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ShunSin Technology Holdings Limited

2018 Annual Report

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6.Trading places name of overseas securities flotation and the method of inquire the information of this overseas securities: none.

7.Company Website: <http://www.shunsintech.com>

8.Roster of Board of Directors:

| Title | Name | Nationality or Place of Registration | Main Working (Educational)Experience |
|----------|------------------------------------------------------------|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chairman | Foxconn (Far East) Limited Representative: Hsu, Wen-Yi | Cayman Islands R.O.C. | Bachelor Degree in Chemistry, Chinese Culture University Vice General Manager, Siliconware Precision Industries Co., Ltd. Vice General Manager, Ambit Corporation Senior Vice General Manager, Hon Hai Precision Industry Company Ltd. |
| Director | Foxconn (Far East) Limited Representative: Ni, Ching-Yu | Cayman Islands R.O.C. | Doctor of Philosophy in Mechanical Engineering, National Chung Cheng University Project Leader Engineer, Taiwan Semiconductor Manufacturing Company Limited Senior Manager , Xintec Inc. Manager, Neo Solar Power Corporation Department Manager, Powertech Technology Inc. |
| Director | Foxconn (Far East) Limited Representative: Yu, Che-Hung | Cayman Islands R.O.C. | Master Degree in Law, American University Supervisor of Foxconn Technology Co., Ltd |
| Director | Hu, Chien-Lei | R.O.C. | Ph.D. in Aeronautics and Astronautics, Cheng Kung University Assistant General Manager / Adviser, RITEK CORPORATION Vice General Manager, CARSHIDO CORPORATION |

| Title | Name | Nationality or Place of Registration | Main Working (Educational)Experience |
|----------------------|-------------------|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Independent Director | Chiu, Huang-Chuan | R.O.C. | Master Degree in Law, University of Cambridge Lawyer, Baker & McKenzie Lawyer, TAIWAN COMMERCIAL LAW OFFICE |
| Independent Director | Ting, Hung-Hsun | R.O.C. | Bachelor Degree in Accounting, Chinese Culture University Honorary Instructor, Ministry of Economic Affairs, R.O.C. Independent Director, Test Rite Retail Co., Ltd. Supervisor, TIEN LIANG BIOTECH CO., LTD Supervisor, Emerging Display Technologies |
| Independent Director | Lin, Ying-Shan | R.O.C. | EMBA, Sun Yat-sen University Master of Management Science, Kaohsiung Polytechnic Institute Manager of Underwriting Department, Yuanta Core Pacific Securities Co., Ltd. Director, Emerging Display Technologies |

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I. Letter to Shareholders

i. Operation Results of 2018

Since its establishment, the Group has always upheld love, confidence and determination to maximize the interests of the Company and its shareholders. Net consolidated revenue for the whole year in 2018 is NT \$4,465,710 thousand, an increase of NTD\$1,317,066 thousand from the revenue of NT\$3,148,644 thousand in 2017, or a growth of 42%. Net profit after tax was NT\$290,618, an increase of NT\$183,078 of net profit after tax of NTD\$107,540, or a 170% increase in net profit after tax when compared to 2017.

The main reason for the growth of revenue and profit is that the Group has successfully completed the product diversification layout in 2018 after two years of efforts and persistence. In 2018, the high-speed optical transceiver module business and biometrics ID business have witnessed substantial growth, resulting in substantial growth of the Company's revenue and profit

Percentage of Revenue from Product Sales in 2018 and 2017

| | 2018 | 2017 |
|---------------------------------------|--------|------|
| High speed optical transceiver module | 48% | 26% |
| SiP | 22% | 51% |
| Biometric ID | 10% | 1% |
| Other | 20% | 22% |
| Total | 100.0% | 100% |

ii. Summary of Operational Plans for the Year

With our efforts in the past two years, the Group has successfully adjusted its revenue structure to a profit model dominated by SiP products, high-speed fiber transceiver module and Face-ID module, all of which are able to connect with the rising trend of products in the current and future markets.

The construction of 5G NR and the demand of excessive data transmission brought by big data can further promote the business growth of SiP products and high-speed optical fiber transceiver modules of the Group. the Group's cooperative customers are leading enterprises in the industry. The Group is working with customers on product development projects, and expecting the preliminary results to be available in 2019. The Face-ID product will further extend the use of end products.

At present, the Group is gradually expanding its capital expenditure to meet the needs of mass production of new products in the future. The phase III plant project of Zhongshan plant will be completed in 2019. The total area of the phase III plant is larger than the total area of the phase I and II plant, which will further expand the capacity of the Group. Under the perfect planning and utilization, it can further provide customers with more business services and is expected to bring new revenue benefits to the Group.

iii. Future Development Strategies of the Company

The Group's short-term future development strategy will focus on the development of three terminal markets:

- **5G market:**

The construction of 5G network has become a global issue and market. According to the current development progress of 5G, it is expected that the mature 5G commercial network will be realized after 2020 and will drive the transformation of digital society. At present, various telecom operators and base station managers are doing 5G commissioning, including the United States, China, South Korea, Japan, Europe and other countries/regions. According to the research report of Research and Markets, it's estimated that the revenues from global 5G market are expected to reach US\$ 251 billion in 2025, and the CAGR between 2020 and 2025 will be up to 97%.

In addition, at the beginning of the 4G era, there were only 16 frequency bands in the world. Today, there are no more than 49 frequency bands in the world. Even with carrier convergence (CA), there are still only a bit more than 1,000 RF combinations of 4G applications in the world. However, in the 5G era, there would be an endless emergence of various new bands, of which 5G ought to be compatible with 4G and 3G downwards. Conservatively, it is estimated that the combination in RF may exceed 10,000.

- **Optical Communication Market:**

Ever since the formal introduction of mobile communications into video and audio applications in the 3G era, the transmission of high-quality video and audio and other data has led to an exponential growth of data generated by people every year. With the advent of the era of big data, many emerging industrial trends have also contributed to the linear growth of online data. Internet of Things (IoT) and artificial intelligence (AI) have produced a large number of online data. According to research data from Cisco, driven by the Internet of Things, the total amount of data generated (and not necessarily stored) by any device will reach 847 ZB per year by 2021, far surpassing the total amount of data generated of 218 ZB per year back in 2016. As a result, the demand for network bandwidth in the market will increase significantly. In 2018, the mainstream specification for optical communication products has been increased to 100G, and the consensus view in the industry is that 400G will naturally become the next mainstream, and it has conducted mass production this year.

- **Biometrics ID Market:**

Since Apple was the first to launch a smart phone equipped with 3D sensing module in 2017, brand manufacturers actively followed the trend and launched symbolic products. According to research data from Trendforce's Topology Research Institute, the penetration rate of 3D sensing modules in smartphones has increased to 10.8% in 2018, which is expected to rise to 18% in 2019, with the market value of the whole 3D sensing module estimated to reach \$550 million in the mobile phone market. After 2020, the penetration rate will increase significantly, and the market value will reach \$710 million.

The Group has successfully built products in the above terminal markets, including 5G RF and

optical transmission market has more than 10 years of rich experience, in this familiar field the Group will be able to better play its strengths, and further refined SiP process, to bring better service for the Group's customers.

iv. Impacts of External Competition Environment, Regulatory Environment and Overall Operation Environment

2018 witnessed global economic turmoil – the start of trade war between US and China; the dismal performance of financial asset markets; rise of oil prices; the crisis in Europe's three largest economies, Brexit, France's yellow vest campaign and the retirement of German Chancellor, Angela Merkel, all of which made 2018 regarded as a year when global economy turned from robust to weak. A trade war between US and China is seen as the most far-reaching event and the biggest risk in 2019.

Although the Group's production base is located in mainland China, its business has not been impacted by the trade war between China and the US, which is credited to its years of testing experience and high-yield packaging technology. In addition, the Company had achieved success in product diversification. The face recognition module and high-speed optical fiber transceiver module had been mass produced in the second half of 2018. The gains in the second half year turned the loss into gain for the whole year. The year 2019 is recognized as a weak year in the world. However, with the above two products and other on-going projects, the Group expects to deliver better results in 2019 than in 2018.

Looking ahead to 2019, international institutions such as OECD and IMF have revised downward their forecasts as they see less momentum for global growth. Although the overall environment is not optimistic, from the perspective of the Company's product market, it is still full of development potentials. Since 5G technology and optical transmission market are familiar technical fields of the group, the Group will continue to pay close attention to market changes, and continue its success in 2018 with the packaging experience and technology accumulated in the past, so as to create higher value for the Group and its investors.

Chairman: Hsu, Wen-Yi

II. Introduction to the Company

i. Profile of the Company and Group:

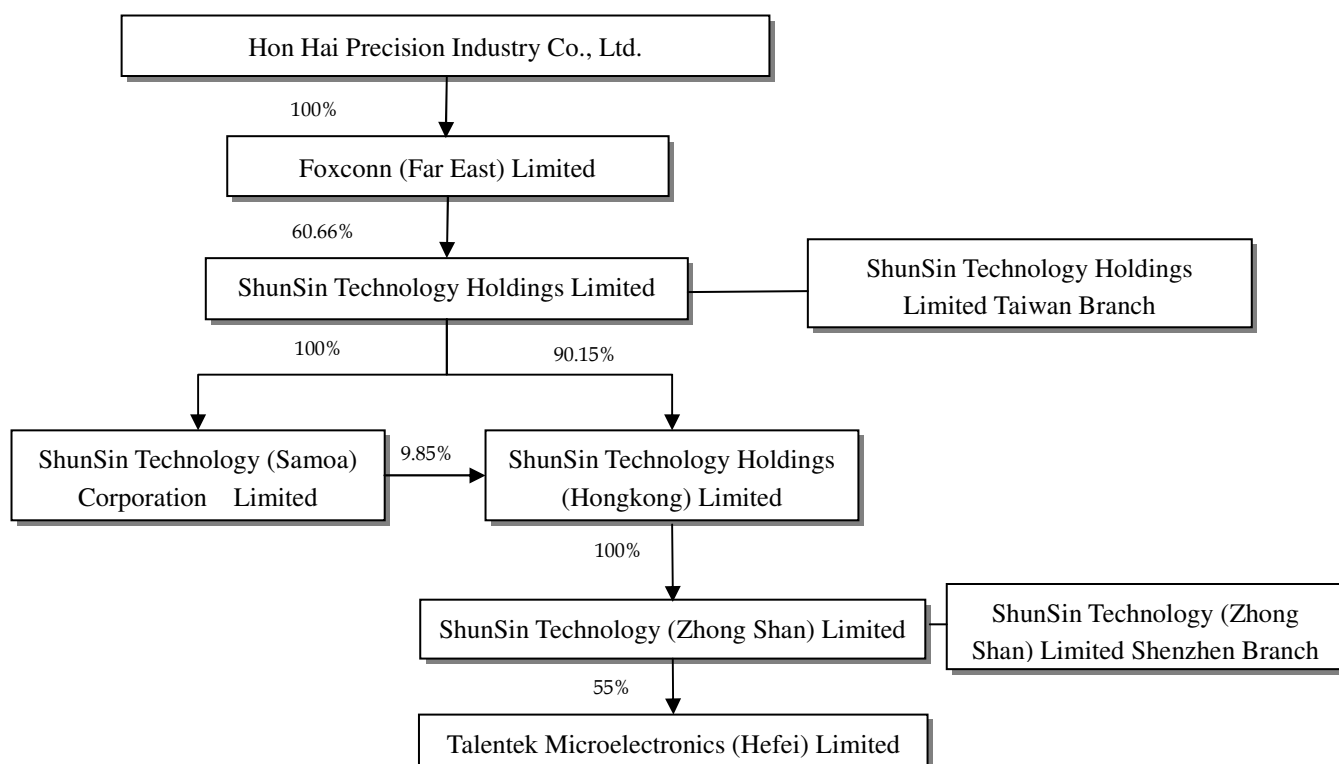
1. Establishment Date and the Profile of the Group:

ShunSin Technology Holdings Limited (hereinafter referred to as “the Company” or “ShunSin”) was established on January 8, 2008 as an overseas holding Company registered in the Cayman Islands, formerly known as Amtec Holdings Limited. On August 28, 2013, the shareholders’ meeting adopted a resolution to change the name of the Company; as of the date of publication of the annual report, the Company has affiliated investment companies including ShunSin Technology Holdings (HongKong) Limited (hereinafter referred to as “ShunSin HongKong”), ShunSin Technology (Zhong Shan) Limited (hereinafter referred to as “ShunSin Zhongshan”) and ShunSin Technology (Samoa) Corporation Limited (hereinafter referred to as “ShunSin Samoa”) are both directly and indirectly 100% owned subsidiaries, as well as Talentek Microelectronics (Hefei) Limited, a subsidiary with an indirect stake of 55%

The Group is mainly engaged in System in Package (hereinafter referred to as “SiP”) product, high-speed Optical transceiver ((hereinafter referred to as “Optical TXR”) and other integrated circuit modules for packaging, testing and sales. The Group has advanced semiconductor packaging technology and semiconductor research and development capabilities and nearly thousands of square meters high level of clean production workshop. The Group has successfully cooperated with customers to develop various products, and obtained the product verification of major international mobile phone, wireless communication and optical transmission manufacturers, so that the industrial scale and technical level of the Group can continue to lead the industry, and become an important partner of many internationally renowned enterprises.

2. Structure of the Group:

Date: March 31, 2019



3. Risks

<1> The Impact of Interest Rate, Exchange Rate Change and Inflation on Corporate Damage and Countermeasures

(1) Interest rate change

The interest expense of the Group in 2018 is (NT\$38,682) thousand, accounting for 0.87% of the annual operating revenue. Therefore, future interest rate changes have no significant impact on the operation of the Group.

(2) Exchange rate change

The main import and sales of the Group are denominated in US dollars, so the foreign currency positions of receivables and payables of import and sales can offset each other. However, as the receivables denominated in foreign currency are larger than the payables, the risk aversion cannot be completely realized. In order to reduce the impact of exchange rate fluctuations on the profit of the Group, the financial department will collect exchange rate data at any time, make trend judgment and risk assessment, keep close contact with the bank, and timely adjust foreign currency positions to avoid exchange risk.

The Group's net exchange gains and (losses) in 2018 and 2017 are NT\$ 90,218 and (NT\$263,446) thousand respectively, accounting for 2.02% and (8.37%) of its operating revenue in the current year. On December 31, 2018, when the new Taiwan dollar depreciates or appreciates by 0.25% against the US dollar and all other factors remain unchanged, the profit/(loss) before tax will increase or decrease by NT\$ 7,440 thousand.

