Common Stock Code:6451

# ShunSin Technology Holdings Limited And Subsidiaries

## Consolidated Financial Statements And Report Of Independent Accountants

## December 31,2018 And 2017

**DISCLAIMER :**

For the convenience of readers and for information purpose only,the auditor’s 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 version, the Chinese-language auditor’s report and financial statements shall prevail.

## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

(English translation of Financial report is for reference only,please use Chinese version as the main.)

To Board of Directors of ShunSin Technology Holdings Limited,

**Audit opinion**

We have audited the consolidated financial statements of ShunSin Technology Holdings Limited and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2018 and 2017, consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policy.

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 Report by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

**Basis for Audit Opinion**

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibility for the audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in 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 of our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgements, the key audit matters that should be disclosed in this audit report are as follows:

1. Revenue recognition

Please refer to note 4 (13) for accounting policy related to revenue recognition, and notes 6 (17) for the information related to revenue of the consolidated financial report.

Description of key audit matter:

Due to sales transactions of the Group are depending on contracts, we need to judge individually to confirm the adequacy of revenue recognition. Additionally, the Group initially applicate IFRSs 15, which involves complex accounting treatments and policy may result in inappropriate performance obligations and recognition of revenue under IFRSs 15. In addition, it is necessary to evaluate and verify the completeness and accuracy of the relevant materials used, as well as the new disclosure requirements revenue recognition is listed as one of the important items in the audit of the financial statements of this year.

Our audit procedures included:

・Assess the appropriateness of accounting policy in accordance with the requirements of the new standards, acknowledge of operating and industry characteristics.
・Testing the effectiveness of the design and implementation of internal control over sales and collection cycle, and to examine major contracts to assess revenue recognition.
・ Performing comparison analysis on sale of the current period to last period and the latest quarter, and performing trend analysis on sales from each top ten customer to assess the existence of any exceptions, and further identify and analyze the causes if there is any significant exception.
・Performing confirmation procedure of sales revenue and examining significant returns or exchanges after the balance sheet date to assess the assertions of the existence, accuracy, as well as the appropriateness of recognition.
・Performing sales cut-off test of a period before and after the financial position date by vouching relevant documents of sales transactions to determine whether the sales of goods, sales returns and allowances have been the appropriately recognized.

2. Financial Assets Measured at Fair Value through Profit and Loss

Please refer to Note 4 (7) “Financial Instrument” for the accounting policies of financial assets measured at fair value through profit and loss; note 5 for accounting assumptions and estimation uncertainties of impairment of financial assets measured at fair value through profit and loss, and note 6 (21) “Financial Instrument” for the property and evaluation statements of financial assets measured at fair value through profit and loss.

Description of key audit matter:

The financial assets measured at fair value through profit and loss of the Group are vulnerable to be affected by operating conditions of the invested company and the business cycle, resulting in greater changes in the subsequent profits or losses recognized as gains and losses at fair value re-measurement, thus adjusting the value of financial assets. Assessing the fair value of this financial asset often requires complicated evaluation techniques. Therefore, we listed the evaluation of financial assets measured at fair value of profits and losses as one of the key audit matters in the audit of Financial Statements of this year.

Our audit procedures included:
・Obtain the appraiser’s appraisal report of the invested Company entrusted by the Group, and evaluate the appraiser’s qualification and independence.
・Evaluate the rationalities of the assumptions used in the appraisal report in estimating the price of an investment.
・Evaluate the rationalities of the recognition of profit and loss of financial assets in the accounts of the Group.

3. Recognition of deferred income tax asset

Please refer to Note 4(17) “Income Tax” for accounting policies related to recognition of deferred tax asset; please refer to Note 6 (13) of “Income Tax” for descriptions of property and evaluation.

Description of key audit matter:

The subsidiaries of the Group operate in different countries and involve complex multinational tax systems. Due to the complexity of tax laws in different countries, the difference between the book amount and tax basis of foreign business entities, we listed the recognition of deferred income tax assets as one of the key audit matter in the audit of Financial Statements of this year.

Our audit procedures included:
・Obtain annual income tax declaration or verification data to determine major temporary difference adjustment items between book value and tax base.
・Evaluate the rationality of deferred income tax assets or liabilities arising from major temporary differences.
・Tax experts in the place where the foreign business entity is located are invited to participate in the

assessment of the reasonableness of the items for the recognition of deferred income tax assets and liabilities and the recorded amount.

**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 the Audit Committee, are responsible for overseeing the Group's financial reporting process.

**Accountant's Responsibility for Auditing Consolidated Financial Report**

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 a 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 judgment 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 controls.
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 controls.
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 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 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 significant in our audit of the consolidated financial statements for the years ended December 31,2018 and are therefore the key audit matters. We describe these matters in our 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.

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2018 and 2017**

**Expressed in Thousands of New Taiwan Dollars**

| | | 107.12.31 | | 106.12.31 | |
|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** |
| 11xx | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (Note 6(1)) | $ 5,293,307 | 49 | 6,364,637 | 73 |
| 1140 | Current contract assets(Note 6(17) and 7) | 350,068 | 3 | - | - |
| 1151 | Notes receivable(Note 6(4)and (17)) | 13,104 | - | 13,855 | - |
| 1170 | Accounts receivable(Note 6(4)and (17)) | 510,893 | 5 | 255,497 | 3 |
| 1181 | Accounts receivable－related parties(Note 6(4)and (17)and 7) | 789,697 | 8 | 328,134 | 4 |
| 1206 | Other receivables(Note 6 (5)) | 126,242 | 1 | 37,882 | - |
| 1310 | Inventories(Note6(6)) | 501,540 | 5 | 581,106 | 6 |
| 1410 | Prepayments | 241,788 | 2 | 168,269 | 2 |
| 1470 | Other current assets | 3,370 | - | 993 | - |
| | | 7,830,009 | 73 | 7,750,373 | 88 |
| 15xx | **Non-current assets:** | | | | |
| 1510 | Financial assets measured at fair value through profit or loss－ non-current (Note6(2)and(3)) | 11,048 | - | - | - |
| 1543 | Financial assets measured at cost－non-current(Note6(2)and(3)) | - | - | 39,926 | - |
| 1600 | Property, plant and equipment(Note6(7)and7) | 2,487,643 | 23 | 811,869 | 10 |
| 1780 | Intangible assets(Note6(8)) | 6,404 | - | 5,245 | - |
| 1840 | Deferred tax assets(Note 6(13)) | 350,004 | 4 | 124,842 | 2 |
| 1920 | Refundable deposits | 10,035 | - | 10,621 | - |
| 1985 | Long-term lease prepayments | 40,884 | - | 43,056 | - |
| | | 2,906,018 | 27 | 1,035,559 | 12 |
| 1xxx | **Total assets** | **$ 10,736,027** | **100** | **8,785,932** | **100** |

| | | 107.12.31 | | 106.12.31 | |
|---|---|---|---|---|---|
| | **Liabilities and equities** | **金 額** | **%** | **金 額** | **%** |
| 21xx | **Current liabilities:** | | | | |
| 2100 | Short-term loans(Note 6(9)) | $ 1,635,021 | 15 | 2,480,536 | 28 |
| 2170 | Accounts payable | 590,342 | 6 | 488,822 | 7 |
| 2180 | Accounts payable-- related parties(Note 7) | 366 | - | 7,931 | - |
| 2200 | Other payables (Note 6(19)) | 346,737 | 3 | 220,684 | 3 |
| 2220 | Other payables－related parties(Note 7) | 656,256 | 6 | 4,735 | - |
| 2300 | Other current liabilities | 10,315 | - | 8,236 | - |
| | | 3,239,037 | 30 | 3,210,944 | 38 |
| 25xx | **Non-current liabilities:** | | | | |
| 2500 | Financial liabilities measured at fair value through profit and loss－ non-current(Note 6(10)) | 22,800 | - | - | - |
| 2530 | Convertible corporate bonds payable(Note 6(10)) | 1,384,135 | 13 | - | - |
| 2570 | Deferred income tax liabilities(Note 6(13)) | 377,397 | 4 | 125,097 | 1 |
| 2630 | Long-term deferred income | 65,492 | - | 31,933 | - |
| 2645 | Deposits received | 1,073 | - | 955 | - |
| | | 1,850,897 | 17 | 157,985 | 1 |
| 2xxx | **Total liabilities** | 5,089,934 | 47 | 3,368,929 | 39 |
| 31xx | **Interest vested in the owner of the parent Company: (Note 6(10),(14)and(15)):** | | | | |
| 3110 | Common stock | 1,054,468 | 10 | 1,054,468 | 12 |
| 3200 | Capital reserve | 2,632,394 | 25 | 2,478,162 | 28 |
| 3300 | Retained earnings: | | | | |
| 3310 | Legal reserve | 309,674 | 3 | 298,590 | 3 |
| 3350 | Unappropriated retained earnings | 1,615,955 | 15 | 1,373,841 | 16 |
| | | 1,925,629 | 18 | 1,672,431 | 19 |
| 3400 | Other equities: | | | | |
| 3411 | Exchange differences on translation of foreign financial statements | 4,093 | - | 181,808 | 2 |
| | Total equity attributable to owners of parent | 5,616,584 | 53 | 5,386,869 | 61 |
| 36xx | **Non-controlling equity** | 29,509 | - | 30,134 | - |
| 3xxx | **Total equity** | 5,646,093 | 53 | 5,417,003 | 61 |
| 2-3xxx | **Total liabilities and equity** | **$ 10,736,027** | **100** | **8,785,932** | **100** |

**(See accompanying notes to financial statements)**

**Chaiman: Hsu, Wen-Yi** **Manager: Hsu, Wen-Yi** **Director of Accounting Division: Wang, Chieh-Min**

## SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

### Consolidated Statements of Comprehensive Income

### For the years ended December 31, 2018 and 2017

### (Expressed in Thousands of New Taiwan Dollars, Except for Earning Per Share)

| | | 2018 | | 2017 | |
|---|---|---|---|---|---|
| | | Amount | % | Amount | % |
| 4110 | Sales revenue(Note6(17),(18)and 7) | $ 4,494,625 | 101 | 3,172,163 | 101 |
| 4170 | Loss: Sales return | 129 | - | 300 | - |
| 4190 | Sales discounts and allowances | 28,786 | 1 | 23,219 | 1 |
| | **Operating Revenue** | 4,465,710 | 100 | 3,148,644 | 100 |
| 5000 | **Operating costs(Note6(6),(7),(8),(11),(12) and 7)** | 3,624,309 | 81 | 2,546,451 | 81 |
| 5900 | **Gross profit from operations** | 841,401 | 19 | 602,193 | 19 |
| 6000 | **Operating expenses: (Note 6(7), (8), (11), (12), (15), (19) and 7):** | | | | |
| 6100 | Selling expenses | 33,662 | 1 | 33,399 | 1 |
| 6200 | Administrative expenses | 294,734 | 7 | 160,880 | 5 |
| 6300 | Research and development expenses | 376,098 | 8 | 165,229 | 5 |
| | **Total operating expenses** | 704,494 | 16 | 359,508 | 11 |
| 6900 | **Net operating profits** | 136,907 | 3 | 242,685 | 8 |
| 7000 | **Non-operating income and expenses: (Note 6(2), (3), (10) and (20)):** | | | | |
| 7010 | Other income | 186,331 | 5 | 138,532 | 4 |
| 7020 | Other gains and losses | 53,860 | 1 | (295,348) | (9) |
| 7050 | Finance costs | (38,682) | (1) | (12,914) | - |
| | **Total non-operating income and expenses** | 201,509 | 5 | (169,730) | (5) |
| 7900 | **Profit (loss) from continuing operations before tax** | 338,416 | 8 | 72,955 | 3 |
| 7950 | **Loss: Income tax expense (income)(Note 6(13))** | 47,798 | 1 | (34,585) | (1) |
| | **Profit** | 290,618 | 7 | 107,540 | 4 |
| 8300 | **Other comprehensive income:** | | | | |
| 8360 | **Components of other comprehensive income that will be reclassified to profit or loss** | | | | |
| 8361 | Exchange differences on translation | (174,129) | (4) | (134,156) | (4) |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss | - | - | - | - |
| 8300 | **Other comprehensive income, net** | (174,129) | (4) | (134,156) | (4) |
| 8500 | **Total comprehensive income (loss)** | $ 116,489 | 3 | (26,616) | |
| | **Profit, attributable to:** | | | | |
| 8610 | Owners of parent | $ 298,247 | 7 | 110,844 | 4 |
| 8620 | Non-controlling interests | (7,629) | - | (3,304) | - |
| | | $ 290,618 | 7 | 107,540 | 4 |
| | **Comprehensive income attributable to:** | | | | |
| 8710 | Owners of parent | $ 120,532 | 3 | (23,550) | - |
| 8720 | Non-controlling interests | (4,043) | - | (3,066) | - |
| | | $ 116,489 | 3 | (26,616) | - |
| | **Basic earnings per share (expressed in New Taiwan Dollars)(Note 6(16))** | | | | |
| 9750 | Basic earnings per share | $ | 2.83 | | 1.05 |
| 9850 | Diluted earnings per share | $ | 2.80 | | 1.05 |

**(See accompanying notes to financial statements)**

**Chairman: Hsu, Wen-Yi** **Manager: Hsu, Wen-Yi** **General Accountant:Wang, Chieh-Min**

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED 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 parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained earnings | | | | | | | |
| | Common stock | Capital reserves | Legal reserves | Unappropriated retained earnings | Total | Exchange differences on translation of foreign financial statements | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
| **Balance as of January 1, 2017** | $ 1,054,468 | 2,455,727 | 202,473 | 1,928,527 | 2,131,000 | 316,202 | 5,957,397 | - | 5,957,397 |
| Earnings allocation and distribution: | | | | | | | | | |
| Establishment of legal reserves | - | - | 96,117 | (96,117) | - | - | - | - | - |
| Cash dividends of common stock | - | - | - | (569,413) | (569,413) | - | (569,413) | - | (569,413) |
| Profit | - | - | - | 110,844 | 110,844 | - | 110,844 | (3,3 | 107,540 |
| Other comprehensive income (loss) | - | - | - | - | - | (134,394) | (134,394) | [illegible] | (134,156) |
| Total comprehensive income (loss) | - | - | - | 110,844 | 110,844 | (134,394) | (23,550) | (3,0 | (26,616) |
| Share-based payment transactions | - | 22,435 | - | - | - | - | 22,435 | - | 22,435 |
| Increase in non-controlling interests | - | - | - | - | - | - | - | 33, | 33,200 |
| **Balance at December 31, 2017** | 1,054,468 | 2,478,162 | 298,590 | 1,373,841 | 1,672,431 | 181,808 | 5,386,869 | 30, | 5,417,003 |
| Effects of retrospective application and retrospective restatement | - | - | - | 54,071 | 54,071 | - | 54,071 | - | 54,071 |
| Equity at beginning of period after adjustments | 1,054,468 | 2,478,162 | 298,590 | 1,427,912 | 1,726,502 | 181,808 | 5,440,940 | 30, | 5,471,074 |
| Earnings allocation and distribution: | | | | | | | | | |
| Legal reserve | - | - | 11,084 | (11,084) | - | - | - | - | - |
| Cash dividends of common stock | - | - | - | (99,120) | (99,120) | - | (99,120) | - | (99,120) |
| Profit | - | - | - | 298,247 | 298,247 | - | 298,247 | (7,6 | 290,618 |
| Other comprehensive income (loss) | - | - | - | - | - | (177,715) | (177,715) | 3, | (174,129) |
| Total comprehensive income (loss) | - | - | - | 298,247 | 298,247 | (177,715) | 120,532 | (4,0 | 116,489 |
| Due to recognition of equity component of convertible bonds issued | - | 129,000 | - | - | - | - | 129,000 | - | 129,000 |
| Share-based payment transactions | - | 25,232 | - | - | - | - | 25,232 | - | 25,232 |
| Increase in non-controlling interest | - | - | - | - | - | - | - | 3, | 3,418 |
| **Balance as of December 31, 2018** | **$ 1,054,468** | **2,632,394** | **309,674** | **1,615,955** | **1,925,629** | **4,093** | **5,616,584** | **29,** | **5,646,093** |

