11	3,179,912	10
3140	Advance receipts for share capital		812	-	-	-
	Capital surplus	6(10)(14)				
3200	Capital surplus		3,859,566	14	3,990,243	13
	Retained earnings	6(15)				
3310	Legal reserve		1,550,104	6	1,244,420	4
3320	Special reserve		212,254	1	153,669	1
3350	Unappropriated retained earnings		11,225,027	41	10,476,420	34
	Other equity interest	6(16)				
3400	Other equity interest		(303,446)	(1)	(212,254)	(1)
3500	**Treasury stocks**	6(13)	(524,782)	(2)	(972,002)	(3)
31XX	**Equity attributable to owners of the parent**		19,201,677	70	17,860,408	58
3XXX	**Total equity**		19,201,677	70	17,860,408	58
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	**Total liabilities and equity**		$ 27,624,702	100	$ 30,726,233	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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Year ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(17)	$ 26,770,491	100	$ 25,846,403	100
5000	**Operating costs**	6(4)(7)	(21,650,208)	(81)	(20,184,575)	(78)
5900	**Net operating margin**		5,120,283	19	5,661,828	22
	Operating expenses	6(7)				
6100	Selling expenses		(159,651)	(1)	(163,318)	(1)
6200	General and administrative expenses		(594,994)	(2)	(531,789)	(2)
6300	Research and development expenses		(1,211,453)	(4)	(1,005,855)	(4)
6450	Impairment loss determined in accordance with IFRS 9		(1,211)	-	-	-
6000	**Total operating expenses**		(1,967,309)	(7)	(1,700,962)	(7)
6900	**Operating profit**		3,152,974	12	3,960,866	15
	Non-operating income and expenses					
7010	Other income	6(18)	270,259	1	266,821	1
7020	Other gains and losses	6(2)(19)	62,753	-	(334,644)	(1)
7050	Finance costs	6(20)	(5,283)	-	(16,257)	-
7000	**Total non-operating income and expenses**		327,729	1	(84,080)	-
7900	**Profit before income tax**		3,480,703	13	3,876,786	15
7950	Income tax expense	6(23)	(835,991)	(3)	(819,950)	(3)
8200	**Profit for the year**		$ 2,644,712	10	$ 3,056,836	12
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial losses on defined benefit plans	6(11)	($ 3,843)	-	($ 5,325)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(16)	(74,692)	-	(96,716)	(1)
8362	Other comprehensive income, before tax, available-for-sale financial assets	6(16)	-	-	(42,116)	-
8500	**Total comprehensive income for the year**		$ 2,566,177	10	$ 2,912,679	11
	Profit attributable to:					
8610	Profit attributable to owners of parent		$ 2,644,712	10	$ 3,056,836	12
	Comprehensive income attributable to:					
8710	Comprehensive income, attributable to owners of parent		$ 2,566,177	10	$ 2,912,679	11
	Earnings per share	6(24)				
9750	**Basic earnings per share**		$	8.55	$	10.07
9850	**Diluted earnings per share**		$	8.38	$	9.60

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
		Share capital			Retained earnings			Other equity interest			
	Notes	Share capital - common stock	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total equity
Year ended December 31, 2017											
Balance at January 1, 2017		$ 2,991,044	$ 4,281	$ 4,504,836	$ 1,016,902	$ 153,669	$ 8,372,889	($ 132,038)	$ 58,616	($ 1,440,297)	$ 15,529,902
Profit for the year	6(24)	-	-	-	-	-	3,056,836	-	-	-	3,056,836
Other comprehensive income (loss)	6(16)	-	-	-	-	-	(5,325)	(96,716)	(42,116)	-	(144,157)
Total comprehensive income (loss)		-	-	-	-	-	3,051,511	(96,716)	(42,116)	-	2,912,679
Appropriation and distribution of 2016 earnings:											
Legal reserve		-	-	-	227,518	-	(227,518)	-	-	-	-
Distribution of cash dividends	6(15)	-	-	-	-	-	(720,462)	-	-	-	(720,462)
Capitalization of capital reserve	6(13)(14)	144,092	-	(144,092)	-	-	-	-	-	-	-
Cash dividends from capital surplus	6(14)	-	-	(576,370)	-	-	-	-	-	-	(576,370)
Share-based payment transactions	6(12)(14)	1,250	-	(1,182)	-	-	-	-	-	145,040	145,108
Conversion of convertible bonds	6(10)(13)(14)	43,526	(4,281)	207,051	-	-	-	-	-	1,053,045	1,299,341
Purchase of treasury share	6(13)	-	-	-	-	-	-	-	-	(729,790)	(729,790)
Balance at December 31, 2017		$ 3,179,912	$ -	$ 3,990,243	$ 1,244,420	$ 153,669	$ 10,476,420	($ 228,754)	$ 16,500	($ 972,002)	$ 17,860,408
Year ended December 31, 2018											
Balance at January 1, 2018		$ 3,179,912	$ -	$ 3,990,243	$ 1,244,420	$ 153,669	$ 10,476,420	($ 228,754)	$ 16,500	($ 972,002)	$ 17,860,408
Effects of retrospective application and retrospective restatement	6(16) and 12(4)	-	-	-	-	-	16,500	-	(16,500)	-	-
Balance at January 1, 2018 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(24)	-	-	-	-	-	2,644,712	-	-	-	2,644,712
Other comprehensive loss	6(16)	-	-	-	-	-	(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(15)	-	-	-	-	-	(1,544,493)	-	-	-	(1,544,493)
Share-based payment transactions	6(12)(14)	2,230	812	18,456	-	-	-	-	-	-	21,498
Conversion of convertible bonds	6(10)(13)(14)	-	-	(149,133)	-	-	-	-	-	681,212	532,079
Purchase of treasury share	6(13)	-	-	-	-	-	-	-	-	(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

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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 3,480,703	$ 3,876,786
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based payments	6(12)(14)	15,512	9,436
Provision for expected credit loss	12(2)	1,211	-
Provision (reversal of allowance) for sales returns and discounts	6(3)	29,264	(25,905)
Deprecication expense	6(5)(21)	1,228,608	1,007,998
Depreciation expense from investment properties	6(6)(21)	11,376	12,063
Amortization of intangible and other assets	6(7)(21)	29,663	27,739
Rental expense (land use rights)	6(8)	3,187	2,065
Profit (loss) on valuation of financial assets at fair value	6(2)(19)	(173)	10,512
Interest expense	6(20)	5,283	16,257
Interest income	6(18)	(110,999)	(97,523)
Dividend income	6(18)	-	(13,031)
Loss on disposal of property, plant and equipment	6(19)	16,070	61,224
Gain on disposal of investments	6(19)	-	(51,685)
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease in financial assets at fair value-current		57,676	5,086
Decrease in notes receivable		-	3,788
Decrease (increase) in accounts receivable		1,264,421	(3,809,215)
Decrease (increase) in other receivables		19,405	(25,266)
Decrease (increase) in inventories		1,193,820	(2,867,618)
Decrease (increase) in prepayments		166,184	(88,687)
Increase in other financial assets-current		(415,000)	(177,220)
Decrease in other financial assets-non-current		-	465,317
Changes in operating liabilities			
Decrease in financial liabilities at fair value		(4,631)	(770)
(Decrease) increase in accounts payable		(3,318,935)	3,965,285
Increase in other payable		182,717	1,162,551
Increase (decrease) in other current liabilities		126,700	(17,422)
Cash inflow generated from operations		3,982,062	3,451,765
Interest received		51,966	129,893
Dividend received		-	13,031
Income tax paid		(927,101)	(496,613)
Net cash flows from operating activities		3,106,927	3,098,076

(Continued)

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in financial assets at fair value		($ 4,721,670)	($ 1,598,788)
Proceeds from disposal of financial assets at fair value through profit or loss, designated upon initial recognition		5,907,790	-
Proceeds from disposal of available-for-sale financial assets		-	143,581
Acquisition of property, plant and equipment	6(25)	(1,694,041)	(1,741,769)
Proceeds from disposal of property, plant and equipment		59,221	74,865
Acquisition of intangible assets	6(7)	(78,215)	(25,816)
Increase in refundable deposits		(167,019)	(8,298)
Increase in other non-current assets		-	(81,392)
Interest received		59,208	12,948
Net cash flows used in investing activities		(634,726)	(3,224,669)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in other non-current liabilities		(21,524)	20,558
Cash dividends paid	6(14)(15)	(1,544,493)	(1,296,832)
Proceeds from issuance of stock from exercising employee stock options	6(12)	5,986	3,145
Treasury stock conversion cost	6(12)	-	132,926
Payments to acquire treasury shares	6(13)	(233,992)	(729,790)
Treasury stock transferred cost		(1,586)	(3,608)
Net cash flows used in financing activities		(1,795,609)	(1,873,601)
Effect of exchange rate changes on cash and cash equivalents		(11,592)	(17,267)
Net increase (decrease) in cash and cash equivalents		665,000	(2,017,461)
Cash and cash equivalents at beginning of year	6(1)	6,727,184	8,744,645
Cash and cash equivalents at end of year	6(1)	$ 7,392,184	$ 6,727,184

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

(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 14, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument than has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c)The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4) B.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15.

(c) Presentation of assets and liabilities in relation to contracts with customers

In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheet as follows:

Under IFRS 15, liabilities in relation to expected volume discounts and refunds to customers are recognised as refund liabilities (shown as ''other current liabilities''), but were previously presented as accounts receivable - allowance for sales returns and discounts in the balance sheet. As of January 1, 2018, the balance amounted to $20,966.

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

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. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

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.

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

The Group expects to recognize the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $40,368 and $40,368, respectively.

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

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) Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(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:

			Ownership (%)		
			December 31,		
Name of investor	Name of subsidiary	Main business activities	2018	2017	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.	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 services	100	100	
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
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 : As of December 31, 2018 and 2017, 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%.

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

Effective 2018

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) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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

(14) 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.

(15) 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.

(16) Intangible assets

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

(17) 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.

(18) 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.

(19) 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.

(20) 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.

(21) 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.

(22) 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.

(23) 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.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in 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.

iii. Past service costs are recognised immediately in profit or loss.

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.

(25) Employee share-based payment

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.

(26) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the 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.

(27) 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.

(28) 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.

(29) 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.

(30) 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.

(31) 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 collectability 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, 2018	December 31, 2017
Cash:		
Cash on hand and revolving funds	$ 988	$ 909
Checking accounts and demand deposits	2,796,313	2,743,358
	2,797,301	2,744,267
Cash equivalents:		
Time deposits	4,594,883	3,982,917
	$ 7,392,184	$ 6,727,184

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.

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

Effective 2018

Items	December 31, 2018
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Listed stocks	$ 30,692
Structured certificates of deposit	403,015
Forward foreign exchange	-
	$ 433,707
Valuation adjustments	(13,309)
	$ 420,398

A. The Group recognised net gain of $173 for the year ended December 31, 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, 2018	
Derivative Financial Assets	Contract Amount (notional principal)	Contract Period
Structured certificates of deposit	RMB 70,000 thousand	2018.09~2019.01
Structured certificates of deposit	RMB 20,000 thousand	2018.07~2019.01

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

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

D. The information on financial assets at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

(3) Accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable	$ 6,870,153	$ 8,134,574
Less: Allowance for doubtful accounts	(1,201)	-
Allowance for sales returns and discounts	(50,230)	(20,966)
	$ 6,818,722	$ 8,113,608

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

	December 31, 2018	December 31, 2017
Up to 90 days	$ 6,806,574	$ 8,113,372
91 to 180 days	43,535	-
181 to 365 days	1,006	2,941
Over one year	19,038	18,261
	$ 6,870,153	$ 8,134,574

The above ageing analysis was based on overdue dates.

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

C. As at December 31, 2018 and 2017, 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 $6,818,722 and $8,113,608, respectively.

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

(4) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$ 577,684	$ 770,631
Work in process and semi-finished goods	711,609	1,274,960
Finished goods	2,403,522	2,841,044
	$ 3,692,815	$ 4,886,635

The cost of inventories recognised as expense for the years ended December 31, 2018 and 2017, was $21,650,208 and $20,184,575 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 $163,292 for the year ended December 31, 2017, that the Group wrote down from cost to net realisable value accounted for as increase of cost of goods sold.

(5) Property, plant and equipment

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

	December 31, 2018	December 31, 2017
Land	$ 657,573	$ 516,599
Buildings	1,091,569	1,248,553
Machinery	3,431,943	4,049,675
Transportation equipment	5,262	6,473
Office equipment	1,040	1,112
Other equipment	100,274	85,425
Construction in progress and equipment under acceptance	342,910	289,023
	$ 5,630,571	$ 6,196,860

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

	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

Cost	For the year ended December 31, 2017 Opening net book amount	Additions and transfer	Deduction	Reclassifications	Effects of exchange rate changes	Closing net book amount
Land	$ 516,599	$ -	$ -	$ -	$ -	$ 516,599
Buildings	1,529,542	445,339	(44,828)	-	(25,551)	1,904,502
Machinery	5,766,175	1,947,349	(233,191)	-	(68,599)	7,411,734
Transportation equipment	19,497	2,944	(2,695)	-	(215)	19,531
Office equipment	14,901	-	(47)	-	(245)	14,609
Other equipment	325,500	52,157	(22,218)	-	(3,416)	352,023
Construction in progress and equipment under acceptance	336,769	(44,571)	-	-	(3,175)	289,023
	$ 8,508,983	$ 2,403,218	($ 302,979)	$ -	($ 101,201)	$ 10,508,021

Accumulated depreciation and impairment	For the year ended December 31, 2018 Opening net book amount	Additions	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

	For the year ended December 31, 2017					
Accumulated depreciation and impairment	Opening net book amount	Additions	Deduction	Reclassifications	Effects of exchange rate changes	Closing net book amount
Buildings	$ 524,137	$ 138,243	($ 358)	$ -	($ 6,073)	$ 655,949
Machinery	2,684,956	833,845	(141,875)	-	(14,867)	3,362,059
Transportation equipment	12,506	3,137	(2,500)	-	(85)	13,058
Office equipment	13,352	399	(47)	-	(207)	13,497
Other equipment	256,477	32,374	(19,870)	-	(2,383)	266,598
	$ 3,491,428	$ 1,007,998	($ 164,650)	$ -	($ 23,615)	$ 4,311,161

C. No borrowing costs were capitalized as part of property, plant and equipment for the years ended December 31, 2018 and 2017.