(3) Inflation

The Group's past profits has not yet been significantly affected by inflation. The Group will keep an eye on fluctuations in market prices and maintain good interaction with customers and suppliers. In case of higher purchase costs due to inflation, the Group will adjust its sales prices appropriately when necessary to minimize its impact on the Group's operations.

<2> Main Reasons for Policies, Profits or Losses in High Risk and High Leverage Investment, Lending funds to Others, Endorsements and Guarantees and Derivative Commodity Transactions and Countermeasures

Based on the prudent principles and pragmatic business concepts, the Group does not engage in high-risk, highly leveraged investment transactions, except for the businesses of the Group

The Group has stipulated "Procedures for Lending Funds to Others", "Procedures for Endorsements & Guarantees", "Procedures for Acquisition or Disposal of Assets" and "Procedures for Dealing with Derivatives Trade". The Group will comply with the above procedures, so the relevant risks should be limited.

<3> Future R & D plan and Estimated R & D cost

In view of the increasing demand for consumer electronics applications in the future and the increasing number of sensors and related applications. In order to meet the current trend of light and thin products in the market, the Group will strive to improve the existing packaging technology to meet the needs of various product specifications in the market rapidly. The Group also continues to develop packaging technology in the fields of sensor, thick film, optical transceiver module, automotive electronics and other products to expand the customer market.

The R&D expenses in 2018 and 2017 accounted for 8.42% and 5.25% of the operating revenue respectively. The Group actively engaged in technology development, continuously invested

R&D resources and personnel, developed advanced packaging technology, including optimization process and high automation, and actively developed diversified products. The proportion of R&D expenses in 2018 was higher than that in 2017, mainly because of the active development of new products in 2018.

<4> Impacts of Important Policy and Law Changes at Home and Abroad on Corporate Financial Business and Countermeasures

The Company is incorporated in the Cayman Islands and operates mainly in Hong Kong, Samoa, Taiwan and China. The Group carries out all business in accordance with important domestic and foreign policies and laws and regulations, keeps an eye on important domestic and foreign policy development trends and legal changes, and takes appropriate measures in response to changes in the market environment. The Group has also discussed with external experts about the economic substance identification regulations promulgated by the Cayman Islands recently, and preliminarily determined that there is no significant impact on the Group. Therefore, there is no case that there is a significant impact on the financial business due to important domestic and foreign policies and laws.

<5> The Impact of Technological Change and Industrial Change on Corporate Financial Business and Countermeasures

The Group keeps abreast of the market trends of terminal products and assesses the impact of market changes on the Group's operations. In addition, most of the clients of the Group are leading manufacturers of terminal products or their major suppliers. The Group maintains close cooperation with the clients, and can grasp the market dynamics of the brand factories, and actively develop diversified products to reduce the impact of market fluctuations of single products. Therefore, technological and industrial changes will not have a material adverse impact on the Group's financial business.

<6> Impact of Corporate Image Change on Corporate Crisis Management and Countermeasures

The Group focuses on the operation of its own industry, continuously pursues the sustainable operation and growth of the enterprise, actively strengthens internal management, and improves product quality and production efficiency. In addition, the Group constantly introduces excellent talents, cultivates the strength of the business team, and returns the business results to shareholders and the public, so as to fulfill the social responsibility of the enterprise. The Group's business results and the Company's good reputation, as of the date of publication of the annual report, there is no corporate image change caused by the enterprise crisis.

<7> Expected Effectiveness, Possible Risks and Countermeasures of Mergers and Acquisitions

As of the recent years and the print date of annual report, there is no merger plan. Any merger plans in the future, if any shall be subject to the Procedures for Acquisition or Disposal of Assets. Moreover, in order to reduce the possible risks, if the Company finds the potential merger target, it will take a prudent assessment attitude, consider the integration effect of the merger, and consult relevant professionals, and deal with the merger process with reasonable conditions, so as to ensure the interests of the Company and the overall shareholders' rights and interests.

<8> Anticipated Efficiency, Possible Risks and Countermeasures of the Expanded Plant:

In order to cope with the continuous growth of the Group's operating scale, ShunSin Zhongshan constructed the phase III plant in early 2018, which will be completed in 2019. After the completion of the Zhongshan phase III plant, the replanning of the production line will help the Group to strengthen the order receiving capacity, enhance production capacity, reduce the proportion of management and production costs, and expand the operation scale and enhance the overall competitiveness. The risks brought by the expanded plant are still limited.

<9> Risks and Countermeasures Encountered in Purchasing or Marketing Concentration

(1) Purchasing Concentration Risks

The ratio of top 10 suppliers in the Group in 2018 and 2017 is 44.61% and 44.67% respectively, and there is no significant difference in the situation of purchase concentration in 2018, mainly because the Group's sales mix is relatively stable and the situation of purchase from suppliers is relatively fixed. In addition, because the raw materials purchased by the Group are not of special rareness, there are multiple suppliers of the same nature of raw materials, so there is no single supplier in the purchase concentration.

(2) Marketing Concentration Risks

The top ten customers of the Group in 2018 and 2017 account for 97.88% and 98.49% of sales respectively, and the top two customers account for about 48% and 55% of the total revenue, respectively. The situation of sales concentration has gradually decreased, and the Group has been dealing with customers for a long time, and the trading situation is sound. In addition, the Group also actively research and develop new products and improve packaging technology, develop new customers and strive to diversify the product portfolio, support customers to develop new design concepts, reduce the risk of transfer of important customers.

<10>The impact, risks and countermeasures of the transfer or exchange of shareholdings of directors, supervisors or major shareholders holding more than 10% of the shares on the Company

The directors or major shareholders holding more than 10% of the shares of the Company in the most recent year and up to the date of the publication of the annual report of the Company have no substantial transfer or change of shares.

<11>The Impact, Risks and Countermeasures of the Change of Management Right on the Company

The Company has not changed its management rights in recent years or as of the date of publication of the annual report. The Company has strengthened various corporate governance measures, introduced independent directors and established Audit Committee in order to enhance the protection of the rights of the overall shareholders. In addition, the Company relies on professional managers for its operation, and its good performance should be supported by shareholders. Moreover, the Company has formulated a complete internal control system and relevant management rules. Therefore, the change of the right to operate should not result in the significant impact on the Company's operation.

<12>Other Important Risks and Countermeasures

(1) The impact of changing demand for consumer electronics

One of the Group's main sales products is high frequency wireless communication module and Face-ID module for consumer electronic products, and its products are used in mobile phones (smart phones), wireless network and other communication products. In terms of consumer electronic products, they are characterized by short life cycle, ever-changing functions and easy to be affected by the consumption habit of shopping during the Christmas and New Year. The peak shipping period is mostly concentrated in the fourth quarter. As a result, demand for suppliers is anticipated in the third to fourth quarters, so revenue in the second half of the year is typically significantly higher than in the first half.

In recent years, the global shipment growth rate of smart phones has slowed down year by year. The developed markets have become saturated with the market demand for high-end smart phones, and the market shipments have turned to emerging markets, and the supplier target has turned to the demand for low-end smart phones in emerging markets. The terminal

application market of the Group's main cooperative customers is high-end smart phones, and the Group's revenue is associated with its sales situation. Therefore, from the perspective of market demand, the industry of the Group is closely related to the market demand change of the downstream terminal application market.

The Group will keep an eye on the market demand at all times and work closely with end-brand manufacturers to grasp market opportunities, develop more innovative and advanced products, and launch new products in line with consumers' tastes and preferences earlier than competitors. At the same time, the Group will closely monitor the changes in government policies to reduce the adverse effects of policy changes, while actively maintaining the diversification of product layout so as to reduce the risk caused by the change of demand for consumer electronic products.

(2) Relevant Risks of Market Competition

The Group mainly engages in the assembly, testing and sales of SiP, high-speed optical transceiver module and other types of integrated circuit module. It is a professional semiconductor packaging and testing Company. SiP products include high frequency wireless communication module and the wireless module and so on, main products are applied to the mobile phone of the Radio Frequency Power Amplifier (RFPA), domestic and foreign packaging factory, such as ASE's South Korea Plant, Amkor Technology's South Korea Plant, Jiangsu Changjiang Electronics Technology Co., Ltd., Tong Hsing Electronic Industries, Ltd. and LINGSEN PRECISION INDUSTRIES, LTD. all provide such module sealing and testing services. Our high-speed optical transceiver module is in competition with Fabrinet Co., Ltd. and PCL Technologies, Inc.. Therefore, in the fierce market competition, the Group not only focuses on diversification of products and diversification of operating risks, but also maintains the leading technology and quality of the process, and continuously obtains orders of new products from customers to reduce risks.

The Group has SiP, Flip Chip technology and other assemble and testing technology capabilities, and provide customized services, according to customer demand development and production of related module products, to provide customers with one-stop service. In addition, the Group has achieved heterogeneous integration through SiP in order to accelerate the integration of more functions in the module. Therefore, the Group will improve the difficulty of manufacturing process to increase and meet the order demand of customers, which has the advantages of economies of scale and improving the barriers for new manufacturers to enter. In the future, we will continue to deepen the cooperation with customers, expand product diversification and develop new customers, so as to consolidate the source of orders.

(3) The Risk of Rising Wage Costs in the Mainland

The Group's main production base is located in mainland China. In recent years, the continuous increase of labor wages and security in mainland China has led to the increase of labor costs year by year. In addition, the improvement of education level and income level in mainland China has led to the decrease of labor supply in mainland China under the change of social value, resulting in the gradual increase of recruitment cost and production cost of the Group.

Faced with the rising wages of Chinese workers in the future, the Group will continue to improve production line planning, process management and the introduction of automated high-efficiency equipment, in order to further save manpower, improve output efficiency, increase yield, and then reduce production costs to cope with, and strengthen staff training to enhance work efficiency, in order to reduce the impact of labor costs on operation.

(4) Risks of Shareholders' Rights and Interests Protection

There are many differences between the Company Law of the Cayman Islands and the Company Law of the Republic of China. Although the Company has amended its Articles of Association in accordance with the "Checklist of Shareholders Rights Protection with respect to Foreign Issuer's Place of Incorporation" stipulated by the Taiwan Stock Exchange. However, there are still many differences between the two laws and regulations regarding the operation of the Company, and investors are not able to take the legal rights and safeguards of investing in a Taiwan Company as the case may be. In comparison with the Cayman Islands Company in which they have invested, investors should really know and consult with experts to discover whether the Cayman Islands Company has shareholders' rights and safeguards that are not available to them.

The above risks are mainly due to the difference between the relevant laws of the country where the Company is registered and the domestic regulations. In addition to fully disclosing the difference between the Articles of Association and the checklist, the Company has made significant legal changes in the Cayman Islands of the country where the Company is registered. The Company also holds the principle of fully disclosing information when disclosing relevant information and enabling domestic investors, creditors and other information users to have sufficient and appropriate information to make decisions.

(5) Risks Associated with the Presentation of this Annual Report

A. Facts and Statistics

Some of the data and statistics in this annual report are drawn from different statistical publications. However, such information may be inaccurate, incomplete or not up to date. The Company makes no representations as to the truth or accuracy of such statements, and investors shall not rely excessively on such information for investment judgment.

B. Forward-looking Statements and Risks and Uncertainties Contained in this Annual Report

The annual report contains a number of forward-looking statements and information about our Company and related enterprises. These statements and information are based on the beliefs, assumptions and information available to the management of the Company. In this annual report, "estimate", "believe", "can" and "expect", "future", "intentionally", "or", "must", "plan", "forecast" and "seek", "should" and "will", "may" and "could" and similar words, when used in the Company or the Company's management, namely the forward-looking statements. Such statements reflect the current views of the Company's management regarding future events, operations, working capital, sources of funds, etc. Some of these views may not be realized or may change. These statements are subject to a number of risks, uncertainties and assumptions, including other risk factors described in this annual report. Investors should carefully consider and rely on any forward-looking statement involving known and unknown risks and uncertainties. The risks and

uncertainties faced by the Company may affect the accuracy of the forward-looking statements, including but not limited to:

(A) The statements in V. Operation Overview of this annual report.

(B) A number of statements in this annual report on price, volume, operating, profit trends, overall market trends, risk management and exchange rates.