**(See accompanying notes to financial statements)**

**Chairman: Hsu, Wen-Yi** **Manager: Hsu, Wen-Yi** **General Accountant: Wang, Chieh-Min**

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2018 and 2017**

**(Expressed in Thousands of New Taiwan Dollars)**

| | 2018 | 2017 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| **Profit before tax** | $ 338,416 | 72,955 |
| **Adjustments:** | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation expense | 322,204 | 261,944 |
| Amortization expense | 4,586 | 3,160 |
| Net loss on financial assets or liabilities at fair value through profit or loss | 38,757 | - |
| Interest expense | 38,682 | 12,914 |
| Interest income | (154,914) | (116,594) |
| Share-based payments | 25,232 | 22,435 |
| Loss (gain) on disposal of property, plant and equipment | (2,284) | 385 |
| Impairment loss on financial assets | - | 50,225 |
| Total adjustments to reconcile profit (loss) | 272,263 | 234,469 |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Contract assets | (101,441) | - |
| Notes receivable | 751 | (13,855) |
| Accounts receivable | (255,396) | 147,390 |
| Accounts receivables－related parties | (461,563) | (186,548) |
| Other receivables | (102,415) | 176 |
| Other receivables－related parties | - | 95,323 |
| Inventories | (114,990) | (243,511) |
| Prepayments | (87,493) | (126,108) |
| Other current assets | (2,377) | (93) |
| Long-term Lease Prepayments | 2,172 | 2,378 |
| Total changes in operating assets | (1,122,752) | (324,848) |
| Changes in operating liabilities: | | |
| Accounts payable | 101,520 | 196,622 |
| Accounts payable－related parties | (7,565) | 6,068 |
| Other payable | 70,291 | (74,873) |
| Other payable－related parties | 25,789 | (4,480) |
| Other current liabilities | 2,079 | (2,297) |
| Long-term deferred income | 33,559 | 19,054 |
| Total changes in operating liabilities | 225,673 | 140,094 |
| Total changes in operating assets and liabilities | (897,079) | (184,754) |
| Total adjustments | (624,816) | 49,715 |
| Cash inflow (outflow) generated from operations | (286,400) | 122,670 |
| Interest received | 158,265 | 119,130 |
| Interest paid | (11,779) | (12,457) |
| Income tax paid | (9,823) | (66,284) |
| **Net cash flows from (used in) operating activities** | (149,737) | 163,059 |
| **Cash flows from (used in) investing activities:** | | |
| Acquisition of property, plant and equipment | (1,354,282) | (319,960) |
| Proceeds from disposal of property, plant and equipment | 7,634 | 578 |
| Decrease (increase) in refundable deposits | 586 | (6,163) |
| Acquisition of intangible assets | (5,859) | (1,866) |
| **Net cash used in investing activities** | (1,351,921) | (327,411) |
| **Cash flows from (used in) financing activities:** | | |
| Increase in short-term loans | 3,430,156 | 2,262,448 |
| Decrease in short-term loans | (4,275,671) | (1,267,602) |
| Proceeds from issuing convertible corporate bonds | 1,500,206 | - |
| Increase in guarantee deposits received | - | 351 |
| Cash dividends paid | (99,120) | (569,413) |
| Increase in non-controlling interests | 3,418 | 33,200 |
| **Net cash flows from financing activities** | 558,989 | 458,984 |
| **Effect of exchange rate changes on cash and cash equivalents** | (128,661) | (112,371) |
| **Net increase (decrease) in cash and cash equivalents** | (1,071,330) | 182,261 |
| **Cash and cash equivalents at beginning of period** | 6,364,637 | 6,182,376 |
| **Cash and cash equivalents at end of period** | **$ 5,293,307** | **6,364,637** |

**(See accompanying notes to financial statements)**

**Chairman: Hsu, Wen-Yi** **Manager: Hsu, Wen-Yi** **General Accountant: Wang, Chieh-Min**

## ShunSin Technology Holdings Limited and Its Subsidiaries
## Notes to Consolidated financial statements
**January 1 to December 31, 2018 and 2017(Except as otherwise indicated, all amounts are in NT$1000)**

### i. History of the Company

ShunSin Technology Holdings Limited(formerly known as Amtec Holdings Limited, hereinafter referred to as the Company) was established in the Cayman Islands on January 8, 2006, and set up a branch in Taiwan on July 4, 2013.On August 28, 2013, the Company changed the Chinese name of Amtec Holding Limited to ShunSin Technology Holdings Limited through the Board of Directors resolution. The Company's stock was listed on the Taiwan Stock Exchange on January 26, 2015. The Company and its subsidiaries (hereinafter referred to as "the Group") are mainly engaged in the assembly, testing and sales of various integrated circuits related to semicondutors.

### ii. Approval dates and procedures of consolidated financial statements

The consolidated financial report was issued and authorized by the Board of Directors on March 22, 2019.

### iii. Application of newlstandards, amendments and interpretations

1. Impact of newly issued and revised guidelines and interpretations approved by the FSC

From 2018, the consolidated companies comprehensively applied the International Financial Reporting Standards (IFRS) accepted by the Financial Supervisory Commission(hereinafter referred to FSC) and effective in 2018 for the preparation of consolidated financial reports.The new, revised and amended guidelines and interpretations are as follows:

| Newl issued/revised/amended standards and interpretations | Effective per IASB |
|---|---|
| Amendment to IFRS 2"Classification and Measurement of Share-based Payment Transactions" | January 1, 2018 |
| Amendment to IFRS 4 "Appling IFRS 9 "Financial Instruments with IFRS 4 Insurance Contracts" | January 1, 2018 |
| IFRS 9 "Financial Instruments" | January 1, 2018 |
| IFRS15 "Revenue from Contracts with Customers" | January 1, 2018 |
| Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative" | January 1, 2017 |
| Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses" | January 1, 2017 |
| Amendment to IAS 40 "Transfer of InvestmentProperty" | January 1, 2018 |
| Annual improvements of IFRSs in the 2014-2016 cycle: | |
| Amendments to IFRS 12 | January 1, 2017 |
| Amendments to IFRS 1 and Amendment to IAS 28 | January 1, 2018 |
| IFRIC 22 "Foreign Currency Transaction and Advance Consideration" | January 1, 2018 |

Except for the following items, the Group believes that the adoption of theabove IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of significant changes are as follows:

<1> IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework using a five-step analysis model to determine whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construaction Contracts”. The Group adopts IFRS 15 using cumulative effect method. Therefore, the comparative information will not be restated. The Group does not expect the application of IFRS 15 to have a significant impact on its consolidated financial statements.

The GroupGroup adopts a practical expediency approach to the completed contract, which means that the completed contract will not be restated as of January 1, 2018.

The nature and effect of this change in accounting policy are as follows:

1) Sales of merchandises

In the past, revenue was recognized when the product was delivered to the place designated by the customer. Major risks and rewards related to the ownership of merchandise have been transferred to the customer. Revenue is recognized at that point in time because revenue and costs can be reliably measured, accounts receivable is likely to be recovered, and the Group no longer participates in the management of goods. Under IFRS 15, revenue is recognized when the customer acquires control over the product.In the event that the customer has control over the work in progress of the majority of the products ordered for production by the Group, the Group shall recognize the revenue in accordance with IFRS 15 in the process of the production of such products.

2) The impacts on financial report

The impact of the adoption of IFRS 15 on the consolidated financial statements of the Group in 2018 is described below.

| | 2018.12.31 | | | 2018.1.1 | | |
|---|---|---|---|---|---|---|
| **Affected Items in Consolidated Balance Sheet** | **Book value of non-application of IFRS 15** | **Impact Number of Accounting Policy Changes** | **Book value of application of IFRS 15** | **Book value of non-application of IFRS 15** | **Impact Number of Accounting Policy Changes** | **Book value of application of IFRS 15** |
| Current Contract assets | $ - | 350,068 | 350,068 | - | 248,627 | 248,627 |
| Inventories | 767,224 | (265,684) | 501,540 | 581,106 | (194,556) | 386,550 |
| **Affected number of assets** | | **84,384** | | | **54,071** | |
| Retained earnings | $ 1,531,571 | 84,384 | 1,615,955 | 1,373,841 | 54,071 | 1,427,912 |
| **Affected number of equities** | | **84,384** | | | **54,071** | |

| Affected items of consolidated income statement | 2018<br>Book value of non-application of IFRS 15 | Impact Number of Accounting Policy Changes | Book value after re-preparat ion |
|---|---|---|---|
| Operating revenue | $ 4,364,269 | 101,441 | 4,465,710 |
| Operating costs | (3,553,181) | (71,128) | (3,624,309) |
| Pre-tax Net Profit Impact Number | | 30,313 | |
| Income tax expenses | - | - | - |
| **Net Profit Impact Number for the Current Period** | | $ 30,313 | |
| Basic Earnings Per Share (NT$) | $ 2.54 | 0.29 | 2.83 |
| Diluted Earnings Per Share (NT$) | $ 2.51 | 0.29 | 2.80 |

| Affected Items of Consolidated Cash Flow Statement | 2018<br>Book value of non-application of IFRS 15 | Impact Number of Accounting Policy Changes | Book value of application of IFRS 15 |
|---|---|---|---|
| Cash flow of business activities: | | | |
| **Net profit before tax for the period** | $ 308,103 | 30,313 | 338,416 |
| Adjustment items: | | | |
| Increase in contract assets | - | (101,441) | (101,441) |
| Inventory reduction | (186,118) | 71,128 | (114,990) |
| **Net Cash Flow Influences of Business Activities** | | $ - | |

<2> IFRS 9 “Financial Instruments”

International Financial Reporting Standard No. 9, “Financial Instruments” (hereinafter referred to as International Financial Reporting Standards No. 9 or IFRS 9) replaces International Accounting Standard No. 39, "Financial Instruments: Recognition and Measurement" (hereinafter referred to as International Accounting Standards No. 39 or IAS 39), amending the classification and measurement of financial instruments, impairment and hedging accounting.

As a result of the adoption of IFRS 9, the Group adopted the revised IAS 1 “Expression of Financial Statements”, which stipulates that the impairment of financial assets is reported as a single line item in the consolidated income statement, whereas the previous consolidated Company reported the impairment of accounts receivable as a management expense. Moreover, the Group applied the revised IFRS 7“Financial Instruments: Disclosure” to disclose information in 2018, which is usually not applicable to the information during comparative period.

The major changes in accounting policies resulting from the application of IFRS 9 to Groupthe group are as follows:

1) Classification of financial assets and liabilities

The standard classifies financial assets into three categories, which are measured by financial assets at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.The classification of financial assets under IFRS 9 is based on the operating mode of holding the financial assets and the cash flow characteristics of the contracts. The classification of financial assets held to maturity, loans and receivables and reserve for sale under IFRS 9 is deleted.According to this standard, if the main contract included in the mixed contract of the financial assets within the scope of the standard, the embedded derivatives will not be separated, but the classification of the overall mixed financial instruments will be evaluated.Please refer to Note 4 (7) for details on the classification, measurement and recognition of related benefits and losses of financial assets of the Group under IFRS 9.

The adoption of IFRS 9 has no significant impact on the accounting policy of financial liabilities of the Group.

2) Impairment of financial assets

The forward-looking anticipated credit loss model replaces the impairment loss model of IAS 39.The new impairment model is applicable to financial assets at amortised cost, contract assets and investments in debt instruments designated at fair value through other comprehensive income, but not to equity instruments.Under IFRS 9, credit losses are recognized earlier than those under IAS 39. Please refer to Note 4 (7).

3) Interim treatment

Except for the following items, the IFRS 9 is generally applied retrospectively:

- The discrepancies in the book value of financial assets arising from the application of IFRS 9 are recognized as retained earnings and other equity items on January 1, 2018. Accordingly, the information expressed in 2017 usually does not reflect the provisions of IFRS 9. Therefore, it is incomparable with the information disclosed in the application of IFRS 9 in 2008.
- The following items are assessed on the basis of the facts and circumstances of the existence of the initial application date:
  - –Determine the operating mode of financial assets.
  - –Designation and cancellation of financial assets and financial liabilities previously designated as financial assets and liabilities measured at fair value through profit and loss.
  - –A portion of the equity instrument investment not held for trading is designated at fair

value through other consolidated gains and losses.

4) Classification of financial assets on the initial application date of IFRS 9

The application of IAS 39 “Financial Assets at Measurement Type” is replaced by IFRS 9 “Financial Assets at Measurement Type”.The new type of measurement, book value and description of the financial assets on January 1, 2018 are as follows (the type of measurement of financial liabilities and book value remain unchanged):

| | IAS39 | | IFRS9 | |
|---|---|---|---|---|
| | **Measurement type** | **Book value** | **Measurement type** | **Book value** |
| **Financial assets** | | | | |
| Cash and cash equivalents | Loans and receivables | 6,364,637 | At amortised cost | 6,364,637 |
| Equity instrument investment | Financial assets measured at cost (Note) | 39,926 | Financial assets at fair value through profit or loss | 39,926 |
| Net receivables (notes receivable, accounts receivable and other receivables) | Loans and receivables | 635,368 | At amortised cost | 635,368 |
| Other financial assets (refundable deposit) | Loans and receivables | 10,621 | At amortised cost | 10,621 |

Note: Financial assets measured at cost are classified as fair value through profit and loss on the initial application date, in accordance with International Financial Reporting Standards (IFRS) No. 9 and assessed by the management of the Group.The profits and losses of the subsequent fair value shall be fully reported on the income statement, and the profits and losses of the disposal of the financial asset shall also be reported on the income statement.The above changes will not materially affect the retained earnings and other entitlements as of January 1, 2018.

The reconciliation of the book value of financial assets from IAS 39 to IFRS 9 on January 1, 2018 is as follows:

| | **2017.12.31** IAS 39 book value | **Reclassification** | **Re-measurement** | **2018.1.1** IFRS 9 book value | **2018.1.1** Retained earnings adjustments | **2018.1.1** Other equity adjustments |
|---|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | | | | | | |
| Add - equity instrument investment: | | | | | | |
| Carried over at cost | $ - | 39,926 | - | 39,926 | - | - |

<3> Amendment to IFRS 7 “Disclosure Initiative”

The amendment stipulates that enterprises should provide disclosure to enable users of financial statements to assess changes in liabilities arising from financing activities, including changes in cash flows and non-cash flows.

The Group have disclosed in Note 6 (24) the adjustment between the initial and final balances of liabilities arising from financing activities in order to comply with the new provisions mentioned above.

2. The impact of IFRS but not yet effective

According to the requirements with Chin-Kuan-Cheng-Shen-Tzu No. 1070324857 issued by FSC on July 17, 2018, since 2019, the above companies, which are publicly issued shall fully adopt the International Financial Reporting Standards (IFRS) approved by the FSC and effective in the Republic of China in 2019. The new, revised and amended guidelines and interpretations are as follows:

| **Newly issued/revised/amended standards and interpretations** | **Effective date of issuance by the International Accounting Standards Board** |
|---|---|
| IFRS 16 "Leasing" | January 1, 2019 |
| Interpretation of IFRS 23 "Uncertainties in Income Tax Processing" | January 1, 2019 |
| Amendment to IFRS 9 "Advance Payment with Negative Compensation" | January 1, 2019 |
| Amendment to IAS 19 "Plan Revision, Reduction or Liquidation" | January 1, 2019 |
| Amendment to IAS 28 "Long-term Interests of Affiliated Enterprises and Joint Ventures" | January 1, 2019 |
| Annual Improvement in the 2015-2017 Cycle of IFRS | January 1, 2019 |

Except IFRS 16 "Leasing", the application of the newly approved IFRS will not cause significant changes to the consolidated financial statements.

IFRS 16 "Leasing" will replace the current IAS 17 "Leasing". International Financial Reporting Interpretation 4 "Deciding Whether an Arrangement Includes Leasing". Interpretation 15 "Business Leasing: Incentives" and Interpretation 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

According to the new standard, the lease transaction is recognized on the balance sheet by a single accounting treatment mode for the lessee, and the right to use the underlying assets is expressed by the right-to-use assets, and the lease balance sheet is used to fulfill the obligation to pay for the lease. In addition, the expenses related to the lease will now be changed since IFRS 16 replaces the straight-line operating lease expense wih a depreciation charge for righr-of-use assets and interest expense on lease liabilities. In addition, there are recognition exemptions for short-term leases and leases of low-value item.The lessor accountingremains similar to the current standards, that is, the lessor shall still classify the lease as a operating or a financial lease.

<1> Deciding whether an arrangement contains a Lease

On transition to IFRS 16, the GroupGroup may choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- A practical expedient that does not need any reassessment on whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to exempt the definition of lease. That is to say, the Group applies the current definition of lease to all contracts signed before January 1, 2019.

<2> Transition

GroupAs a lessee, the Group can apply the standard using either of the following:

- Retrospective approach; or
- modified retrospective approach with optional practical expedients.

The GroupGroup plans apply modified retrospective approach in measuring its right-of-use assets with lease liabilitiy, with no restatment of comparative information. Cumulative effect of changes in applying new standard will be recognized in the opening balance of January 1, 2019.

When applying modified retrospective approach to the lease classified as operating lease under IAS 17, the lessee can select whether one or multiple practical expedients on transition. The Group plans to apply the following practical expedients after assessment:Group

- apply a single discount rate to a portfolio of leases with similar characteristics;
- leases end in 12 months after the initial application date of the lease term, the right-to-use assets and lease liabilities are exempted from recognition;
- The original direct cost is excluded from the measuring of the right-to-use assets on the first application date;
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

<3> So far, the most significant impact identified is that the Group needs to recognize the right-of-use assets and the lease liabilities for the factory and vehicles under operating leases. The Group estimated that the right-of-use assets and the lease liabilities may increase by NT$15,234 thousand on January 1, 2019; there is no significant impact on the current finance lease.