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

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

(6) Investment property

	Land	Buildings	Total
At January 1, 2018			
Cost	$ 270,000	$ 36,190	$ 306,190
Accumulated depreciation and impairment	-	(16,084)	(16,084)
	$ 270,000	$ 20,106	$ 290,106
2018			
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, 2018			
Cost	$ 129,026	$ 29,998	$ 159,024
Accumulated depreciation and impairment	-	(23,332)	(23,332)
	$ 129,026	$ 6,666	$ 135,692

	Land	Buildings	Total
At January 1, 2017			
Cost	$ 270,000	$ 36,190	$ 306,190
Accumulated depreciation and impairment	-	(4,021)	(4,021)
	$ 270,000	$ 32,169	$ 302,169
2017			
Opening net book amount as at January 1	$ 270,000	$ 32,169	$ 302,169
Depreciation	-	(12,063)	(12,063)
Closing net book - amount as at December 31	$ 270,000	$ 20,106	$ 290,106
At December 31, 2017			
Cost	$ 270,000	$ 36,190	$ 306,190
Accumulated depreciation and impairment	-	(16,084)	(16,084)
	$ 270,000	$ 20,106	$ 290,106

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

	For the years ended December 31,	
	2018	2017
Rental income from investment property	$ 10,699	$ 11,081
Direct operating expenses arising from the investment property that generated rental income during the period	$ 12,046	$ 13,204

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

C. The fair value of investment property held by the Group as at December 31, 2018 and 2017 was $232,126 and $311,195, respectively, 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.

(7) Intangible assets-computer software cost

A. Changes in computer software cost are as follows:

	2018	2017
At January 1	$ 37,325	$ 39,205
Additions-acquired separately	78,215	25,816
Amortization	(29,663)	(27,739)
Effects of exchange rate changes	(160)	43
At December 31	$ 85,717	$ 37,325

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

	For the years ended December 31,	
	2018	2017
Operating costs	$ 119	$ 397
Administrative expenses	19,238	18,706
Research and development expenses	10,306	8,636
	$ 29,663	$ 27,739

(8) Other financial assets and other non-current assets-other

Items	December 31, 2018	December 31, 2017
Other financial assets-current:		
Time deposit	$ 2,613,320	$ 2,198,320
Other non-current assets-other:		
Prepayment for land purchases	$ 250,494	$ -
Prepayments for equipment	31,611	48,073
Refundable deposits	178,756	11,938
Long-term prepaid rent	118,251	123,880
	$ 579,112	$ 183,891

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 and $2,065 for the years ended December 31, 2018 and 2017, respectively.

(9) Other payables

	December 31, 2018	December 31, 2017
Processing fees payable	$ 984,632	$ 1,051,517
Wages and salaries payable	404,689	504,425
Payables on employees' bonus and remuneration to directors and supervisors	194,000	144,972
Payables on machinery and equipment	197,812	1,000,496
Other payables	1,207,012	906,541
	$ 2,988,145	$ 3,607,951

(10) Bonds payable

	December 31, 2018	December 31, 2017
Fourth domestic unsecured convertible bonds	$ -	$ 535,982
Less: Discount on bonds payable	-	(7,439)
	-	528,543
Less: current portion (Shown as"Long-term liabilities, current portion")	-	(528,543)
	$ -	$ -

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 31, 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 31, 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 31, 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%.

(11) 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, 2018	December 31, 2017
Present value of defined benefit obligations	$ 61,344	$ 55,740
Fair value of plan assets	(38,091)	(35,033)
Net defined benefit liability (shown as 'Other non-current liabilities')	$ 23,253	$ 20,707

(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
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)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 49,775)	$ 33,039	($ 16,736)
Interest (expense) income	(896)	609	(287)
	($ 50,671)	$ 33,648	($ 17,023)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(256)	(256)
Experience adjustments	(5,069)	-	(5,069)
	(5,069)	(256)	(5,325)
Pension fund contribution	-	1,641	1,641
Balance at December 31	($ 55,740)	$ 35,033	($ 20,707)

(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, 2018 and 2017 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, 2018	December 31, 2017
Discount rate	1.55%	1.80%
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, 2018				
Effect on present value of defined benefit obligation	($ 2,664)	$ 2,809	$ 11,996	($ 9,913)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 2,507)	$ 2,646	$ 11,353	($ 9,326)

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 2018 and 2017 are the same.

(f)Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amounts to $1,655.

(g)As of December 31, 2018, the weighted average duration of that retirement plan is 19.5 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 2018 and 2017 were $150,866 and $122,527, respectively.

(12) Share-based payment

A. Options granted during the period from January 1, 2004 through January 1, 2008

(a) The exercise price under stock-based employee compensation plan in 2007 was determined at the closing price ($17 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. 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:

	2018		2017	
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	-	$ -	324	$ 8.30
Options expired	-	-	(324)	8.30
Options outstanding at December 31	-	-	-	-
Options exercisable at December 31	-	-	-	-

(c) No stock options were exercised for the years ended December 31, 2018 and 2017.

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

	January 29, 2007
Dividend yield rate	0%
Expected price volatility	56%
Risk-free interest rate	2%
Expected terms	10 years
Weighted-average fair value per share (in dollars)	42.32

B. 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, 2018, the adjusted exercise price was NT$23.20 (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:

	2018		2017	
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	687	$ 24.40	812	$ 26.60
Options exercised	(258)	23.20	(125)	25.16
Options outstanding at December 31	429	23.20	687	24.40
Options exercisable at December 31	429	23.20	687	24.40

(c) The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2018 and 2017 was $77.97 and $126.07, respectively.

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

	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

	December 31, 2017				
	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)
$ 24.40	687	2 years and 2 months	$ 24.40	687	$ 24.40

(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, 2018 and 2017 were both $0.

C. On February 21, 2017, the Board of Directors adopted a resolution to transfer treasury stocks purchased from the seventh purchase to employees.

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

Type of arrangement	Grant date	Number of shares granted (in thousands)	Vesting conditions
Treasury stock transferred to employees	2017.02.21	1,627	Vested immediately

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

	2018		2017	
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	-	$ -	-	$ -
Options granted	-	-	1,627	89.15
Options exercised	-	-	(1,627)	81.70
Options outstanding at December 31	-	-	-	-
Options exercisable at December 31	-	-	-	

(c) The fair value of stock options on the grant date was estimated under 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	2017.02.21	$ 93.40	$ 89.15	27.14%	0.11	0.11%	$ 5.80

(d) The compensation cost recognized at the grant date was $9,436. As of December 28, 2017, the shares were issued to the employees from the treasury stock depository account.

D. 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:

	2018		2017	
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	-	$ -	-	$ -
Options granted	2,506	93.37	-	-
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.

(13) Share capital

A. As of December 31, 2018, 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 $3,182,142, consisting of 318,214 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)

	2018	2017
At January 1	307,615	279,112
Employee stock options exercised	223	1,752
Capitalization of capital reserve	-	14,409
Conversion of convertible bonds	7,890	18,969
Buyback of treasury stock	(2,506)	(6,627)
At December 31	313,222	307,615

B. The stockholders at their annual stockholders' meeting on June 22, 2017 adopted a resolution to increase capital through capital reserve of $144,092. The effective date of the capital increase was on August 9, 2017. This issuance was approved by the Financial Supervisory Commission, Executive Yuan and registered with the relevant Authority.

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 Company issued common stock in the amount of $1,250 for the exercise of employee stock options in 2017 and the registration has been completed.

E. Convertible bonds in the amount of $43,526 were converted from convertible bonds in 2017. Those shares had been registered with the relevant Authority.

F. Treasury shares

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

		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

		December 31, 2017		
Name of company holding the shares	Reason for reacquisition	Number of shares in thousands		Carrying amount
The Company	For conversion of equity	10,376	$	972,002

(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, as of December 31, 2018, the Company repurchased 20 million shares, including 20 million shares were distributed for equity transfer.

(f)The shares which were repurchased by the Company and transferred to employees amounted to 9 million shares that in accordance with related regulations, and as resolved by the Board of Directors on December 20, 2016. As of December 31, 2018, the Company has repurchased the Company's shares and transferred to employees in the amount of 1,627 thousand shares.

(g)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. As of December 31, 2018, the Company has repurchased its own shares in the amount of 5 million shares, including 2,514 thousand shares were distributed from equity transfer.

(h)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. As of December 31, 2018, the Company has repurchased its own shares in the amount of 2,506 thousand shares.

(I)Information on treasury shares reissued to employees is provided in Note 6(12).

(14) 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.

	2018				
	Share premium	Treasury share transactions	Employee restricted shares	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

	2017				
	Share premium	Treasury share transactions	Employee restricted shares	Stock options	Total
At January 1, 2017	$ 4,259,077	$ 194,910	$ 9,536	$ 41,313	$ 4,504,836
Employee stock options exercised	3,293	(3,076)	(10,835)	-	(10,618)
Capitalisation of capital surplus	(144,092)	-	-	-	(144,092)
Capital surplus used to issue cash to shareholders	(576,370)	-	-	-	(576,370)
Share-based payment transactions	-	-	9,436	-	9,436
Conversion option of convertible bonds	239,766	(3,211)	-	(29,504)	207,051
At December 31, 2017	$ 3,781,674	$ 188,623	$ 8,137	$ 11,809	$ 3,990,243

B. On June 22, 2017, the shareholders during their meeting resolved to distribute cash dividends from capital surplus in the amount of $576,370, at NT$2 per share, increase the capital by issuing new shares amounting to $144,092, at NT$0.5 per share, and the total dividends is $720,462.

C. For details of capital reserve from stock options, please refer to Note 6(10).

(15) 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 2017 was $720,462 ($2.5 (in dollars) per share). On June 14, 2018, the shareholders resolved that total dividends for the distribution of earnings for 2017 was $1,544,493 ($5 (in dollars) per share).

(16) Other equity items

	2018		
	Available-for-sale investment	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)

	2017		
	Available-for-sale investment	Currency translation	Total
At January 1	$ 58,616	($ 132,038)	($ 73,422)
Revaluation	(42,116)	-	(42,116)
Currency translation differences:			
–Group	-	(96,716)	(96,716)
At December 31	$ 16,500	($ 228,754)	($ 212,254)

(17) 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,	
	2018	2017
	Revenue	Revenue
Taiwan	$ 1,780,077	$ 1,686,990
China	7,537,695	7,810,246
Asia (excluding Taiwan and China)	1,471,070	1,454,059
Europe and America	15,981,649	14,895,108
	$ 26,770,491	$ 25,846,403

(18) Other income

	For the years ended December 31,	
	2018	2017
Interest income:		
Interest income from bank deposits	$ 54,842	$ 81,654
Other interest income	56,157	15,869
Total interest income	110,999	97,523
Rent income	10,815	11,081
Dividend income	-	13,031
Other income-other	148,445	145,186
	$ 270,259	$ 266,821

(19) Other gains and losses

	For the years ended December 31,	
	2018	2017
Loss on disposal of property, plant and equipment	($ 16,070)	($ 61,224)
Gains on disposal of investments	-	51,685
Foreign exchange gains (losses)	96,643	(274,140)
Net gain (loss) on financial assets/ liabilities at fair value through profit or loss	173	(10,512)
Others	(17,993)	(40,453)
	$ 62,753	($ 334,644)

(20) Finance costs

	For the years ended December 31,	
	2018	2017
Interest expense:		
Convertible bonds	$ 5,225	$ 15,560
Imputed interest on lease payable	-	661
Imputed interest on deposits	58	36
	$ 5,283	$ 16,257

(21) Expenses by nature

	For the years ended December 31,	
	2018	2017
Employee benefit expense	$ 3,366,514	$ 3,333,260
Depreciation charge on property, plant and equipment	1,228,608	1,007,998
Depreciation charge on investment property	11,376	12,063
Amortisation on intangible assets	29,663	27,739

(22) Employee benefit expense

	For the years ended December 31,	
	2018	2017
Wages and salaries	$ 2,909,510	$ 2,942,720
Employee stock options	15,512	9,436
Labor and health insurance fees	140,090	114,828
Pension costs	151,224	122,814
Other personnel expenses	150,178	143,462
	$ 3,366,514	$ 3,333,260

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, 2018 and 2017, employees' compensation was accrued at \$86,000 and \$93,000, respectively; directors' and supervisors' remuneration both were accrued at \$15,000, 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 2017 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2017 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.

(23) Income tax

A. Income tax expense

Components of income tax expense:

	For the years ended December 31,	
	2018	2017
Current tax：		
Current tax on profits for the year	$ 614,881	$ 662,917
Tax on undistributed earnings	114,275	132,335
Over estimation of prior year's income tax	(55,892)	(119,587)
Total current tax	673,264	675,665
Deferred tax:		
Origination and reversal of temporary differences	65,891	144,285
Impact of change in tax rate	96,836	-
Total deferred tax	162,727	144,285
Income tax expense	$ 835,991	$ 819,950

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate	$ 812,827	$ 788,903
Effect from items adjusted in accordance with tax regulation	(35,219)	18,299
Tax on undistributed earnings	114,275	132,335
Over estimation of prior year's income tax	(55,892)	(119,587)
Income tax expense	$ 835,991	$ 819,950

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:

	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)

	Year ended December 31, 2017				
	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	$ 7,303	($ 3,723)	$ -	$ -	$ 3,580
Allowance for obsolescence and decline in market value of inventories	2,323	18,415	-	-	20,738
Unrealised gross profit	13,965	5,166	-	-	19,131
Unrealised compensated absences	1,305	1,276	-	-	2,581
Cost of bond issuance	838	(532)	-	-	306
Unrealized exchange loss	50,714	(50,714)			
Unrealised estimated expense	-	2,532	-	-	2,532
Others	43	(21)	-	-	22
Subtotal	$ 76,491	($ 27,601)	$ -	$ -	$ 48,890
—Deferred tax liabilities:					
Gain on foreign investment accounted for under equity method	(466,390)	(129,653)	-	-	(596,043)
Pension expense	(894)	(230)	-	-	(1,124)
Unrealised exchange gain	(12,729)	12,269	-	-	(460)
Unrealised estimated expense	(930)	930	-	-	-
Subtotal	(480,943)	(116,684)	-	-	(597,627)
Total	($ 404,452)	($ 144,285)	$ -	$ -	($ 548,737)

D. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority. In addition, the Company applied for reassessment for the income tax returns through 2014 and 2015, the reassessment was completed on November 21, 2018 and there was no significant impact to the Company.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 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.

(24) Earnings per share

	For the year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in 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

	For the year ended December 31, 2017		
	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	$ 3,056,836	303,555	$ 10.07
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 3,056,836	303,555	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	616	
Employees' compensation	-	1,067	
Convertible bonds	12,915	14,577	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 3,069,751	319,815	$ 9.60

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2018	2017
Purchase of property, plant and equipment (including prepayments for business facilities)	$ 891,357	$ 2,475,191
Add: opening balance of payable on equipment	1,000,496	267,074
Less: ending balance of payable on equipment	(197,812)	(1,000,496)
Cash paid during the period	$ 1,694,041	$ 1,741,769

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2018	2017
Convertible bonds being converted to capital stocks and capital surplus	$ 532,079	$ 1,299,341

7. RELATED PARTY TRANSACTIONS

Key management compensation

	For the years ended December 31,	
	2018	2017
Short-term employee benefits	$ 66,364	$ 65,510
Post-employment benefits	186	175
Share-based payments	5,447	4,640
	$ 71,997	$ 70,325

8. PLEDGED ASSETS

	Book value		
Pledged asset	December 31, 2018	December 31, 2017	Purpose
Refundable deposits (recorded in "Other non-current assets, others")	$ 166,996	$ -	Guarantee for land bid

9. COMMITMENTS AND CONTINGENT LIABILITIES

(1) As of December 31, 2018 and 2017, the Group issued promissory notes amounting to $1,064,844 and $1,070,463 for loans, sales on credit and forward exchange contracts, respectively.