The Company will not update the forward-looking statements in this annual report or modify them in light of future events or information. In view that such risks and other risks, uncertainties and assumptions, the forward-looking statements and circumstances of this annual report may not occur in the manner anticipated by the Company. Therefore, investors should not rely on any forward-looking statements.

ii. Historical Evolution of the Company:

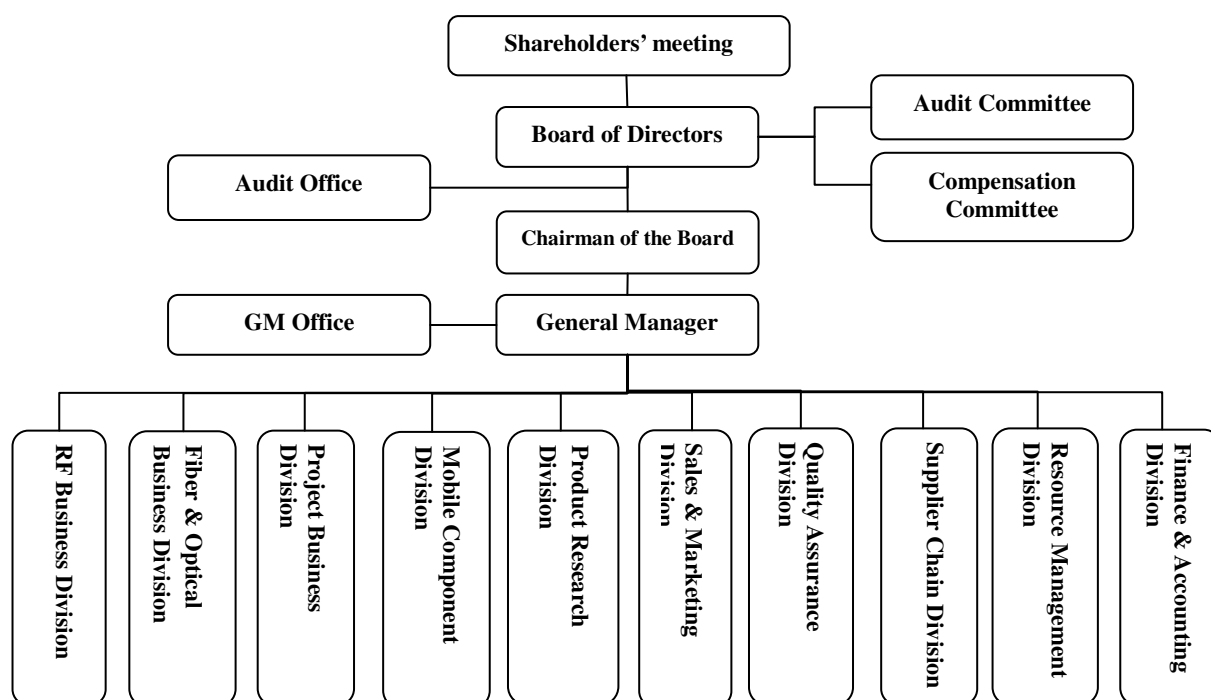
| Time | Milestones |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1998 | ShunSin Technology (Zhongshan) Limited (hereinafter referred to as “Shunsin Zhongshan”), which was previously named Ambit Microsystems (Zhongshan) Corporation, was established in Guangdong Province, China in June. |
| 2000 | ShunSin Zhongshan began its formal operation. |
| 2004 | Became the “Best Supplier” among customers. |
| 2005 | ShunSin Zhongshan set up Municipal Enterprise Technology Center. |
| 2006 | Implemented 6Sigma/ROHS management. |
| | Won the Customer’s “Best Supplier Award of the Year”. |
| 2007 | Established SD/Micro SD memory card production line. |
| | Won the Customer’s “Best Supplier Award of the Year”. |
| 2008 | Establishment of ShunSin Technology Holdings Limited as the primary listing applicant in the Cayman Islands in January, originally named Amtec Holdings Limited. |
| | Set up ShunSin Technology (Hongkong) Holding Limited (hereinafter referred to as “ShunSin Hongkong”), originally named Amtec Holdings Limited in February. |
| | After reorganization, the Company acquired 100% equity in Unique Logistics Limited from Hon Hai Precision Industry Co., Ltd. (hereinafter referred to as “Hon Hai”). |
| | After reorganization, ShunSin Hongkong retested in Hon Hai to acquire 100% equity of ShunSin Zhongshan |
| | ShunSin Zhongshan passed the qualification of “High and New Technology Enterprise of Guangdong Province” and got project approval of State Torch Plan. |
| | ShunSin Zhongshan establish Enterprise Engineering Research and Development Center |
| | Won the Customer’s “Best Supplier Award of the Year”. |
| 2009 | Set up optical transceiver production line above 120Gb/s and qualified by the customer. |
| | Set up QFN Packaging Capability and qualified by customer |
| 2010 | 120Gb/s optical transceiver module products qualified by the international factory. |
| | The cable TV hybrid amplifier module qualified by the customer. |
| | Set up pv concentrated photovoltaic module production line and qualified by the American |

| Time | Milestones |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | customer. |
| 2011 | Established the WiFi module automatic testing line, and imported the surface sputtering process. The fiber optic transceiver module products qualified by the terminal customer in the United States. |
| 2012 | RFPA(radio frequency power amplifier) products qualified by the Japanese customer. Established Ambit Microsystems Corporation Limited (hereinafter referred to as Ambit Hongkong) in August, which was 100% invested and held by ShunSin Zhongshan. |
| 2013 | The antenna switch module qualified by the customer. Passed the end-user corporate social responsibility system certification in the United States. Established ShunSin Zhongshan Phase II Plant. ShunSin Technology Holdings Limited Taiwan Branch was established in July. The Company was renamed ShunSin Technology Holdings Limited by the resolution of shareholders in August. In November, Amtec Holdings Limited changed its name to ShunSin Technology Holdings (Hongkong) Limited. In December, Ambit Microsystems (Zhongshan) Corporation changed its name to ShunSin Technology (Zhong Shan) Limited. |
| 2014 | The shareholders' meeting changed the Company's par value per share to NT\$10. The Company has been approved for listing on the Taiwan Stock Exchange. |
| 2015 | ShunSin Zhongshan Phase II Plant was completed and put into production in January. Stocks were officially listed on the Taiwan Stock Exchange in January. Established ShunSin Technology (Samoa) Corporation Limited in February. Import fingerprint identification module product assembling and testing technology. |
| 2016 | The fingerprint identification module qualified by the customer. Imported automotive electronic product assembling and testing technology, passed the automotive electronic product certification by the customer. |
| 2017 | The fingerprint identification module qualified by customer. Construction of the second floor coverings of the ShunSin Zhongshan Phase II plant. The 100Gb/s multi-mode optical transceiver product qualified by the customer. |
| 2018 | Started the construction of ShunSin Zhongshan Phase III plant. ShunSin Technology (Zhong Shan) Limited Shenzhen branch was established in January. The 100Gb/s multi-mode optical transceiver product qualified by the customer. ShunSin Zhongshan was honored as one of the Made in China 2025 Green Manufacturing Enterprise. The FACE-ID module product qualified by the customer. The 100Gb/s multi-mode optical transceiver product qualified by the American customer. Complete the sample build of the 400 Gb/s multimode optical transceiver by the end of 2018. |

III. Corporate Governance Report

i. Organizational Structure

1. Organization Chart



2. Business Operated by Major Divisions

| Divisions | Responsibilities |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chairman | To formulate business plans and strategies for the operation and management of the Company. |
| Audit Committee | Supervise the Group's business and financial situation, the fair presentation of financial statements, and the effective implementation of internal control. |
| Compensation Committee | To formulate and regularly review the policies, systems, standards and structures for the performance appraisal and remuneration of directors and managers, and to periodically evaluate and determine the remuneration of directors and managers. |
| Audit Office | Responsible for the evaluation and implementation of the Company's audit business and internal control, and put forward improvement suggestions, and continuously follow up the improvement progress. |
| General Manager | Implement the decisions of the Board of Directors and manage the affairs of the Company. |
| GM Office | Assist the general manager in daily affairs, project management, Board of Directors and shareholders meeting convening and assist in the discussion preparation. |
| RF Business Division | Responsible for the manufacturing of the Company's products (consumer electronics, automotive electronics, sensors). |
| Fiber & Optical Business Division | Responsible for the manufacture of the Company's products (high-speed optical transceiver module) and the formulation of research and development direction. |
| Project Business Division | According to the market changes, continue to promote the development and improvement of new products and new technologies, plan the new product introduction strategy to meet customer needs, improve sample yield and meet customer needs |
| Mobile Component Division | Responsible for the Company's products (biomedical, fingerprint identification module) manufacturing and sales, customer service, market development business strategy and research and development direction formulation. |
| Product Research Division | Coordinate the Company's research and development resources and formulate research and development direction. |
| Sales & Marketing Division | Responsible for the Company's products (RF Business Division and Fiber & Optical Business Division) sales, customer service, market development business strategy and development direction formulation. |

| Divisions | Responsibilities |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Quality Assurance Division | Responsible for product quality inspection, production line inspection and failure analysis of customer complaint cases. |
| Supply Management Division | Responsible for the raw material procurement and customs logistics for the Company's production and manufacturing and adjust the purchasing strategies in line with the economic status. |
| Resource Management Division | Responsible for the management of the Company's human and administrative resources and plant affairs and safety. |
| Finance & Accounting Division | Responsible for the accounting work of the Company and the formulation and implementation of accounting policies and regulations, as well as the capital planning and scheduling and foreign exchange hedging operations. |

ii. The Information of Director, Supervisor, General Manager, Vice General Manager, Assistant Manager and the Director of Each Department and Branch

1. Information of Directors and Supervisors

<1> Information of Directors

April 26, 2019

| Title | Nationality or registration place | Name | Gender | Selection date | Term of office | First elected date | Shares held when elected | | Current shareholding | | Current holding of shares of spouse, under-age children | | Shares held in the name of others | | Main working (educational) experience | Concurrent positions in the Company or other enterprise |
|----------|-----------------------------------|---------------------------------------|--------|----------------|----------------|--------------------|--------------------------|-------|----------------------|-------|---------------------------------------------------------|---|-----------------------------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | | | | Number | % | Number | % | Number | % | Number | % | | |
| Chairman | KY | Foxconn (Far East) Limited | - | 2017/06/22 | 3 | 2014/05/20 | 63,964,800 | 60.66 | 63,964,800 | 60.66 | - | - | - | - | Bachelor Degree in Chemistry, Chinese Culture University Vice General Manager, Siliconware Precision Industries Co., Ltd. Vice General Manager, Ambit Corporation Senior Vice General Manager, Hon Hai Precision Industry Company Ltd. | Manager, ShunSin Technology Holdings Limited Taiwan Branch Director, ShunSin Technology Holdings (Hongkong) Limited Director, ShunSin Technology (Samoa) Corporation Limited Executive Director / General Manager, ShunSin Technology (Zhong Shan) Limited |
| | R.O.C. | Representative: Hsu, Wen-Yi | Male | 2017/06/22 | | 2014/05/20 | 3,749,200 | 3.56 | 2,078,200 | 1.97 | - | - | - | - | | |
| Director | KY | Foxconn (Far East) Limited | - | 2017/06/22 | 3 | 2014/05/20 | 63,964,800 | 60.66 | 63,964,800 | 60.66 | - | - | - | - | Doctor of Philosophy in Mechanical Engineering, National Chung Cheng University Project Leader Engineer, Taiwan Semiconductor Manufacturing Company Ltd Senior Manager, Xintec Inc. Manager, Neo Solar Power Corporation Department Manager, Powertech Technology Inc. | Director of SBU, Hon Hai Precision Industry Company Ltd |
| | R.O.C. | Representative: Ni, Ching-Yu (Note 2) | Male | 2018/09/06 | | 2018/09/06 | - | - | - | - | - | - | - | - | | |
| Director | KY | Foxconn (Far East) Limited | - | 2017/06/22 | 3 | 2014/05/20 | 63,964,800 | 60.66 | 63,964,800 | 60.66 | - | - | - | - | Master Degree in Law, American University Supervisor of Foxconn Technology Co., Ltd | Legal Persons as Corporate Director, Zhen Ding Technology Holdings Limited Legal Persons as Corporate Supervisor, Zhen Ding Technology Holdings Limited Head of Department of Legal Planning and Management in |
| | R.O.C. | Representative: Yu, Che-Hung | Male | 2017/06/22 | | 2014/05/20 | - | - | - | - | - | - | - | - | | |

| Title | Nationality or registration place | Name | Gender | Selection date | Term of office | First elected date | Shares held when elected | | Current shareholding | | Current holding of shares of spouse, under-age children | | Shares held in the name of others | | Main working (educational) experience | Concurrent positions in the Company or other enterprise |
|----------------------|-----------------------------------|-------------------|--------|----------------|----------------|--------------------|--------------------------|---|----------------------|---|---------------------------------------------------------|---|-----------------------------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | | | | Number | % | Number | % | Number | % | Number | % | | |
| | | | | | | | | | | | | | | | | Finance and Investment, Hon Hai Precision Industry Company Ltd Director,Avary Holding (Shenzhen) Company Ltd Supervisor,Avary Technology Company Ltd |
| Director | R.O.C. | Hu, Chien-Lei | Male | 2017/06/22 | 3 | 2015/01/06 | - | - | - | - | - | - | - | - | Ph.D. in Aeronautics and Astronautics, Cheng Kung University Assistant General Manager / Adviser, RITEK CORPORATION Vice General Manager, CARSHIDO CORPORATION | Chairman of Dr. Hu Co., Ltd. |
| Independent director | R.O.C. | Chiu, Huang-Chuan | Male | 2017/06/22 | 3 | 2014/05/20 | - | - | - | - | - | - | - | - | Master Degree in Law, University of Cambridge Lawyer, Baker & McKenzie Lawyer, TAIWAN COMMERCIAL LAW OFFICE | Partner, Kew & Lord Managing Director, Taiwanese Society of International Law Director, JU-KAO ENGINEERING CO., LTD Independent Director / Member of the Compensation Committee, Taiwan High Speed Rail Corporation Independent Director, Chunghwa Precision Test Tech. Co., Ltd. Director,WATERLAND SECURITIES |
| Independent director | R.O.C. | Ting, Hung-Hsun | Male | 2017/06/22 | 3 | 2014/05/20 | - | - | - | - | - | - | - | - | Bachelor Degree in Accounting, Chinese Culture University Honorary Instructor, Ministry of Economic Affairs, R.O.C. Independent Director, Test Rite Retail Co., Ltd. Supervisor, & TIEN LIANG BIOTECH CO., LTD Supervisor, & Emerging Display Technologies | Partner, BAKER TILLY CLOCK & CO Independent Director / Member of the Compensation Committee / Chairman of the Audit Committee, CyberTAN Technology, Inc. Independent Director / Member of the Compensation Committee & Audit Committee, ICARES Medicus,Inc. Supervisor, Emerging Display Technologies |
| Independent director | R.O.C. | Lin, Ying-Shan | Male | 2017/06/22 | 3 | 2014/05/20 | - | - | - | - | - | - | - | - | EMBA, Sun Yat-sen University Master of Management Science, Mildex Optical Inc. Master Degree in Management | General Manager / Director, Mildex Optical Inc. Independent Director / Chairman |

| Title | Nationality or registration place | Name | Gender | Selection date | Term of office | First elected date | Shares held when elected | | Current shareholding | | Current holding of shares of spouse, under-age children | | Shares held in the name of others | | Main working (educational) experience | Concurrent positions in the Company or other enterprise |
|-------|-----------------------------------|------|--------|----------------|----------------|--------------------|--------------------------|---|----------------------|---|---------------------------------------------------------|---|-----------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | | | | Number | % | Number | % | Number | % | Number | % | | |
| | | | | | | | | | | | | | | | Science, Kaohsiung Polytechnic Institute Manager of Underwriting Department, Yuanta Core Pacific Securities Co., Ltd. Director, Emerging Display Technologies | of the Compensation Committee, TAYIH LUN AN CO., LTD. Independent Director / Chairman of the Compensation Committee / Member of the Audit Committee, CyberTAN Technology, Inc. Legal Persons as Corporate Director, PANJIT International Inc. |

Note 1: The Company has set up an Audit Committee and no Supervisor.

Note 2: The term of termination of Legal Persons as Corporate Director, Ni, Ching-Yu, is the same as that of other directors, all of which is June, 21, 2020.