The actual impact of adopting the standards may change depending on the econpmic conditions and events which may occur in the future

3. The impact of IFRS issued by IASB but not yet endorsed by FSC

The following table summarizes the standards and explanations issued and revised by the International Accounting Standards Board (hereinafter referred to as the Board) but not yet endorsed by the Board.

| Newly Issued/Revision/Amendment of Standards and Interpretations | Effective date of issuance by the International Accounting Standards Board |
|---|---|
| Amendment to IFRS 3 “Definition of Business” | January 1, 2020 |
| Amendment to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investors and its Associate or Joint Venture” | To be decided by IASB |
| IFRS 17 “Insurance Contract” | January 1, 2021 |
| Amendments to IAS 1 and IFRS 8 “Definition of Material” | January 1, 2020 |

The Group is continually assessing the impact of the above standards and explanations on the financial situation and operating results of the Group, and the relevant impacts will be disclosed when the evaluation is completed.

## iv. Summary of Major Accounting Policies

The major accounting policies adopted in this consolidated financial report are summarized as follows. Except for notes 3 and 4 (7) and 13 (13) relating to accounting changes, the following accounting policies have been consistently applied during all periods of presentation of the consolidated financial statements.

1. Statement on compliance

This consolidated financial report is prepared in accordance with theRegulations Governing the Preparation of Financial Reports by Securities Issuers(hereinafter referred to as the“Guidelines” and the International Financial Reporting Standards, International Accounting Standards, Interpretation and Interpretation Bulletin (hereinafter referred to as the “International Financial Reporting Standards Accredited by the Financial Supervisory Commission”).

2. The basis of preparation

<1> The basis of measurement

The consolidated financial report is prepared on the basis of historical cost, except for financial assets measured at fair value through profit and loss at fair value.

<2> Functional and expressive currencies

The functional currency of each entity of the consolidated Company is the currency of the main economic environment in which it operates.This consolidated financial report is expressed in the functional currency of the Company, NT$.The assets and liabilities of foreign operating institutions are converted into the expressive currency at the exchange rate of the reporting date, and the income and expense items are converted into the expressive currency at the average exchange rate of the current period.All financial information expressed in NT$is expressed in NT$1,000.

3. The basis of consolidation

<1> The principles for preparing consolidated financial report

The consolidated financial report shall be prepared by the Company and its subsidiaries.

heCompany shall begin to incorporate the financial reports of its subsidiaries into the consolidated financial reports from the date it obtains the control power of its subsidiaries until the date it loses control.

Transactions between the Group, balances and any unrealized income and expense losses have been eliminated in the course of preparing consolidated financial reports.The aggregate profit and loss of a subsidiary shall be vested in the owners and non-controlling interests of the Company respectively, even if the non-controlling interests thus become the deficit balance.

Where no change in the ownership interest of the Group in respect of the subsidiary results in the loss of control over the subsidiary, the change shall be treated as an equity transaction with the owner.

<2> Subsidiaries included in consolidated financial reports:

| Name of investment Company | Name of subsidiaries | Business nature | Percentage of Equity Ownership | |
|---|---|---|---|---|
| | | | 2018.12.31 | 2017.12.31 |
| The Company | ShunSin Technology Holdings (Hong Kong) Limited (hereinafter referred to ShunSin (Hong Kong)) | Holding Company | 90.15% (Note 1) | 81.45% (Note 2) |
| The Company | ShunSin Technology (Samoa) Corporation Limited (hereinafter referred to as ShunSin (Samoa)) | Overseas material and equipment purchase | 100.00% | 100.00% |
| ShunSin (Samoa) | ShunSin (Hong Kong) | Holding Company | 9.85% (Note 1) | 18.55% (Note 2) |
| ShunSin (Hong Kong) | ShunSin Technology (Zhong Shan) Limited (hereinafter referred to as ShunSin (Zhongshan)) | Assembly, testing and sales of high-speed optical transceiver module, high-frequency wireless communication module and various integrated circuits | 100.00% | 100.00% |
| ShunSin (Zhongshan) | Talentek Microeletronics (He fei) Limited (hereinafter referred to as Talentek(He fei)) | Design, R&D, measurement and sales of electrical equipment, communication equipment and automation equipment | 55.00% (Note 3) | 59.95% (Note 3) |

Note 1: On June 19, 2018, our Company increased the capital of ShunSin (Hong Kong) to US $45,000 thousand, and then increased the capital of ShunSin (Zhongshan) to US$45,000 thousand. As a result, our shareholding ratio in ShunSin (Hong Kong) increased from 81.45% to 90.15%, and the shareholding ratio of ShunSin (Samoa) in ShunSin (Hong Kong) decreased from 18.55% to 9.85%.

Note 2: On August 7, 2017, our Company increased our investment in ShunSin (Hong Kong) by US$9,500 thousand and at the same time increased our investment in ShunSin (Hong Kong) by US$ 9,500 thousand to acquire 18.55% of its equity, which reduced our shareholding ratio in ShunSin (Hong Kong) from 100% to 81.45%.

Note3: Talentek (He fei) was registered and established on June 5, 2017 in Hefei, Anhui Province, China.The rated capital is RMB 20,000 thousand.According to the approval notice of enterprise name issued by Hefei Administration for Industry and Commerce, 15 investors were approved to make capital contribution.ShunSin (Zhongshan) invested RMB11,000 thousand on June 30, 2017, with an estimated shareholding ratio of 55%. However, as of December 31, 2017, there were still several shareholders who had not invested their capital,therefore, the shareholding ratio was 59.95% according to the capital invested. As of May 30, 2018, the stock capital had been collected, so the shareholding ratio was 55.00%.

List of subsidiaries not included in the consolidated financial report: None

4. Foreign currency transactions

Foreign currency transactions are converted into functional currencies at the exchange rate on the trading day. The foreign currency monetary items at the end of the reporting period (hereinafter referred to as the reporting date) are converted into functional currencies according to the exchange rate on that day. Exchange gains and losses refer to post-amortization costs denominated in functional currencies at the beginning of the period, the difference between the current effective interest and the amount after payment and the post-amortization costs denominated in foreign currencies converted at the exchange rate on the reporting day.

Non-monetary items in foreign currency measured by fair value are converted into functional currencies according to the exchange rate on the day of fair value measurement, while non-monetary items in foreign currency measured by historical cost are converted into functional currencies according to the exchange rate on the day of transaction.

Unless monetary differences in foreign currency exchange resulting from conversion of other comprehensive gains and losses by fair value (available for sale) equity instruments are recognized as other comprehensive gains and losses, the rest are recognized as gains and losses.

5. Classification criteria for distinguishing liquidity from non-liquidity between assets and liabilities

Assets that meet one of the following conditions are classified as current assets, and all other assets that are not current assets are classified as non-current assets:

<1> Is expected to be realized in the normal business cycle of the Group or intended to be sold or consumed.

<2> Held primarily for transaction purposes.

<3> Expected to be realized within 12 months after the balance sheet date.

<4> Cash or equivalent cash, but not including the exchange of cash more than 12 months after the date of the balance sheet for the settlement of liabilities or other restrictions.

Liabilities that meet one of the following conditions are classified as current liabilities and all other liabilities that are not current liabilities are classified as non-current liabilities:

<1> Expected to be liquidated in the normal business cycle of the Group.

<2> Held primarily for transaction purposes.

<3> Repayment expected to be due within 12 months after the balance sheet date.

<4> Where the Group cannot unconditionally extend the repayment period to at least 12 months

after the date of the balance sheet.The liability clause, which may lead to the issuance of an equity instrument at the option of the counterparty, does not affect the classification

6. Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents refer to short-term, highly liquid investments that are readily convertible into fixed cash with little risk of change in value.Term deposits, which meet the aforementioned definition and are held for short-term cash commitments rather than investment or other purposes, are presented in cash equivalents.

7. Financial instruments

<1> Financial assets (applicable after January 1, 2018 (including))

The financial assets of the Group are classified as: financial assets measured at post-amortization cost and financial assets measured at fair value through profit and loss.

The Group shall only reclassify all affected financial assets in accordance with the provisions if it changes its business model for managing financial assets.

1) Financial assets at amortised cost

When financial assets meet the following conditions at the same time and are not designated to be measured by fair value through gains and losses, they are measured at amortised cost:

- The financial asset is held under a business model for the purpose of collecting contract cash flow.
- The cash flow generated on a specified date by the terms of the contract of the financial asset is solely for the payment of interest on the principal and the amount of principal outstanding.

The original recognition is based on the fair value plus the directly attributable transaction cost;The effective interest rate method is adopted to measure the post-amortization cost, which has been reduced.Interest income, foreign exchange gains and losses and impairment losses are recognized as gains and losses.When excluding, the profit or loss shall be included in the profit or loss. When purchasing or selling financial assets in accordance with the usual trading practices, the accounting treatment on the transaction date shall be adopted.

2) Financial assets at fair value through profit or loss

Non-amortized financial assets are measured at fair value through profit or loss.

The original recognition is measured at fair value, and the transaction cost is recognized as profit or loss at the time of occurrence.The subsequent measurement shall be based on the fair value, and the resulting benefits or losses (including related dividend income and interest income) shall be recognized as profits and losses. When buying or selling financial assets in accordance with trading practices, accounting treatment on the trading date shall be adopted.

3) Impairment of financial assets

The Group recognize losses against anticipated credit losses of financial assets (including cash and contractual cash, notes receivable and accounts receivable, other receivables and deposits, etc.) and contractual assets measured at post-amortization costs.

If the credit risk of bank deposits, other receivables and refundable deposits (that is, the risk of default in the expected duration of the existence of financial instruments) has not increased significantly since the original recognition, it shall be measured as the loss allowance based on the expected 12-month credit loss amount.

Notes receivable, accounts receivable and contractual assets are measured against the expected amount of credit loss during the term of the contract.

The term “the expected amount of credit loss during the term of the contract” means the anticipated credit loss caused by all possible defaults of the financial instrument during the expected existence period.

Twelve-month anticipated credit loss means an anticipated credit loss (or shorter term if the expected duration of the instrument is shorter than twelve months) on a possible default of the instrument within twelve months after the reporting date.

The longest period for which an anticipated credit loss is measured is the longest contract period in which the Group are exposed to credit risk.

In determining whether there has been a significant increase in credit risk since the original recognition, the Group consider reasonable and verifiable information (available without excessive cost or investment), including qualitative and quantitative information, and analyses based on the Group’ historical experience, credit assessment and forward-looking information.

If the payment is more than 180 days overdue, the Group assume that the credit risk of the financial assets has increased significantly.

If the contract payment is more than 12 months overdue, or the borrower is unlikely to fulfill its credit obligation to make full payment to the Group, the Group shall be deemed to have breached the financial asset.

Anticipated credit loss is a probability weighted estimate of the credit loss of a financial instrument during its existence. The credit loss is measured by the present value of all cash shortfalls, i.e. the difference between the cash flow that the Group can collect under the contract and the cash flow that the Group are expected to collect. anticipated credit losses are discounted at the effective interest rate of the financial asset.

On each reporting day, the Group evaluate their financial assets at post-amortization costs.When one or more events have occurred that adversely affect the estimated future cash flow of a financial asset, the financial asset has a credit impairment. Evidence of credit impairment of financial assets includes observable data on the following matters:

- Major financial difficulties of the borrower or issuer;
- A breach of contract, such as a delay or overdue for more than 180 days;
- For economic or contractual reasons related to the borrower's financial difficulties, the Group give the borrower concessions that would not otherwise be considered;
- The borrower is likely to file for bankruptcy or other financial restructuring;or
- The active market for the financial asset disappeared due to financial difficulties.

The allowance loss of financial assets measured by post-amortization cost is deducted from the book value of the assets. The amount of allowance for loss is recognized as profit and loss.When the Group are unable to reasonably expect the recovery of the whole or part of the financial assets, the total amount of their financial assets shall be directly reduced.It usually means that the assets or sources of income of the judgment debtor of the Group cannot generate sufficient cash flow to repay the the write-off amounts. However, the financial assets that have been written off can still be enforced to comply with the procedures for recovering the overdue amount of the Group.

4) Derecognition of financial assets

The financial assets of the Group shall be excluded only when the contractual rights derived from the cash flow of the assets are terminated, or when the financial assets have been transferred and almost all the risks and rewards of the ownership of the assets have been transferred to other enterprises.

<2> Financial assets (applicable before January 1, 2018 )

1) Financial assets measured at cost

Financial assets, as measured at cost, are investments in unlisted, counter listed companies over which the Group have no control or significant influence.Where there is no open quotation in the relevant equity commodity investment market and the fair value cannot be measured reliably, it shall be measured at the original recognized cost. If there is objective evidence of the impairment, the loss is recognized and the amount of the impairment shall not be reversed.

2) Receivables

Receivables are financial assets, including receivables and other receivables, that are not publicly quoted in an active market and have a fixed or determinable amount of payment.The original recognition is measured at the transaction cost directly attributable to the fair value plus the effective interest rate method. The subsequent evaluation is measured at the cost after amortization minus the loss of loss, except in cases where the interest recognition of short-term receivables is not significant.

Interest income is reported under non-operating income and expenditure.

3) Impairment of financial assets

The impairment loss of receivables shall be assessed on the basis of the receivables'liquidity.The Group evaluate the impairment loss of receivables based on the evidence of specific assets and overall level impairment of receivables.All significant individual receivables are assessed for specific impairment.The receivables without specific impairment shall be based on the past collection experience, aging analysis and internal credit granting policy, and shall be subject to the period of overdue aging.

Bad debt losses of accounts receivable are reported under operating expenses, bad debt recovery of accounts receivable and impairment losses of other financial assets are reported under non-operating income and expenditure.

4) Derecognition of financial assets

The financial assets of the Group shall be excluded only when the contractual rights derived from the cash flow of the assets are terminated, or when the financial assets have been transferred and almost all the risks and rewards of the ownership of the assets have been transferred to other enterprises.

<3> Financial liabilities and equity instruments

1) Classification of liabilities or equity

The debt and equity instruments issued by the Group are classified as financial liabilities or equity according to the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

Equity instrument means any contract commending the remaining equity of the Group after the deduction of all liabilities from the assets.The equity instruments issued by the Group shall be recognized on the basis of the proceeds obtained after deducting the direct issuance costs.

The Group issuing irredeemable or the Group have the right to choose redemption as an equity. Mandatory redemption issued during a specified period or the right of the holder to choose redemption are recognized as financial liabilities.

The complex financial instruments issued by the Group are convertible corporate bonds whose holders have an option to convert them into equity, and the number of shares issued does not vary with the change in fair value.

The original recognized amount of the liability component of a composite financial instrument is measured at the fair value of a similar liability excluding the right to convert equity.The original recognized amount of the equity component is measured by the difference between the fair value of the overall composite financial instrument and the fair value of the liability component.Any directly attributable transaction costs shall be apportioned among the liabilities and equity components in proportion to the carrying amount of the original liabilities and equity.

After the original recognition, the liability component of the composite financial instrument is measured by the effective interest rate at the amortized cost.The equity component of a complex financial instrument does not need to be revalued after its original recognition.

Interest and losses or benefits related to financial liabilities are recognized as profit and loss and are reported as financial costs under non-operating income and expenditure.

When financial liabilities are converted, they are reclassified as equity and no profit or loss is generated.

2) Financial liabilities at fair value through profit and loss

Such financial liabilities are measured at fair value at the time of original recognition, and transaction costs are recognized as profit and loss at the time of occurrence;The subsequent evaluation shall be measured at fair value, and the profits or losses (including related interest expenses) generated shall be recognized as profits and losses, and shall be reported as other profits and losses under non-operating income and expenses.

3) Other financial liabilities

Where a financial liability is not held for trading and is not specified as measured at fair value through profit and loss (including long and short term borrowings, accounts payable and other payables), the original recognition shall be measured at fair value plus directly attributable transaction cost;The effective interest rate was adopted to measure the amortized cost.Interest expense on the cost of capitalized assets is recognized as profit and loss and is reported as financial cost under non-operating income and cost.

4) Derecognition of financial liabilities

Group are companies whose contractual obligations have been discharged, canceled or matured, and its financial liabilities are excluded.

In addition to financial liabilities, the difference between the book value and the total amount of consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized as profit and loss, and other benefits and losses under non-operating income and expenditure are reported.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities shall only be offset and expressed in a net amount on the balance sheet if the Group have the legal right to offset and have the intention to deliver or simultaneously liquidate assets and settle liabilities in a net amount.

8. Inventories

The original cost of inventory refers to the acquisition, production or processing costs and other costs incurred when the inventory reaches the available location and status, and the moving average method is adopted for calculation.