(2)As of December 31, 2018 and 2017, the Group's total unused letters of credit for the import of machinery and equipment were $0 and $22,628, respectively.

(3) As of December 31, 2018 and 2017, the Group entered into several contracts for construction and acquisition of machinery with total values of $2,433,616 and $626,658, respectively, and the unpaid balance on these contracts amounted to $1,802,407 and $289,884, 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 2018, the Group's strategy, which was unchanged from 2017, was to maintain the balance of the capital structure. The gearing ratio at December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 8,423,025	$ 12,865,825
Total assets	$ 27,624,702	$ 30,726,233
Gearing ratio	30	42

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 420,398	$ -
Financial assets held for trading	-	22,365
Financial assets designated as at fair value through profit or loss on initial recognition	-	1,598,788
	$ 420,398	$ 1,621,153
Available-for-sale financial assets	$ -	$ 43,211
Financial assets at amortised cost		
Cash and cash equivalents	$ 7,392,184	$ 6,727,184
Accounts receivable	6,818,722	8,113,608
Other receivables	39,486	59,066
Refundable deposits	178,756	11,938
Other financial assets	2,613,320	2,198,320
	$ 17,042,468	$ 17,110,116

		December 31, 2018		December 31, 2017
Financial liabilities				
Financial liabilities at amortised cost				
Accounts payable	$	4,077,918	$	7,396,853
Other payables		2,988,145		3,607,951
Bonds payable (including current portion)		-		528,543
Guarantee deposits received		11,385		29,804
	$	7,077,448	$	11,563,151

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, 2018					
	Foreign currency			Sensitivity analysis		
(Foreign currency: functional currency)	amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets						
Monetary items						
USD:NTD	$ 331,454	30.733	$ 10,186,576	1%	$ 101,866	$ -
USD:RMB	228,320	4.4779	7,016,959	1%	70,170	-
Long-term equity investments accounted for under equity method						
USD:NTD	200,567	30.733	6,164,033	1%	-	61,640
Financial liabilities						
Monetary items						
USD:NTD	218,399	30.733	6,712,056	1%	(67,121)	-
USD:RMB	128,034	4.4779	3,934,869	1%	(39,349)	-

	December 31, 2017					
	Foreign currency			Sensitivity analysis		
(Foreign currency: functional currency)	amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets						
Monetary items						
USD:NTD	$ 364,996	29.8480	$ 10,894,401	1%	$ 108,944	$ -
USD:RMB	231,360	4.5680	6,905,633	1%	69,056	-
Long-term equity investments accounted for under equity method						
USD:NTD	181,141	29.8480	5,406,707	1%	-	54,067
Financial liabilities						
Monetary items						
USD:NTD	253,209	29.8480	7,557,782	1%	(75,578)	-
USD:RMB	234,919	4.5680	7,011,862	1%	(70,119)	-

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, 2018 and 2017 amounted to $96,643 and ($274,140), 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 available-for-sale financial assets. 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 companies. The prices of equity securities would change due to the change of the future 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

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.

(b)Credit risk

Effective 2018

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. On December 31, 2018, the provision matrix classified by customers is as follows:

	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:

	2018
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 year ended December 31, 2018, the impairment loss arising from customers' contracts is $1,211.

viii. Credit risk information of 2017 is provided in Note 12(4).

(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, 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 at December 31, 2018 and 2017, the Group held money market position of $10,424,914 and $10,588,959, 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, 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	-	-

December 31, 2017	Less than 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:			
Accounts payable	$ 7,396,853	$ -	$ -
Other payables	3,607,951	-	-
Bonds payable	535,982	-	-

(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(6).

C. Financial instruments not measured at fair value

The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, accounts receivable, other receivables, other financial assets-current, guarantee deposits paid (recorded in "Other non-current assets-others"), accounts payable, other payables, bonds payable 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, 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

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 22,365	$ -	$ -	$ 22,365
Financial assets designated as at fair value through profit or loss on intial recognition				
Structured certificates of deposit	-	1,598,788	-	1,598,788
Available-for-sale financial assets				
Equity securities	43,211	-	-	43,211
	$ 65,576	$ 1,598,788	$ -	$ 1,664,364

(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.

E. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

G. 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.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

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

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

(i) Hybrid (combined) contracts; or

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

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. 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.

iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b)Available-for-sale financial assets

i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using settlement date accounting.

iii. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(iv) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(v) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(e) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.

B. The reconciliation of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

		Available-for-sale-equity		Effects	
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income-equity	Total	Retained earnings	Other equity
IAS 39	$ -	$ 43,211	$ 43,211	$ -	$ 16,500
Transferred into and measured at fair value through profit or loss	43,211	(43,211)	-	16,500	(16,500)
IFRS 9	$ 43,211	$ -	$ 43,211	$ 16,500	$ -

Under IAS 39, the equity instruments, which were classified as "available-for-sale financial assets" amounting to $43,211, were reclassified as "financial assets at fair value through profit or loss" (equity instruments) amounting to $43,211, and increased retained earnings and decreased other equity interest both in the amount of $16,500 under IFRS 9.

C. The significant accounts as of December 31, 2017 are as follows:

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

Items	December 31, 2017
Current items:	
Financial assets held for trading	
Listed stocks	$ 40,513
Valuation adjustment	(18,148)
	22,365
Financial assets designated as at fair value through profit or loss on initial recognition	
Structured certificates of deposit	1,598,788
	$ 1,621,153

i. The Group recognised net loss amounting to $13,123 on financial assets and liabilities held for trading for the year ended December 31, 2017.

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

	December 31, 2017	
Derivative instruments	Contract amount (Notional principal)	Contract period
Current items:		
Structured certificates of deposit	RMB 50,000 thousand	2017.11~2018.02
Structured certificates of deposit	RMB 100,000 thousand	2017.12~2018.03
Structured certificates of deposit	RMB 30,000 thousand	2017.11~2018.03
Structured certificates of deposit	RMB 170,000 thousand	2017.12~2018.03

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

(b) Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Listed stocks	$ 26,711
Valuation adjustment	16,500
	$ 43,211

The Group recognised $12,180 in other comprehensive income for fair value change and reclassified $54,296 from equity to profit or loss for the year ended December 31 2017.

D. Credit risk information for the year ended December 31, 2017 are as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Credit risk arises from cash and cash equivalents and derivative financial instruments, as well as credit exposures to customers, including outstanding receivables.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods and all these counterparties have optimised credit, and management does not expect any significant losses from non-performance by these counterparties.

(c)The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017
Up to 180 days	$ 181,311
Over 181 days	-
	$ 181,311

The above ageing analysis was based on past due date.

(d) Movements analysis of allowance for bad debts of impaired financial assets is as follows:

i.As of December 31, 2017, the Group's accounts receivable that were impaired amounted to $0.

ii.Movements in the provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	$ 907	$ -	$ 907
Write-offs during the period	(907)	-	(907)
At December 31	$ -	$ -	$ -

The sales usually are made with a credit term of 45 to 120 days after monthly billings. The Group takes into consideration customers' changes in credit quality from initial granting date to financial period-end, historical experience and current financial conditions to estimate the unrecoverable amount when the Group determines the recovery of accounts receivable.

(e) Accounts receivable that are neither past due nor impaired are mainly from clients with outstanding collection history

(5) Effects of initial application of IFRS 15 and information on application of IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

Sales of goods

(a) The Group manufactures and sells flexible printed circuit board products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(b) The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised.

B. The sales revenue recognised by using the above accounting policies for the year ended December 31, 2017 amounts to $25,846,403.

C. If the Group continues adopting above accounting policies for the year ended December 31, 2018, the effects to the current balance sheets are that the Group increased sales discounts and returns provision as deduction to accounts receivable and decreased refund liability (shown as 'Other current liabilities – other') both in the amount of $107,491; for the comprehensive income statements, there was no effect.

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 2018 and 2017 is shown below:

	Years ended December 31,			
	2018		2017	
	Revenue	Non-Current Assets	Revenue	Non-Current Assets
Taiwan	$ 1,780,077	$ 3,326,594	$1,686,990	$ 3,014,150
China	7,537,695	3,104,436	7,810,246	3,693,972
Other areas of Asia	1,471,070	-	1,454,059	-
Europe	15,981,649	62	14,895,108	60
	$ 26,770,491	$ 6,431,092	$25,846,403	$ 6,708,182

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 2018 and 2017 is shown below:

	Year ended December 31, 2018		Year ended December 31, 2017
Customer	Revenue	Customer	Revenue
A	$ 15,803,579	A	$ 14,718,449

Flexium Interconnect Inc.

Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2018 (Note 3)	Balance at December 31, 2018 (Note 9)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 8)	Footnote
0	FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Other receivables - related parties	Yes	$ 960,084	$ 960,084	$ -	1.1	Note 4	$ -	Company operation	$ -	-	$ -	$ 1,920,168	$ 7,680,671	-
0	FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Other receivables - related parties	Yes	960,084	960,084	-	1.1	Note 4	-	Company operation	-	-	-	1,920,168	7,680,671	-

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

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables associates, receivables--related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others for the year ended December 31, 2018.

Note 4: Fill in purpose of loan when nature of loan is for short-term financing.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: In accordance with the Company's "Procedures for Provision of Loans", limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing and is 20% of the Company's net asset based on the latest audited or reviewed consolidated financial statements; limit on loans to a single party with short-term financing is 10% of the Company's net assets based on the latest audited or reviewed financial statements.

Note 8: In accordance with the Company's "Procedures for Provision of Loans", ceiling on total loans is 40% of the Company's net assets based on the latest audited or reviewed financial statements.

Note 9: Ending balance of loans at the balance sheet date is the limit approved by the Board of Directors.

Note 10: In accordance with the Company's "Procedures for Provision of Loans", limit on loans to a company of which the Company directly or indirectly holds 100% of its voting shares is 80% of the Company's net assets.

Flexium Interconnect Inc.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2018				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	MYCENAX BIOTECH INC. (Stock)	None.	Financial assets at fair value through profit or loss - current	374,000	$ 9,649	Note 5	$ 9,649	-
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	MEDEON BIODESIGN, INC. (Stock)	None.	Financial assets at fair value through profit or loss - current	87,000	7,734	Note 5	7,734	-

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

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

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

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

Note 5: Not applicable since the percentage of ownership is less than 5%.

Table 3

Flexium Interconnect Inc.

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

Year ended December 31, 2018

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note2) (Note 2)	Balance as at January 1, 2018		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2018	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
FLEXIUM INTERCONNECT INC.	Stock	Prepayments for investments	Boom Business Limited	Subsidiary	-	$ -	15,000,000	$ 458,436	-	$ -	$ -	$ -	15,000,000	$ 458,436

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Flexium Interconnect Inc.
Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more
Year ended December 31, 2018

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

							If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:						
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
Flexium Interconnect, Inc.	Land located at Daliao Dist., Kaohsiung City	September 12, 2018	$ 1,671,593	$ 250,494	Kaohsiung City government	Non-related party	-	-	-	$ -	Subscription based on the notice released by the Kaohsiung city government	Building plants	The land shall be constructed within 3 years starting from the next day of the land handed over

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate acquired should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation

Note 3: Date of the event referred to herein is the date of contract signing date, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Flexium Interconnect Inc.

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Sales	($ 2,448,983)	9	180 days	Note 1	Note 1	$ 1,235,493	15	Note 7
GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	The Company	Purchases	2,448,983	10	180 days	Note 1	Note 1	(1,235,493)	16	Note 7
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Subsidiary	Sales	(2,448,983)	10	180 days	Note 3	Note 3	1,235,493	16	Note 7
CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Purchases	2,448,983	10	180 days	Note 3	Note 3	(1,235,493)	16	Note 7
CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Sales	(2,448,983)	10	180 days	Note 4	Note 4	1,235,493	16	Note 7
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	Subsidiary	Purchases	2,448,983	15	180 days	Note 4	Note 4	(1,235,493)	4	Note 7
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	Subsidiary	Sales	(22,206,332)	99	90 days	Note 5	Note 5	6,329,163	98	Note 7
CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Purchases	22,206,332	91	90 days	Note 5	Note 5	(6,329,163)	84	Note 7
CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Sales	(22,206,332)	91	90 days	Note 6	Note 6	6,329,163	84	Note 7
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Subsidiary	Purchases	22,206,332	91	90 days	Note 6	Note 6	(6,329,163)	84	Note 7
GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	The Company	Sales	(22,218,448)	91	90 days	Note 2	Note 2	6,329,163	84	Note 7
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Purchases	22,218,448	94	90 days	Note 2	Note 2	(6,329,163)	93	Note 7

Flexium Interconnect Inc.

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Sales	($ 442,702)	100	90 days	Note 8	Note 8	$ 200,777	100	

Note 1: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. The collection period to third parties is approximately 180 days after the end of each month while those to related parties are 45~120 days after the end of each month.

Note 2: The transaction prices to related parties are similar with those to third parties. The collection periods to third parties are 60 to 90 days after the end of each month while those to related parties are 90 days after the end of each month.

Note 3: The transaction is sales from GRANDPLUS ENTERPRISES LTD. to CHAMPION BEYOND LIMITED, and the collection period is approximately 180 days after the end of each month.

Note 4: The transaction is sales from CHAMPION BEYOND LIMITED to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 180 days after the end of each month.

Note 5: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to CHAMPION BEYOND LIMITED, and the collection period is approximately 90 days after the end of each month.

Note 6: The transaction is sales from CHAMPION BEYOND LIMITED to GRANDPLUS ENTERPRISES LTD., and the collection period is approximately 90 days after the end of each month.

Note 7: The purchase (sales) amount is contained the eliminates to sales revenue and operating costs (merchandise purchase) arising from raw material processing, which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN). The eliminated amount was $2,448,983 for the year ended December 31, 2018.

Note 8: The transaction is sales from FLEXIUM TECHNOLOGY(SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Flexium Interconnect Inc.