<2> Principal Shareholders of Corporate Shareholders

April 23, 2019

| Name of corporate shareholder | Principal Shareholders of Corporate Shareholders | Shareholding ratio |
|-------------------------------|--------------------------------------------------|--------------------|
| Foxconn (Far East) Limited | Hon Hai Precision Industry Co., Ltd. | 100% |

<3> Principal Shareholders of Corporate Shareholders as Legal Person

April 23, 2019

| Name of legal person | Principal shareholders of corporate shareholders | Shareholding ratio |
|--------------------------------------|---------------------------------------------------------------------------------------------|--------------------|
| Hon Hai Precision Industry Co., Ltd. | Terry Gou | 9.63% |
| | CTBC Hosting Terry Gou Trust Treasury Account | 2.89% |
| | Citibank Hosting Government of Singapore Investment Account | 1.89% |
| | JPMorgan Chase Hosting Vanguard Developing Markets Index Fund | 1.35% |
| | JPMorgan Chase Bank Hosting Vanguard STAR Developed Markets Index Fund | 1.32% |
| | Citibank Hosting Hon Hai Precision Industry Co., Ltd. Depositary Receipts Account | 1.30% |
| | Cathay Life Insurance | 1.24% |
| | Fubon Life | 1.24% |
| | Citibank Hosting Norges Bank Investment Account | 1.19% |
| | Standard Chartered Bank Hosting the Fidelity Puritan Trust: Fidelity Low-Priced Stocks Fund | 1.05% |

<4> Professional Knowledge and Independence of Directors or Supervisors

April 26, 2019

| Name | Conditions | Whether they have the work experience of over five years and the following qualifications | | | Conform to independence situation (Note) | | | | | | | | | | Concurrent independent director position in other publicly traded companies |
|----------------------|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------|---|---|---|---|---|---|---|---|----|-----------------------------------------------------------------------------|
| | | The lecturer of universities and colleges about business, legal affairs, finance, accounting, or other departments which were related of the Company's business | Judge, procurator, lawyer, accountant or other specialized profession and technicians with national examination certificate required by Company business | Business, legal, finance, accounting and other work experience required by Company business | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
| Chairman | Foxconn (Far East) Limited Representative: Hsu, Wen-Yi | - | - | ✓ | - | ✓ | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - | - |
| Director | Foxconn (Far East) Limited Representative: Ni, Ching-Yu | - | - | ✓ | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - | - |
| Director | Foxconn (Far East) Limited Representative: Yu, Che-Hung | - | - | ✓ | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - | - |
| Director | Hu, Chien-Lei | - | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | - |
| Independent director | Chiu, Huang-Chuan | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 |
| Independent director | Ting, Hung-Hsun | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 |
| Independent director | Lin, Ying-Shan | - | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 |

Note: please check "✓" in the blank under each condition code if the directors and supervisors meet the conditions 2 years before the selection or during the term of office.

1. He/she is not the employee of Company or affiliated enterprises.
2. He/she is not the director or supervisor of Company or affiliated enterprises. (Independent directors of the Company, the parent or the subsidiary corporation who is appointed through Corporation Law or in accordance with the national laws are not included).
3. He/she is not the natural person shareholder who holds over 1% issued capital stock by himself, his spouse, underage

- children or in the name of other people or the top ten shareholders.
4. He/she is not the spouse, second-degree relative or third-degree relative of those listed in the above three items.
 5. He/she is not the director, supervisor or employee of the institutional shareholders who directly hold issued capital stock of over 5%, or the top five share holdings.
 6. He/she is not the director, supervisor, manager or the shareholders with over 5% stocks of specific corporations which have finance or business transaction with the Company.
 7. He/she is not the entrepreneur, director, supervisor, manager or their spouses of the professional, individual, or partnership or organization which provide business, legal, finance, accounting and consulting service to the Company or affiliated enterprise. This except, however, this does not apply to the members of the Compensation Committee who perform their duties based on article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".
 8. Not a spouse or a second-degree relative of any other Director of the Company.
 9. No violations of Article 30 of the Company Act.
 10. Not a governmental, judicial person or its representative as defined by Article 27 of the Company Act..

2.Information of General Manager, Deputy General Manager, Assistant Manager and the Director of Each Department and Branches

April 26, 2019

| Title | Nationality | Name | Gender | Inauguration Date | Shareholding (Note) | | Current holding of shares of spouse, under-age children | | Shareholdings in the name of others | | Primary experience | Current part-time position in the company or other enterprise | Other managers, directors or supervisors within the relations of spouse or parents | | |
|----------------------------------------------------|-------------|------------------|--------|-------------------|---------------------|------|---------------------------------------------------------|---|-------------------------------------|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|------|----------|
| | | | | | Number | % | Number | % | Number | % | | | Title | Name | Relation |
| General Manager | R.O.C. | Hsu, Wen-Yi | Male | 2013/12/27 | 2,078,200 | 1.97 | - | - | - | - | Bachelor Degree in Chemistry, Chinese Culture University Vice General Manager, Siliconware Precision Industries Co., Ltd. Vice General Manager, Ambit Corporation Senior Vice General Manager, Hon Hai Precision Industry Company Ltd. | Manager, ShunSin Technology Holdings Limited Taiwan Branch Director, ShunSin Technology Holdings (Hongkong) Limited Director, ShunSin Technology (Samoa) Corporation Limited Excutive Director / General Manager, ShunSin Technology (Zhong Shan) Limited | - | - | - |
| Vice-general Manager of Sales & Marketing Division | R.O.C. | Weng, Yin-Huang | Male | 2016/01/11 | - | - | - | - | - | - | Master Degree in Engineering, Michigan State University. Marketing Director of GCG, VIA Technologies, Inc. Marketing Director of FPC BU, ICHIA TECHNOLOGIES, INC. General manager of Taiwan area, Vimicro Corp. Head of IT Sales team in Taiwan/Senior Marketing and Sales director, Samsung SDI (Li-ion battery solution) / Neihu Taipei | Vice General Manager of Marketing, ShunSin Technology (Zhong Shan) Limited | - | - | - |
| Director of RF Business Division | P.R.C. | Xiao, Jun-yi | Male | 2018/05/02 | - | - | - | - | - | - | Bachelor degree in mechanical college, south China university of technology. Deputy Manager of R&D Department, Hon Hai Precision Industry Company Ltd. | Director of RF Business Division, ShunSin Technology (Zhong Shan) Limited | - | - | - |
| Director of Product Research Division | R.O.C. | Lou, Bai-yao | Male | 2018/12/10 | - | - | - | - | - | - | Doctor of Institute of Materials Science, Sun Yat-sen University Director of Research and Development Department of Fine Material Technology | Director of product Research Division ,ShunSin Technology (Zhong Shan) Limited | - | - | - |
| Director of Finance&Accounting Division | R.O.C. | Wang, Chieh-Min | Male | 2018/07/12 | - | - | - | - | - | - | Master Degree in Accounting, Ohio State University Finance manager, United Microelectronics Corporation Senior Deputy Manager of Financial Division, Hon Hai Precision Industry Company Ltd. | Financial Manager, ShunSin Technology Holdings (Hongkong) Limited Financial Manager, ShunSin Technology (Zhong Shan) Limited | - | - | - |
| Director of Audit Office | R.O.C. | Chiu, Huang-Chun | Male | 2016/12/20 | - | - | - | - | - | - | Bachelor of Accounting, Taipei University Leader of Deloitte Taiwan | Director of ShunSin Technology (Zhongshan) Limited | - | - | - |

| Title | Nationality | Name | Gender | Inauguration Date | Shareholding (Note) | | Current holding of shares of spouse, under-age children | | Shareholdings in the name of others | | Primary experience | Current part-time position in the company or other enterprise | Other managers, directors or supervisors within the relations of spouse or parents | | |
|-----------------------------------------------|-------------|-----------------|--------|-------------------|---------------------|------|---------------------------------------------------------|---|-------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|------|----------|
| | | | | | Number | % | Number | % | Number | % | | | Title | Name | Relation |
| Director of Resource Management Division | R.O.C. | Fan, Chen-Piao | Male | 2018/11/14 | 57,000 | 0.05 | - | - | - | - | Bachelor Degree in Electrical Engineering, Ta Hwa University of science and Technology Manager of Factory Affairs Department, Ambit Corporation Senior Manager of Factory Affairs Department, Hon Hai Precision Industry Company Ltd. | Supervisor / Associate Manager of Resource Management division , ShunSin Technology (Zhong Shan) Limited Director of Talentek Microelectronics (He fei) Limited | - | - | - |
| Director of Supplier Chain Division | P.R.C. | Li, Qiu-mei | Female | 2016/09/09 | 18,000 | 0.02 | - | - | - | - | Bachelor of marketing, Zhejiang University Director of Purchasing Materials Department, Ambit Corporation Deputy manager of Purchasing Department, Hon Hai Precision Industry Company Ltd. | Director of Purchasing/material department, ShunSin Technology (Zhong Shan) Limited | - | - | - |
| Director of Mobile Component Division | R.O.C. | Lee, Shun-Long | Male | 2017/01/13 | 17,000 | 0.02 | - | - | - | - | Bachelor of Electronic Engineering, Taipei University of Science and Technology Deputy Manager of Thick Film Solar Energy Division, Hon Hai Precision Industry Company Ltd | Director of Mobile Component Division, ShunSin Technology (Zhong Shan) Limited | - | - | - |
| Director of Quality Assurance Division | P.R.C. | Zhu, Jian-fang | Male | 2017/05/12 | 20,000 | 0.02 | - | - | - | - | Bachelor of Mechanical Design, Manufacturing and Automation, Xiangfan University Deputy Manager of Quality Assurance Division, Hon Hai Precision Industry Company Ltd | Director of Quality Assurance Division, ShunSin Technology (Zhong Shan) Limited | - | - | - |
| Director of Project Business Division | R.O.C. | James Cheng | Male | 2017/12/05 | 600 | - | - | - | - | - | Bachelor of Information Science, Tung Hai University Manager of Sales Department, SPIL Precision Ltd. Manager of Purchasing Department, Hon Hai Precision Industry Company Ltd. | Representative of Shunsin Technology (Zhong Shan) Ltd. Shenzhen Branch | - | - | - |
| Director of Fiber & Optical Business Division | P.R.C. | He, Guang-sheng | Male | 2018/03/26 | - | - | | | | | Bachelor of Applied Physics, Shantou University Deputy Manager of Optical Manufacturing Department, Hon Hai Precision Industry Company Ltd. | Director of Fiber & Optical Business Division ShunSin Technology (Zhong Shan) Limited | - | - | - |

iii. Remuneration of the Director, Supervisor, General Manager and Vice General Manager in Recent Years (2018)

1. Remuneration of Directors (including Independent Directors)

Unit: NT\$ 1,000; %

| Title | | | | Chairman | Director | Director | Director | Independent director | Independent director | Independent director |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------|--------------|--------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|---------------|----------------------|----------------------|----------------------|
| Name | | | | Foxconn (Far East) Limited Representative: Hsu, Wen-Yi | Foxconn (Far East) Limited Representative: Ni, Ching-yu | Foxconn (Far East) Limited Representative: Yu, Che-Hung | Hu, Chien-lei | Chiu, Huang-Chuan | Ting, Hung-Hsun | Lin, Ying-Shan |
| Director's Compensation | Reward (A) | The Company | | 2,940 | | | | | | |
| | | All the companies within the consolidated financial reports | | 2,940 | | | | | | |
| | Pension (B) | The Company | | - | | | | | | |
| | | All the companies within the consolidated financial reports | | - | | | | | | |
| | Remuneration (C) | The Company | | 353 | | | | | | |
| | | All the companies within the consolidated financial reports | | 353 | | | | | | |
| | Business execution expenses (D) | The Company | | 100 | | | | | | |
| | | All the companies within the consolidated financial reports | | 100 | | | | | | |
| The proportion of the four items A, B, C and D total amount on the profit after tax | | The Company | | 1.17 | | | | | | |
| | | All the companies within the consolidated financial reports | | 1.17 | | | | | | |
| Part-time employees remuneration | Salary, awards and special expenses (E) | The Company | | 2,467 | | | | | | |
| | | All the companies within the consolidated financial reports | | 3,853 | | | | | | |
| | Pension (F) | The Company | | 71 | | | | | | |
| | | All the companies within the consolidated financial reports | | 71 | | | | | | |
| | Employee's Compensations (G) | The Company | Cash amount | 14,604 | | | | | | |
| | | | Stock amount | - | | | | | | |
| | | All the companies within the consolidated financial reports | Cash amount | 14,604 | | | | | | |
| | | | Stock amount | - | | | | | | |
| The proportion of the seven items A, B, C, D, E, F and G total amount on the profit after tax | | The Company | | 7.07 | | | | | | |
| | | All the companies within the consolidated financial reports | | 7.54 | | | | | | |
| Is there any remuneration from other invested businesses apart from subsidiaries | | | | - | | | | | | |
| Except as disclosed in the preceding table, the remuneration paid by the Company in recent years for the services provided to all companies within the consolidated financial statements (e.g. as consultants to non-employees, etc.) : none | | | | | | | | | | |

Remuneration Scale

| Range of the remuneration paid to directors | Name of Directors | | | |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| | The total remuneration of the first four ones (A+B+C+D) | | The total remuneration of the first seven ones (A+B+C+D+E+F+G) | |
| | The Company | All the companies within the consolidated financial reports | The Company | All the companies within the consolidated financial reports |
| Below NTD 2,000,000 | Foxconn (Far East) Limited, Hsu, Wen-Yi, Ni, Ching-Yu, Yu, Che-Hung, Hu, Chien-Lei, Chiu, Huang-Chuan, Ting, Hung-Hsun, Lin, Ying-Shan | Foxconn (Far East) Limited, Hsu, Wen-Yi, Ni, Ching-Yu, Yu, Che-Hung, Hu, Chien-Lei, Chiu, Huang-Chuan, Ting, Hung-Hsun, Lin, Ying-Shan | Foxconn (Far East) Limited, Ni, Ching-Yu, Yu, Che-Hung, Hu, Chien-Lei, Chiu, Huang-Chuan, Ting, Hung-Hsun, Lin, Ying-Shan | Foxconn (Far East) Limited, Ni, Ching-Yu, Yu, Che-Hung, Hu, Chien-Lei, Chiu, Huang-Chuan, Ting, Hung-Hsun, Lin, Ying-Shan |
| NTD 2,000,000 (included) ~5,000,000(excluded) | - | - | - | - |
| NTD 5,000,000(included) ~10,000,000(excluded) | - | - | - | - |
| NTD 10,000,000 (included) ~15,000,000(excluded) | - | - | - | - |
| NTD 15,000,000 (included) ~30,000,000(excluded) | - | - | Hsu, Wen-Yi | Hsu, Wen-Yi |
| NTD 30,000,000 (included)~50,000,000(excluded) | - | - | - | - |
| NTD 50,000,000 (included) ~100,000,000(excluded) | - | - | - | - |
| Over NTD 100,000,000 | - | - | - | - |
| Total amount | 8 | 8 | 8 | 8 |

2. Remuneration of Supervisors

The Company's Audit Committee was set up by all independent directors on May 20, 2014, so it is not applicable.