The subsequent measurement of inventory is based on the lower cost and net realizable value of each category of inventory, while the net realizable value is calculated on the basis of the reduction of the estimated selling price on the balance sheet day from the cost and sales cost of the completed investment.When the cost of inventory exceeds the net realized value, the inventory cost shall be reduced to the net realized value and the amount of such write-off shall be recognized as the cost of goods sold.If the net realizable value increases in the subsequent period, the net realizable value of the revolving inventory increases within the original deduction amount and is recognized as a reduction in the cost of current sales.

9. Property, plant and equipment

<1> Recognition and measurement

The recognition and measurement of real estate, plant and equipment is measured at cost, which is measured by the amount after deducting accumulated depreciation and accumulated impairment. Costs include expenses that can be directly attributable to the acquisition of assets, and borrowing costs that can be capitalized on eligible assets.

Property, plant and equipment shall be treated as separate items (main components) of real estate, plant and equipment when they contain different components and are considered appropriate for different depreciation rates or depreciation methods in relation to the total cost of the project.

The profit and loss of disposition of real estate, plant and equipment shall be determined by the difference between the book value of real estate, plant and equipment and the disposition price, and shall be recognized as other benefits and losses under profit and loss in net amount.

<2> Subsequent cost

If the future economic benefits expected from the subsequent expenditures of real estate, plant and equipment projects are likely to flow to the Group and the amounts can be measured reliably, the expenditures shall be recognized as part of the book amounts of the project and the book amounts of the replaced parts shall be excluded.Costs of routine maintenance of real estate, plant and equipment are recognized as profit and loss when incurred.

<3> Depreciation

Depreciation is calculated on a straight-line basis after the residual value of the cost of the asset is deducted, and is assessed on the basis of the estimated service life of each significant component of the asset. If the service life of a component is different from that of other components of the asset, the component shall be separately depreciated.Depreciation is recognized as profit and loss.

If the depreciation of the leased assets can reasonably be confirmed that the Group will acquire the ownership at the end of the lease term, it shall be listed according to its service life;The remaining leased assets shall be listed according to the shorter lease term and its service life.

The estimated service life of various assets in the current period and comparison period is as follows:

| | |
|---|---|
| 1) Housing and construction | 21 years |
| 2) Machinery and equipment | 1 year 10 months to 6 years |
| 3) Office equipment (including computer communication equipment) | 4 to 6 years |
| 4) Inspection equipment | 1 to 6 years |
| 5) Other equipment | 1 to 10 years |
| 6) Lease improvement | 1 to 10 years |

Depreciation methods, useful life and residual value are audited at the end of each financial year. If the expected value is different from the previous estimate, it shall be adjusted appropriately when necessary, and the change shall be handled in accordance with the provisions of the accounting estimate change.

10.Leasing-- Lessee

The leased assets of the business lease are not included in the balance sheet of the Group.

The rental payment of the business lease (excluding the cost of insurance, maintenance and other services) shall be recognized as an expense on a straight-line basis during the lease term.The total benefit provided by the lessor as an inducement to enter into the lease arrangement is recognized as a decrease in rental expenditure by the straight-line method during the lease term.

Contingent leases are recognized as current costs when the lease adjustment is determined.

11.Intangible assets

<1> Intangible assets

Intangible assets acquired by a Group are measured by the deduction of costs from accumulated amortization and accumulated impairment.

<2> Subsequent expenditure

Subsequent expenditures may be capitalized only if they increase the future economic benefit of the particular asset concerned. All other expenditures are recognized as gains and losses when incurred.

<3> Amortization

Amortization refers to the amount that can be amortized after deducting residual value from the cost of assets.

Intangible assets are computer software, which are amortized on a straight-line basis over the estimated service life of five years from the moment they become available for use.

To review the residual value of intangible assets, the amortization period and the amortization method at least at the end of each financial year. If there is any change, it is regarded as the change of accounting estimate.

12.Impairment of non-financial assets

For non-financial assets other than inventory and deferred income tax assets, the Group shall assess whether impairment has occurred on each reporting day and estimate the recoverable amount for assets showing signs of impairment.If it is impossible to estimate the recoverable amount of an individual asset, the Group shall estimate the recoverable amount of the cash generating unit to which the asset belongs and shall make an impairment assessment.

The recoverable amount is the fair value of an individual asset or cash generator minus the cost of sale and the higher value of its use.If the recoverable amount of an individual asset or cash generating unit is less than the carrying amount, the carrying amount of the individual asset or cash generating unit shall be adjusted to the recoverable amount and the impairment loss shall be recognized. Impairment losses are immediately recognised as current profits and losses.

On each reporting day, the Group reevaluate whether there is any indication that the impairment losses recognized for non-financial assets other than goodwill may have disappeared or decreased in the previous year.If there is any change in the estimate used to determine the recoverable amount, the impairment loss can be reversed to increase the carrying amount of an individual asset or cash generating unit to its recoverable amount. However, it shall not exceed the book amount to be set aside for depreciation or amortization if no impairment loss is recognized by the individual asset or cash generating unit in the previous year.

13.Revenue recognition

<1> Revenue from customer contracts (applicable after January 1, 2018)

For most products manufactured by the Group, the customer may control all work-in-process products that are still in production.The Group' main income items are as follows:

1) Revenues from packaging and testing service

The Group provides processing services such as packaging and testing, and recognizes the relevant income during the reporting period of providing processing services.The Group shall recognize revenue on the basis of the proportion of the standard cost of services provided as at the reporting date to the total standard cost of services.

If conditions change, estimates of revenues, costs and levels of completion will be revised and changes made during the period when management is informed of the changes will be reflected in profit and loss.

2) Revenue from merchandise sales

Revenue from merchandise sales comes from sales of automotive electronics, fingerprint identification and thick film products.The goods promised by the Group will be shipped or delivered to the place designated by the customer according to the transaction conditions, and the customer will recognize the income and accounts receivable when the customer obtains the control of the goods and meets the performance obligations.

3) Financial components

The Group expect that the time interval between the transfer of goods or services to customers by all customer contracts and the payment of goods or services by customers will not exceed one year. Therefore, the Group do not adjust the monetary time value of the transaction price.

<2> Revenue recognition (applicable before January 1, 2018)

Revenue generated from the sale of merchandise is measured at the fair value of received or receivable consideration after consideration of returns, trade discounts and quantity discounts.Income is recognized when there is convincing evidence (usually in the form of a sales agreement) that the material risks and rewards of ownership have been transferred to the buyer, that the price is likely to be recovered, that the relevant costs and possible returns of the merchandise can be reliably estimated, and that the management of the merchandise is no longer performed and the amount of revenue can be reliably measured.Where a discount is likely to occur and the amount can be reliably measured, it shall be recognized as a deduction from income at the time of recognition of sales.

The timing of the transfer of risk and reward is subject to the individual terms of the sales contract.

14. Employees benefits

The obligation to allocate a pension plan is defined as the employee's welfare expenses recognized as profit and loss during the period of service provided by the employee.

Short-term employee welfare obligations are measured on a non-discounted basis and are recognized as expenses in the provision of related services.

The amount of expected payment under a short-term cash dividend or dividend scheme is recognized as a liability if the Group have a current statutory or presumptive obligation to pay due to the past service provided by its employees and the obligation can be reliably estimated.

Subsidiaries in mainland China shall, in accordance with local government decrees, allocate pensions in proportion to one of the basic salaries of their employees and pay them to the relevant government departments, and deposit them exclusively in separate accounts of their employees.

15. Government subsidies

In accordance with the provisions of IAS20, “Accounting for Government Subsidies and Disclosure of Government Subsidies”, the expressions of government contributions related to assets in the financial statements are classified as deferred income. When the related assets are amortized subsequently, deferred income shall be classified as a reduction of other income or related expenses according to its nature.

16. Share-based payment transactions

The employee shall be entitled to a share-based award for the fair value of the day, and shall recognize the remuneration cost and increase the relative rights and interests within the period when the employee can get the remuneration unconditionally.The recognized remuneration costs shall be adjusted in accordance with the quantity of the award which is expected to meet the conditions of service and which is not obtained at the market price; The final recognition amount is based on the amount of rewards that meet the conditions of service and non-market price on the vested day.

The non-vested conditions of share-based payment have been reflected in the measurement of the fair value of share-based payment and the difference between expected and actual results need not be verified and adjusted.

17. Income tax

Income tax expenses include current and deferred income taxes.The current income tax and deferred income tax shall be recognized as profit and loss, except for those project stakeholders who are directly recognized as equity or other comprehensive gains and losses after merger with enterprises.

The income tax for the current period includes the estimated income tax payable or refundable at the statutory or substantive legislative rate for the current year of assessment (loss) and any adjustments to the income tax payable for the previous year.

Deferred income tax is a measure of the temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and their tax basis.Temporary differences arising from the following circumstances shall not be recognized as deferred income tax:

<1> Assets or liabilities not originally recognized in the transaction of a merger of enterprises and which do not affect accounting profits and taxable income (losses) at the time of the transaction.

<2> Arising from investments in subsidiaries and joint venture interests which are likely not to be converted in the foreseeable future.

<3> Original recognition of goodwill.

The deferred income tax is measured by the tax rate in the current period of expected assets realization or debt liquidation, and is based on the statutory tax rate or substantive legislative tax rate on the reporting date.

Deferred income tax assets and deferred income tax liabilities shall be offset only when the combined Company simultaneously meets the following conditions:

<1> Having the legal enforcement power to offset the current income tax assets and current income tax liabilities;and

<2> Deferred income tax assets and deferred income tax liabilities are related to any of the following entities that are subject to income tax levied by the same tax authority;

1) The same taxpayer; or

2) Different tax payers, however, each tax payer intends to pay current income tax liabilities and assets on a net basis for each future period in which significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be paid, or to realize assets and liabilities at the same time.

For unused taxation losses and unused income tax deduction in the later period of transfer, it may be considered as deferred income tax assets to the extent that future taxable income may be available. It will be re-assessed on each reporting day and adjusted to the extent that the relevant income tax benefits are not likely to be realized.

18. Earning per share

The Group list the basic and diluted earnings per share attributable to the general equity holders of the Company.The basic earnings per share of the combined companies shall be calculated by dividing the profits and losses attributable to the common equity holders of the Company by the weighted average number of common shares outstanding in the current period.Shares added due to surplus or capital reserve transferred to capital increase shall be calculated by retroactive adjustment. If the base date of the transfer of surplus or capital reserve to capital increase is prior to the submission of financial statements, the adjustment shall be made retroactively.

Diluted earning per share are calculated after adjusting for the effect of all potential diluted common shares on the profits and losses attributable to holders of the Company's common shares and the weighted average number of outstanding common shares.The Company's potential dilution of common share includes employee compensation and employee stock options

19.Information of the departments

The operations department is an integral part of the Group and engages in business activities that may generate revenue and incur expenses (including revenues and expenses related to transactions between other components of the Group), together with separate financial information.The operating results of all operating departments are regularly reviewed by the major operating decision makers of the Group to determine the allocation of resources to the decisions of the department and to evaluate its performance.

**v. Major Sources of Uncertainty in Accounting Judgments, Estimates and Assumptions**

In preparing these consolidated financial reports in accordance with the IFRS recognized by the FSC, management must make judgments, estimates and assumptions that will affect the adoption of accounting policies and the reported amounts of assets, liabilities, earnings and expenses.The actual results may differ from the estimates.

Management continuously reviews estimates and basic assumptions and recognizes accounting estimates changes during periods of change and in the affected future periods.

The information relating to the uncertainty of the assumptions and estimates that there is a material risk that will cause a material adjustment in the next financial year is measured by the fair value of the financial asset as measured by profit and loss at fair value,In the process of re-measurement of its fair value, the Group must rely on the external appraisal report. The evaluation in the report is easy to be affected by the operating status of the invested companies and the changes in the overall industrial boom, so that the subsequent re-measurement of the interests or losses generated by the fair value will have a large range of changes in the recognition of gains and losses, so that the value of financial assets will be adjusted.Please refer to note 6 (21) for the description of financial asset evaluation through profit and loss at fair value.

## vi. Description of important accounting items

1. Cash and cash equivalents

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Current deposit | $ 2,823,962 | 331,987 |
| Times deposit | 2,469,345 | 6,032,650 |
| Cash and cash equivalents as shown in the consolidated cash flow statement | **$ 5,293,307** | **6,364,637** |

For the disclosure of interest rate risks in the financial assets of the Group, please refer to note 6 (21) for details.

2. Financial assets at fair value through profit or loss -non-current

| | 2018.12.31 |
|---|---|
| Financial assets at fair value, as enforced through profit and loss: | |
| Stocks of domestic unlisted companies | **$ 11,048** |

Please refer to note 6 (20) for the amount recognized as profit or loss in the fair value re-measurement.

3. Financial assets measured at cost-- non-current

| | 2017.12.31 |
|---|---|
| Common stock of domestic unlisted companies | **$ 39,926** |

The above equity investments held by the Group as at December 31, 2017 are measured on a cost minus impairment basis. Due to the large range of reasonable fair value estimates and the inability to reasonably assess the probability of various estimates, managers believe that their fair value can not be reliably measured.As at December 31, 2018, these assets are classified as financial assets at fair value through profit and loss. Please refer to note 6 (2) for details.

For the Group in 2017, due to the existence of objective evidence of impairment of financial assets as measured at cost and the little chance of recovery, the impairment loss of NT$50,225 thousand was recognized after evaluation. Please refer to note 6 (20) for details.

4. Notes receivable and accounts receivable

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Notes receivable | $ 13,104 | 13,855 |
| Accounts receivable | 510,893 | 255,497 |
| Accounts receivable-related party | 789,697 | 328,134 |
| | $ 1,313,694 | 597,486 |

Notes receivable and accounts receivable of the Group are not discounted or provided as collateral.

The notes receivable and accounts receivable are estimated using the simplified method of estimating the anticipated credit loss for all notes receivable and accounts receivable on behalf of the customer according to the contract terms on December 31, 2018 for the combined Company.For this purpose, the common credit risk characteristics of the ability to pay all amounts due are grouped and included in forward-looking information, including information on the overall economy and related industries.

The anticipated credit loss of notes receivable and accounts receivable of the combined companies on December 31, 2018 is analyzed as follows:

| | Book value of notes receivable and accounts receivable | Weighted average anticipated credit loss rate (%) | Provision against anticipated credit losses during the continuance of existence |
|---|---|---|---|
| Not overdue | $ 1,128,080 | - | - |
| Past due 1-30 days | 184,968 | - | - |
| Past due 31-60 days | 544 | - | - |
| Past due 61-90 days | 18 | - | - |
| Past due 91-120 days | - | - | - |
| Past due 121-364 days | 84 | - | - |
| Over 365 days | - | 100.00 | - |
| | $ 1,313,694 | | - |

After evaluation, there is no need to make provision for anticipated credit losses during the period of survival.

On December 31, 2017, the Group adopted the credit loss model to calculate the allowance of notes receivable and accounts receivable for bad debts. No allowance for bad debts has been made after evaluation.

The aging analysis of notes receivable and accounts receivable of the Group on December 31, 2018 is as follows:

| | | 2017.12.31 |
|---|---|---|
| Note overdue | $ | 543,334 |
| Past due 1-30 days | | 54,152 |
| | $ | 597,486 |

5. Other receivables

| | | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Other receivables | $ | 126,242 | 37,882 |

Other receivables of the Group were not overdue in 2018 and December 31, 2017.