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Accounts receivable $1,235,493	1.59	$ -	-	$ 368,796	$ -
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Subsidiary	Accounts receivable $1,235,493	1.59	-	-	368,796	-
CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Accounts receivable $1,235,493	1.59	-	-	368,796	-
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	Subsidiary	Accounts receivable $6,329,163	4.30	-	-	2,704,504	-
CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Accounts receivable $6,329,163	4.30	-	-	2,704,504	-
GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	The Company	Accounts receivable $6,329,163	3.41	-	-	2,704,504	
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Accounts receivable $ 200,777	2.98	-	-	17,096	-

Flexium Interconnect Inc.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Details of significant inter-company transactions reaching NT$100 million or 20% of paid-in capital or more are as follows:

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	1	Sales	$ 2,448,983	Note 4	9
0	FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	1	Accounts receivable	1,235,493	Note 4	4
1	GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	3	Sales	2,448,983	Note 6	9
1	GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	3	Accounts receivable	1,235,493	Note 6	4
1	GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	2	Sales	22,218,448	Note 5	83
1	GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	2	Accounts receivable	6,329,163	Note 5	23
2	CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Sales	2,448,983	Note 7	9
2	CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Accounts receivable	1,235,493	Note 7	4
2	CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	3	Sales	22,206,332	Note 8	83
2	CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	3	Accounts receivable	6,329,163	Note 8	23
3	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	3	Sales	22,206,332	Note 9	83
3	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	3	Accounts receivable	6,329,163	Note 9	23
4	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Sales	442,702	Note 10	2
4	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Accounts receivable	200,777	Note 10	1

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

(1) Parent company is "0".

(2) The subsidiaries are numbered in order starting from "1".

Flexium Interconnect Inc.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Note 2: Relationship between transaction company and counterparty is classified into the following three categories (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. The collection period to third parties is approximately 180 days after the end of each month while those to related parties are 45~120 days after the end of each month.

Note 5: The processing prices were determined in accordance with mutual agreements. The collection period to third parties is 60 to 90 days after the end of each month while those to related parties is 90 days after the end of each month.

Note 6: The transaction is sales from GRANDPLUS ENTERPRISES LTD. to CHAMPION BEYOND LIMITED, and the collection period is approximately 180 days after the end of each month.

Note 7: The transaction is sales from CHAMPION BEYOND LIMITED to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 180 days after the end of each month.

Note 8: The transaction is sales from CHAMPION BEYOND LIMITED to GRANDPLUS ENTERPRISES LTD., and the collection period is approximately 90 days after the end of each month.

Note 9: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to CHAMPION BEYOND LIMITED and the collection period is approximately 90 days after the end of each month.

Note 10: The transaction is sales from FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the credit term is approximately 90 days after the end of each month.

Flexium Interconnect Inc.
Information on investees
Year ended December 31, 2018

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount: Balance as at December 31, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at December 31, 2018: Number of shares	Shares held as at December 31, 2018: Ownership (%)	Shares held as at December 31, 2018: Book value	Net profit (loss) of the investee for the year ended December 31, 2018 (Note 2(2))	Investment income(loss) recognised by the Company for the year ended December 31, 2018 (Note 2(3))	Footnote
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INC.	British Virgin Islands	General investments	$ 975,567	$ 975,567	50,000	100	$ 3,831,871	$ 525,724	$ 561,521	
FLEXIUM INTERCONNECT INC.	UFLEX TECHNOLOGY CO., LTD.	British Virgin Islands	General investments	468,199	468,199	50,000	100	1,683,552	185,687	198,192	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Taiwan	General investments	50,000	50,000	5,000,000	100	33,361	5,167	5,167	
FLEXIUM INTERCONNECT INC.	BOOM BUSINESS LIMITED	Samoa	General investments	606,024	606,024	20,000,000	100	648,610	29,617	29,617	
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Samoa	General investments	62,001	62,001	1,880,578	100	434	34	34	
FLEXIUM INTERCONNECT INC.	SUCCESS GLORY INVESTMENTS LTD.	Samoa	General investments	859,357	859,357	28,010,000	100	4,018,096	513,299	513,299	
UFLEX TECHNOLOGY CO., LTD.	FLEXIUM INTERCONNECT AMERICA LLC.	U.S.A	Marketing, customer support and supporting technical services	7,282	7,282	-	100	8,821	2,280	2,280	
GRANDPLUS ENTERPRISES LTD.	CHOSEN GLORY LIMITED	Samoa	General investments	-	-	-	100	-	-	-	
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Samoa	General investments	-	-	-	100	48	24	24	
GRANDPLUS ENTERPRISES LTD.	FOREVER MASTER LIMITED	Samoa	General investments	-	-	-	100	17	9	9	
BOOM BUSINESS LIMITED	CLEAR SUCCESS GLOBAL LIMITED	Samoa	General investments	606,024	606,024	20,000,000	100	646,051	29,617	29,617	

Note 1: If a public company is equipped with an overseas holding company and takes the consolidated financial report as the main financial report according to the local laws, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1) The columns of "Investee", "Location", "Main business activities", "Initial investment amount" and "Shares held as at December 31, 2018" should fill orderly in the Company' s (public company's) information on investees and every directly or indirectly controlled investees' investment information, and note the relationship between the Company (public company) and its investee each (ex. Direct subsidiary or indirect subsidiary) in the "Footnote" column.

(2) The "Net profit (loss) of the investee for the year ended December 31, 2018" column should fill in amount of net profit (loss) of the investee for this period.

(3) The "Investment income (loss) recognised by the Company for the year ended December 31, 2018" column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: Investment income (loss) recognised by the Company for the year ended December 31, 2018 included elimination of unrealised gain (loss).

Table 9

Flexium Interconnect Inc.

Information on investments in Mainland China

Year ended December 31, 2018

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards.	$ 974,571	2	$ 1,347,611	$ -	$ -	$ 1,347,611	$ 707,650	100	$ 707,650	$ 5,748,847	$ -	Note 2、4
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards.	614,660	2	614,660	460,995	-	1,075,655	29,617	100	29,617	646,051	-	Note 2、5

Note 1: Investment methods are classified into following three categories:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others.

Note 2: The financial statements are audited and attested by R.O.C. parent company's CPA.

Note 3: The numbers in this table are expressed in New Taiwan Dollars. Translated at exchanges rate of NT$30.73 US$1.00.

Note 4: The Group invested in the company through FLEXIUM INTERCONNECT INC., SUCCESS GLORY INVESTMENTS LTD., and UFLEX TECHNOLOGY CO.,LTD.

Note 5: The Group invested in the compnay through BOOM BUSINESS LIMITED and CLEAR SUCCESS GLOBAL LIMITED.

Flexium Interconnect Inc.

Information on investments in Mainland China

Year ended December 31, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FLEXIUM INTERCONNECT INC.	$ 2,423,266	$ 2,477,424	$ -

Note: In accordance with 'Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China' amended by Ministry of Economic Affairs effective on August 29, 2008, as the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company.

Flexium Interconnect Inc.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2018

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others	
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2018	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2018	Balance at December 31, 2018	Interest rate	Interest during the year ended December 31, 2018		
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	($ 22,218,448)	94	$ -	-	($ 6,329,163)	93	$ -	-	$ -	$ -	-	$ -	Other expenses	85,599
	2,448,983	9			1,235,493	16							Other receivables	56,023
													Other payables	22,892

Note: The Company has reversed the sales revenue and operating cost (merchandise purchase) arising from raw material processing which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN), when preparing the financial statements. The eliminated amount for the year ended December 31, 2018 was $2,448,983.

FLEXIUM INTERCONNECT, INC.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR18002872

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, 2018 and 2017, 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, 2018 and 2017, 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(7). 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(3).

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 allowance for material accounts receivable as one of the key audit matters.

How our audit addressed the matter

We have evaluated the impairment of accounts receivable and performed the following audit procedures:

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. Assessed the reasonableness of the relevant supporting documents of expected credit loss in the past due period for each group.

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. Selected samples and performed confirmation of material accounts receivable. Tested the reconciliation statement of the differences between the replies and account balances.

Key audit matter - Estimate of allowance for inventory valuation losses

Description

For the accounting policies on inventory valuation, please refer to Note 4(11). 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(4).

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 and individually identified obsolete or slow-moving inventory, 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 estimates of the allowance for inventory valuation losses as one of the key audit matters.

How our audit addressed the matter

For inventory which is over a specific age and obsolete inventory that is checked item by item, we have tested the inventory valuation loss process conducted by the management and performed the following audit procedures:

A. Compared financial statements to check whether the provision policy of allowance for inventory valuation loss is consistently applied in all reporting periods and assessed the reasonability of the provision policy.

B. Tested the estimated net realisable value of obsolete and damaged inventory reported. Discussed with management and obtained supporting evidences.

C. Tested the accuracy of logic of management identified individual obsolete or damaged inventory aging report, and confirmed whether the obsolete inventories are recorded in the report.

D. Assessed the reasonability and evidences of management in identifying individual obsolete or damaged inventory.

E. Observed inventory count to match the count information with the obsolete or damaged inventory report which was compiled by management.

F. Verified inventory write-down and allowance for individual inventory valuation losses and compared with individual inventory's impairment provision during the latest period, and assessed the reasonableness of allowance of 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 supervisors, 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:

1. 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.
2. 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.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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.
5. 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.
6. 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.

Liao, A-Shen	Wu, Chien-Chih

PricewaterhouseCoopers, Taiwan

February 14, 2019

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.

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 6,298,505	23	$ 6,012,559	21
1125	Available-for-sale financial assets - current	12(4)	-	-	43,211	-
1170	Accounts receivable, net	6(3)	6,743,037	24	7,954,575	28
1180	Accounts receivable - related parties	7	1,235,493	4	1,838,631	6
1200	Other receivables	7	89,866	-	152,906	1
130X	Inventories	6(4)	1,058,065	4	1,714,209	6
1410	Prepayments		25,496	-	91,042	-
1476	Other current financial assets	6(9)	2,613,320	9	2,198,320	8
11XX	**Current Assets**		18,063,782	64	20,005,453	70
	Non-current assets					
1550	Investments accounted for under equity method	6(5)	6,197,394	22	5,434,900	19
1600	Property, plant and equipment	6(6) and 7	2,663,835	10	2,643,810	10
1760	Investment property - net	6(7)	135,692	-	290,106	1
1780	Intangible assets	6(8)	77,565	-	31,127	-
1840	Deferred income tax assets	6(23)	55,465	-	48,890	-
1960	Non-current prepayments for investments	7	458,436	2	-	-
1990	Other non-current assets, others	6(9) and 8	449,502	2	49,107	-
15XX	**Non-current assets**		10,037,889	36	8,497,940	30
1XXX	**Total assets**		$ 28,101,671	100	$ 28,503,393	100

(Continued)

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2170	Accounts payable		$ 496,683	2	$ 676,144	2
2180	Accounts payable - related parties	7	6,329,163	23	6,719,025	24
2200	Other payables	7	807,633	3	1,559,390	5
2230	Current income tax liabilities		355,478	1	527,827	2
2320	Long-term liabilities, current portion	6(10)	-	-	528,543	2
2399	Other current liabilities, others	12(5)	111,063	-	4,364	-
21XX	**Current Liabilities**		8,100,020	29	10,015,293	35
	Non-current liabilities					
2570	Deferred income tax liabilities	6(23)	766,929	3	597,627	2
2600	Other non-current liabilities	6(11)	33,045	-	30,065	-
25XX	**Non-current liabilities**		799,974	3	627,692	2
2XXX	**Total Liabilities**		8,899,994	32	10,642,985	37
	Equity					
	Share capital	6(13)				
3110	Share capital - common stock		3,182,142	11	3,179,912	11
3140	Advance receipts for share capital		812	-	-	-
	Capital surplus	6(10)(14)				
3200	Capital surplus		3,859,566	14	3,990,243	14
	Retained earnings	6(15)				
3310	Legal reserve		1,550,104	5	1,244,420	4
3320	Special reserve		212,254	1	153,669	1
3350	Unappropriated retained earnings	6(23)	11,225,027	40	10,476,420	37
	Other equity interest	6(16)				
3400	Other equity interest		(303,446)	(1)	(212,254)	(1)
3500	**Treasury stocks**	6(13)	(524,782)	(2)	(972,002)	(3)
3XXX	**Total equity**		19,201,677	68	17,860,408	63
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	**Total liabilities and equity**		$ 28,101,671	100	$ 28,503,393	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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Year ended December 31			
			2018		2017	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	6(17) and 7	$ 26,629,126	100	$ 25,425,049	100
5000	**Operating costs**	6(4)(8) and 7	(23,558,496)	(88)	(21,442,294)	(84)
5900	**Net operating margin**		3,070,630	12	3,982,755	16
	Operating expenses	6(8) and 7				
6100	Selling expenses		(76,624)	-	(79,508)	-
6200	General and administrative expenses		(359,058)	(2)	(324,593)	(1)
6300	Research and development expenses		(359,256)	(1)	(359,440)	(2)
6450	Impairment loss determined in accordance with IFRS 9	12(2)	(1,195)	-	-	-
6000	**Total operating expenses**		(796,133)	(3)	(763,541)	(3)
6900	**Operating profit**		2,274,497	9	3,219,214	13
	Non-operating income and expenses					
7010	Other income	6(18) and 7	168,755	-	175,294	-
7020	Other gains and losses	6(2)(19)	195,391	1	(256,311)	(1)
7050	Finance costs	6(20)	(5,283)	-	(15,596)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(5)	794,497	3	749,091	3
7000	**Total non-operating income and expenses**		1,153,360	4	652,478	2
7900	**Profit before income tax**		3,427,857	13	3,871,692	15
7950	Income tax expense	6(23)	(783,145)	(3)	(814,856)	(3)
8200	**Profit for the year**		$ 2,644,712	10	$ 3,056,836	12
	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(11)	($ 3,843)	-	($ 5,325)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive income, before tax, exchange differences on translation	6(16)	(74,692)	-	(96,716)	(1)
8362	Other comprehensive income, before tax, available-for-sale financial assets	6(16)	-	-	(42,116)	-
8500	**Total comprehensive income for the year**		$ 2,566,177	10	$ 2,912,679	11
	Earnings per share	6(24)				
9750	**Basic earnings per share**		$	8.55	$	10.07
9850	**Diluted earnings per share**		$	8.38	$	9.60