3. Remuneration of General Manager and Vice general Manager

Unit: NT\$ 1,000; %

| Title | Name | Salary (A) | | Pension (B) | | Award and special expenses (C) | | Employee's Compensations (D) | | | | The proportion of the total amount of A, B, C and D on the profit after tax | | Remuneration from other invested businesses apart from subsidiaries. |
|----------------------------------------------------|-----------------|-------------|-------------------------------------------------------------|-------------|-------------------------------------------------------------|--------------------------------|-------------------------------------------------------------|------------------------------|--------------|-------------------------------------------------------------|--------------|-----------------------------------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------------------|
| | | The Company | All the companies within the consolidated financial reports | The Company | All the companies within the consolidated financial reports | The Company | All the companies within the consolidated financial reports | The Company | | All the companies within the consolidated financial reports | | The Company | All the companies within the consolidated financial reports | |
| | | | | | | | | Cash amount | Stock amount | Cash amount | Stock amount | | | |
| General Manager | Hsu, Wen-Yi | 4,241 | 4,952 | 159 | 159 | 419 | 1,094 | 18,292 | - | 18,292 | - | 7.95 | 8.43 | - |
| Vice General Manager of Sales & Marketing Division | Weng, Yin-Huang | | | | | | | | | | | | | |

Remuneration Scale

| Range of remuneration paid to General Managers and Vice General Managers | General Manager and Vicegeneral Manager's name | |
|--------------------------------------------------------------------------|------------------------------------------------|----------------------------------------|
| | The Company | All the companies in financial reports |
| Below NTD 2,000,000 | - | - |
| NTD 2,000,000 (included) ~5,000,000(excluded) | - | - |
| NTD 5,000,000(included) ~10,000,000(excluded) | Weng, Yin-Huang | Weng, Yin-Huang |
| NTD 10,000,000 (included) ~15,000,000(excluded) | - | - |
| NTD 15,000,000 (included) ~30,000,000(excluded) | Hsu, Wen-Yi | Hsu, Wen-Yi- |
| NTD 30,000,000 (included)~50,000,000(excluded) | - | - |
| NTD 50,000,000 (included) ~100,000,000(excluded) | - | - |
| Over NTD 100,000,000 | - | - |
| Total Amount | 2 | 2 |

4. The Manager's Name of Distributing Employee's Compensations and the Distribution Situation

Unit: NT\$1,000; %

| Title | Name | Stock amount | Cash amount | Total amount | The ratio of total amount on the profit after tax (%) |
|----------------------------------------------------|-----------------|--------------|-------------|--------------|-------------------------------------------------------|
| General Manager | Hsu, Wen-Yi | - | 22,792 | 22,792 | 7.84 |
| Vice General Manager of Sales & Marketing Division | Weng, Yin-Huang | | | | |
| Associate Manager of Resource Management Division | Fan, Chen-Piao | | | | |
| Director of Finance & Accounting Division | Wang, Chieh-Min | | | | |

5. Comparing and explaining the proportion of total remuneration paid to directors, supervisors, general managers and vice general managers of the Company in net profit after tax of financial report in the last two years, and explaining the policy, standard and combination of remuneration payment, procedures for setting remuneration, and its relevance to business performance and future risks.

<1>The analysis of ratio of the total compensation paid to the directors, supervisors, general managers and deputy general managers of the Company to the net profit after tax in the consolidated financial statements in the last two years

Unit: NT\$1,000

| Items | 2017 | | 2018 | |
|------------------------------------------|---------|--------|---------|--------|
| | Amount | % | Amount | % |
| Board of Directors | 20,283 | 18.86 | 27,890 | 9.6. |
| General manager and vice-general manager | | | | |
| Net profit after tax | 107,540 | 100.00 | 290,618 | 100.00 |

<2>Policies, standards and combinations of remuneration payments, procedures for determining remuneration, and their relevance to operation performance and risks

The Company has set up a Compensation Committee, with all independent directors as members. The remuneration policy of directors and managers shall be formulated by the Compensation Committee after examining their positions, contribution to operations and the reference of the same trade concerned. The Compensation Committee shall regularly review the policies, systems, standards and structures governing the performance appraisal and remuneration of directors and managers, and shall periodically evaluate and determine the remuneration of directors and managers.

iv. Implementation of Corporate Governance

1. Information of the operation of Board of Directors:

<1>Directors' Attendance in the Most Recent Year (2018)

The third Board of Directors held 9 meetings, and the directors were absent as follows:

| Title | Name | Practical attendance | Commissioned attendance | Time of leaves | Practical attendance ratio | Remarks |
|----------|---------------------------------------------------------|----------------------|-------------------------|----------------|----------------------------|---------|
| Chairman | Foxconn (Far East) Limited Representative: Hsu, Wen-Yi | 9 | - | - | 100.00 | - |
| Director | Foxconn (Far East) Limited Representative: Yu, Che-Hung | 6 | 3 | - | 66.67 | - |

| Title | Name | Practical attendance | Commissioned attendance | Time of leaves | Practical attendance ratio | Remarks |
|----------------------|--------------------------------------------------------------|----------------------|-------------------------|----------------|----------------------------|-------------------------------------|
| Director | Foxconn (Far East) Limited Representative: Wang, Chien-Ho | 2 | 1 | 2 | 40.00 | Tenure 2017/06/22- 2018/07/20 |
| Director (Note) | Foxconn (Far East) Limited Representative: Chen, Wei-Ming | - | 1 | - | 0.00 | Tenure 2018/07/20- 2018/09/06 |
| Director (Note) | Foxconn (Far East) imited Representative: Ni, Ching-Yu | 2 | 1 | - | 66.67 | Tenure 2018/09/06- 2020/06/21 |
| Director | Hu, Chien-Lei | 9 | - | - | 100.00 | - |
| Independent director | Chiu, Huang-Chuan | 9 | - | - | 100.00 | - |
| Independent director | Ting, Hung-Hsun | 9 | - | - | 100.00 | - |
| Independent director | Lin, Ying-Shan | 4 | 5 | - | 44.44 | - |

Note: This is due to the replacement of the representative of the director of legal person of Foxconn (Far East) limited .

<2>Other Matters to Be Recorded

(1) If the Board of Directors operates in any of the following circumstances, it shall specify the date, session, proposal contents, the opinions of all independent directors and the Company's actions in responses to the opinions:

A. Matters specified in Article 14 (3) of Taiwan's Securities and Exchange Law are listed as following:

| Date | Session | Proposal Contents | Attendance of Independent Director | Opinion of Independent Director | The Company's actions in responses Independent Director's Opinions |
|------------|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------|--------------------------------------------------------------------|
| 2018.03.14 | 6 th session of the 3 rd BOD | 1. The Company replaces its concurring accountant and evaluates its competency and independence. | 3/3 | Adoption of resolution | None |
| | | 2. The distribution of employees' compensations and directors' remuneration in 2017. | | Adoption of resolution | None |
| | | 3. The Company's consolidated financial statements for 2017 and the audit opinion report prepared by the accountant. | | Adoption of resolution | None |
| | | 4. To issue the Company's 2017 business report. | | Adoption of resolution | None |
| | | 5. To discuss the Company "2017 Internal Control System Effectiveness Assessment" and issue the Company's "2017 Internal Control System Statements". | | Adoption of resolution | None |
| | | 6. The Company intended to indirectly increase the capital of ShunSin Technology (Zhong Shan) Limited, a Chinese subsidiary, for US\$45 million. | | Adoption of resolution | None |

| Date | Session | Proposal Contents | Attendance of Independent Director | Opinion of Independent Director | The Company's actions in responses Independent Director's Opinions |
|-------------|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------|--------------------------------------------------------------------|
| | | 7. Amendment of the Company's Memorandum and Articles of Association. | | Adoption of resolution | None |
| | | 8. Formulated the Company's "Performance Appraisal Method for Board of Directors". | | Adoption of resolution | None |
| | | 9. Performance evaluation and bonus payment for managers of the Company in 2017. | | Adoption of resolution | None |
| | | 10. The Company applied to financial institutions for short-term quotas and signed contracts. | | Adoption of resolution | None |
| | | 11. Convened the Company's 2018 annual general meeting. | | Adoption of resolution | None |
| 2018. 04.25 | 7 th session of the 3 rd BOD | 1. The Company's Earnings Distribution Statement for 2017. | 3/3 | Adoption of resolution | None |
| | | 2. Added the report items of the Company's 2018 annual general meeting. | | Adoption of resolution | None |
| 2018. 05.10 | 8 th session of the 3 rd BOD | 1. The Company applied to financial institutions for short-term quotas and signed contracts. | 3/3 (in proxy of one seat) | Adoption of resolution | None |
| | | 2. Revised "accounting policy" of internal control of the Company. | | Adoption of resolution | None |
| 2018. 06.19 | 9 th session of the 3 rd BOD | 1. The case of purchasing machinery and equipment for business use from related parties | 3/3 (in proxy of one seat) | Adoption of resolution | None |
| | | 2. The Company applied to financial institutions for short-term quotas and signed contracts. | | Adoption of resolution | None |
| 2018. 07.12 | 10 th session of the 3 rd BOD | The Company's director of the accounting department alteration. | 3/3 | Adoption of resolution | None |
| 2018. 08.13 | 11 th session of the 3 rd BOD | 1. The Company's litigation and non-litigation agent alteration | 3/3 | Adoption of resolution | None |
| | | 2. Manager salary adjustment plan in 2018 of the Company. | | Adoption of resolution | None |
| 2018. 11.14 | 12 th session of the 3 rd BOD | 1. Director's remuneration and Manager's compensations Distribution in 2017 | 3/3 | Adoption of resolution | None |
| | | 2. Promotion of director of Resource Management Division of the Company. | | Adoption of resolution | None |
| | | 3. Change of custody place of the Company's official seal. | | Adoption of resolution | None |
| | | 4. The Company applied to financial institutions for short-term quotas and signed contracts. | | Adoption of resolution | None |
| | | 5. The Company opened a custody bank account with China Trust. | | Adoption of resolution | None |
| 2018. 12.03 | 13 th session of the 3 rd BOD | The Company's Zhongshan subsidiary intends to participate in the investment of Jinan Fujie Industrial Fund. | 3/3 (in proxy of one seat) | Adoption of resolution | None |
| 2018. 12.26 | 14 th session of the 3 rd BOD | 1. Formulated the 2019 Operation Plan of the Company. | 3/3 (in proxy of one seat) | Adoption of resolution | None |
| | | 2. Formulated 2019 Audit Plan of the Company. | | Adoption of resolution | None |
| | | 3. Recognition of the disposition of securities by Samoa, the subsidiary of the Company. | | Adoption of resolution | None |
| | | 4. Assessment of the competency and independence of the accountant of the Company and the remuneration for recruitment. | | Adoption of resolution | None |

B. Other than the foregoing matters, other matters that the independent directors has a dissenting opinion or qualified opinion and recorded or written statement: none

(2) The execution of the directors' recusal of an interest proposal shall specify the names of the directors, proposal contents, the reasons for the recusal of interest and the situation of voting:

A. During the Board meeting of the Company held on March 14, 2018, the Company discussed the amount of performance bonus for managers and Chairman's execution of recusal was as follows:

| Director | Propoasl Contents | Reasons for interests resucal | Voting Situation |
|--------------------------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Hsu, Wen-Yi (Note) | Performance evaluation and bonus payment for managers of the Company in 2017. | Due to the discussion on his own performance and the amount of performance bonus, he would rescue due to interest and not express opinions. | Conducted individual interest recusal according to law and not participated in discussion and voting. |

Note: The representative of legal persons as corporate director of Foxconn (Far East) Limited and General Manager of ShunSin.

B. During the Board meeting of the Company held on August 13, 2018, the Company discussed the manager salary adjustment plan and Chairman's execution of recusal was as follows:

| Director | Propoasl Contents | Reasons for interests resucal | Voting Situation |
|--------------------------|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Hsu, Wen-Yi (Note) | Manager salary adjustment plan in 2018 of the Company. | Due to the discussion on his own salary adjustment plan, he would rescue due to interest and not express opinions. | Conducted individual interest recusal according to law and not participated in discussion and voting. |

Note: The representative of legal persons as corporate director of Foxconn (Far East) Limited and General Manager of ShunSin.

C. During the Board meeting held on November 14, 2018, the Company discussed the directors' remuneration and managers' compensations distribution in 2017 and directors' execution of recusal was as follows:

| Director | Propoasl Contents | Reasons for interests resucal | Voting Situation |
|--------------------------|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Hsu, Wen-Yi (Note) | Directors' remuneration and Managers' compensations Distribution in 2018 | Due to the discussion on their own remuneration and compensation, they would rescue due to interest and not express opinions. | Conducted individual interest recusal according to law and not participated in discussion and voting. |
| Ni, Ching-Yu | | | |
| Yu, Che-Hung | | | |
| Hu, Chien-Lei | | | |
| Chiu, Huang-Chuan | | | |
| Ting, Hung-Hsun | | | |
| Lin, Ying-Shan | | | |

Note: The representative of legal persons as corporate director of Foxconn (Far East) Limited and General Manager of ShunSin.

(3) The objectives of strengthening the functions of the Board of Directors in the current

and recent years (e.g. setting up Audit Committee, enhancing information transparency, etc.) and the assessment of implementation:

A.The Company has formulated the Rules of the Board of Directors Meeting and the Rules for the Election of Directors. The operation of the Board of Directors is carried out in accordance with the rules and regulations in force.

B.The Company has elected three independent directors, set up an Audit Committee and held a meeting to improve the effectiveness of corporate governance.

C.The Company has a spokesman and deputy spokesman, and has a person responsible for public information disclosure and other related matters.