6. Inventories

| | | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Raw materials | $ | 432,966 | 321,735 |
| Work-in-process | | 31,897 | 151,263 |
| Finished products (including semi-finished products) | | 36,677 | 108,108 |
| | $ | 501,540 | 581,106 |

Operating costs recognized for the year of 2018 and the year of 2017 of the Group:

| | | 2018 | 2017 |
|---|---|---|---|
| Cost of selling inventories | $ | 3,605,946 | 2,539,747 |
| Loss on allowance for inventory valuation losses and slow-moving inventories | | 18,816 | 6,704 |
| Revenue from sale of scraps | | (453) | - |
| | $ | 3,624,309 | 2,546,451 |

7. Property, plant and equipment

The changes in the costs, depreciation and impairment losses of the real estate, plant and equipment of the Group in the year of 2018 and the year of 2017 are as follows:

| | Housing and building | Machinery and equipment | Office equipment (including computer communication equipment) | Inspection equipment | Other equipment | Lease improvement | Unfinished construction and equipment to be inspected | Total |
|---|---|---|---|---|---|---|---|---|
| Cost or recognized cost: | | | | | | | | |
| Balance as of January 1, 2018 | $ 358,259 | 2,016,021 | 65,967 | 632,945 | 156,207 | - | 148,087 | 3,377,486 |
| Addition | 42,630 | 886,524 | 2,115 | 472,785 | 166,897 | 40,915 | 423,586 | 2,035,452 |
| Disposal | - | (86,564) | (268) | (76,442) | (4,269) | - | - | (167,543) |
| Re-classification | 110,775 | 12,024 | 670 | 25,640 | 1,920 | 8,885 | (143,420) | 16,494 |
| Translation effect | (8,958) | (49,565) | (1,185) | (18,564) | (5,646) | (1,767) | (7,634) | (93,319) |
| Balance as of December 31, 2018 | $ 502,706 | 2,778,440 | 67,299 | 1,036,364 | 315,109 | 48,033 | 420,619 | 5,168,570 |
| Balance as of January 1, 2017 | $ 365,692 | 2,013,882 | 39,269 | 595,935 | 148,397 | - | 28,022 | 3,191,197 |
| Addition | - | 63,832 | 5,615 | 48,693 | 14,568 | - | 141,941 | 274,649 |
| Disposal | - | (21,238) | (1,084) | (118) | (3,862) | - | - | (26,302) |
| Re-classification | - | - | 22,655 | - | - | - | (22,655) | - |
| Translation effect | (7,433) | (40,455) | (488) | (11,565) | (2,896) | - | 779 | (62,058) |
| Balance as of December 31, 2017 | $ 358,259 | 2,016,021 | 65,967 | 632,945 | 156,207 | - | 148,087 | 3,377,486 |
| Depreciation and impairment losses: | | | | | | | | |
| Balance as of January 1, 2018 | $ 163,279 | 1,734,391 | 38,722 | 512,633 | 116,592 | - | - | 2,565,617 |
| Depreciation of the year | 21,966 | 166,107 | 10,931 | 76,745 | 40,792 | 5,663 | - | 322,204 |
| Disposal | - | (82,427) | (268) | (75,229) | (4,269) | - | - | (162,193) |
| Re-classification | 2,459 | - | - | - | - | - | - | 2,459 |
| Translation effect | (3,284) | (31,410) | (859) | (8,863) | (2,641) | (103) | - | (47,160) |
| Balance as of December 31, 2018 | $ 184,420 | 1,786,661 | 48,526 | 505,286 | 150,474 | 5,560 | - | 2,680,927 |
| Balance as of January 1, 2017 | $ 149,253 | 1,638,725 | 30,732 | 444,947 | 110,948 | - | - | 2,374,605 |
| Depreciation of the year | 16,869 | 148,383 | 9,601 | 75,990 | 11,101 | - | - | 261,944 |
| Disposal | - | (20,847) | (1,084) | (118) | (3,290) | - | - | (25,339) |
| Translation effect | (2,843) | (31,870) | (527) | (8,186) | (2,167) | - | - | (45,593) |
| Balance as of December 31, 2017 | $ 163,279 | 1,734,391 | 38,722 | 512,633 | 116,592 | - | - | 2,565,617 |
| Book value: | | | | | | | | |
| Balance as of December 31, 2018 | $ 318,286 | 991,779 | 18,773 | 531,078 | 164,635 | 42,473 | 420,619 | 2,487,643 |
| Balance as of January 1, 2017 | $ 216,439 | 375,157 | 8,537 | 150,988 | 37,449 | - | 28,022 | 816,592 |
| Balance as of December 31, 2017 | $ 194,980 | 281,630 | 27,245 | 120,312 | 39,615 | - | 148,087 | 811,869 |

## 8. Intangible assets

The cost, amortization and impairment losses of the Group' intangible assets for the year of 2018 and 2017 are as follows:

| | Cost of computer and software |
|---|---|
| Cost: | |
| Balance as of January 1, 2018 | $ 14,730 |
| Individual acquisition | 5,859 |
| Impact of exchange rate changes | (360) |
| Balance as of December 31, 2018 | $ 20,229 |

| | Cost of computer and software |
|---|---|
| Balance as of January 1, 2017 | $ 13,110 |
| Individual acquisition | 1,866 |
| Translation effect | (246) |
| Balance as of December 31, 2017 | $ 14,730 |
| Amortization and impairment losses: | |
| Balance as of January 1, 2018 | $ 9,485 |
| Amortization for current period | 4,586 |
| Translation effect | (246) |
| Balance as of December 31, 2017 | $ 13,825 |
| Balance as of January 1, 2017 | $ 6,420 |
| Amortization for current period | 3,160 |
| Translation effect | (95) |
| Balance as of December 31, 2017 | $ 9,485 |
| Book value: | |
| Balance as of December 31, 2018 | $ 6,404 |
| Balance as of January 1, 2017 | $ 6,690 |
| Balance as of December 31, 2017 | $ 5,245 |

The amortization expenses of intangible assets for 2018 and 2017 are reported under the consolidated income statement as follows:

| | 2018 | 2017 |
|---|---|---|
| Operating costs | $ 583 | 449 |
| Operating expenses | 4,003 | 2,711 |
| | $ 4,586 | 3,160 |

9. Short-term loans

The details of the short-term loans of the Group are as follows:

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Unsecured bank loans | $ 1,635,021 | 2,480,536 |
| Unused quota | $ 3,645,459 | 1,415,414 |
| Interest rate range (%) | 0.81~3.56 | 0.81~2.49 |

The Group did not set up assets as collateral for bank loan guarantee.

10.Corporate bonds payable

| | | First time 2018.12.31 |
|---|---|---|
| The total amount of convertible bonds issued | $ | 1,500,000 |
| Decrease: amount of discount on issuing convertible corporate bonds | | 142,650 |
| Underwriting expenses | | 7,294 |
| Compound present value of corporate bonds converted at issuance | | 1,350,056 |
| Amortization of Company debt payable at discount | | 26,579 |
| Premium issuance cost of corporate bonds payable | | 7,500 |
| Ending balance of corporate bonds payable | **$** | **1,384,135** |

In accordance with Chin-Kuan-Cheng-Fa-Tzu No.1060050468 issued by FSC, the Group issued the unsecured convertible corporate bonds within R.O.C. for the first time on January 10, 2018. The maximum issuance amount was NT$1,530,000 thousand. Pricing had been completed on February 2, 2018. With February 12, 2018 as the date of issue, the convertible bonds were issued at 100.5% of face value at NT $100 thousand each. The total number of issues was 15,000, the total amount of issues was NT $1,500,000 thousand, and the raised amount was NT$1,507,500 thousand. The issue period shall be five years from the date of issue, and the maturity date shall be the date on which the coupon interest rate is 0% per annum, and the conversion price shall be NT$175.2 per share.

The convertible bonds issued by the Group shall be separated from the liabilities and shall be recognized as equity and liabilities in accordance with the provisions of IFRS 9.

| | | |
|---|---|---|
| The value of the convertible corporate bonds at the time of issue | $ | 1,357,350 |
| Embedded derivative financial product at issue (i.e., put and call) | | 13,650 |
| Composition of equity at issue (i.e. conversion rights) | | 129,000 |
| | **$** | **1,500,000** |

<1> The main terms of issuance of the above corporate bonds are as follows:

First unsecured convertible corporate bonds

1) Coupon rate: 0%.
2) Issue period: five years (from February 12, 2018 to February 12, 2023).
3) Re-payment method: In addition to the pre-call by the merger Company and the request of the creditors to sell back or convert into stocks, the maturity of the bond will be repaid in cash at one time according to the denomination of the bond.
4) Conversion period: from the day following the issuance of the convertible bonds (May 13, 2018) to the maturity date (February 12, 2023), the creditor shall, in accordance with the conversion method, request the Group to convert the convertible bonds into common shares.

5) Pre-call of the Group on the convertible bonds:

If the closing price of the common stock of the combined Company exceeds 30% of the convertible bond price at that time for 30 consecutive business days, or if the total amount of the bond that has not yet been converted is less than 10% of the total amount of the bond issued, the convertible bond will expire on the next three months (May 13, 2018) from the issuance date to the forty days before its maturity date (January 3, 2023). The Group may send to the creditor a notice of bond recovery at the expiration of 30 days, and request the OTC to make a public announcement to exercise the right to redeem the convertible bonds.

6) Put right of bond holders:

The date of expiration of three years after the issuance of the convertible Company bonds (February 12, 2021) shall be the base date on which the bondholders sell back the convertible Company bonds in advance, and the convertible Company bonds held by the bondholders shall be sold back in cash;In accepting the resale request, the Group shall, within five business days after the base date of resale, deliver the money to the bondholders by means of remittance.

7) Conversion price:

The conversion price of the converted Company's bonds shall be determined on February 2, 2018 as the base date of the conversion price. The simple arithmetic average of the closing price of the Company’s common shares shall be the base price, multiplied by the conversion premium of 113%. This is the basis for calculating the conversion price (calculated to NT$ 0.1, and rounded below ). In the case of ex-dividend before the datum for determining the conversion price, the ex-dividend price shall be calculated as the closing price of the conversion price after the adoption;The conversion price shall be adjusted according to the conversion price adjustment formula in the event of deduction or interest deduction from the decision to the actual issuance date.The conversion price of the convertible corporate bonds is NT$175.2 per share.

<2> Financial liabilities at fair value through profit or loss-non-current, the details are as follows:

| | **First time 2018.12.31** |
|---|---|
| Initial balance of embedded derivative financial commodity (put and call) | $ 13,650 |
| Valuation losses in the current period | 9,150 |
| | **$ 22,800** |

<3> Equity composition item under capital reserve-stock option, the details are as follows:

| | First time 2018.12.31 |
|---|---|
| Initial balance | $ - |
| Increase: equity components at issuance-- conversion right | 129,000 |
| Closing balance | $ 129,000 |

11.Operating lease-- as a lessee

The total future minimum lease payments for non-cancelable operating lease are as follows:

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Within 1 year | $ 17,448 | 10,801 |
| 1 to 5 years | 8,222 | 15,470 |
| | $ 25,670 | 26,271 |

The Group lease the factory buildings, offices and vehicles for business, usually for a period of one to five years.

The operating leases for 2018 and 2017 are presented under profit and loss as follows:

| | 2018 | 2017 |
|---|---|---|
| Operating costs | $ 11,429 | 1,236 |
| Operating expenses | 6,810 | 3,630 |
| | $ 18,239 | 4,866 |

12.Employee benefit

The Taiwan branch of the Group shall adopt a defined contribution plan, which shall be transferred to the individual pension account of the labor insurance bureau at the rate of 6% of the monthly salary of the employees in accordance with the provisions of the Labor Pension Act.There is no statutory or presumed obligation to pay additional amounts after a fixed amount is paid to the labour insurance bureau by the Group under the scheme.

In accordance with the pension insurance system stipulated by the government of the People’s Republic of China, a company incorporated in the People’s Republic of China shall allocate a certain proportion of its employees’ total salary to the pension fund each month, and the proportion shall be 10%.Since May 1, 2015, the proportion of pension fund allocation for enterprise employees in ZhongshanCity, Guangdong Province has been raised from 10% to 13%. And the pension fund is deposit into the individual account of each employee. The pension of each employee shall be managed and arranged by the government, and the Company shall have no further obligation except monthly allocation.

The pension expenses of the Group in 2018 and 2017 have been allocated to the labor insurance bureau and the local competent authority of the consolidated foreign subsidiaries. The details of the expenses reported by the Group are as follows:

| | 2018 | 2017 |
|---|---|---|
| Operating costs | $ 31,927 | 25,075 |
| Operating expenses | 20,604 | 11,520 |
| | **$ 52,531** | **36,595** |

13.Income tax

<1> Income tax expenses

Income tax declarations of the Group shall be made separately by each company, and shall not be consolidated.

The Company is a tax-exempt company according to the laws of the place where the Company is located;ShunSinZhongshan was recognized as a high-tech enterprise on December 11, 2017, and the validity period will be extended for another three years.According to Paragraph 2, Article 28of the Enterprise Income Tax Law of the People's Republic of China (Decree No. 63 of the President of the People’s Republic of China), from 2017 to 2020, it can enjoy the preferential tax rate of 15% for high-tech enterprises to pay enterprise income tax. ShunSin Hong Kong, located in Hong Kong, is subject to enterprise income tax at a 16.5% tax rate. ShunSin Samoa is a tax-exempted company under local law.The statutory tax rate for income tax applied by Taiwan Branch of the Company has been raised from 17% to 20% since the amendment of the Income Tax Act promulgated by the Presidential Palace on February 7, 2018.The statutory tax rate of business income tax of the People’s Republic of China applicable to Talentek (He fei) is 25%.

In addition to the preferential corporate income tax rate, according to Administrative Measures for Pre-tax Deduction of Enterprise Research and Development Expenses (Trial) issued by State Taxation Administration, [2008] 116 and the new Income Tax Act, and ShunSinZhongshanandTalentekMicroeletronics (He fei) Limited enjoy a 50% deduction of R&D costs incurred. In addition, according to Cai-Shui [2018] 99, during the period from 2018 to 2020, the R & D expenses incurred can be increased from 50% to 75% for additional deduction.

The income tax expense (benefit) details of the Group for the year of 2018 and the year of 2017 are as follows:

| | | 2018 | 2017 |
|---|---|---|---|
| Current | | | |
| Current period | $ | 16,660 | 22,921 |
| Underestimate (overestimate) of income tax for previous year | | 3,867 | (34,716) |
| | | 20,527 | (11,795) |
| Deferred income tax expenses (benefits) | | | |
| Occurrence and reversal of temporary differences | | 5,030 | (22,790) |
| Previous year's loss deduction against overestimates | | 23,043 | - |
| Change of income tax rate | | (802) | - |
| | | 27,271 | (22,790) |
| Income tax expense (benefit) | **$** | **47,798** | **(34,585)** |

The adjustment of the relationship between income tax expense (interest) and net profit before tax for the year of 2018 and the year of 2017 is as follows:

| | | 2018 | 2017 |
|---|---|---|---|
| Pre-tax net profit | $ | 338,416 | 72,955 |
| Income tax calculated according to the local tax rate of each company | $ | 69,041 | 8,468 |
| Change of income tax rate | | (802) | - |
| Adjustment according to tax law | | (53,147) | (1,849) |
| Underestimates (overestimates) of income tax of previous year | | 3,867 | (34,716) |
| Previous year's loss deduction against overestimates | | 23,043 | - |
| Estimated (revolving) tax on the income distribution of subsidiaries | | 5,796 | (6,488) |
| Income tax expense (benefit) | **$** | **47,798** | **(34,585)** |

<2> Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

On November 24, 2014 and June 29, 2015, respectively, the Board meeting of the Company decided not to distribute the undistributed earnings of 2013 and previous years and the undistributed earnings of 2014 in the foreseeable future. Therefore, as of December 31, 2018 and 2017, the Group did not recognize the deferred income tax liabilities arising from the taxable earnings of long-term equity investment under the Equity Law of the Republic of China in 2014 and previous years.The relevant amounts are as follows:

| | | 2018.12.31 | 201712.31 |
|---|---|---|---|
| Taxable surplus of long-term equity investment in Equity method | $ | 239,168 | 239,168 |

2) Recognized deferred tax assets and liabilities

The changes of deferred tax assets and liabilities in 2018 and 2017 are as follows:

Deferred tax liabilities:

| | | Long-term equity investment | One-time expensation of equipment (Note) | Total |
|---|---|---|---|---|
| **Balance as of January 1, 2018** | $ | 125,097 | - | 125,097 |
| Income Statement | | 5,796 | 252,860 | 258,656 |
| The impact of exchange rate change | | (1,768) | (4,588) | (6,356) |
| **Balance as of December 31, 2018** | **$** | **129,125** | **248,272** | **377,397** |
| **Balance as of January 1, 2017** | $ | 133,562 | - | 133,562 |
| Income Statement | | (6,577) | - | (6,577) |
| The impact of exchange rate change | | (1,888) | - | (1,888) |
| **Balance as of December 31, 2017** | **$** | **125,097** | **-** | **125,097** |

Note: According to Cai-Shui [2018] 54 issued by the State Taxation Administration of the Ministry of Finance of the Mainland of China, newly purchased equipment and appliances with unit value not exceeding 5 million yuan between 2018 and 2020 are allowed to be deducted in the calculation of income tax payable at one time, and depreciation is not calculated annually.

Deferred tax assets:

| | Unrealized exchange gains and losses | Set off gains against losses | Differences in useful life of property, plant and equipment | Others | Total |
|---|---|---|---|---|---|
| **Balance as of January 1, 2018** | $ 4,445 | 33,439 | 82,747 | 4,211 | 124,842 |
| Credit (Debit) Income Statement | 2,531 | 228,821 | (5,532) | 5,565 | 231,385 |
| The impact of exchange rate changes | - | (4,728) | (1,326) | (169) | (6,223) |
| **Balance as of December 31, 2018** | **$ 6,976** | **257,532** | **75,889** | **9,607** | **350,004** |
| **Balance as of January 1, 2017** | $ - | - | 110,442 | - | 110,442 |
| Credit (Debit) Income Statement | 4,445 | 33,439 | (25,882) | 4,211 | 16,213 |
| The impact of exchange rate changes | - | - | (1,813) | - | (1,813) |
| **Balance as of December 31, 2017** | **$ 4,445** | **33,439** | **82,747** | **4,211** | **124,842** |

3) Examination and approval of income tax

The Company and ShunSin (Samoa) are exempt from income tax and do not need to declare profit-making enterprise income tax according to the law of the country where the Company is established.