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
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Share capital			Retained Earnings			Other equity interest			
	Notes	Common stock	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total equity
Year ended December 31, 2017											
Balance at January 1, 2017		$ 2,991,044	$ 4,281	$ 4,504,836	$ 1,016,902	$ 153,669	$ 8,372,889	($ 132,038)	$ 58,616	($ 1,440,297)	$ 15,529,902
Profit for the year	6(24)	-	-	-	-	-	3,056,836	-	-	-	3,056,836
Other comprehensive loss for the year	6(16)	-	-	-	-	-	(5,325)	(96,716)	(42,116)	-	(144,157)
Total comprehensive income (loss)		-	-	-	-	-	3,051,511	(96,716)	(42,116)	-	2,912,679
Appropriation and distribution of 2016 earnings:											
Legal reserve		-	-	-	227,518	-	(227,518)	-	-	-	-
Distribution of cash dividends	6(15)	-	-	-	-	-	(720,462)	-	-	-	(720,462)
Capitalization of capital reserve	6(13)(14)	144,092	-	(144,092)	-	-	-	-	-	-	-
Cash dividends from capital surplus	6(14)	-	-	(576,370)	-	-	-	-	-	-	(576,370)
Share-based payment transactions	6(12)(14)	1,250	-	(1,182)	-	-	-	-	-	145,040	145,108
Conversion of convertible bonds	6(10)(13)(14)	43,526	(4,281)	207,051	-	-	-	-	-	1,053,045	1,299,341
Purchase of treasury share	6(13)	-	-	-	-	-	-	-	-	(729,790)	(729,790)
Balance at December 31, 2017		$ 3,179,912	$ -	$ 3,990,243	$ 1,244,420	$ 153,669	$ 10,476,420	($ 228,754)	$ 16,500	($ 972,002)	$ 17,860,408
Year ended December 31, 2018											
Balance at January 1, 2018		$ 3,179,912	$ -	$ 3,990,243	$ 1,244,420	$ 153,669	$ 10,476,420	($ 228,754)	$ 16,500	($ 972,002)	$ 17,860,408
Effects of retrospective application and retrospective restatement	6(16) and 12(4)	-	-	-	-	-	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(24)	-	-	-	-	-	2,644,712	-	-	-	2,644,712
Other comprehensive loss for the year	6(16)	-	-	-	-	-	(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(15)	-	-	-	-	-	(1,544,493)	-	-	-	(1,544,493)
Share-based payment transactions	6(12)(14)	2,230	812	18,456	-	-	-	-	-	-	21,498
Conversion of convertible bonds	6(10)(13)(14)	-	-	(149,133)	-	-	-	-	-	681,212	532,079
Purchase of treasury share	6(13)	-	-	-	-	-	-	-	-	(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

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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 3,427,857	$ 3,871,692
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based payments	6(12)(14)	15,512	9,436
Provision for expected credit loss	12(2)	1,195	-
Provision for (reversal of) allowance for sales returns and discounts	6(3)	28,816	(25,160)
Deprecication expense	6(6)(21)	446,702	277,378
Depreciation expense from investment properties	6(7)(21)	11,376	12,063
Amortization of intangible and other assets	6(8)(21)	25,411	25,886
Loss on valuation of financial assets at fair value	6(2)(19)	915	271
Interest expense	6(20)	5,283	15,596
Interest income	6(18)	(45,338)	(58,712)
Dividend income	6(18)	-	(13,031)
Share of profit of associates and joint ventures accounted for using equity method	6(5)	(794,497)	(749,091)
Gain on disposal of property, plant and equipment	6(19)	(80)	(530)
Gain on disposal of investment	6(19)	-	(54,296)
Unrealized profit from sales		69,845	112,534
Realized profit on from sales		(112,534)	(82,150)
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease in financial assets at fair value-current		46,927	499
Decrease in notes receivable		-	3,788
Decrease (increase) in accounts receivable		1,181,527	(3,775,490)
Decrease (increase) in accounts receivable - related parties		603,138	(629,017)
Decrease (increase) in other receivables		60,742	(61,612)
Decrease (increase) in inventories		656,144	(857,694)
Decrease (increase) in prepayments		65,546	(66,979)
Increase in other financial assets-current		(415,000)	(177,220)
Changes in operating liabilities			
Decrease in financial liabilities at fair value-current		(4,631)	(770)
(Decrease) increase in accounts payable		(179,461)	322,849
(Decrease) increase in accounts payable to related parties		(389,862)	3,406,078
(Decrease) increase in other payables		(103,608)	298,120
Increase (decrease) in other current liabilities		106,699	(1,900)
Cash inflow generated from operations		4,708,624	1,802,538
Interest received		47,482	57,696
Dividend received		-	13,031
Income tax paid		(792,767)	(456,516)
Net cash flows from operating activities		3,963,339	1,416,749

(Continued)

FLEXIUM INTERCONNECT, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale financial assets		$ -	$ 143,581
Acquisition of investments accounted for using equity method		-	(606,024)
Increase in prepayments for investments		(458,436)	-
Acquisition of property, plant and equipment	6(25)	(1,205,609)	(1,119,032)
Proceeds from disposal of property, plant and equipment		220	530
Acquisition of intangible assets	6(8)	(71,849)	(19,057)
(Increase) decrease in refundable deposits		(166,925)	5
Interest received		154	3,234
Net cash flows used in investing activities		(1,902,445)	(1,596,763)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in other non-current liabilities		(863)	(619)
Cash dividends paid	6(14)(15)	(1,544,493)	(1,296,832)
Proceeds from issuance of stock from exercising employee stock options	6(12)	5,986	3,145
Treasury stock conversion cost	6(12)	-	132,926
Payments to acquire treasury shares	6(13)	(233,992)	(729,790)
Treasury stock transferred cost		(1,586)	(3,608)
Net cash flows used in financing activities		(1,774,948)	(1,894,778)
Net increase (decrease) in cash and cash equivalents		285,946	(2,074,792)
Cash and cash equivalents at beginning of year	6(1)	6,012,559	8,087,351
Cash and cash equivalents at end of year	6(1)	$ 6,298,505	$ 6,012,559

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, 2018 AND 2017
(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 14, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument than has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c)The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4) B.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Company has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15.

(c) Presentation of assets and liabilities in relation to contracts with customers

In line with IFRS 15 requirements, the Company changed the presentation of certain accounts in the balance sheet as follows:

Under IFRS 15, liabilities in relation to expected volume discounts and refunds to customers are recognised as refund liabilities (shown as ‘‘other current liabilities’’), but were previously presented as accounts receivable - allowance for sales returns and discounts in the balance sheet. As of January 1, 2018, the balance amounted to $21,060.

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

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. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

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.

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

The Company expects to recognize the lease contract of lessees in line with IFRS 16. However, the Company does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $19,512 and $19,512, respectively.

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

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) Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with 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.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(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) <u>Classification of current and non-current items</u>

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

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(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

Effective 2018

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) 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.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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

(14) 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.

(15) 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.

(16) Intangible assets

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

(17) 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.

(18) 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.

(19) 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.

(20) 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.

(21) 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.

(22) 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.

(23) 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.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in 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 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.

iii. Past service costs are recognised immediately in profit or loss.

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 Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

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.

(26) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the 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.

(27) 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.

(28) 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.

(29) 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.

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 collectability 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, 2018	December 31, 2017
Cash:		
Cash on hand and revolving funds	$ 507	$ 562
Checking accounts and demand deposits	2,015,278	2,331,967
	2,015,785	2,332,529
Cash equivalents:		
Time deposits	4,282,720	3,680,030
	$ 6,298,505	$ 6,012,559

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.

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

Effective 2018

Items	December 31, 2018
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Listed stocks	$ -
Forward foreign exchange	-
	$ -

The Company recognised net loss of $915 for the year ended December 31, 2018.

(3) Accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable	$ 6,794,108	$ 7,975,635
Less: Allowance for doubtful accounts	(1,195)	-
Allowance for sales returns and discounts	(49,876)	(21,060)
	$ 6,743,037	$ 7,954,575

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

	December 31, 2018	December 31, 2017
Up to 90 days	$ 6,730,052	$ 7,954,335
91 to 180 days	44,002	98
181 to 365 days	1,016	2,941
Over one year	19,038	18,261
	$ 6,794,108	$ 7,975,635

The above ageing analysis was based on overdue dates.

B. The Company does not hold collateral as security for accounts receivable.

C. As at December 31, 2018 and 2017, 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 were $6,743,037 and $7,954,575, respectively.

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

(4) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$ 48,534	$ 67,020
Work in process and semi-finished goods	116,878	164,759
Finished goods	892,653	1,482,430
	$ 1,058,065	$ 1,714,209

The cost of inventories recognised as expense for the years ended December 31, 2018 and 2017, was $23,558,496 and $21,442,294 respectively, including the amount of $97,439 for the year ended December 31, 2018, 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, as well as the amount of $108,322 for the year ended December 31, 2017, that the Company wrote down from cost to net realisable value accounted for as increase of cost of goods sold.

(5) Investments accounted for using equity method

A. Details are as follows:

	December 31, 2018	December 31, 2017
FLEXIUM INTERCONNECT INC.	$ 3,831,871	$ 3,295,357
UFLEX TECHNOLOGY CO., LTD.	1,683,552	1,484,371
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	33,361	28,193
BOOM BUSINESS LIMITED	648,610	626,979
	$ 6,197,394	$ 5,434,900

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, 2018.

(b) For the years ended December 31, 2018 and 2017, gains on investments accounted for using equity method amounted to $794,497 and $749,091, respectively.

(6) Property, plant and equipment

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

	December 31, 2018	December 31, 2017
Land	$ 657,573	$ 516,599
Buildings	289,914	292,994
Machinery	1,439,390	1,590,854
Transportation equipment	1,958	344
Other equipment	44,919	21,538
Construction in progress and equipment under acceptance	230,081	221,481
	$ 2,663,835	$ 2,643,810

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

	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, 2017				
Cost	Opening net book amount	Additions and transfer	Deduction	Reclassifications	Closing net book amount
Land	$ 516,599	$ -	$ -	$ -	$ 516,599
Buildings	134,009	263,553	-	-	397,562
Machinery	1,430,593	1,348,420	(48,403)	-	2,730,610
Transportation equipment	7,766	-	(951)	-	6,815
Office equipment	3,011	-	(47)	-	2,964
Other equipment	138,899	16,171	(906)	-	154,164
Construction in progress and equipment under acceptance	163,385	58,096	-	-	221,481
	$ 2,394,262	$ 1,686,240	($ 50,307)	$ -	$ 4,030,195

	For the year ended December 31, 2018				
Accumulated depreciation and impairment	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

Accumulated depreciation and impairment	For the year ended December 31, 2017									
	Opening net book amount		Additions		Deduction		Reclassifications		Closing net book amount	
Buildings	$	96,614	$	7,954	$	-	$	-	$	104,568
Machinery		929,011		259,148	(	48,403)		-		1,139,756
Transportation equipment		6,986		436	(	951)		-		6,471
Office equipment		3,011		-	(	47)		-		2,964
Other equipment		123,692		9,840	(	906)		-		132,626
	$	1,159,314	$	277,378	($	50,307)	$	-	$	1,386,385

C. No borrowing costs were capitalized as part of property, plant and equipment for the years ended December 31, 2018 and 2017.

D. Details of property, plant and equipment transferred from investment property for the year ended December 31, 2018 are provided in Note 6(7) B.

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

(7) Investment property

	Land		Buildings		Total
At January 1, 2018					
Cost	$ 270,000	$	36,190	$	306,190
Accumulated depreciation and impairment	-	(	16,084)	(	16,084)
	$ 270,000	$	20,106	$	290,106
2018					
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, 2018					
Cost	$ 129,026	$	29,998	$	159,024
Accumulated depreciation and impairment	-	(	23,332)	(	23,332)
	$ 129,026	$	6,666	$	135,692

	Land		Buildings		Total
At January 1, 2017					
Cost	$ 270,000	$	36,190	$	306,190
Accumulated depreciation and impairment	-	(	4,021)	(	4,021)
	$ 270,000	$	32,169	$	302,169
2017					
Opening net book amount as at January 1	$ 270,000	$	32,169	$	302,169
Depreciation	-	(	12,063)	(	12,063)
Closing net book amount as at December 31	$ 270,000	$	20,106	$	290,106
At December 31, 2017					
Cost	$ 270,000	$	36,190	$	306,190
Accumulated depreciation and impairment	-	(	16,084)	(	16,084)
	$ 270,000	$	20,106	$	290,106

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

	For the years ended December 31,	
	2018	2017
Rental income from investment property	$ 10,699	$ 11,081
Direct operating expenses arising from the investment property that generated rental income during the period	$ 12,046	$ 13,204

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

C. The fair value of investment property held by the Company as at December 31, 2018 and 2017 was $232,126 and $311,195, respectively, 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.

(8) Intangible assets-computer software cost

A. Changes in computer software cost are as follows:

	2018	2017
At January 1	$ 31,127	$ 37,956
Additions-acquired separately	71,849	19,057
Amortization	(25,411)	(25,886)
At December 31	$ 77,565	$ 31,127

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

	For the years ended December 31,	
	2018	2017
Operating costs	$ -	$ 267
Administrative expenses	17,677	18,181
Research and development expenses	7,734	7,438
	$ 25,411	$ 25,886

(9) Other financial assets and other non-current assets-other

Items	December 31, 2018	December 31, 2017
Other financial assets-current:		
Time deposit	$ 2,613,320	$ 2,198,320
Other non-current assets-other:		
Prepayment for land purchases	$ 250,494	$ -
Prepayments for equipment	30,456	47,480
Refundable deposits	168,552	1,627
	$ 449,502	$ 49,107

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

(10) Bonds payable

	December 31, 2018	December 31, 2017
Fourth domestic unsecured convertible bonds	$ -	$ 535,982
Less: Discount on bonds payable	-	(7,439)
	-	528,543
Less: current portion		
(Shown as"Long-term liabilities, current portion")	-	(528,543)
	$ -	$ -

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 31, 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 31, 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 31, 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%.

(11) 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, 2018	December 31, 2017
Present value of defined benefit obligations	$ 61,344	$ 55,740
Fair value of plan assets	(38,091)	(35,033)
Net defined benefit liability (shown as 'Other non-current liabilities')	$ 23,253	$ 20,707

(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
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)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 49,775)	$ 33,039	($ 16,736)
Interest (expense) income	(896)	609	(287)
	($ 50,671)	$ 33,648	($ 17,023)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(256)	(256)
Experience adjustments	(5,069)	-	(5,069)
	(5,069)	(256)	(5,325)
Pension fund contribution	-	1,641	1,641
Balance at December 31	($ 55,740)	$ 35,033	($ 20,707)

(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, 2018 and 2017 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, 2018	December 31, 2017
Discount rate	1.55%	1.80%
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, 2018				
Effect on present value of defined benefit obligation	($ 2,664)	$ 2,809	$ 11,996	($ 9,913)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 2,507)	$ 2,646	$ 11,353	($ 9,326)

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 2018 and 2017 are the same.

(f)Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2019 amounts to $1,655.

(g)As of December 31, 2018, the weighted average duration of that retirement plan is 19.5 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, 2018 and 2017 were $43,897 and $36,377, respectively.

(12) Share-based payment

A. Options granted during the period from January 1, 2004 through January 1, 2008

(a) The exercise price under stock-based employee compensation plan in 2007 was determined at the closing price ($17 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. 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:

Stock options	2018 Number of options (in thousands)	2018 Weighted-average exercise price (in dollars)	2017 Number of options (in thousands)	2017 Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	$ -	324	$ 8.30
Options expired	-	-	(324)	8.30
Options outstanding at December 31	-	-	-	-
Options exercisable at December 31	-	-	-	-

(c) No stock options were exercised for the years ended December 31, 2018 and 2017.