2. The operation of the Audit Committee or the involvement of the supervisor in the operation of the Board of Directors

Since May 20, 2014, the Company has set up an Audit Committee, which was composed of all independent directors and had no supervisors.

<1>Operation of Audit Committee:

In the most recent year (2018), the attendance of independent directors was as follows:

(1)The second Audit Committee held 9 meetings and the independent directors were absent as follows:

| Title | Name | Practical attendance | Commissioned attendance | Practical attendance ratio (%) | Remarks |
|----------------------|-------------------|----------------------|-------------------------|--------------------------------|---------|
| Independent director | Chiu, Huang-Chuan | 9 | - | 100 | - |
| Independent director | Ting, Hung-Hsun | 9 | - | 100 | - |
| independent director | Lin, Ying-Shan | 4 | 5 | 44 | - |

<2>Other Matters to Be Recorded:

(1)In case of any of the following circumstances in the operation of the Audit Committee, the date, session, proposal contents, the results of the resolutions of the Audit Committee and the Company's actions in responses to the Audit Committee's opinions shall be specified:

A. The matters specified in Article 14 of Taiwan's Securities and Exchange Law are listed as following:

| Date | Session | Proposal contents | Resolutions of Audit Committee | The Company' actions in responses to the Audit Committee's opinions |
|-------------|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------|
| 2018. 03.14 | 5 th session of the 2 nd A.C. | 1. The Company replaces its concurring accountant and evaluates its competency and independence. | Adoption of resolution | Submit to the Board of Directors for resolution |
| | | 2. The Company's consolidated financial statements for 2017. | Adoption of resolution | Submit to the Board of Directors for resolution |
| | | 3. Issued the Company's business report for 2017. | Adoption of resolution | Submit to the Board of Directors for resolution |
| | | 4. To discuss the Company "2017 Internal Control System Effectiveness Assessment" and issue the Company's "2017 Internal Control System Statements". | Adoption of resolution | Submit to the Board of Directors for resolution |

| Date | Session | Proposal contents | Resolutions of Audit Committee | The Company' actions in responses to the Audit Committee's opinions |
|-------------|------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------|
| | | 5. The Company intended to indirectly increase the capital of ShunSin Technology (Zhong Shan) Limited, a Chinese subsidiary, for US\$45 million. | Adoption of resolution | Submit to the Board of Directors for resolution |
| 2018. 04.25 | 6 th session of the 2 nd A.C. | The Company's Earnings Distribution Statement for 2017. | Adoption of resolution | Submit to the Board of Directors for resolution |
| 2018. 05.10 | 7 th session of the 2 nd A.C. | 1. The Company's consolidated financial statements for the first quarter of 2018. | Adoption of resolution | Submit to the Board of Directors |
| | | 2. Revised "accounting policy" of internal control of the Company. | Adoption of resolution | Submit to the Board of Directors for resolution |
| 2018. 06.19 | 8 th session of the 2 nd A.C. | The case of purchasing machinery and equipment for business use from related parties | Adoption of resolution | Submit to the Board of Directors for resolution |
| 2018. 07.12 | 9 th session of the 2 nd A.C. | The Company's director of the accounting department alteration. | Adoption of resolution | Submit to the Board of Directors for resolution |
| 2018. 08.13 | 10 th session of the 2 nd A.C. | The Company's consolidated financial statements for the second quarter of 2018. | Adoption of resolution | Submit to the Board of Directors |
| 2018. 11.14 | 11 th session of the 2 nd A.C. | The Company's consolidated financial statements for the third quarter of 2018. | Adoption of resolution | Submit to the Board of Directors |
| 2018. 12.03 | 12 th session of the 2 nd A.C. | The Company's Zhongshan subsidiary intended to participate in the investment of Jinan Fujie Industrial Fund. | Adoption of resolution | Submit to the Board of Directors for resolution |
| 2018. 12.26 | 13 th session of the 2 nd A.C. | Assessment of the competency and independence of the accountant of the Company and the remuneration for recruitment. | Adoption of resolution | Submit to the Board of Directors for resolution |

B.Except for the foregoing matters, other matters that are not approved by the Audit Committee but agreed by more than two-thirds of all the directors: none.

(2)The execution of independent directors' recusal of an interest proposal shall specify the name of the independent director, proposal contents, the reasons for the recusal of interest and the situation of voting: none.

(3)Communications between independent directors, internal auditors and accountants (including major matters, methods and results of corporate finance and business conditions): The Company's Audit Committee could investigate the Company's financial situation at any time. In addition, the director of audit office regularly carries out audit reports and discussions with the Audit Committee. The Company's Audit Committee communicates well with the internal auditors and accountants.

3.The differences between implementation of corporate governance and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons:

| Items | Implementation Status | | | Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| | Y | N | Description | |
| 1. Does the Company set and disclose corporate governance code of practice according to corporate governance practice principles for TWSE/GTSM Listed companies? | ✓ | | The Company has set a “Corporate Governance Code of Practice”. There are relevant norms in order to protect shareholders’ rights, strengthen the functions of the Board of Directors, respect the interests of the stakeholders, and enhance the transparency of information. For the corporate governance code of practice, please consult the Company’s official website. | No significant differences. |
| 2. Equity Structure and Shareholders Rights | | | | |
| (1) Does the Company set internal operating procedures for dealing with shareholders’ suggestions, doubts, disputes and lawsuits and implement them in accordance with the procedures? | ✓ | | (1) The Company has formulated the “Management of Shareholding Operations”. It has set up special personnel responsible for dealing with such issues as shareholders’ suggestions or disputes, and coordinates the implementation of relevant units of the Company. | No significant differences. |
| (2) Does the Company have a list of the major shareholders and the ultimate controllers of the major shareholders? | ✓ | | (2) Actual information can be provided through the agent for stock affairs, and the Company will disclose the list of the ultimate controllers of the major shareholders and major shareholders in accordance with the law. | No significant differences. |
| (3) Does the Company establish and implement risk control and firewall mechanisms between related enterprises? | ✓ | | (3) The financial management accountabilities and responsibilities of the assets among the related enterprises are independent, and they are handled according to the internal control system of the Company, and risk control and firewall mechanisms are indeed implemented. | No significant differences. |
| (4) Does the Company have internal regulations that prohibit insiders from trading securities using unpublished information in the market? | ✓ | | (4) The Company has formulated “The Management of Preventing Insider Trading” and implemented relevant regulations. | No significant differences. |
| 3. The Organization and Duties of the Board of Directors | | | | |
| (1) Does the Board of Directors formulate a diversification policy to membership and implement it? | ✓ | | (1) In the Corporate Governance Code of Practice and the Rules for the Election of Directors, the Company has formulated and implemented the diversification policy of board members. The members of the Board of Directors include accountants, lawyers and senior executives of the relevant | No significant differences. |

| Items | Implementation Status | | | Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| | Y | N | Description | |
| | | | industries. The members of the Board of Directors will give suggestions and guidelines for the operation and development of the Company based on their own professional expertise. The independent directors of the Company, according to their own professional expertise, will serve as convenor of the functional committee of the Company respectively, so as to improve the corporate governance function of the Board of Directors and implement the diversification policy. | |
| (2) Does the Company voluntarily set up other functional committees besides Compensation Committee and Audit Committee according to law? | | ✓ | (2) At present, the Company has set up Compensation Committee and Audit Committee according to law, while other functional committees would authorized by the Board of Directors separately according to the Company's business needs. | No significant differences. |
| (3) Does the Company have a performance evaluation system for the Board of Directors and its evaluation methods, which are evaluated annually and regularly? | ✓ | | (3) The Company has stipulated in the "Performance Appraisal Method for Board of Directors" that the performance evaluation of the Board of Directors and members of the Board of Directors shall be carried out on a regular basis every year. The method of performance evaluation shall be self-assessment of the performance of individual board members (self) and the overall performance of the Board of Directors. According to the evaluation method, the Company has completed the performance evaluation of the Board of Directors in 2018, with a full score of 100 points. The results of the performance evaluation of the Board of Directors are 96.67 points, and the average of the performance evaluation of the board members is 91.42 points. The results show that the Board of Directors and individual directors of the Company have a good degree of participation in the operation of the Company and decision-making quality. | No significant differences. |
| (4) Does the Company evaluate the independence of CPA on a regular basis? | ✓ | | (4) The Board of Directors of the Company regularly evaluates the independence of visa accountants every year. | No significant differences. |
| 4. Does the TWSE/TPEX listed company have a dedicated | ✓ | | The Company's stock officers are fully responsible for the secretarial business of | No significant differences |

| Items | Implementation Status | | | Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| | Y | N | Description | |
| unit/staff member in charge of the Company' corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, convening board/shareholder meetings in compliance with the law, apply for/change company registry, and producing meeting minutes of board/shareholder meetings)? | | | the Board of Directors, the preparation and provision of relevant information for the convening of the Board of Directors and shareholders' meetings, and the registration and alteration of the Company are handled jointly with the management department. | |
| 5. Does the Company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers), and set up stakeholder section on its website, and properly respond to stakeholders' concerns on important issues of corporate social responsibility? | ✓ | | The Company has a system of spokesman and deputy spokesmen, and designated personnel act as communication channels between the Company and stakeholders, and set up a stakeholder section on the Company's official website. | No significant differences |
| 6. Does the Company appoint a professional agent for stock affairs to handle the affairs of the shareholder' meeting? | ✓ | | The Company has appointed a professional agent for stock affairs to handle the affairs of the shareholders' meeting and exposed it to the MOPS | No significant differences |
| 7. Information Disclosure (1)Does the Company set up a website to disclose financial business and corporate governance information? | ✓ | | (1)The Company has set up a website and disclosed relevant information about the Company. | No significant differences |
| (2)Does the Company adopt other ways of disclosure of information (e.g. setting up English websites, appointing designated persons to be responsible for the collection and disclosure of Company information, implementing the spokesman system, the legal entities announcements uploaded to website, etc.)? | ✓ | | (2)The Company has a website to introduce the Company's products and related information, and designates a dedicated person to be responsible for the work of disclosure on MOPS and disclosure of Company's website information, and the Company has a spokesman and deputy spokesman system. | No significant differences |
| 8. Does the Company have any other important information that is helpful to understand the operation of corporate governance (including but not | ✓ | | (1)Employee Rights and Interests: The Company hires employees in accordance with the regulations of the local competent authorities, pays attention to the rights and interests of | No significant differences |

| Items | Implementation Status | | | Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Y | N | Description | |
| limited to the rights and interests of employees, employee care, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors)? | | | <p>employees, communicates smoothly, and provides a good working environment for employees.</p> <p>(2)Employee Care: The Company provides adequate education and training and reasonable remuneration and welfare measures.</p> <p>(3)Investor Relations: The Company maintains a smooth channel of communication and information exchange for investors and other stakeholders, and respects and safeguards their due rights and interests.</p> <p>(4)Supplier relations: The Company maintains good relations with suppliers and seeks win-win growth through mutual cooperation.</p> <p>(5)Interests of stakeholders: The Company keeps a smooth communication channel at all times, gives full play to the spokesman mechanism, and upholds the principle of good faith to publish public information promptly in order to safeguard investor relations and interests of stakeholders.</p> <p>(6)Continuing Education of Directors and Supervisors:The directors of the Company have relevant professional knowledge, and the Company arranges refresher courses for directors in accordance with the regulations.</p> <p>(7)Implementation of Risk Management Policies and Risk Measurement Standards: The Company has formulated various internal control systems and regulations in accordance with the law. In the future, the Audit Office will put forward an audit plan in accordance with the risk measurement and evaluation in the year, and submit it to the Board of Directors for approval, and then carry out the plan in order to ensure its implementation. The actual audit situation and reports will be submitted to the Audit Committee for review. In the future, the Company will regularly implement the Internal Control System Statements in accordance with the provisions of the Taiwan Stock Exchange and disclose it</p> | <p>No significant differences</p> <p>No significant differences</p> <p>No significant differences</p> <p>No significant differences</p> <p>No significant differences</p> <p>No significant differences</p> |

| Items | Implementation Status | | | Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| | Y | N | Description | |
| | | | <p>in the annual report of the shareholders' meeting after the relevant departments complete the internal control self-assessment in the year.</p> <p>(8) Implementation of Customer Policy: The Company has set up a customer complaint processing process, and good interaction and communication with customers.</p> <p>(9) Purchase of Liability Insurance for Directors and Supervisors: The Company has purchased liability insurance for all directors, and the Company has not set up supervisors.</p> | <p>No significant differences</p> <p>No significant differences.</p> |
| <p>9. Please specify the improvement of the corporate governance assessment issued by the Corporate Governance Center of Taiwan Stock Exchange Co., Ltd. in recent years, and put forward priorities and measures for strengthening the assessment of those who have not yet improved. (Those who are not included in the Company are not required to fill in):</p> <p>The Company has assessed the reasons for the failure to achieve and the costs incurred in the last year's corporate governance evaluation, and has further planned to improve the project and the completion time by referring to the guidelines for corporate governance evaluation in 2019. However, those who increase additional unnecessary cost after the evaluation are not included in the improvement plan.</p> | | | | |

4. Composition, Responsibilities and Operation of the Compensation Committee

<1>Information of Compensation Committee Members

| Identity | Conditions Name | Whether have more than 5 years working experience and the following professional qualifications | | | Compliance with independence (Note) | | | | | | | | Number of members of the Compensation Committee of other public issuing companies |
|----------------------|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------|---|---|---|---|---|---|---|-----------------------------------------------------------------------------------|
| | | The lecturer of universities and colleges about business, legal affairs, finance, accounting, or other departments which were related of the Company's business | Judge, procurator, lawyer, accountant or other specialized profession and technicians with national examination certificate required by Company business | Business, legal, finance, accounting and other work experience required by Company business | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | |
| Independent director | Chiu, Huang-Chuan | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 |
| Independent director | Ting, Hung-Hsun | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 |
| Independent director | Lin, Ying-Shan | - | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 |

Note: Please check "✓" in the blank under each condition code if the members meet the conditions 2 years before the selection or during the term of office.

1.He/she is not the employee of Company or affiliated enterprises.

2.He/she is not the director or supervisor of Company or affiliated enterprises. Independent directors of the Company, the parent or the subsidiary corporation who is appointed through Corporation Law or in accordance with the national laws are not included.

3.He/she is not the natural person shareholder who holds over 1% issued capital stock by himself, his spouse, underaged children or in the name of other people or the top ten shareholders.