In the Group, ShunSinZhongshan and Talentek (He fei)'s profit-making business income tax settlement and declaration have been accepted by the taxation authority on the tax application form till 2017.ShunSin Hong Kong is required by local laws and regulations to declare any taxable income (if any). According to this regulation, ShunSin Hong Kong's profit-making business income tax settlement and declaration will be processed by the taxation authority to the tax application form till 2011. The Taiwan Branch of the Company has been approved by the taxation authorities until 2016.

14.Capital and other equities

<1> Capital stock

As of December 31, 2018 and 2017, the total paid-up capital of the company was NT$1,054,468 thousand with NT$10 per share for 105,447 thousand shares, and the total paid-up capital was common shares, and the outstanding shares were 105,447 thousand shares, and all outstanding shares were collected.

<2> Capital surplus

The capital surplus balance of the Company is as follows:

| | 2018.12.31 | 2017.12.31 |
|---|---|---|
| Share premium | $ 2,455,727 | 2,455,727 |
| Employee stock option | 47,667 | 22,435 |
| Issuance of convertible corporate bonds recognition equity composition projects--stock option | 129,000 | - |
| | **$ 2,632,394** | **2,478,162** |

<3> Retained earning distribution

The fourth amendment to the Articles of Association was approved by the Board of Directors on December 22, 2015, and took effect on the same day.The earnings distribution of the Company shall be governed by the fourth amendment to the Articles of Association as follows:

1) The Board of Directors understands that the Company operates in a mature industry with stable earnings and sound financial structure.Decisions on dividends or other allotments (if any) established with the consent of shareholders in each fiscal year, the Board of Directors shall:
   A. Consider the Company's earnings, overall development, financial planning, capital needs, industry prospects and future prospects of the company in each fiscal year to ensure the protection of shareholders'rights and interests; and
   B. It shall be included in the Company's earnings in each fiscal year: (A) the reserve for the payment of taxes in the relevant fiscal year; (B) the amount of compensation for past losses; (C) one-tenth of the general reserve and (D) the reserve required by Board of Directors in accordance with Article 14.1 or the special surplus required by the securities authorities in accordance with the rules of the publicly issued company.
2) In the absence of any violation of the law, and after the prescribed allocation of remuneration to employees and directors and the allocation policy set forth in accordance with Article (1) of the Board of Directors as appropriate amounts, the Board of Directors shall allocate not less than 10% of the allowable amount which belongs to the surplus of the previous fiscal year (excluding the accumulated surplus of the previous year) as shareholder dividends, which shall be distributed after the adoption of the resolution of the shareholders'meeting.
3) The distribution of shareholders' dividends and employees' remuneration may, upon the decision of the Board of Directors, be distributed to employees or shareholders in cash, or in such amount as to make full payment of the outstanding shares, or both;For the shareholders'dividend, the cash dividend shall not be less than 50% of the total dividend. The Company pays no interest on undistributed dividends and remuneration.

The Company's earnings distribution for 2017 and 2016 were decided by the shareholders'meeting on June 19, 2018 and June 22, 2017 respectively. The dividend distribution are as follows:

| | 2017 | 2016 |
|---|---|---|
| Cash dividends | $ 99,120 | 569,413 |

As of December 31, 2018 and 2017, all cash dividends have been paid.

Information on earnings distribution determined by the shareholders' meeting of the company can be obtained from MOPS.

15.Share-based payment

The Company was approved by the Board of Directors on March 9, 2017 to issue stock options and share options for employees, and approved by FSC on April 12, 2017 to take effect.In addition, the Chairman of the Board of Directors set July 17, 2017 as the actual issuance date, issuing 3,000 thousand new shares at the subscription price based on the closing price of the Company's common shares on the day of issuance on the Taiwan Stock Exchange.If the closing price of the day is lower than the face value, the face value of the common stock shall be taken as the share price.The term of validity of warrants shall be 3.5 years.

As of December 31, 2018, the Group have the following underlying share payment transactions:

| | Employee Warrant for Equity Delivery |
|---|---|
| Grant date | 106.5.5 |
| Grant quantity (1,000 share) | 3,000 |
| Contract period | 3.5 years |
| Grant objects | Full-time employees of the Company and its subsidiaries |
| Acquired conditions | Service in the next two years |

The other rights holder may exercise the rights two years after the expiration of the warrants granted to the employee in accordance with the following schedule:

| Period of warrant award | Accumulative feasible subscription ratio |
|---|---|
| Two years after expiry | 60% |
| Three years after expiry | 100% |

<1> The measurement parameters of fair value on grant date

Black Scholes option evaluation model was adopted to estimate the fair value of grant date's employee warrants. The input value of this model is as follows:

| | Employee stock option certificates of 2018 |
|---|---|
| Fair value on grant date | 29.78 |
| Share price on grant date | 106.50 |
| Exercise price | 97.80 |
| Expected volatility (%) | 49.94~50.06 |
| Warrant duration (year) | 3.50 |
| Risk-free interest rate (%) | 0.53~0.65 |

Expected volatility is based on weighted average historical volatility and adjusts the expected changes due to publicly available information; the duration of the warrant is governed by the issuance method of the Group; and the risk-free interest rate is based on government bonds.The fair value decision does not take into account the service and non-market performance conditions contained in the transaction.

<2> The information about employee stock options is as follows:

Unit: 1,000

| | 2018 | |
|---|---|---|
| | Weighted average performance price | Number of warrants |
| Outstanding stock as of January 1 | $ 97.80 | 3,000 |
| Grant quantity in current period | - | - |
| Quantity lost in current period | - | (543) |
| Quantity executed in current period | - | - |
| Overdue expiration of the current period | - | - |
| Outstanding stock as of December 31 | 97.80 | 2,457 |
| Executable as of December 31 | 97.80 | 2,457 |

As of December 31, 2018, the weighted average expected remaining life of the employee's stock option plan is 2.04 years.

<3> Employees' expenses

The expenses incurred by the Group in the year of 2018 due to the share-based payment-employee stock warrants shall be NT$25,232 thousand, which shall be recorded under the operating expenses and the capital reserve shall be recorded at the same time.

16.Earning per share

The Company's basic earnings per share are calculated as follows:

Unit: 1,000 shares

| | 2018 | 2017 |
|---|---|---|
| **The Company's basic earnings per share** | | |
| Net profit for the current period | $ 298,247 | 110,844 |
| Weighted average number of outstanding shares | 105,447 | 105,447 |
| Basic earning per share (NT$) | $ 2.83 | 1.05 |
| **Diluted earnings per share of the Company** | | |
| Net profit for the current period | $ 298,247 | 110,844 |
| Weighted average number of outstanding shares | 105,447 | 105,447 |
| The impact of potential common stocks with diluting effect | | |
| Employees' remuneration | 528 | 190 |
| The impact of employee stock options | 496 | 266 |
| Weighted average number of outstanding shares | 106,471 | 105,903 |
| Diluted earning per share (NT$) | $ 2.80 | 1.05 |

The convertible bonds of the Group are potential common stocks in 2018, but due to their anti-dilution effect, they are not included in the calculation of diluted earnings per share in 2018.

17.Revenues from customers' contract

<1> Segmentation of income

| | 2018 |
|---|---|
| Major regional markets: | |
| China | $ 2,099,332 |
| Singapore | 541,060 |
| Malaysia | 541,847 |
| Taiwan | 667,282 |
| US | 612,124 |
| Other countries | 4,065 |
| Total amount | $ 4,465,710 |

For the amount of income in 2017, please refer to Note 6 (18).

## Notes to Consolidated Financial Report of ShunSin Technology Holdings Limited and Its Subsidiaries (continued)

<2> Balance of the contracts

| | 2018.12.31 | 2018.1.1 |
|---|---|---|
| Notes receivable | $ 13,104 | 13,855 |
| Accounts receivable (including related party) | 1,300,590 | 583,631 |
| Total amount | **$ 1,313,694** | **597,486** |
| Contract assets | **$ 350,068** | **248,627** |

18.Income

The net income of the Group is as follows:

| | 2017 |
|---|---|
| Total sales of goods | $ 3,172,163 |
| Less: sales return and allowance | 23,519 |
| Net sales | **$ 3,148,644** |

19.Profit sharing bonus of employees and directors

The Company shall allocate profit sharing bonus to the employees with no less than 5% of the current year's profits before the payment of employees' and the the directors' profit sharing bonus.The Company may allocate no more than 0.1 percent of the profits of the current year for the profit sharing bonus of directors.

The Company accrued profit sharing bonus to employees for 2018 and 2017 are NT$40,000 thousand and NT$15,340 thousand respectively, and NT$353,000 thousand and NT$154,000 thousand for the directors, which are based on the pre-tax net profit before minus the employees' and directors' profit sharing bonus in each period of the Company multiplied by the employee profit sharing bonus and director'' profit sharing bonus allotment stipulated in the Company's Articles of Association, and are included as operating expenses of 2017 and 2016. If there is a difference between the actual allocated amount and the estimated amount in the next year, it will be treated according to the changes in the accounting estimates, and the difference will be classified as the profit and loss of the next year.If employees' profit sharing bonus is paid by shares, the number of shares shall be calculated based on the closing price of the day before the Board of Directors.There is no difference between the amount of profit sharing bonus for employees and directors as determined by the Board of Directors and the estimated amount in the consolidated financial report of the Company for the year of 2018 and the year of 2017. Related information is available at the MOPS.

20. Non-operating gains and losses

<1> Other incomes

Other incomes of the Group are as follows:

| | | 2018 | 2017 |
|---|---|---|---|
| Interest income | | | |
| Interest from bank deposits | $ | 139,038 | 116,594 |
| Interest income of financial assets measured at amortised cost | | 15,876 | - |
| Subtotal of interest income | | 154,914 | 116,594 |
| Other incomes--others | | | |
| Incomes from government subsidy | $ | 23,166 | 7,741 |
| Other incomes | | 8,251 | 14,197 |
| Other incomes--subtotal of others | | 31,417 | 21,938 |
| Total amount of other incomes | $ | 186,331 | 138,532 |

<2> Other profits and losses

Other profits and losses of Group are as follows:

| | | 2018 | 2017 |
|---|---|---|---|
| Net profits (losses) of foreign currency exchange | $ | 90,218 | (263,446) |
| Profits (losses) from disposal of Property, plant and equipment | | 2,284 | (385) |
| Profits (losses) from financial assets/liabilities at fair value through profit and loss | | (31,078) | 18,786 |
| Loss of impairment of financial assets | | - | (50,225) |
| Other losses | | (7,564) | (78) |
| | $ | 53,860 | (295,348) |

<3> Financial costs

The financial costs of Group are as follows:

| | | 2018 | 2017 |
|---|---|---|---|
| Interest expenses from bank loan | $ | 12,103 | 12,914 |
| Interest expenses of corporate bonds | | 26,579 | - |
| | $ | 38,682 | 12,914 |

21. Financial instruments

<1> Credit risks

1) Credit exposure risk

The book value of financial assets represents the maximum amount of credit exposure risk. The maximum credit exposure risk amounts for 2018 and 31 December 2017 were NT$ 7,104,394 thousand and NT$7,050,552 thousand, respectively.

2) Credit risk concentration

On December 31, 2018 and 2017, 91% and 85% of the accounts receivable balance of the Group were composed of several customers, which made the Group have a significant concentration of credit risk.

3) Credit risks of receivables

For credit exposure risk information of notes receivable and accounts receivable, please refer to Note 6 (4) for details and Note 6 (5) for details of other receivables.The other receivables listed above are all financial assets with low credit risk. Therefore, the allowance loss during the period is measured by the amount of anticipated credit loss for 12 months.

<2> Liquidity risk

The following table shows the contract maturity date of financial liabilities, which includes estimated interest.

| | Book value | Cash flow of the contract | Within 1 year | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|
| **December 31, 2018** | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term loans | $ 1,635,021 | 1,635,021 | 1,635,021 | - | - | - |
| Accounts payable (including related parties) | 590,708 | 590,708 | 590,708 | - | - | - |
| Other payables (including related parties) | 852,896 | 852,896 | 852,896 | - | - | - |
| Corporate bonds payable (including put rights) | 1,406,935 | 1,500,000 | - | - | 1,500,000 | - |
| Refundable deposits | 1,073 | 1,073 | 1,073 | - | - | - |
| | **$ 4,486,633** | **4,579,698** | **3,079,698** | **-** | **1,500,000** | **-** |
| **December 31, 2017** | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term loans | $ 2,480,536 | 2,480,536 | 2,480,536 | - | - | - |
| Accounts payable (including related parties) | 496,753 | 496,753 | 496,753 | - | - | - |
| Other payables (including related parties) | 113,566 | 113,566 | 113,566 | - | - | - |
| Refundable deposits | 955 | 955 | 955 | - | - | - |
| | **$ 3,091,810** | **3,091,810** | **3,091,810** | **-** | **-** | **-** |

<3> Exchange rate risk

1) Exchange rate exposure risk

The financial assets and liabilities of the Group exposed to significant foreign currency exchange rate risks are as follows:

| | 2018.12.31 | | | 2017.12.31 | | |
|---|---|---|---|---|---|---|
| | Foreign currency (NT$1,000) | Exchange rate (NT$) | NT$ | Foreign currency (NT$1,000) | Exchange rate (NT$) | NT$ |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| US$ | 68,795 | 30.7209 | 2,113,446 | 66,257 | 29.7602 | 1,971,816 |
| RMB | 425,783 | 4.4728 | 1,904,443 | 928,455 | 4.5711 | 4,244,059 |
| Yen | 1,829,097 | 0.2769 | 506,417 | 470 | 0.2646 | 124 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| US$ | 32,832 | 30.7186 | 1,008,550 | 14,197 | 29.7664 | 422,597 |
| Yen | 1,940,461 | 0.2782 | 539,835 | 8,511 | 0.2643 | 2,250 |

2) Sensitivity analysis

The exchange rate risk of the Group mainly comes from the foreign currency-denominated cash and the cash equivalents, accounts receivable and other receivables, accounts payable and other payables, etc., which generate foreign currency exchange gains and losses during the conversion.On December 31, 2018 and December 31, 2017, when the Taiwan dollar depreciates by 0.25% against the US dollar, the Chinese Yuan and the Japanese Yen, while all other factors remain unchanged, the net profit before tax for the year of 2018 and 2017 will increase by approximately NT$7,440 thousand and NT$14,000 thousand, respectively.

3) Exchange gains and losses of monetary items

Due to the variety of functional currencies in the Group, the exchange gains and losses of monetary items are disclosed by the method of exchange consolidation. The exchange gains (losses) of foreign currencies in 2018 and 2017, including realized and unrealized ones, are NT$90,218 thousand and NT$263,446 thousand, respectively.

<4> Interest rate analysis.

The fixed deposit part of our Company belongs to floating interest rate, but the market interest rate does not change much, so the change of interest rate does not cause significant cash flow risk.

<5> Information on fair value-- types and fair value of financial instruments

1) Types and fair value of financial instruments

The book amount and fair value (including fair value-grade information, but not a reasonable approximation of fair value to the book value of financial instruments measured by fair value, and investment in equity instruments without quotation and reliable measurement of fair value in the flexible market, there is no need to disclose fair value information according to regulations.) of the financial assets and financial liabilities of the Group are listed as follows:

| | 2018.12.31 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | **Book value** | **Grade 1** | **Grade 2** | **Grade 3** | **Total amount** |
| Financial assets at fair value through profit or loss | | | | | |
| Financial assets at fair value through profit or loss, mandatorily measured at fair value | $ 11,048 | - | - | 11,048 | 11,048 |
| Financial assets measured at amortised costs | | | | | |
| Cash and cash equivalents | $ 5,293,307 | - | - | - | - |
| Assets of contracts | 350,068 | - | - | - | - |
| Notes receivable and accounts receivable | 1,313,694 | - | - | - | - |
| Other receivables | 126,242 | - | - | - | - |
| Refundable deposits | 10,035 | - | - | - | - |
| Subtotal | 7,093,346 | - | - | - | - |
| Total amount | $ 7,104,394 | - | - | 11,048 | 11,048 |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities - non - current | $ 22,800 | - | 22,800 | - | 22,800 |
| Financial liabilities at amortised costs | | | | | |
| Bank loans | 1,635,021 | - | - | - | - |
| Accounts payable | 590,708 | - | - | - | - |
| Other payables | 852,896 | - | - | - | - |
| Convertible corporate bond-liability component | 1,384,135 | - | - | - | - |
| Refundable deposits | 1,073 | - | - | - | - |
| Subtotal | 4,463,833 | - | - | - | - |
| Total amounts | $ 4,486,633 | - | 22,800 | - | 22,800 |

| | 2017.12.31 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Book value | Grade 1 | Grade 2 | Grade 3 | Total amount |
| Financial assets available for sale | | | | | |
| Financial assets measured at cost | $ 39,926 | - | - | - | - |
| Loans and receivables | | | | | |
| Cash and cash equivalents | 6,364,637 | - | - | - | - |
| Notes receivable and accounts receivable | 597,486 | - | - | - | - |
| Other receivables | 37,882 | - | - | - | - |
| Refundable deposits | 10,621 | - | - | - | - |
| Subtotal | 7,010,626 | - | - | - | - |
| Total amount | **$ 7,050,552** | **-** | **-** | **-** | **-** |
| Financial liabilities at amortised costs | | | | | |
| Bank loans | $ 2,480,536 | - | - | - | - |
| Accounts payable | 496,753 | - | - | - | - |
| Other payables | 113,566 | - | - | - | - |
| Refundable deposits | 955 | - | - | - | - |
| Total amount | **$ 3,091,810** | **-** | **-** | **-** | **-** |

2) Fair value assessment technique for measuring financial instruments at fair value

A. Non-derivative financial instruments

Where the financial instrument held by the Group is an equity instrument without an active market, that is, without an open offer.The fair value is estimated using the market comparable company method. The main assumptions of the market comparable company method are measured on the basis of the sales or net equity value of the investee and the sales or net equity multiplier derived from the market quotation of comparable listed (OTC) companies.This estimate has adjusted for the discounted effect of the lack of marketability of the equity securities.