(d)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	56%
Risk-free interest rate	2%
Expected terms	10 years
Weighted-average fair value per share (in dollars)	42.32

B. 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, 2018, the adjusted exercise price was NT$23.20 (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:

Stock options	2018 Number of options (in thousands)	2018 Weighted-average exercise price (in dollars)	2017 Number of options (in thousands)	2017 Weighted-average exercise price (in dollars)
Options outstanding at January 1	687	$ 24.40	812	$ 26.60
Options exercised	(258)	23.20	(125)	25.16
Options outstanding at December 31	429	23.20	687	24.40
Options exercisable at December 31	429	23.20	687	24.40

(c) The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2018 and 2017 was $77.97 and $126.07, respectively.

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

	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

Exercise price (in dollars)	December 31, 2017				
	Stock options outstanding			Stock options exercisable	
	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)
$ 24.40	687	2 years and 2 months	$ 24.40	687	$ 24.40

(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, 2018 and 2017 were both $0.

C. On February 21, 2017, the Board of Directors adopted a resolution to transfer treasury stocks purchased from the seventh purchase to employees.

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

Type of arrangement	Grant date	Number of shares granted (in thousands)	Vesting conditions
Treasury stock transferred to employees	2017.02.21	1,627	Vested immediately

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

Stock options	2018		2017	
	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	-	$ -	-	$ -
Options granted	-	-	1,627	89.15
Options exercised	-	-	(1,627)	81.70
Options outstanding at December 31	-	-	-	-
Options exercisable at December 31	-	-	-	-

(c) The fair value of stock options on the grant date was estimated under 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	2017.02.21	$ 93.40	$ 89.15	27.14%	0.11	0.11%	$ 5.80

(d) The compensation cost recognized at the grant date was $9,436. As of December 28, 2017, the shares were issued to the employees from the treasury stock depository account.

D. 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:

	2018		2017	
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	-	$ -	-	$ -
Options granted	2,506	93.37	-	-
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.

(13) Share capital

A. As of December 31, 2018, 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 $3,182,142, consisting of 318,214 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)

	2018	2017
At January 1	307,615	279,112
Employee stock options exercised	223	1,752
Capitalization of capital reserve	-	14,409
Conversion of convertible bonds	7,890	18,969
Buyback of treasury stock	(2,506)	(6,627)
At December 31	313,222	307,615

B. The stockholders at their annual stockholders' meeting on June 22, 2017 adopted a resolution to increase capital through capital reserve of $144,092. The effective date of the capital increase was on August 9, 2017. This issuance was approved by the Financial Supervisory Commission, Executive Yuan and registered with the relevant Authority.

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 Company issued common stock in the amount of $1,250 for the exercise of employee stock options in 2017 and the registration has been completed.

E. Convertible bonds in the amount of $43,526 were converted from convertible bonds in 2017. Those shares had been registered with the relevant Authority.

F. Treasury shares

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

		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

		December 31, 2017		
Name of company holding the shares	Reason for reacquisition	Number of shares in thousands	Carrying amount	
The Company	For conversion of equity	10,376	$	972,002

(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, as of December 31, 2018, the Company repurchased 20 million shares, including 20 million shares were distributed for equity transfer.

(f)The shares which were repurchased by the Company and transferred to employees amounted to 9 million shares that in accordance with related regulations, and as resolved by the Board of Directors on December 20, 2016. As of December 31, 2018, the Company has repurchased the Company's shares and transferred to employees in the amount of 1,627 thousand shares.

(g)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. As of December 31, 2018, the Company has repurchased its own shares in the amount of 5 million shares, including 2,514 thousand shares were distributed from equity transfer.

(h)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. As of December 31, 2018, the Company has repurchased its own shares in the amount of 2,506 thousand shares.

(I)Information on treasury shares reissued to employees is provided in Note 6(12).

(14) 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.

	2018				
	Share premium	Treasury share transactions	Employee restricted shares	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

	2017				
	Share premium	Treasury share transactions	Employee restricted shares	Stock options	Total
At January 1, 2017	$ 4,259,077	$ 194,910	$ 9,536	$ 41,313	$ 4,504,836
Employee stock options exercised	3,293	(3,076)	(10,835)	-	(10,618)
Capitalisation of capital surplus	(144,092)	-	-	-	(144,092)
Capital surplus used to issue cash to shareholders	(576,370)	-	-	-	(576,370)
Share-based payment transactions	-	-	9,436	-	9,436
Conversion option of convertible bonds	239,766	(3,211)	-	(29,504)	207,051
At December 31, 2017	$ 3,781,674	$ 188,623	$ 8,137	$ 11,809	$ 3,990,243

B. On June 22, 2017, the shareholders during their meeting resolved to distribute cash dividends from capital surplus in the amount of $576,370, at NT$2 per share, increase the capital by issuing new shares amounting to $144,092, at NT$0.5 per share, and the total dividends is $720,462.

C. For details of capital reserve from stock options, please refer to Note 6(10).

(15) 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 2017 was $720,462 ($2.5 (in dollars) per share). On June 14, 2018, the shareholders resolved that total dividends for the distribution of earnings for 2017 was $1,544,493 ($5 (in dollars) per share).

(16) Other equity items

	2018		
	Available-for-sale investment	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)

	2017		
	Available-for-sale investment	Currency translation	Total
At January 1	$ 58,616	($ 132,038)	($ 73,422)
Revaluation	(42,116)	-	(42,116)
Currency translation differences:			
–Group	-	(96,716)	(96,716)
At December 31	$ 16,500	($ 228,754)	($ 212,254)

(17) 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	$ 1,763,139	$ 1,686,965
China	7,444,594	7,388,917
Asia (excluding Taiwan and China)	1,439,744	1,454,059
Europe and America	15,981,649	14,895,108
	$ 26,629,126	$ 25,425,049

(18) Other income

	For the years ended December 31, 2018	2017
Interest income:		
Interest income from bank deposits	$ 45,184	$ 55,649
Other interest income	154	3,063
Total interest income	45,338	58,712
Rent income	10,815	11,081
Dividend income	-	13,031
Other income-other	112,602	92,470
	$ 168,755	$ 175,294

(19) Other gains and losses

	For the years ended December 31, 2018	2017
Gains on disposal of property, plant and equipment	$ 80	$ 530
Gains on disposal of investments	-	54,296
Foreign exchange gains (losses)	207,601	(298,803)
Net loss on financial assets/ liabilities at fair value through profit or loss	(915)	(271)
Others	(11,375)	(12,063)
	$ 195,391	($ 256,311)

(20) Finance costs

	For the years ended December 31, 2018	2017
Interest expense:		
Convertible bonds	$ 5,225	$ 15,560
Imputed interest on deposits	58	36
	$ 5,283	$ 15,596

(21) Expenses by nature

	For the years ended December 31, 2018	2017
Employee benefit expense	$ 1,355,257	$ 1,490,226
Depreciation charge on property, plant and equipment	446,702	277,378
Depreciation charge on investment property	11,376	12,063
Amortisation on intangible assets	25,411	25,886

(22) Employee benefit expense

	For the years ended December 31,	
	2018	2017
Wages and salaries	$ 1,139,040	$ 1,310,763
Employee stock options	15,512	9,436
Labor and health insurance fees	99,372	81,667
Pension costs	44,255	36,664
Other personnel expenses	57,078	51,696
	$ 1,355,257	$ 1,490,226

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, 2018 and 2017, employees' compensation was accrued at $86,000 and $93,000, respectively; directors' and supervisors' remuneration both were accrued at $15,000, 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 2017 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2017 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.

(23) Income tax

A. Income tax expense

Components of income tax expense:

	For the years ended December 31,	
	2018	2017
Current tax：		
Current tax on profits for the year	$ 520,635	$ 551,700
Tax on undistributed earnings	114,275	132,335
Over estimation of prior year's income tax	(14,492)	(13,464)
Total current tax	620,418	670,571
Deferred tax:		
Origination and reversal of temporary differences	65,891	144,285
Impact of change in tax rate	96,836	-
Total deferred tax	162,727	144,285
Income tax expense	$ 783,145	$ 814,856

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate	$ 685,571	$ 658,188
Effect from items adjusted in accordance with tax regulation	(2,209)	37,797
Tax on undistributed earnings	114,275	132,335
Over estimation of prior year's income tax	(14,492)	(13,464)
Income tax expense	$ 783,145	$ 814,856

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

	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)

	Year ended December 31, 2017				
	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	$ 7,303	($ 3,723)	$ -	$ -	$ 3,580
Allowance for obsolescence and decline in market value of inventories	2,323	18,415	-	-	20,738
Unrealised gross profit	13,965	5,166	-	-	19,131
Unrealised compensated absences	1,305	1,276	-	-	2,581
Cost of bond issuance	838	(532)	-	-	306
Unrealized exchange loss	50,714	(50,714)			
Unrealised estimated expense	-	2,532	-	-	2,532
Others	43	(21)	-	-	22
Subtotal	$ 76,491	($ 27,601)	$ -	$ -	$ 48,890
－Deferred tax liabilities:					
Gain on foreign investment accounted for under equity method	(466,390)	(129,653)	-	-	(596,043)
Pension expense	(894)	(230)	-	-	(1,124)
Unrealised exchange gain	(12,729)	12,269	-	-	(460)
Unrealised estimated expense	(930)	930	-	-	-
Subtotal	(480,943)	(116,684)	-	-	(597,627)
Total	($ 404,452)	($ 144,285)	$ -	$ -	($ 548,737)

D. The Company’s income tax returns through 2016 have been assessed and approved by the Tax Authority. In addition, the Company applied for reassessment for the income tax returns through 2014 and 2015, the reassessment was completed on November 21, 2018 and there was no significant impact to the Company.

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.

(24) Earnings per share

	For the year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in 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

	For the year ended December 31, 2017		
	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	$ 3,056,836	303,555	$ 10.07
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 3,056,836	303,555	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	616	
Employees' compensation	-	1,067	
Convertible bonds	12,915	14,577	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 3,069,751	319,815	$ 9.60

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2018	2017
Purchase of property, plant and equipment (including prepayments for business facilities)	$ 557,299	$ 1,733,720
Add: opening balance of payable on equipment	782,606	167,918
Less: ending balance of payable on equipment	(134,296)	(782,606)
Cash paid during the period	$ 1,205,609	$ 1,119,032

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2018	2017
Convertible bonds being converted to capital stocks and capital surplus	$ 532,079	$ 1,299,341

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 LCC ("FLEXIUM USA")	UFLEX's wholly-owned subsidiary

Names of related parties	Relationship with the Company
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:

	Years ended December 31,	
	2018	2017
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, 2018 and 2017, the write-offs amounted to $2,448,983 and $3,168,963, 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:

	Years ended December 31,	
	2018	2017
Purchases of goods:		
- GRANDPLUS	$ 19,769,465	$ 18,867,118

(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

	Years ended December 31,	
	2018	2017
UFLEX	$ 83,649	$ 72,768

D. Other expenses

	Years ended December 31,	
	2018	2017
UFLEX	$ 85,599	$ 76,324
FLEXIUM USA	10,183	7,773
	$ 95,782	$ 84,097

E. Accounts receivable

	December 31, 2018	December 31, 2017
GRANDPLUS	$ 1,235,493	$ 1,838,631

F. Other receivables

	December 31, 2018	December 31, 2017
FOREVER	$ 28,873	$ 84,006
UFLEX	27,150	22,648
	$ 56,023	$ 106,654

G. Prepayments for investments

	December 31, 2018	December 31, 2017
BOOM	$ 458,436	$ -

H. Accounts payable

	December 31, 2018	December 31, 2017
GRANDPLUS	$ 6,329,163	$ 6,716,976
FLEXIUM USA	-	2,049
	$ 6,329,163	$ 6,719,025

I. Other payables

	December 31, 2018	December 31, 2017
UFLEX	$ 19,912	$ 16,370
FOREVER	2,980	15,189
	$ 22,892	$ 31,559

J. Property transactions

Acquisition of property, plant and equipment

	Years ended December 31,	
	2018	2017
FOREVER	$ 14,125	$ 17,205

(3) Key management compensation

	For the years ended December 31,	
	2018	2017
Short-term employee benefits	$ 64,689	$ 57,616
Post-employment benefits	186	175
Share-based payments	5,447	4,640
	$ 70,322	$ 62,431

8. PLEDGED ASSETS

	Book value		
Pledged asset	December 31, 2018	December 31, 2017	Purpose
Refundable deposits (recorded in "Other non-current assets, others")	$ 166,996	$ -	Guarantee for land bid

9. COMMITMENTS AND CONTINGENT LIABILITIES

(1) As of December 31, 2018 and 2017, the Company issued promissory notes amounting to $1,042,454 and $1,046,714 for loans, sales on credit and forward exchange contracts, respectively.

(2)As of December 31, 2018 and 2017, the Company's total unused letters of credit for the import of machinery and equipment were $0 and $22,628, respectively.

(3) As of December 31, 2018 and 2017, the Company entered into several contracts for construction and acquisition of machinery with total values of $2,205,231 and $482,125, respectively, and the unpaid balance on these contracts amounted to $1,687,725 and $214,490, 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 2018, the Company's strategy, which was unchanged from 2017, was to maintain the balance of the capital structure. The gearing ratio at December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 8,899,994	$ 10,642,985
Total assets	$ 28,101,671	$ 28,503,393
Gearing ratio	32	37

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Available-for-sale financial assets	$ -	$ 43,211
Financial assets at amortised cost		
Cash and cash equivalents	$ 6,298,505	$ 6,012,559
Accounts receivable (including related parties)	7,978,530	9,793,206
Other receivables	89,866	152,906
Refundable deposits	168,552	1,627
Other financial assets	2,613,320	2,198,320
	$ 17,148,773	$ 18,158,618

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities at amortised cost		
Accounts payable (including related parties)	$ 6,825,846	$ 7,395,169
Other payables	807,633	1,559,390
Bonds payable (including current portion)	-	528,543
Guarantee deposits received	9,791	9,358
	$ 7,643,270	$ 9,492,460

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 Comapny 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:

	December 31, 2018								
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	Sensitivity analysis				
					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	30.733	$ 10,186,576	1%	$	101,866	$	-
Long-term equity investments accounted for under equity method									
USD:NTD		200,567	30.733	6,164,033	1%		-		61,640
Financial liabilities									
Monetary items									
USD:NTD		218,399	30.733	6,712,056	1%	(	67,121)		-

	December 31, 2017								
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	Sensitivity analysis				
					Degree of variation	Effect on profit or loss		Effect on other comprehensive income	
(Foreign currency: functional currency)									
Financial assets									
Monetary items									
USD:NTD	$	364,996	29.8480	$ 10,894,401	1%	$	108,944	$	-
Long-term equity investments accounted for under equity method									
USD:NTD		181,141	29.8480	5,406,707	1%		-		54,067
Financial liabilities									
Monetary items									
USD:NTD		253,209	29.8480	7,557,782	1%	(	75,578)		-

v. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2018 and 2017 amounted to $207,601 and ($298,803), respectively.