4. He/she is not the spouse, second-degree relative or third-degree relative of those listed in the above three items..
5. He/she is not the director, supervisor or employee of the institutional shareholders who directly hold issued capital stock of over 5%, or the top five share holdings.
6. He/she is not the director, supervisor, manager or the shareholders with over 5% stocks of specific corporations which have finance or business transaction with the Company .
7. He/she is not the entrepreneur, director, supervisor, manager or their spouses of the professional, individual, or partnership or organization which provide business, legal, finance, accounting and consulting service to the Company or affiliated enterprise..
8. No violations of Article 30 of the Company Act..

<2>Operation of Compensation Committee

(1) There are three members of the Compensation Committee of the Company.

(2) Term of office of the current member: The second Compensation Committee of the Company was from 22 June 2017 to 21 June 2020. The second Compensation Committee of the latest year (2018) was held the meeting three times. The qualifications and attendance are as follows:

| Title | Name | Actual attendance | Commissioned attendance | Actual attendance rate(%) | Remarks |
|------------------|-------------------|-------------------|-------------------------|---------------------------|---------|
| Convener | Chiu, Huang-Chuan | 3 | - | 100 | - |
| Committee member | Ting, Hung-Hsun | 3 | - | 100 | - |
| Committee member | Lin, Ying-Shan | 2 | 1 | 66 | - |

Other Matters to Be Recorded:

1. If the Board of Directors fails to adopt or amend the recommendations of the Compensation Committee, it shall specify the date, session, proposal contents, the results of the resolutions of the Board of Directors and the Company's actions in response to the Compensation Committee's opinions (if the Board of Directors adopts a proposal that the remuneration is better than that of the Compensation Committee, it shall state the differences and reasons): none.

If a member has a dissenting opinion or qualified opinion and has a record or written statement, the date, session, proposal contents, the opinions of all members and the treatment of the opinions of the members shall be specified.: none

<3>Other Matters to Be Recorded

| Date of Board Meeting | Session | Proposal Contents | Resolution of Compensation Committee | The Company's actions in responses to the Compensation Committee's opinions |
|-----------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------------------------------------------------|
| 2018.03.14 | 2 nd session of the 2 nd C.C. | 1. The distribution of employees' compensations and directors' remuneration in 2017 | Adoption of resolution | Submit to the Board of Directors for resolution |
| | | 2. formulated the Company's "Performance Appraisal Method for Board of Directors". | Adoption of resolution | Submit to the Board of Directors for resolution |
| | | 3. Performance evaluation and bonus payment for managers of the Company in 2017. | Adoption of resolution | Submit to the Board of Directors for resolution |
| | | 4. Amendment of the Company's Memorandum and Articles of Association. | Adoption of resolution | Submit to the Board of Directors for resolution |
| 2018.08.13 | 3 rd session of the 2 nd C.C. | Manager salary adjustment plan in 2018 of the Company. | Adoption of resolution | Submit to the Board of Directors for resolution |
| 2018.11.14 | 4 th session of the 2 nd C.C. | 1. Director's Remuneration and Manager's Compensations Distribution in 2017 | Adoption of resolution | Submit to the Board of Directors for resolution |
| | | 2. Salary of the Director of the Resource Management Division of the Company after promotion. | Adoption of resolution | Submit to the Board of Directors for resolution |

5. Implementation of Fulfilling Social Responsibility

| Evaluation items | Operation situation | | | Differences and Reasons between the Code of Practice on Corporate Social Responsibility of Listed Over-the-counter Companies and the Code of Practice on Corporate Social Responsibility |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Y | N | Summary | |
| 1. Exercise and enhance Corporate Governance | | | | |
| (1) Does the Company formulate a corporate social responsibility policy or system and review the effectiveness of its implementation? | ✓ | | (1) The Company has formulated the Corporate Social Responsibility Principles and the Code of Ethical Conduct, and the Company endeavors to promote social and environmental responsibility. In the future, the Company will continue to promote corporate governance, develop a sustainable environment, protect social public awareness and enhance CSR information disclosure, so as to fulfill social citizenship obligations and contribute to the community. | No significant differences. |
| (2) Does the Company conduct CSR education training on a regular basis? | ✓ | | (2) The Company organizes annual training courses on enterprise ethics education for employees and publicizes related matters through meetings, while the directors continue educational publicity through corporate governance refresher courses. | No significant differences. |
| (3) Does the Company set up exclusively (or concurrently) dedicated units to promote CSR, which are authorized by the Board of Directors to deal with by senior management and report to the Board of Directors? | ✓ | | (3) The Company has set up designated units for corporate social environmental responsibility policies, which irregularly conduct internal audits. In view of the insufficiency of the audit results, the Company proposes improvement plans, and holds periodic annual social responsibility management review and report meetings to senior executives on the implementation of social responsibility policies and systems. Internal auditors also include them in their annual auditing plans and report regularly to the Board of Directors on the auditing situation in order to confirm CSR. | No significant differences. |
| (4) Does the Company formulate a reasonable salary and remuneration policy, combine employee performance appraisal system with CSR policy, and establish a clear and effective reward and punishment system? | ✓ | | (4) The Company's Employee Manual contains staff rewards and penalties, the employee's promotion and salary increase are linked with its rewards and penalties and its performance appraisal. At the same time, if staff education and training do not meet the required standards, they will also be included in the assessment project. | No significant differences. |

| Evaluation items | Operation situation | | | Differences and Reasons between the Code of Practice on Corporate Social Responsibility of Listed Over-the-counter Companies and the Code of Practice on Corporate Social Responsibility |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Y | N | Summary | |
| 2. Sustainable Development of Environment | | | | |
| (1) Does the Company endeavor to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment? | ✓ | | (1) The Company has passed the certification of GB/T 233331:2012-ISO 50001 energy management system, established energy monitoring and management system, made full use of all resources, and continued to improve. Vigorously implement environmental protection and energy-saving improvement programs such as frequency conversion, waste heat recovery, LED lighting, reclaimed water recovery and reuse of packaging materials, and actively promote the introduction of solar photovoltaic clean energy to minimize the impact on the environment. | No significant differences. |
| (2) Does the Company establish an appropriate environmental management system in accordance with its industrial characteristics? | ✓ | | (2) The Company has established an environmental management system which fully complies with the ROHS regulations in the use of major raw materials and prohibits hazardous substances specified in the banned orders in order to reduce the impact on the environment. | No significant differences. |
| (3) Does the Company pay attention to the impacts of climate change on operational activities, carry out greenhouse gas examine, and formulate energy-saving and carbon reduction strategies for the Company? | ✓ | | (3) The Company promotes energy conservation and carbon reduction, and conducts annual greenhouse gas examine and third-party verification. Carbon reduction measures, such as turning off lights, controlling temperature and selecting energy-saving lamp sources and clean energy sources, have been approved by ISO 14064. | No significant differences. |
| 3. Protect Social Public Interests | | | | |
| (1) Does the Company formulate relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions? | ✓ | | (1) The Company shall comply with relevant regulations and respect the internationally recognized basic principles of labor human rights, protect the legitimate rights and interests of employees, establish appropriate management methods, and regularly review the implementation of management methods every year. | No significant differences. |
| (2) Does the Company establish a complaint mechanism and pipeline for employees and handled them appropriately? | ✓ | | (2) The Company regularly organizes various seminars, employee opinion survey, set up high-level executives, trade unions, party and Group mailboxes and employee care | No significant differences. |

| Evaluation items | Operation situation | | | Differences and Reasons between the Code of Practice on Corporate Social Responsibility of Listed Over-the-counter Companies and the Code of Practice on Corporate Social Responsibility |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Y | N | Summary | |
| (3) Does the Company provide a safe and healthy working environment for employees, and regularly implement safety and health education for employees? | ✓ | | centers, workers' representatives, Labor Dispute Mediation Committee, Catering Committee and other complaints and processing channels, and disseminate these channels and information to all staff, and implement it in a sound manner. (3) The Company has obtained OHSAS 18001 Occupational Health and Safety Management System Certification, and regularly carries out safety and health education for employees in order to improve the safety and health of their working environment. | No significant differences. |
| (4) Does the Company establish a mechanism for regular communication among employees and inform them in a reasonable manner of changes in operations that may have a significant impact on employees? | ✓ | | (4) The Company holds regular and non-regular communication meetings with its employees to inform them in a reasonable and timely manner of changes in operations that may have a significant impact. | No significant differences. |
| (5) Does the Company establish an effective career development training program for its employees? | ✓ | | (5) The Company has established seven standardized training systems, and formulated annual training plans to cultivate reserve management personnel and professional and technical personnel for the Company. | No significant differences. |
| (6) Does the Company formulate relevant consumer protection policies and complaint procedures on R&D, procurement, production, operation and service processes? | ✓ | | (6) Through internal audits and regular customer audits, the Company continuously upgrades its product and service standards. Customer complaint procedures and customer service units are established to assist customers in solving problems. | No significant differences. |
| (7) Does the Company comply with relevant regulations and international standards in marketing and labeling of products and services? | ✓ | | (7) The Company's products are not end products, so the relevant regulations and international standards have not yet been clearly limited. If there are self-selling endproducts in the future, the Company will also follow the relevant regulations and international standards. | No significant differences. |
| (8) Does the Company evaluate whether the supplier has a record of impacting the environment and society in the past when moving forward with the | ✓ | | (8) The Company and its suppliers shall sign a "Environmental Protection and Social Responsibility Undertaking" to undertake the environmental management materials for the products provided to the Company, | No significant differences. |

| Evaluation items | Operation situation | | | Differences and Reasons between the Code of Practice on Corporate Social Responsibility of Listed Over-the-counter Companies and the Code of Practice on Corporate Social Responsibility |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Y | N | Summary | |
| supplier? (9) Does the contract between the Company and its main suppliers contain the terms of the contract that the supplier may terminate at any time if it violates its CSR policy and has a significant impact on the environment and society? | ✓ | | which fully conform to the requirements of environmental protection standards. (9) Instead of signing a supply contract with the main supplier, the Company inspects the terms of the standard order after each purchase order and agrees with the main supplier in its commitment letter that if the supplier violates its corporate social responsibility policy and causes damage to the Company, it will bear all liability for compensation, which will affect the evaluation of whether the Company will continue to cooperate in the future. | No significant differences. |
| 4. Enhancing Information Disclosure (1) Does the Company disclose relevant information on CSR that is relevant and reliable on its website and MOPS? | ✓ | | The Company has spokesman and deputy spokesman who can assist investors, suppliers and other stakeholders in inquiring about the Company's operations or consulting on related rights issues. The Company regularly announces its financial business and other important information in MOPS according to law. | No significant differences. |
| 5. If the Company makes its own corporate social responsibilities principles according to the Rules of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please state the differences: The Company has formulated the corporate social responsibilities principles, and will implement the principle to fulfill its social responsibility in all aspects. | | | | |
| 6. Other important information to help understand the operation of corporate social responsibility: Please refer to the Company's website and annual report. The amount of our donation in 2018 is RMB 243,029, and the number of recipients is 79. | | | | |
| 7. If the CSR report of a Company passes the verification criteria of the relevant certification bodies, it shall state: The Company has been certified by ISO 50001, ISO 9001, ISO 14001, OHSAS 18001, IATF16949, ISO 14064. | | | | |

6. Implementation of Integrity Operation

| Evaluation items | Operation situation | | | Differences and Reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---|--------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| | Y | N | Summary | |
| 1. Formulating Integrity Operation Policies and Programs (1) Does the Company express its policies and practices of integrity operation in its regulations and | ✓ | | (1) The Company has formulated "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical | No significant differences. |

| Evaluation items | Operation situation | | | Differences and Reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| | Y | N | Summary | |
| external documents, and the commitment of the Board of Directors and management to actively implement its business policies? (2) Does the Company formulate a plan to prevent dishonest conduct, and specify operating procedures, guidelines for conduct, disciplinary and appeal systems for violations in all plans, and implement them? (3) Does the Company take preventive measures against the business activities with high risk of dishonesty within the scope of Article 7, paragraph 2, or other business areas of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies? | ✓ ✓ | | Management and Guidelines for Conduct” to specify matters needing attention of the Board of Directors and management in the conduct of business. (2) The Company has formulated the Procedures for Ethical Management and Guidelines for Conduct, in which the Procedures, Guidelines for Conduct, disciplinary and complaint systems for violations are specified and strictly observed. (3) The Company has established Procedures for Ethical Management and Guidelines for Conduct for Integrity Management, and established complaint channels for employees and suppliers to adopt Operational Procedures and Conduct Guidelines for preventing illegal political contributions for business activities with high risk of dishonest behaviors within the business scope. | No significant differences. No significant differences. |
| 2. Implementation of Integrity Operation (1) Does the Company evaluate the integrity records of its instruments and specify the terms of integrity in its contracts with the instruments? (2) Does the Company set up a designated (or concurrently) unit affiliated to the Board of Directors to promote the integrity of the enterprise and report regularly to the Board of Directors on its implementation? (3) Does the Company formulate policies to prevent conflicts of interest, provide appropriate channels for presentation, and implement them? | ✓ ✓ | ✓ | (1) Before establishing business relations with others, the Company conducts social and environmental responsibility assessment, signs a “Supplier Undertaking” and publicizes the Company’s integrity management policies to ensure that its business operation is fair, transparent and does not require, provide or accept bribes. (2) The HR Department of the Company is responsible for the formulation and implementation of integrity operation policies and preventive plans. The audit office audits compliance irregularly and report to the Board of Directors. (3) The Company establishes an effective accounting policy and internal control and auditing system, reviews and revises them at any time according to legal changes and practical needs, and periodically checks by internal auditors to ensure that the design and implementation of the system are sustainable and effective, to achieve | No significant differences. No significant differences. No significant differences. |