B. Derivative financial instruments

The right of conversion, redemption and sale of corporate bonds payable is estimated at fair value according to the appraisal report of external experts.The evaluation model is a binary tree convertible bond evaluation model, which uses market basis including stock price volatility, risk-free interest rate, risk discount rate and liquidity risk to observe the input value to reflect the fair value of options.

3) Quantitative information on fair value measurement of important unobservable input value (Grade 3)

The fair value of the Group is classified as the Grade 3 financial asset mainly measured by the fair value through profit and loss.

Investments in equity instruments classified as the third-tier non-active market have significant unobservable input values in the plural. The significant unobservable input values of equity instruments investment in non-active markets are independent of each other, so there is no correlation between them.

The quantitative information of significant unobservable input values is listed as follows:

| **Items** | **Evaluation technologies** | **Significant unobservable input value** | **The relationship between significant unobservable input values and fair value** |
|---|---|---|---|
| Financial assets at fair value through profit orloss－equity vehicle investment without active market | Refer to Listed (OTC) Company Act | • Net value Ratio multiplier of stock price(1.39 on 2018.12.31)<br>• Share price sales ratio multiplier(1.17 on 2018.12.31)<br>• Lack of market liquidity discounts(20% on 2018.12.31) | • The higher the multiplier, the higher the fair value.<br>• The higher the discount for lack of market liquidity, the lower the fair value. |

4) A sensitivity analysis of the fair value of the Grade 3 to reasonable alternative assumptions

The fair value measurement of financial instruments by Group is reasonable, but different evaluation models or parameters may lead to different evaluation results.For financial instruments classified as the Grade 3, if the evaluation parameters change, the impact on current profits and losses is as follows:

| | | | **Changes in fair value reflecting in current profits and losses** | |
|---|---|---|---|---|
| | **Input value** | **Move up or down** | **Favorable change** | **Unfavorable change** |
| **December 31, 2018** | | | | |
| Financial assets measured at fair value through profit and loss | | | | |
| Equity instrument investment in non-active market | Price-book ratio | 5% | 270 | (270) |
| Equity instrument investment in non-active market | Price to sales ratio | 5% | 315 | (315) |

The favorable and unfavorable changes of the Group refer to the fluctuations of the fair value, which is calculated based on the evaluation technology according to the varying degrees of unobservable input parameters.If the fair value of a financial instrument is affected by more than one input value, the above table only reflects the impact of changes in a single input value and does not take into account the correlation and variability between input values.

22.Financial risk management

<1> Summary

The Group are exposed to the following risks due to the use of financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note provides information on the risks described above, the objectives, policies and procedures for measuring and managing the risks of the Group.For further quantitative disclosure, please refer to the notes to the consolidated financial statements.

The Group adopt a comprehensive financial risk management and control system to clearly identify, measure and control various financial risks of the Group: market risks (including exchange rate risks, interest rate risks and price risks), credit risks and liquidity risks.

<2> Risk management structure

1) Management targets

A. Except that market risk is controlled by external factors, all the above risks can be eliminated by internal control or operation process, so their management aims at minimizing each risk.

B. In the aspect of market risk, the overall position should be adjusted to the optimal target through rigorous analysis, suggestion, execution and process, and proper consideration of the overall external trend, internal operation status and the actual impact of market fluctuations.

C. The Group’ overall risk management policy focuses on financial market uncertainties and seekto mitigate potential adverse effects on the Group’ financial position and performance.

2) Management system

A. Risk management shall be carried out by the financial department of the Group in accordance with the policies approved by the Board of Directors.To identify, assess and mitigate financial risks through close collaboration with the Group’ operating units.

B. The Board of Directors has written principles for overall risk management, and provides written policies for specific scope and matters, such as exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of surplus working capital.

<3> Credit risk

1) Credit risk refers to the risk of financial loss caused by the failure of Group to perform its contractual obligations by its customers or counterparties to financial instruments.

2) According to the internal credit policy of the Group, each operator of the Group shall conduct management and credit risk analysis for each new customer before making payment and proposing delivery terms and conditions.Internal risk management assesses customers' credit quality by taking into account their financial position, past experience and other factors.

The Board of Directors establishes limits for individual risks based on internal or external ratings, and regularly monitor the use of credit lines. The main credit risk is the credit risk of cash and cash equivalents, accounts receivable and other receivables, which is measured and monitored by the financial department of the Group. Since the transaction objects and performance objects of the Group are mainly banks with good credit, the company and financial institutions with investment grade or above, and there are no significant performance doubts, there is no significant credit risk.

<4> Liquidity risk

The cash flow forecast is executed by each operator in the Group and summarized by the financial department of the Group.The financial department of the Group monitors the forecast of the Group's liquidity needs and maintains appropriate funds and bank credit lines to meet contractual obligations.

<5> Market risk

1) Exchange rate risk

A. Nature

The Group are multinational operating companies, so the exchange rate risk is affected by many different currencies, mainly US dollar and RMB.From:

(A) The exchange rate risks arising from the differences in the exchange rates of functional currencies due to the differences in the time of setting up accounts receivable and accounts payable of non-functional foreign currencies.

(B)In addition to the business transactions (business activities) on the income statement, there are also exchange rate risks associated with the assets and liabilities recognized on the balance sheet and the net investment in foreign operating institutions.

B. Management

(A) The management of the Group has established a policy for the financial department to manage the exchange rate risks of the subsidiaries of the Group against their functional currencies.

(B) The Group hold investments of several foreign operating institutions, and their net assets bear the risk of foreign currency conversion. Exchange rate risks arising from the operation of foreign operating institutions of the Group will be hedged by various financial instruments through assets or liabilities denominated in relevant foreign currencies when necessary.

2) Interest Rate Risk

The short-term borrowings of the Group are debt of fixed interest rate, free from interest rate market fluctuation risk and fair value interest rate risk.

23. Capital management

The target of the capital management of the Group is to ensure the continued operation of the Group, maintain the optimal capital structure, reduce capital cost, and provide remuneration for shareholders.To maintain or recapitalize, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.The Group monitor the capital by using a ratio of net debt divided by total net value.Net debt is calculated by deducting cash and cashequivalents from total borrowings (including "current and non-current borrowings" as reported in the consolidated balance sheet).The total net value shall be calculated by deducting the total amount of intangible assets from the "equity"as stated in the consolidated balance sheet.On this basis, the management of the Group decides on the optimal capital of the Group and, on the basis of maintaining a sound capital base, optimizes the balance of debt and equity to improve the remuneration of shareholders.

24. Investment and financing activities in non-cash transactions

The adjustment of liabilities from financing activities of the Group in 2018 is shown in the following table:

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | **2018.1.1** | **Cash flow** | **Discount and amortization** | **Exchange rate changes** | **Fair value changes** | **2018.12.31** |
| Short-term loans | $ 2,480,536 | (845,515) | - | - | - | 1,635,021 |
| Corporate bonds payable | - | 1,500,206 | (116,071) | - | - | 1,384,135 |
| Total liabilities from financing activities | **$ 2,480,536** | **654,691** | **(116,071)** | **-** | **-** | **3,019,156** |

## Notes to Consolidated Financial Report of ShunSin Technology Holdings Limited and Its Subsidiaries (continued)

### vii. Related party transactions

1. Parent company and ultimate controller

   Foxconn Far East Ltd. -Cayman is the parent company of the consolidated companeis, holding 60.66% of the outstanding common shares of the Group as of December 31, 2018 and 2017.Hon Hai Precision Industry Co., Ltd. is the ultimate controller of the Group to which the Group belongs.Hon Hai Precision Industry Co., Ltd. has prepared a consolidated financial report for public use.

2. Name and relations of interested parties

   During the period covered by this consolidated financial report, the following persons have business relations with the Group:

| Name of interested parties | Relation with Group |
|---|---|
| Hon Hai Precision Industry Co., Ltd. | Ultimate controller |
| Armadale Holdings Limited | Its ultimate controller is the same as that of Group |
| Foxconn Optical Interconnect Technologies Singapore Pte. Ltd. | Its ultimate controller is the same as that of Group |
| Foxconn Interconnect Technology Limited | Its ultimate controller is the same as that of Group |
| Sharp Corporation | Its ultimate controller is the same as that of Group |
| Zhen Ding Tech. | Its ultimate controller is the same as that of Group |
| HonFuJin Precision Industry(Shenzhen) | Its ultimate controller is the same as that of Group |
| Guizhou FIH Precision Electronics CO.,Ltd | Its ultimate controller is the same as that of Group |
| Foxconn Software Company | Its ultimate controller is the same as that of Group |
| AnPinDa Precision Industrial (HuiZhou) Co.,Ltd | Its ultimate controller is the same as that of Group |
| Shenzhen Fox-energy Technology Company | Its ultimate controller is the same as that of Group |
| Zhengzhou Flnet Electronics and Technology Co.,Ltd | Its ultimate controller is the same as that of Group |
| FuTaiHua Industrial (ShenZhen) Limited | Its ultimate controller is the same as that of Group |
| ShenZhen FuTaiHong Precision Industrial Co.,Ltd | Its ultimate controller is the same as that of Group |
| FIH Mobile Limited | Its ultimate controller is the same as that of Group |
| First Special Material(Shenzhen)Limited | Its ultimate controller is the same as that of Group |
| NanNing FuGui Precision Industrial Co.,Ltd | Its ultimate controller is the same as that of Group |
| FuShiRui Precision Industry (JinCheng) Co.,Ltd | Its ultimate controller is the same as that of Group |
| GDS Software(Shenzhen)Co.,Ltd. | Its ultimate controller is the same as that of Group |
| Triple Win Technology (ShenZhen) Co. Ltd | Its ultimate controller is the same as that of Group |

| Name of interested parties | Relation with Group |
|---|---|
| Champ Tech Optical (Foshan) Corporation | Its ultimate controller is the same as that of Group |
| HonFuJin Precision Industry(Shenzhen) | Its ultimate controller is the same as that of Group |
| Shenzhen FuTaiTong International Logistics Co.,Ltd | Its ultimate controller is the same as that of Group |
| JUSDA INTERNATIONAL LIMITED | Its ultimate controller is the same as that of Group |
| JunYao Technology Co.,Ltd. | Its ultimate controller is the same as that of Group |

3. Major transactions with related parties

<1> Sales

The significant sales amount of the Group to the interested parties is as follows:

| | 2018 | 2017 |
|---|---|---|
| Ultimate controller | $ 164,183 | 348,850 |
| Other interested parties | | |
| Foxconn Optical Interconnect Technologies Singapore Pte. Ltd | 1,588,389 | 851,469 |
| Foxconn Interconnect Technology Limited | 361,368 | - |
| Triple Win Technology (ShenZhen) Co. Ltd | 445,914 | - |
| Others | 5,997 | 42,277 |
| | $ 2,565,851 | 1,242,596 |

There is no significant difference between the above price terms of sales revenue and that of general customers;The collection conditions are within four months, no significant difference with the general customer.

<2> Stock replenishment

he purchase amount of the Group from the interested parties is as follows:

| | 2018 | 2017 |
|---|---|---|
| Other related parties | $ 24,469 | 18,366 |

There is no significant difference between the purchase price of the Group and that of the general manufacturer;Payment terms are all within four months, and there is no significant difference with the general manufacturers.

<3> Expenses for professional services

The details of management service fees and legal fees paid by the Group to the interested parties are as follows:

| | 2018 | 2017 |
|---|---|---|
| Ultimate controller | $ 7,081 | 6,727 |

<4> Accounts receivable from interested parties

Details of the receivables of the interested parties of the Group are as follows:

| Account items | Types of interested parties | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Account receivable | Ultimate controller | $ - | 96,695 |
| | Other interested parties | | |
| | Foxconn Optical Interconnect Technologies Singapore Pte. Ltd. | 215,103 | 211,988 |
| | Foxconn Interconnect Technology Limited | 131,518 | - |
| | Triple Win Technology (ShenZhen) Co. Ltd | 440,032 | - |
| | Others | 3,044 | 19,451 |
| | | $ 789,697 | 328,134 |

As of December 31, 2018 and 2017, no allowance for loss is required for the above-mentioned interested parties.

<5> Contract assets

The details of the contract assets of the Group to the related parties are as follows:

| Account items | Types of interested parties | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Contract assets | Other related parties | | |
| | Foxconn Optical Interconnect Technologies Singapore Pte. Ltd. | $ 238,260 | - |
| | Others | 1,218 | - |
| | | $ 239,478 | - |

<6> Property trading - acquisition of property, plant and equipment

The purchase price of the real estate, plant and equipment acquired by the Group from the related parties is summarized as follows:

| | 2018 | 2017 |
|---|---|---|
| Sharp Corporation | $ 690,841 | - |
| Hongfuzhun Precision Shenzhen Co Ltd | 108,774 | - |
| Other related parties | 80,323 | 2,688 |
| | $ 879,938 | 2,688 |

<7> Payments payable to the related parties

The details of the amount payable by the Group to its related parties are as follows:

| Account items | Types of interested parties | 2018.12.31 | 2017.12.31 |
|---|---|---|---|
| Account payable | Other related parties | $ 366 | 7,931 |
| Other payables | Ultimate controller | 5,616 | 1,091 |
| | Other related parties | | |
| | Sharp Corporation | 541,326 | - |
| | Hongfuzhun Precision Shenzhen Co Ltd | 79,869 | - |
| | Others | 29,445 | 3,644 |
| | | 656,256 | 4,735 |
| | | **$ 656,622** | **12,666** |

1) Remuneration of major management personnel

Remuneration of major management personnel

| | 2018 | 2017 |
|---|---|---|
| Short-term employee benefits | $ 31,818 | 21,204 |
| Post-retirement benefits | 233 | 209 |
| | **$ 32,051** | **21,413** |

**viii. Pledged assets: none.**

**xi. Material contingent liabilities and unrecognized contractual commitments**

The Group lease plant, office and vehicle for business purposes. For more information, please refer to Note 6 (11).

**x. Major disaster losses: none.**

**xi. Major subsequent events**

ShunSinZhongshan, the subsidiary of the Group, was approved by the Board of Directors on December 28, 2018 to participate in the investment in Jinan Fujie Industrial Investment Fund (limited partnership) with a capital contribution of 250,000 thousand yuan. On January 25, 2019, the investment amount has been remitted to 125,000 thousand yuan.