Price risk

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and available-for-sale financial assets. 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 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.

Cash flow and fair value interest rate risk

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.

(b)Credit risk

Effective 2018

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. On December 31, 2018, the provision matrix classified by customers is as follows:

	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:

	2018
At January 1_IAS 39	$ -
Adjustments under new standards	-
At January 1_IFRS 9	-
Provision for impairment	1,195
Effect of exchange rate changes	-
At December 31	$ 1,195

For provisioned loss for the year ended December 31, 2018, the impairment loss arising from customers' contracts is $1,195.

viii. Credit risk information of 2017 is provided in Note 12(4).

(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 marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2018 and 2017, the Company held money market position of $8,911,318 and $8,253,528, 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, 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	-	-

December 31, 2017	Less than 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:			
Accounts payable	$ 7,395,169	$ -	$ -
(including related parties)			
Other payables	1,559,390	-	-
Bonds payable	535,982	-	-

(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(7).

C. Financial instruments not measured at fair value

The carrying amounts of financial instruments not measured at fair value, including cash and cash equivalents, accounts receivable, other receivables, other financial assets-current, guarantee deposits paid (recorded in "Other non-current assets-others"), accounts payable, other payables, bonds payable 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, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ -	$ -	$ -	$ -
December 31, 2017				
Assets				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$ 43,211	$ -	$ -	$ 43,211

(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 The assessment of structured certificates of deposit is calculated based on the product revenue that is provided by counterparties.

E. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

G. 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.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

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

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

(i) Hybrid (combined) contracts; or

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

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. 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.

iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b)Available-for-sale financial assets

i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using settlement date accounting.

iii. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(iv) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(v) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(e) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.

B. The reconciliation of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

		Available-for-sale-equity		Effects	
	Measured at fair value through profit or loss	Measured at fair value through other comprehensive income-equity	Total	Retained earnings	Other equity
IAS 39	$ -	$ 43,211	$ 43,211	$ -	$ 16,500
Transferred into and measured at fair value through profit or loss	43,211	(43,211)	-	16,500	(16,500)
IFRS 9	$ 43,211	$ -	$ 43,211	$ 16,500	$ -

Under IAS 39, the equity instruments, which were classified as "available-for-sale financial assets" amounting to $43,211, were reclassified as "financial assets at fair value through profit or loss" (equity instruments) amounting to $43,211, and increased retained earnings and decreased other equity interest both in the amount of $16,500 under IFRS 9.

C. The significant accounts as of December 31, 2017 are as follows:

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

Items	December 31, 2017
Current items:	
Listed stocks	$ 26,711
Valuation adjustment	16,500
	$ 43,211

The Company recognised $12,180 in other comprehensive income for fair value change and reclassified $54,296 from equity to profit or loss for the year ended December 31 2017.

D. Credit risk information for the year ended December 31, 2017 are as follows:

(a) 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. According to the Group'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. Credit risk arises from cash and cash equivalents and derivative financial instruments, as well as credit exposures to customers, including outstanding receivables.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods and all these counterparties have optimised credit, and management does not expect any significant losses from non-performance by these counterparties.

(c)The ageing analysis of accounts receivable that were past due but not impaired is as follows:

		December 31, 2017
Up to 180 days	$	153,462
Over 181 days		-
	$	153,462

The above ageing analysis was based on past due date.

(d) Movements analysis of allowance for bad debts of impaired financial assets is as follows:

i. As of December 31, 2017, the Group's accounts receivable that were impaired amounted to $0.

ii. Movements in the provision for impairment of accounts receivable are as follows:

	2017					
	Individual provision		Group provision		Total	
At January 1	$	907	$	-	$	907
Write-offs during the period	(	907)		-	(	907)
At December 31	$	-	$	-	$	-

The sales usually are made with a credit term of 45 to 120 days after monthly billings. The Group takes into consideration customers' changes in credit quality from initial granting date to financial period-end, historical experience and current financial conditions to estimate the unrecoverable amount when the Company determines the recovery of accounts receivable.

(e) Accounts receivable that are neither past due nor impaired are mainly from clients with outstanding collection history

(5) Effects of initial application of IFRS 15 and information on application of IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

Sales of goods

(a) The Company manufactures and sells flexible printed circuit board products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods is recognised when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(b) The Company offers customer volume discounts and right of return for defective products. The Company estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised.

B. The sales revenue recognised by using the above accounting policies for the year ended December 31, 2017 amounts to $25,425,049.

C. If the Company continues adopting above accounting policies for the year ended December 31, 2018, the effects to the current balance sheets are that the Group increased sales discounts and returns provision as deduction to accounts receivable and decreased refund liability (shown as 'Other current liabilities – other') both in the amount of $107,491; for the comprehensive income statements, there was no effect.

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.

FLEXIUM INTERCONNECT, INC.

CASH AND CASH EQUIVALENTS

DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Summary	Amounts
Cash on hand and revolving funds		$ 507
Demand deposits	NTD	506,148
	USD(US$48,688 thousand at exchange rate of 30.733)	1,496,331
	Other foreign currency	12,799
Time deposits	NTD	3,360,730
	USD(US$30,000 thousand at exchange rate of 30.733)	921,990
		$ 6,298,505

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FLEXIUM INTERCONNECT, INC.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Customer name	Summary	Amount	Note
Non-related parties:			
A Company	Sales revenue	$ 2,249,728	
B Company	Sales revenue	707,158	
C Company	Sales revenue	399,186	
D Company	Sales revenue	365,981	
E Company	Sales revenue	363,512	
F Company	Sales revenue	343,510	
Others (minor amount less than 5%)		2,365,033	
		6,794,108	
Less: Allowance for uncollectible accounts		(1,195)	
Allowance for sales returns and discounts		(49,876)	
		$ 6,743,037	
Related parties:			
GRANDPLUS ENTERPRISES LTD.	Sales revenue	$ 1,235,493	

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FLEXIUM INTERCONNECT, INC.

INVENTORIES

DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Summary	Amount		Notes
		Cost	Net realisable value	
Materials and supplies		$ 54,220	$ 54,220	Use the net realizable value be the market price
Work in progress and semi-finished goods		119,487	$ 213,065	Use the net realizable value be the market price
Finished goods and merchandise inventory		908,905	1,013,892	Use the net realizable value be the market price
		1,082,612	$ 1,281,177	
Less: Allowance for inventory valuation losses		(24,547)		
		$ 1,058,065		

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FLEXIUM INTERCONNECT, INC.

CHANGES ON INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Opening balance		Additions (Note)		Reductions (Note)		Ending balance			Market price or net value per share			
Name	Number of shares (per thousand share)	Amount	Number of shares (per thousand share)	Amount	Number of shares (per thousand share)	Amount	Number of shares (per thousand share)	% Ownership	Amount	Price (in dollar)	Total price	Collateral or pledged	Note
FLEXIUM INTERCONNET INC.	31,173	$ 3,295,357	-	$ 593,156	(31,123)	($ 56,642)	50	100.00%	$ 3,831,871	$ 80,370.78	$ 4,018,539	None	
UFLEX TECHNOLOGY CO., LTD.	15,849	1,484,371	-	209,245	(15,799)	(10,064)	50	100.00%	1,683,552	34,975.26	1,748,763	None	
FLEXIUM INTERCONNET INVESTMENT CO., LTD.	5,000	28,193	-	5,168	-	-	5,000	100.00%	33,361	6.67	33,361	None	
BOOM BUSINESS LIMITED	20,000	626,979	-	29,617	-	(7,986)	20,000	100.00%	648,610	32.43	648,610	None	
		$ 5,434,900		$ 837,186		($ 74,692)			$ 6,197,394		$ 6,449,273		

Note：Including change par value stock, net income (losses) of the investee, realised (unrealised) gain (loss) and financial statements translation differences of foreign operations.

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FLEXIUM INTERCONNECT, INC.

PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Opening net book amount	Additions and transfer	Deduction	Reclassifications	Closing net book amount	Pledge or guarantee	Note
Land	$ 516,599	$ -	$ -	$ 140,974	$ 657,573	None	
Buildings	397,562	12,529	(2,664)	6,192	413,619	None	
Machinery	2,730,610	268,244	(13,416)	-	2,985,438	None	
Transportaion equipment	6,815	2,127	-	-	8,942	None	
Office equipment	2,964	-	-	-	2,964	None	
Other equipment	154,164	32,329	(1,003)	-	185,490	None	
Construction in progress and equipment under acceptance	221,481	8,600	-	-	230,081	None	
	$ 4,030,195	$ 323,829	($ 17,083)	$ 147,166	$ 4,484,107		

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FLEXIUM INTERCONNECT, INC.

ACCUMULATED DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Opening net book amount	Additions	Deduction	Reclassifications	Closing net book amount	Note
Buildings	$ 104,568	$ 17,673	($ 2,664)	$ 4,128	$ 123,705	Note
Machinery	1,139,756	419,568	(13,276)	-	1,546,048	Note
Transportaion equipment	6,471	513	-	-	6,984	Note
Office equipment	2,964	-	-	-	2,964	Note
Other equipment	132,626	8,948	(1,003)	-	140,571	Note
	$ 1,386,385	$ 446,702	($ 16,943)	$ 4,128	$ 1,820,272	

Note: Depreciation method and useful lives, please refer to Note 4(13).

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FLEXIUM INTERCONNECT, INC.

ACCOUNTS PAYBLE

DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Vendor name	Summary	Amount	Note
Non-related parties:			
A supplier	Purchases	$ 114,254	
B supplier	Purchases	79,604	
C supplier	Purchases	32,528	
Others (minor amount less than 5%)	Purchases	270,297	
		$ 496,683	
Related parties:			
GRANDPLUS ENTERPRISES LTD.	Purchases	$ 6,329,163	

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FLEXIUM INTERCONNECT, INC.

OTHER PAYABLES

DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Summary	Amount	Note
Non-related parties:			
Wages and salaries payable		$ 252,977	
Other accrued expenses		206,448	
Payables on employees' bonus and remuneration to directiors and supervisors		194,000	
Payables on equipment		131,316	
		$ 784,741	
Related parties:			
UFLEX TECHNOLOGY CO., LTD.		$ 19,912	
FOREVER MASTER LIMITED		2,980	
		$ 22,892	

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FLEXIUM INTERCONNECT, INC.

Bonds payable

DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Name of Bond	Guarantor	Period	Date of interest payment	Interest rate	Total issued amount	Repayment	Balance at December 31, 2018	Repayment method	Collateral or pledged	Note
Fourth domestic unsecured convertible bonds	Yuanta Bank	2016.04.12	Note	Note	$ 1,600,000	($ 16,000,000)	$ -	Note	Note	The bonds were traded in the Taipei Exchange

Note: Please refer to Note 6(10) for details.

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FLEXIUM INTERCONNECT, INC.

OPERATING REVENUES

FOR THE YEARS ENDED DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Quantity	Amount
Flexible printed cirucit board	902,686 thousand PCS	$ 26,695,022
Other		418,596
		27,113,618
Less: Sales returns		(171,623)
Sales discounts		(312,869)
		$ 26,629,126

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FLEXIUM INTERCONNECT, INC.
OPERATING COSTS
FOR THE YEARS ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Amount	
Opening merchandise inventory	$	1,564,848
Add: Purchased during the year		19,715,782
Less: Goods transfer	(	506,249)
Ending merchandise inventory	(	883,490)
Scrapping of merchandises	(	128,809)
Reclassified to expenses	(	1)
Marketing cost		19,762,081
Opening balance of raw materials		68,309
Add: Purchased during the year		1,477,942
Less: Ending balance of raw materials	(	54,220)
Scrapping of raw materials	(	529)
Reclassified to expenses	(	299,760)
Raw materials for sale	(	3,552)
Raw materials consumption		1,188,190
Direct labours		616,754
Manufacturing expenses		1,432,411
Manufacturing costs		3,237,355
Add: Opening work in progress and semi-finished goods		167,975
Purchased during the year		35,172
finished goods and merchandise inventory		556,950
Less: Ending work in progress and semi-finished goods	(	119,487)
Scrapped work in progress	(	730)
Reclassified to expenses	(	157,595)
Work in progress for sale	(	2,243,123)
Cost of finished goods		1,476,517
Add: Opening finished goods		35,063
Purchased during the year		81,698
Less: Ending finished goods	(	25,415)
Scrapping finished goods	(	1,785)
Finished product transfer	(	50,701)
Reclassified to expenses	(	51)
Production and marketing costs		1,515,326
Other operating costs- raw materials for sale		3,552
Other operating costs- work in progress		2,243,123
Gain from price recovery of inventory	(	97,439)
Loss on srapping of inventories		131,853
Cost of sales	$	23,558,496

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FLEXIUM INTERCONNECT, INC.

MANUFACTURING EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Summary	Amount	Note
Depreciation		$ 417,244	
Wages and salaries		314,297	
Spent material		268,254	
Utilities expense		123,450	
Molding expense		84,840	
Others (minor amount less than 5%)		224,326	
		$ 1,432,411	

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FLEXIUM INTERCONNECT, INC.

SELLING EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Summary	Amount	Note
Wages and salaries		$ 31,230	
Rent expense		13,406	
Shipping expense		8,481	
Insurance expense		4,092	
Others (minor amount less than 5%)		19,415	
		$ 76,624	

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FLEXIUM INTERCONNECT, INC.

GENERAL AND ADMINISTRATIVE EPENSE

FOR THE YEARS ENDED DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Summary	Amount	Note
Wages and salaries		$ 192,856	
Employee benefits/welfare		24,489	
Amortization		23,686	
Depreciation		22,841	
Professional service fees		18,320	
Others (minor amount less than 5%)		76,866	
		$ 359,058	

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FLEXIUM INTERCONNECT, INC.

RESEARCH AND DEVELOPMENT EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Summary	Amount	Note
Wages and salaries		$ 116,639	
Reserch and development expense		150,418	
Molding expense		45,586	
Others (minor amount less than 5%)		46,613	
		$ 359,256	

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FLEXIUM INTERCONNECT, INC.

OTHER GAINS AND LOSSES

FOR THE YEARS ENDED DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Summary	Amount	Note
Gains on disposal of property, plant and equipment		$ 80	
Foreign exchange gains		207,601	
Net loss on financial assets/ liabilities at fair value through profit or loss		(915)	
Others		(11,375)	
		$ 195,391	

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FLEXIUM INTERCONNECT, INC.