## Notes to Consolidated Financial Report of ShunSin Technology Holdings Limited and Its Subsidiaries (continued)

**xii. Others**

The functions of employee welfare, depreciation, depreciation and amortization are summarized as follows:

| Functions / Properties | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Operating costs** | **Operating expenses** | **Total amount** | **Operating costs** | **Operating expenses** | **Total amount** |
| Employee benefit expenses | | | | | | |
| Salary expenses | 380,458 | 349,579 | 730,037 | 249,884 | 168,350 | 418,234 |
| Health insurance expenses | 7,180 | 7,371 | 14,551 | 5,316 | 4,325 | 9,641 |
| Pension expenses | 31,927 | 20,604 | 52,531 | 25,075 | 11,520 | 36,595 |
| Other employee benefit expenses | 35,774 | 19,258 | 55,032 | 26,386 | 8,148 | 34,534 |
| Depreciation expenses | 273,167 | 49,037 | 322,204 | 246,864 | 15,080 | 261,944 |
| Amortization expenses | 583 | 4,003 | 4,586 | 449 | 2,711 | 3,160 |

## Notes to Consolidated Financial Report of ShunSin Technology Holdings Limited and Its Subsidiaries (continued)

### xiii. Disclosure of Note

1. Information on major transactions

In 2018, the Group shall disclose the information on the major transactions subject to Regulations Governing the Preparation of Financial Reports by Securities Issuers:

<1> Lending loans to others:

Unit: NT$1,000

| NO. | Company lending loans | Lending to | Trading subjects | Related party or not | Maximum amount for current period | Ending balance | Amount Actually Drawn (Note 4) | Interest rate range % | Property of fund lending (Note 1) | Business trading amount | Reasons for the need for short-term financing | Allowance for bad debts | Collateral security | | Loans and limits to individual objects | Total limit of fund lending |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | |
| 1 | ShunSin (Samoa) | ShunSin (Hong Kong) | Other receivables | Yes | 477,183 (USD 15,500 ) | 477,183 | 465,389 | - | 2 | - | Operating turnover | - | - | - | 561,658 (Note 2) | 1,123,317 (Note 2) |
| 2 | ShunSin (Samoa) | Talentek (He fei) | Other receivables | Yes | 44,686 (RMB 10,000) | 44,686 | - | - | 2 | - | Operating turnover | - | - | - | 80,367 (Note 3) | 321,468 (Note 3) |
| 3 | ShunSin (Hong Kong) | The Company | Other receivables | Yes | 477,183 (USD 15,500 ) | 477,183 | 465,389 | - | 2 | - | Operating turnover | - | - | - | 784,770 (Note 4) | 3,139,079 (Note 4) |

Note 1: The method of filling in the nature of capital loan is as follows:

(1).For business trading, please fill in 1.

(2).If short-term financing is necessary, please fill in 2.

Note 2: Among foreign companies whose parent company holds 100% of voting shares directly or indirectly, the amount of capital borrowing is not subject to the restrictions of individual subsidiary company's capital lending and regulations, except that the total amount of capital borrowing is not more than 20% of the parent company's net value, and the individual object limit is not more than 10% of the parent company's net value.

Note 3: Where there is a company or bank necessary for short-term financing, the capital loan and total amount shall not exceed 40% of the net value of ShunSin (Samoa).Individual fund credits and limits shall not exceed 10% of the net value of the most recent financial statements of ShunSin (Samoa).ShunSin (Samoa) had a net worth of NT$803,670 thousand as of December 31, 2018.

Note 4:Where a company or bank is required to provide short-term financing, the capital loan and the total amount shall not exceed 40% of the net value of ShunSin Hong Kong.Individual loans and limits shall not exceed 10% of the net value of the most recent financial statements of ShunSin Hong Kong.ShunSinHongKong had a net worth of NT$7,847,698 thousand as of December 31, 2018.

Note 5: The aforementioned transactions between consolidated individuals have been written off at the time of preparing consolidated financial statements.

<2> Endorsement/Guarantee provided: none.

# Notes to Consolidated Financial Report of ShunSin Technology Holdings Limited and Its Subsidiaries (continued)

<3>Holding securities at the end of the term (excluding investment subsidiaries, affiliated enterprises and joint venture equity):

| Holding company | Types and names of marketable securities | Relations with securities issuers | Account subjects | Closing period | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of share | Book value | Shareholding ratio | Fare value | |
| ShunSin (Samoa) | Stock: Dyna Image Corp | — | Financial assets at fair value through profit or loss-- non-current | 4,500,000 | 11,048 | 14.53 % | 11,048 | - |

<4>Accumulative purchase or sale of the same securities amounted to NT$300 million or more than 20% of the paid-in capital:

| Company purchasing and selling | Types and name of marketable securities | Account subjects | Transaction objects | Relation | Initial period | | Purchasing | | Selling | | | | Closing period | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of share | Amount | Number of share | Amount | Number of share | Selling price | Book cost | Disposal of gain or loss | Number of share | Amount (Note 3) |
| The Company | ShunSin (Hong Kong) | Investment at equity | (Note 1) | Subsidiary | 325,751,740 | 5,331,060 | 353,056,500 | 1,352,340 | - | - | - | - | 678,808,240 | 7,074,700 |
| ShunSin (Hong Kong) | ShunSin (Zhongshan) | Investment at equity | (Note 2) | Subsidiary | 434,285,858 | 6,387,126 | 288,351,000 | 1,352,340 | - | - | - | - | 722,636,858 | 7,975,198 |
| ShunSin (Zhongshan ) | Daily increasing profits of Win to Fortune | Financial assets at amortised cost--current | | | - | - | - | 665,700 | - | - | 665,700 | 2,091 | - | - |
| ShunSin (Zhongshan ) | Daily increasing profits of Win to Fortune | Financial assets at amortised cost--current | | | - | - | - | 1,566,600 | - | - | 1,566,600 | 6,994 | - | - |
| ShunSin (Zhongshan ) | Daily increasing profits of Win to Fortune | Financial assets at amortised cost--current | | | - | - | - | 1,119,000 | - | - | 1,119,000 | 6,791 | - | - |

Note 1: This is a cash replenishment of the subscription of ShunSin Hong Kong.

Note 2: This is a cash replenishment of the subscription of ShunSin Hong Kong.

Note 3: Includes investment gains and losses and conversion adjustments, etc.

<5>The amount for acquiring real estate is NT$300 million or more than 20% of the paid-in capital: none.

<6>The amount for disposing of real estate amounted to NT$300 million or more than 20% of the paid-in capital: none.

## Notes to Consolidated Financial Report of ShunSin Technology Holdings Limited and Its Subsidiaries (continued)

<7>The amount of goods purchased and sold reaches NT$100 million or more than 20% of the paid-in capital with the interested parties:

| Companies purchasing and selling goods | Transaction objects | relation | Transaction situation | | | | The different conditions and reasons of transaction from general transaction | | Notes receivable (payable), accounts receivable (payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Goods purchased and sold | Amount | Ratio of total purchase (sales) | Credit period | Unit price | Credit period | Balance | Ratio to total notes receivable, accounts receivable (payable) | |
| ShunSin (Zhongshan) | The Company | Parent company | Sales of goods | (1,918,926) | (79.32)% | Four months | Note 1 | - | 336,767 | 43.29% | Note 2 |
| ShunSin (Zhongshan) | Triple Win Technology (ShenZhen) Co. Ltd | Other interested parties | Sales of goods | (445,914) | (18.43)% | Four months | | | 440,032 | 56.56% | |
| The Company | Foxconn Optical Interconnect | Other interested parties | Sales of goods | (1,588,389) | (39.81)% | Four months | - | - | 215,103 | 25.04% | |
| The Company | Hon Hai Precision Industry Co., Ltd. | Ultimate controller | Sales of goods | (164,183) | (4.11)% | Four months | - | - | - | - % | |
| The Company | Foxconn Interconnect Technology Limited | Other interested parties | Sales of goods | (361,368) | (9.06)% | Four months | | | 131,518 | 15.31% | |

Note 1: The price is calculated at the agreed price.

Note 2: The above transactions with the consolidated individuals have been written off at the time of preparing the consolidated financial statements.

## Notes to Consolidated Financial Report of ShunSin Technology Holdings Limited and Its Subsidiaries (continued)

<8>Receivables of related parties amounted to NT$100 million or more than 20% of the capital receivable:

| Companies that account for receivables | Name of transaction objects | Relation | Related parties of receivables<br>Balance of amounts | Turnover rate % | Overdue receivables of Related parties | | Related parties of receivables<br>Amount recovered after the period(Note 2) | Setting aside for allowance for bad debt |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Treatment | | |
| ShunSin (Zhongshan) | The Company | Parent company | Accounts receivable (Note 1): 336,767 | 8.58 | - | | 336,767 | - |
| ShunSin (Zhongshan) | Triple Win Technology (ShenZhen) Co. Ltd | Other Related parties | Accounts receivable: 440,032 | 2.03 | - | | 170,958 | - |
| ShunSin (Zhongshan) | The Company | arent company | Other receivables (Note 1): 1,545,814 | - | - | | 939,653 | - |
| ShunSin (Zhongshan) | ShunSin (Samoa) | Associated company | Other receivables (Note 1): 216,409 | - | - | | - | - |
| ShunSin (Samoa) | ShunSin Hong Kong | Associated company | Other receivables (Note 1): 465,826 | - | - | | - | - |
| ShunSin (Hong Kong) | The Company | Parent company | Other receivables (Note 1): 465,826 | - | - | | - | - |
| The Company | Foxconn Optical Interconnect | Other Related parties | Accounts receivable: 215,103 | 7.44 | - | | 215,103 | - |
| The Company | Foxconn Interconnect Technology Limited | Other Related parties | Accounts receivable: 131,518 | 5.50 | - | | 103,281 | - |

Note 1: The aforementioned transactions between consolidated individuals have been written off in the preparation of consolidated financial statements.

Note 2: As of March 7, 2019.

<9>Engaging in derivatives trading: Please refer to Note 6 (10) for details.

<10>Business relations and important transactions between parent and subsidiary companies:

| No. (Note 1) | Trader's name | Business trading objects | Relation between trader (Note 2) | Transaction situation | | | |
|---|---|---|---|---|---|---|---|
| | | | | Subject | Amount | Transaction conditions | Ratio to consolidated total operating income or total assets (Note 3) |
| 0 | The Company | ShunSin (Zhongshan) | 1 | Stock replenishment | 1,918,926 | The price is based on the price agreed by both parties | 42.69 |
| 0 | " | " | 1 | Accounts payable | 336,767 | Within 4 months | 3.14 |
| 0 | " | " | 1 | Contractual liabilities | 332,565 | Recognition by completion ratio | 3.10 |
| 0 | " | " | 1 | Other payables | 1,545,814 | Pay/receive on behalf, no general customers for comparison | 14.40 |
| 0 | " | ShunSin (Hong Kong) | 1 | Other payables | 465,826 | Fund lending | 4.34 |
| 1 | ShunSin (Samoa) | ShunSin (Zhongshan) | 3 | Other payables | 216,409 | Pay/receive on behalf, no general customers for comparison | 2.02 |
| 0 | ShunSin (Hong Kong) | ShunSin (Samoa) | 3 | Other payables | 465,826 | Fund lending | 4.34 |

Note 1: The information of business transactions between the parent company and the subsidiary company shall be indicated in the No. column respectively. The No. shall be entered as follows:

1. Fill in 0 for parent company.

2.Subsidiaries are numbered in sequence starting with 1.

Note 2: There are three types of relationships with a trader, which can be labeled as follows:

1.Parent company to subsidiary company.

2. Subsidiary company to parent company.

3. Subsidiary company to subsidiary company.

Note 3: The calculation of the transaction amount to the consolidated total revenue or the ratio of total assets shall be carried out in the form of the closing balance to the consolidated total assets if it belongs to the subject of assets and liabilities.In the case of subject of profit and loss, the cumulative amount at closing period shall be calculated on the basis of the consolidated total revenue.

Note 4: it is hereby disclosed that the balance sheet accounts for more than 1% of the consolidated total assets and the subject of profit and loss accounts for more than 1% of the total revenue.

Note 5: The aforementioned transactions between consolidated individuals have been written off in the preparation of consolidated financial statements.

# Notes to Consolidated Financial Report of ShunSin Technology Holdings Limited and Its Subsidiaries (continued)

2. Information on re-investment business

The information of the reinvested business of the Group in 2018 is as follows (excluding the invested company in mainland China) :

| Name of investment company | Name of invested company | Location | Main business contents | Original investment amounts | | Shareholding at the closing period | | | Gain or loss for the current period of the invested company (Note 1) | Investment gain or loss recognized for current period (Note 1 and Note 2) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Closing period of current period | Closing period of previous period | Number of share | Ratio | Book value (Note 1and Note 2) | | | |
| The Company | ShunSin (Hong Kong) | Hong Kong | Holding company | 2,589,284 | 1,236,944 | 678,808,240 | 90.15% | 7,074,700 | 353,103 | 336,193 | Subsidiary |
| The Company | ShunSin (Samoa ) | Samoa | Overseas purchase of raw materials and equipment | 287,928 | 287,928 | 9,510,000 | 100.00% | 803,670 | 55,487 | 55,487 | Subsidiary |
| ShunSin (Samoa ) | ShunSin (Hong Kong) | Hong Kong | Holding company | 287,622 | 287,622 | 74,183,976 | 9.85% | 772,998 | 353,103 | 16,910 | Associated company |

Note 1: According to the financial statements checked by CPA of the parent company, the invested company shall be appraised and recognized at equity..

Note 2: Long-term and current investment gains and losses at the closing period have been written off in the preparation of consolidated financial statements.

Note 3: The above original investment amount is calculated at historical exchange rate.

## Notes to Consolidated Financial Report of ShunSin Technology Holdings Limited and Its Subsidiaries (continued)

3. Information on investment in Mainland China:

<1>Name of mainland invested company, main business contents and other related information

Unit: NT$ 1,000

| Name of invested companies in Mainland China | Main business contents | Paid-in capital | Investment method (Note 1) | The cumulative amount of investment remitted from Taiwan at the initial period | The amount of investment remitted or recovered during the current period | | The cumulative amount of investment remitted from Taiwan at the closing period | Current profit and loss of the invested company | The shareholding ratio of the Company's direct or indirect investments | Recognition of gain of loss in current period (Note 2 and Note 3) | Investment book value at closing period (Note 2 and Note 3) | Remitted investment income as of the current period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted | Withdrawn | | | | | | |
| ShunSin (Zhongshan) | Assembly, testing and sales of high-speed optical transceiver module, high-frequency wireless communication module and various integrated circuits | 3,030,692 (RMB722,637) | (2) | Note 4 | Note 4 | Note 4 | Note 4 | 360,908 (RMB79,169) | 100.00% | 360,908 (RMB79,169 ) | 7,975,19 (RMB1,781,7) | Note 4 |
| Talentek Microelectronics (He fei) Limited | Design, R&D, testing and sales of electrical equipment, communication equipment and automation equipment | 90,48 (RMB20,000 ) | (3) | Note 4 | Note 4 | Note 4 | Note 4 | (16,954) (RMB(3,719) ) | 55.00% | (9,325) (RMB(2,045) ) | 64,674 (RMB14,449) | Note 4 |

Note 1: The investment modes can be divided into the following three categories, which can be labeled as categories.

1. Direct investment in mainland China.
2. Invest in ShunSin (HongKong) and then re-invest in companies in Hong Kong.
(3. Invest in ShunSin (ZhongShan) and then re-invest in companies in mainland China.

Note 2: According to the financial statements checked by CPA of the parent company, the invested company is evaluated and listed at equity.

Note 3: Long-term and current investment gains and losses at closing period have been written off at the time of compiling the consolidated financial statements.

Note 4: The Company is not a company in Taiwan, so there is no such amount.

Note 5: The above paid-in capital is calculated at historical exchange rate, the book value held at the closing period is calculated at the exchange rate of December 31, 2018 (exchange rate at closing period RMB: NTD = 1:4.4760), and the remainder is calculated at the average exchange rate (RMB: NTD = 1:4.5587).

## Notes to Consolidated Financial Report of ShunSin Technology Holdings Limited and Its Subsidiaries (continued)

<2>Investment limits in mainland China: N/A.

<3>Major transactions with mainland invested companies

For the major direct or indirect transactions between the Group and the mainland invested company in 2018 (which were written off at the time of compiling the consolidated financial report). Please refer to “Information on Major Transactions”

## xiv. Information on Departments

1. General information

   There is only one reporting department in the Group, so please refer to the consolidated balance sheet and consolidated income statement for the information on operating department.

2. Information on product category and service

   The Group belongs to a single product, therefore, it's unnecessary to disclose additional information about product category and service category.

3. Information on the regions

   The information on the regions of the Group is as follows. Income is classified according to the geographical location of the customers, while non-current assets are classified according to the geographical location of the assets.

   Revenues from external customers:

| Regions | 2018 | 2017 |
|---|---|---|
| Malaysia | $ 541,847 | 590,062 |
| US | 612,124 | 258,077 |
| Singapore | 541,060 | 890,603 |
| China | 2,099,332 | 927,163 |
| Taiwan | 667,282 | 469,396 |
| Other countries | 4,065 | 13,343 |
| Total amount | **$ 4,465,710** | **3,148,644** |

Non-current assets:

| Regions | 107.12.31 | 106.12.31 |
|---|---|---|
| China | $ 2,534,874 | 860,093 |
| Taiwan | 57 | 77 |
| Total amount | **$ 2,534,931** | **860,170** |

   Non-current assets include real estate, plant and equipment, intangible assets and long-term prepaid rent, but not financial instruments, deferred income tax assets and non-current assets with refundable deposit.

4. Information on important customers

   The information on the region of the Group is as follows. Income is classified according to the geographical location of the customers, while non-current assets are classified according to the geographical location of the assets.

| Customer's name | 2018 | 2017 |
|---|---|---|
| A | $ 1,588,389 | 851,469 |
| B | 547,916 | 339 |
| C | 541,060 | 890,603 |
| D | 424,218 | 435,508 |
| E | 164,183 | 348,850 |
| Total amount | $ 3,265,766 | 2,526,769 |