FINANCE COSTS

FOR THE YEARS ENDED DECEMBER 31, 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Summary	Amount	Note
Interest expense	Convertible bonds	$ 5,225	
	Imputed interest on deposits	58	
		$ 5,283	

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FLEXIUM INTERCONNECT, INC.
CURRENT EMPLOYEE BENEFITS, DEPRECIATION AND AMORTISATION EXPENSES SUMMARIZED BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

By function / By nature	Years ended December 31,							
	2018				2017			
	Operating costs	Operating expenses	Non-operating expenses	Total	Operating costs	Operating expenses	Non-operating expenses	Total
Employee benefit expense (Note)								
Salary and bouns	$ 826,100	$ 297,360	$ -	$ 1,123,460	$ 956,558	$ 338,735	$ -	$ 1,295,293
Employee share options	-	15,512	-	15,512	-	9,436	-	9,436
Labour and health insurance fees	75,484	23,888	-	99,372	61,686	19,981	-	81,667
Pension costs	31,982	12,273	-	44,255	25,581	11,083	-	36,664
Directors' remuneration	-	15,580	-	15,580	-	15,470	-	15,470
Others	22,917	34,161	-	57,078	21,791	29,905	-	51,696
Depreciation	417,244	29,458	11,376	458,078	248,848	28,530	12,063	289,441
Amortisation	-	25,411	-	25,411	267	25,619	-	25,886
Total	$ 1,373,727	$ 453,643	$ 11,376	$ 1,838,746	$ 1,314,731	$ 478,759	$ 12,063	$ 1,805,553

Note：As of December 31, 2018 and 2017, the numbers of employees of the Company were 1,902 and 2,153 including the numbers of directors who were not employees were 5, respectively.

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Flexium Interconnect Inc.

Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account （Note 2）	Is a related party	Maximum outstanding balance during the year ended December 31, 2018 (Note 3)	Balance at December 31, 2018 (Note 9)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 8)	Footnote
													Item	Value			
0	FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Other receivables - related parties	Yes	$ 960,084	$ 960,084	$ -	1.1	Note 4	$ -	Company operation	$ -	-	$ -	$ 1,920,168	$ 7,680,671	-
0	FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Other receivables - related parties	Yes	960,084	960,084	-	1.1	Note 4	-	Company operation	-	-	-	1,920,168	7,680,671	-

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

(1)The Company is ‘0’.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables associates, receivables–related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others for the year ended December 31, 2018.

Note 4: Fill in purpose of loan when nature of loan is for short-term financing.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: In accordance with the Company's "Procedures for Provision of Loans", limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing and is 20% of the Company's net asset based on the latest audited or reviewed consolidated financial statements; limit on loans to a single party with short-term financing is 10% of the Company's net assets based on the latest audited or reviewed financial statements.

Note 8: In accordance with the Company's "Procedures for Provision of Loans", ceiling on total loans is 40% of the Company's net assets based on the latest audited or reviewed financial statements.

Note 9: Ending balance of loans at the balance sheet date is the limit approved by the Board of Directors.

Note 10: In accordance with the Company's "Procedures for Provision of Loans", limit on loans to a company of which the Company directly or indirectly holds 100% of its voting shares is 80% of the Company's net assets.

Flexium Interconnect Inc.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2018				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	MYCENAX BIOTECH INC. (Stock)	None.	Financial assets at fair value through profit or loss - current	374,000	$ 9,649	Note 5	$ 9,649	-
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	MEDEON BIODESIGN, INC. (Stock)	None.	Financial assets at fair value through profit or loss - current	87,000	7,734	Note 5	7,734	-

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

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

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

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

Note 5: Not applicable since the percentage of ownership is less than 5%.

Flexium Interconnect Inc.

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

Year ended December 31, 2018

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note2) (Note 2)	Balance as at January 1, 2018		Addition (Note 3)		Disposal (Note 3)				Balance as at December 31, 2018	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
FLEXIUM INTERCONNECT INC.	Stock	Prepayments for investments	Boom Business Limited	Subsidiary	-	$ -	15,000,000	$ 458,436	-	$ -	$ -	$ -	15,000,000	$ 458,436

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Flexium Interconnect Inc.
Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more
Year ended December 31, 2018

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
Flexium Interconnect, Inc.	Land located at Daliao Dist., Kaohsiung City	September 12, 2018	$ 1,671,593	$ 250,494	Kaohsiung City government	Non-related party	-	-	-	$ -	Subscription based on the notice released by the Kaohsiung city government	Building plants	The land shall be constructed within 3 years starting from the next day of the land handed over

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate acquired should be appraised pursuant to the regulations.
Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation
Note 3: Date of the event referred to herein is the date of contract signing date, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Flexium Interconnect Inc.

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Sales	($ 2,448,983)	9	180 days	Note 1	Note 1	$ 1,235,493	15	Note 7
GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	The Company	Purchases	2,448,983	10	180 days	Note 1	Note 1	(1,235,493)	16	Note 7
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Subsidiary	Sales	(2,448,983)	10	180 days	Note 3	Note 3	1,235,493	16	Note 7
CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Purchases	2,448,983	10	180 days	Note 3	Note 3	(1,235,493)	16	Note 7
CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Sales	(2,448,983)	10	180 days	Note 4	Note 4	1,235,493	16	Note 7
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	Subsidiary	Purchases	2,448,983	15	180 days	Note 4	Note 4	(1,235,493)	4	Note 7
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	Subsidiary	Sales	(22,206,332)	99	90 days	Note 5	Note 5	6,329,163	98	Note 7
CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Purchases	22,206,332	91	90 days	Note 5	Note 5	(6,329,163)	84	Note 7
CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Sales	(22,206,332)	91	90 days	Note 6	Note 6	6,329,163	84	Note 7
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Subsidiary	Purchases	22,206,332	91	90 days	Note 6	Note 6	(6,329,163)	84	Note 7
GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	The Company	Sales	(22,218,448)	91	90 days	Note 2	Note 2	6,329,163	84	Note 7
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Purchases	22,218,448	94	90 days	Note 2	Note 2	(6,329,163)	93	Note 7

Flexium Interconnect Inc.

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Sales	($ 442,702)	100	90 days	Note 8	Note 8	$ 200,777	100	

Note 1: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. The collection period to third parties is approximately 180 days after the end of each month while those to related parties are 45~120 days after the end of each month.

Note 2: The transaction prices to related parties are similar with those to third parties. The collection periods to third parties are 60 to 90 days after the end of each month while those to related parties are 90 days after the end of each month.

Note 3: The transaction is sales from GRANDPLUS ENTERPRISES LTD. to CHAMPION BEYOND LIMITED, and the collection period is approximately 180 days after the end of each month.

Note 4: The transaction is sales from CHAMPION BEYOND LIMITED to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 180 days after the end of each month.

Note 5: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to CHAMPION BEYOND LIMITED, and the collection period is approximately 90 days after the end of each month.

Note 6: The transaction is sales from CHAMPION BEYOND LIMITED to GRANDPLUS ENTERPRISES LTD., and the collection period is approximately 90 days after the end of each month.

Note 7: The purchase (sales) amount is contained the eliminates to sales revenue and operating costs (merchandise purchase) arising from raw material processing, which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN). The eliminated amount was $2,448,983 for the year ended December 31, 2018.

Note 8: The transaction is sales from FLEXIUM TECHNOLOGY(SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Flexium Interconnect Inc.

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Accounts receivable $1,235,493	1.59	$ -	-	$ 368,796	$ -
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Subsidiary	Accounts receivable $1,235,493	1.59	-	-	368,796	-
CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Accounts receivable $1,235,493	1.59	-	-	368,796	-
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	Subsidiary	Accounts receivable $6,329,163	4.30	-	-	2,704,504	-
CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Accounts receivable $6,329,163	4.30	-	-	2,704,504	-
GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	The Company	Accounts receivable $6,329,163	3.41	-	-	2,704,504	
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Accounts receivable $ 200,777	2.98	-	-	17,096	-

Flexium Interconnect Inc.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Details of significant inter-company transactions reaching NT$100 million or 20% of paid-in capital or more are as follows:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	1	Sales	$ 2,448,983	Note 4	9
0	FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	1	Accounts receivable	1,235,493	Note 4	4
1	GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	3	Sales	2,448,983	Note 6	9
1	GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	3	Accounts receivable	1,235,493	Note 6	4
1	GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	2	Sales	22,218,448	Note 5	83
1	GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	2	Accounts receivable	6,329,163	Note 5	23
2	CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Sales	2,448,983	Note 7	9
2	CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Accounts receivable	1,235,493	Note 7	4
2	CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	3	Sales	22,206,332	Note 8	83
2	CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	3	Accounts receivable	6,329,163	Note 8	23
3	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	3	Sales	22,206,332	Note 9	83
3	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	3	Accounts receivable	6,329,163	Note 9	23
4	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Sales	442,702	Note 10	2
4	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Accounts receivable	200,777	Note 10	1

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

(1) Parent company is "0".

(2) The subsidiaries are numbered in order starting from "1".

Expressed in thousands of NTD

(Except as otherwise indicated)

Note 2: Relationship between transaction company and counterparty is classified into the following three categories (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. The collection period to third parties is approximately 180 days after the end of each month while those to related parties are 45~120 days after the end of each month.

Note 5: The processing prices were determined in accordance with mutual agreements. The collection period to third parties is 60 to 90 days after the end of each month while those to related parties is 90 days after the end of each month.

Note 6: The transaction is sales from GRANDPLUS ENTERPRISES LTD. to CHAMPION BEYOND LIMITED, and the collection period is approximately 180 days after the end of each month.

Note 7: The transaction is sales from CHAMPION BEYOND LIMITED to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 180 days after the end of each month.

Note 8: The transaction is sales from CHAMPION BEYOND LIMITED to GRANDPLUS ENTERPRISES LTD., and the collection period is approximately 90 days after the end of each month.

Note 9: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to CHAMPION BEYOND LIMITED and the collection period is approximately 90 days after the end of each month.

Note 10: The transaction is sales from FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the credit term is approximately 90 days after the end of each month.

Flexium Interconnect Inc.
Information on investees
Year ended December 31, 2018

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount: Balance as at December 31, 2018	Initial investment amount: Balance as at December 31, 2017	Shares held as at December 31, 2018: Number of shares	Shares held as at December 31, 2018: Ownership (%)	Shares held as at December 31, 2018: Book value	Net profit (loss) of the investee for the year ended December 31, 2018 (Note 2(2))	Investment income(loss) recognised by the Company for the year ended December 31, 2018 (Note 2(3))	Footnote
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INC.	British Virgin Islands	General investments	$ 975,567	$ 975,567	50,000	100	$ 3,831,871	$ 525,724	$ 561,521	
FLEXIUM INTERCONNECT INC.	UFLEX TECHNOLOGY CO., LTD.	British Virgin Islands	General investments	468,199	468,199	50,000	100	1,683,552	185,687	198,192	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Taiwan	General investments	50,000	50,000	5,000,000	100	33,361	5,167	5,167	
FLEXIUM INTERCONNECT INC.	BOOM BUSINESS LIMITED	Samoa	General investments	606,024	606,024	20,000,000	100	648,610	29,617	29,617	
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Samoa	General investments	62,001	62,001	1,880,578	100	434	34	34	
FLEXIUM INTERCONNECT INC.	SUCCESS GLORY INVESTMENTS LTD.	Samoa	General investments	859,357	859,357	28,010,000	100	4,018,096	513,299	513,299	
UFLEX TECHNOLOGY CO., LTD.	FLEXIUM INTERCONNECT AMERICA LLC.	U.S.A	Marketing, customer support and supporting technical services	7,282	7,282	-	100	8,821	2,280	2,280	
GRANDPLUS ENTERPRISES LTD.	CHOSEN GLORY LIMITED	Samoa	General investments	-	-	-	100	-	-	-	
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Samoa	General investments	-	-	-	100	48	24	24	
GRANDPLUS ENTERPRISES LTD.	FOREVER MASTER LIMITED	Samoa	General investments	-	-	-	100	17	9	9	
BOOM BUSINESS LIMITED	CLEAR SUCCESS GLOBAL LIMITED	Samoa	General investments	606,024	606,024	20,000,000	100	646,051	29,617	29,617	

Note 1: If a public company is equipped with an overseas holding company and takes the consolidated financial report as the main financial report according to the local laws, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1) The columns of "Investee", "Location", "Main business activities", "Initial investment amount" and "Shares held as at December 31, 2018" should fill orderly in the Company' s (public company's) information on investees and every directly or indirectly controlled investees' investment information, and note the relationship between the Company (public company) and its investee each (ex. Direct subsidiary or indirect subsidiary) in the "Footnote" column.

(2) The "Net profit (loss) of the investee for the year ended December 31, 2018" column should fill in amount of net profit (loss) of the investee for this period.

(3) The "Investment income (loss) recognised by the Company for the year ended December 31, 2018" column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: Investment income (loss) recognised by the Company for the year ended December 31, 2018 included elimination of unrealised gain (loss).

Flexium Interconnect Inc.

Information on investments in Mainland China

Year ended December 31, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018 — Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018 — Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards.	$ 974,571	2	$ 1,347,611	$ -	$ -	$ 1,347,611	$ 707,650	100	$ 707,650	$ 5,748,847	$ -	Note 2、4
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards.	614,660	2	614,660	460,995	-	1,075,655	29,617	100	29,617	646,051	-	Note 2、5

Note 1: Investment methods are classified into following three categories:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others.

Note 2: The financial statements are audited and attested by R.O.C. parent company's CPA.

Note 3: The numbers in this table are expressed in New Taiwan Dollars. Translated at exchanges rate of NT$30.73 US$1.00.

Note 4: The Group invested in the company through FLEXIUM INTERCONNECT INC., SUCCESS GLORY INVESTMENTS LTD., and UFLEX TECHNOLOGY CO.,LTD.

Note 5: The Group invested in the compnay through BOOM BUSINESS LIMITED and CLEAR SUCCESS GLOBAL LIMITED.

Flexium Interconnect Inc.

Information on investments in Mainland China

Year ended December 31, 2018

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FLEXIUM INTERCONNECT INC.	$ 2,423,266	$ 2,477,424	$ -

Note: In accordance with 'Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China' amended by Ministry of Economic Affairs effective on August 29, 2008, as the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company.

Flexium Interconnect Inc.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2018

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others	
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2018	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2018	Balance at December 31, 2018	Interest rate	Interest during the year ended December 31, 2018	Others	
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	($ 22,218,448)	94	$ -	-	($ 6,329,163)	93	$ -	-	$ -	$ -	-	$ -	Other expenses	85,599
	2,448,983	9			1,235,493	16							Other receivables	56,023
													Other payables	22,892

Note: The Company has reversed the sales revenue and operating cost (merchandise purchase) arising from raw material processing which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN), when preparing the financial statements. The eliminated amount for the year ended December 31, 2018 was $2,448,983.