| Evaluation items | Operation situation | | | Differences and Reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| | Y | N | Summary | |
| (4) Has the Company established an effective accounting policy and internal control system for the implementation of integrity operation, which are checked regularly by internal auditing units or entrusted to accountants? | ✓ | | corporate governance and risk control, and to operate in good faith. (4) The Company establishes an effective accounting policy and internal control and audit system for business activities with high risk of dishonesty, and reviews the system from time to time to ensure that the design and implementation of the system remain effective. The internal auditors shall regularly audit the compliance with the system referred to the preceding paragraph, and submit an audit report to the Board of Directors. | No significant differences. |
| (5) Does the Company conduct internal and external education and training on a regular basis? | ✓ | | (5) The Company regularly organizes training and publicity on work ethics and business ethics education for all employees every year. Employees have signed a “Code of Work Conduct Notification” to clearly understand and strictly abide by the Company’s relevant policies on integrity operation. Directors are educated and publicized through corporate governance refresher courses. | No significant differences. |
| 3. Operational Situation of Company Reporting System | | | | |
| (1) Does the Company have a specific reporting and rewarding system, establish a convenient reporting pipeline, and assign appropriate designated person to the target? | ✓ | | (1) The Company issues “care cards” to each employee which indicating the channels of prosecution, anti-corruption, honesty and complaints, specifying the “Code of Operations for Employee Appeals Management” and “Procedures for Business Ethics Management”, specifying the system of prosecution, reward and the designated person. | No significant differences. |
| (2) Does the Company have a standard operating procedure for investigation and a relevant confidentiality mechanism for accepting reports? | ✓ | | (2) The Company’s “Code of Operations for Employee Appeals Management” and “Procedures for Business Ethics Management” clearly stipulate the investigation criteria and punishment methods for handling violations of complaints, and provide proper reporting channels for receiving, processing and feedback of employee’s demands by designated departments and person. | No significant differences. |
| (3) Does the Company take measures to protect whistleblowers not suffer for which he/she reported? | ✓ | | (3) All reports are handled confidentially by the Supreme Executive of the Company, and the reporting units are prevented from knowing the source of relevant reports and taking | No significant differences. |

| Evaluation items | Operation situation | | | Differences and Reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| | Y | N | Summary | |
| | | | retaliatory actions. | |
| 4. Enhancing Information Disclosure (1) Does the Company disclose the contents of its Ethical Corporate Management Best Practice Principles and promote its effectiveness on its website and MOPS? | ✓ | | (1) The Company has a dedicated person to disclose information related to integrity operation through the Company's website, annual report, MOPS, media, etc. in a timely manner. | No significant differences. |
| 5. If a Company has its own Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between its operation and the codes: The Company has formulated the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct”, and will implement and abide by the Code. | | | | |
| 6. Other important information that will help us to understand the integrity operation of the Company (e.g. when the Company reviews and amends its Ethical Corporate Management Best Practice Principles): The Company always upholds the principle of good faith when dealing with dealers, and strengthens education in staff internal training. | | | | |

7. If the Company has a corporate governance code and related regulations, it should disclose its inquiry methods.

For the Company's corporate governance code, please visit the Company's website or MOPS for inquiries.

8. Other important information that can enhance the understanding of the operation of corporate governance should be disclosed as follows: none.

9. Status of Implementation of Internal Control System

<1>Statement of Internal Control System

ShunSin Technology Holdings Limited

Statement of Internal Control System

Date: March 22, 2019

The Company states the following with regard to its internal control system during fiscal year 2018, based on the findings of self-assessment:

1. The Company is fully aware that establishing, operating, and maintain an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations(including profits, performance, and safeguard of asset security), the reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
2. Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above three objectives have been fairly achieved. In addition, the effectiveness of internal control system could alter over time due to the change of business environment or situation. Since the Company's internal control system has included self-examination capability, the Company will make immediate corrections when errors are detected.
3. The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to examine the following five factors during the management and control process:<1> control environment, <2> risk assessment and response, <3> control activities, <4> information and communication, and <5> supervision. Each factor also includes several items.Details of each factor can be found in the Guidelines..
4. The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of 12/31/2018 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, the reliability, timeliness, transparency, and regulatory compliance of the reporting, and compliance with applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives..
6. This Statement is a significant part of the Company's annual report and prospectus available to the general public. If it contains false information or omits any material content,the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the Taiwan's Security and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on 3/22/2019, where 0 of the 7 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

ShunSin Technology Holdings Limited
Chairman: Hsu, Wen-Yi (signature)
General manager:Hsu, Wen-Yi (signature)

<2> The Company hire an accountant to audit the Company's internal control system and disclose the audit report made by accountants: None.

10. Lawful punishment inflicted on the Company, and/or disciplinary action taken by the Company against its employees for violating internal regulations in the latest year and up to the printing date of this Annual Report); important errors committed; and correction and improvement procedures: none.

11. Important resolutions of the shareholders' meeting and the Board of Directors in recent years and up to the date of publication of annual statements

| Meeting Types | Convening Date | Important Resolution |
|--------------------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Board of Directors | 2018.06.19 | (1) The approval of "The case of purchasing machinery and equipment for business use from related parties." (2) The approval of "The Company applied to financial institutions for short-term quotas and signed contracts.".. |
| Board of Directors | 2018.07.12 | The approval of "The Company's director of the accounting department alteration." |
| Board of Directors | 2018.08.13 | (1) The approval of "The Company's litigation and non-litigation agent alteration." (2) The approval of "Manager salary adjustment plan in 2018 of the Company." |
| Board of Directors | 2018.11.14 | (1) The approval of "Director's remuneration and Manager's compensations Distribution in 2017." (2) The approval of "Promotion of director of Resource Management Division of the Company." (3) The approval of "Change of custody place of the Company's official seal." (4) The approval of "The Company applied to financial institutions for short-term quotas and signed contracts." (5) The approval of "The Company opened a custody bank account with China Trust." |
| Board of Directors | 2018.12.03 | The approval of "The Company's Zhongshan subsidiary and its managers to conduct follow-up negotiations and sign documents on the investment in Jinan Fujie Industrial Fund within the scope of authorization.".. |
| Board of Directors | 2018.12.26 | (1) The approval of "Formulated the 2019 Operation Plan of the Company." (2) The approval of "Formulated 2019 Audit Plan of the Company." (3) The approval of "Recognition of the disposition of securities by Samoa, the subsidiary of the Company." (4) The approval of "Assessment of the competency and independence of the accountant of the Company and the remuneration for recruitment. " |
| Board of Directors | 2019.01.08 | The approval of "Policy Governing First Share Repurchased and Transferred to Employees". |
| Board of Directors | 2019.03.22 | (1) The approval of "The Company's Consolidated Financial Statements for 2018". (2) The approval of "The 2018 Business Report ". (3) The approval of "The Company's "Assessment of Internal Control System Effectiveness " and "Statement of Internal Control System" in 2018." (4) The approval of "the 2018 Employees' Compensations and Directors' Remuneration". (5) The approval of "The Amendments to The Company's "Memorandum and Articles of Association".". (6) The approval of "Performance evaluation and bonus payment for managers of the Company in 2018." |

| Meeting Types | Convening Date | Important Resolution |
|-------------------------------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | (7)The approval of “Revision of ‘Corporate Governance Best Practice Principles’”. (8)The approval of “Stipulation of Standard Operating Procedure for Processing Director's opinions”. (9)The approval of “The Company applied to financial institutions for short-term quotas and signed contracts.”. (10)The approval of “Convened the Company’s 2019 annual general meeting.”. |
| Board of Directors | 2019.04.26 | (1)The approval of “Distribution of 2018 Earnings.”. (2)The approval of “The Amendments to The Company’s “Procedures for Acquisition or Disposal of Assets”.”. (3)The approval of “The Amendments to The Company’s “Procedures for Lending Funds to Others”.”. (4)The approval of “The Amendments to The Company’s “Procedures for Endorsements & Guarantees”.”. |
| Board of Directors | 2019.05.10 | The approval of “The Company applied to financial institutions for short-term quotas and signed contracts.”. |
| Shareholders’ Regular Meeting | 2018.06.19 | (1)Ratification of “The 2017 Business Report and The Company’s Consolidated Financial Statements for 2017.”. Execution: Relevant documents have been filed in the Company. (2)Ratification of “Distribution of 2018 Earnings..” Execution: The Company announced on June 19, 2018 that July 23, 2018 was set as the base date of ex-dividend, and announced on June 29, 2018 that August 22, 2018 was set as the date of cash dividend payment. Up to now, all cash dividends for the year of 2018 have been paid. (3)Approved the special resolution of “The Amendments to The Company’s “Memorandum and Articles of Association”.”. Execution: Implemented in accordance with the new regulations and completed the deposit in the registered country,Cayman Islands. |

12.Directors or supervisors have expressed opposition or qualified opinions that have been noted in the record or declared in writing in connection with the important resolutions passed by the Board of Directors in the latest year and up to the printing date of this Annual Report: none.

13.During the latest year and up to the printing date this Annual Report, the Company’s chairman, general manager, accounting director, financial director, internal auditors, and R&D supervisor had resigned or been dismissed: none.

v. Information on Accountants’ Fees

1. Range of Accountants’ Fees

| CPA Firm | Name of Accountant | | Inspection Period | Remarks |
|----------------------------------------|--------------------|--------------|---------------------|---------|
| Klynveld Peat Marwick Goerdeler Taiwan | Kuan, Chun-Hsiu | Chao, Min-Ju | 2018.1.1~2018.12.31 | None |

| Bracket of amount \ Fee Items | | Audit Fee | Non-audit Fee | Total amount |
|-------------------------------|--------------------------------------------|-----------|---------------|--------------|
| 1 | Under NT\$2,000,000 | - | V | - |
| 2 | NT\$2,000,000 (included)~ NT\$4,000,000 | - | - | - |
| 3 | NT\$4,000,000 (included) ~ NT\$6,000,000 | V | - | V |
| 4 | NT\$6,000,000 (included)~NT\$8,000,000 | - | - | - |
| 5 | NT\$8,000,000 (included)) ~NT\$10,000,000 | - | - | - |
| 6 | Over NT\$10,000,000 (included) | - | - | - |

2. The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee, it shall disclose the amount of audit and non-audit expenses and the content of non-audit services

Unit: NT\$ 1,000

| CPA Firm | Name of Accountant | Audit Fee | Non-audit expenses | | | | | Inspection Period | Remarks |
|----------------------------------------|---------------------------------|-----------|--------------------|-------------------------|-----------------|-----------------|----------|-------------------------|---------|
| | | | System Design | Commercial Registration | Human Resources | Others (Note 2) | Subtotal | | |
| Klynveld Peat Marwick Goerdeler Taiwan | Kuan, Chun-Hsiu Chao, Min-Ju | 5,500 | - | - | - | 120 | 5,620 | 2018.1.1~ 2018.12.31 | None |

Note 1: If there is any change of accountants or accounting firms in our Company this year, please indicate the audit period and the reasons for the change in the column of Remarks, and disclose the information of auditing and non-auditing public expenses paid in sequence.

Note 2: Non-audit expenses should be listed separately according to service items. If the “Others” of non-audit expenses amounts to 25% of the total amount of non-audit expenses, their service contents should be listed in the Remarks column.

3. Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: none.
4. The audit fee is reduced by over 15% compared with the previous year, the amount, proportion and reason of the reduction shall be disclosed: none.

vi. Alternation of CPA

The Board of Directors The approval of “The Company replaces its concurring accountant and evaluates its competency and independence.” on March 14, 2018 to comply with the No. 46 of Statements of Auditing Standards, the regulations of the securities regulatory authority and the internal rotation regulations.

vii. The Company’s chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise: None

viii. Transfer & pledge of stock equity by directors, supervisors, managerial officers and holders of 10% or more of company shares

1. Changes in Equity

| Title | Name | 2018 | | As of April 26, 2019 | |
|--------------------------|-----------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
| | | Shareholding Increase/Decrease | Pledged Shares Increase/Decrease | Shareholding Increase/Decrease | Pledged Shares Increase/Decrease |
| chairman/general manager | Foxconn (Far East) Limited | - | - | - | - |
| | Representative: Hsu, Wen-Yi | (928,000) | - | (10,000) | - |
| Director | Foxconn (Far East) Limited | - | - | - | - |

| Title | Name | 2018 | | As of April 26, 2019 | |
|----------------------------------------------------|-----------------------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
| | | Shareholding Increase/Decrease | Pledged Shares Increase/Decrease | Shareholding Increase/Decrease | Pledged Shares Increase/Decrease |
| | Representative: Wang, Chien-Ho (Note 1) | - | - | - | - |
| Director | Foxconn (Far East) Limited | - | - | - | - |
| | Representative: Chen, Wei-Ming (Note 1) | - | - | - | - |
| Director | Foxconn (Far East) Limited | - | - | - | - |
| | Representative Ni, Ching-Yu (Note 1) | - | - | - | - |
| Director | Foxconn (Far East) Limited | - | - | - | - |
| | Representative: Yu, Che-Hung | - | - | - | - |
| Director | Hu, Chien-Lei | - | - | - | - |
| Independent director | Chiu, Huang-Chuan | - | - | - | - |
| Independent director | Ting, Hung-Hsun | - | - | - | - |
| Independent director | Lin, Ying-Shan | - | - | - | - |
| Vice-general Manager of Sales & Marketing Division | Weng, Yin-Huang | - | - | - | - |
| Director of Accounting Division | Ouyang, Qin-xun (Note 2) | (88,000) | - | - | - |
| Director of Resource Management Division | Fan, Chen-Piao (Note 3) | - | - | 7 | - |
| Director of Finance & Accounting Division | Wang, Chieh-Min | (34,000) | - | - | - |

Note 1: The tenure of Director Wang, Chien-Chi was between June 22, 2017 to July 20, 2018; the tenure of Director Chen, Wei-Ming was between July 20, 2018 to September 6, 2018; the tenure of Director Ni, Ching-Yu was from September 6, 2018 to June 21, 2020. The statistics for 2018 are only available from the tenure of the term of each director.

Note 2: Ouyang, Qin-xun, former director of the Accounting Division, retired on July 18, 2018 due to career planning. Statistics for 2018 are only available until July 18, 2018.

Note 3: Fan, Chen-Piao, the Director of Resource Management Division, took office on November 14, 2018. Statistics for 2018 are from the date of taking office to the end of 2018.

2. The counterparty of equity transfer is a related party: none.

3. The counterparty of equity pledge is a related party: none.

ix. The Relations of the Top Ten Shareholders

April 26, 2019

| Name | Shareholding | | Spouse & Minor Minor Shareholding | | Shares Held through Other Parties Shares | | Related Party | | Remark |
|---------------------------------------------------------------------------------|--------------|--------|-----------------------------------|---|------------------------------------------|---|---------------|----------|--------|
| | Number | % | Number | % | Number | % | Name | Relation | |
| Foxconn (Far East) Limited Representative: Huang, Chiu-lien, Huang, De-Cai | 63,964,800 | 60.66% | - | - | - | - | - | - | - |
| Fubon Life Representative: Richard M. Tsai | 6,590,000 | 6.25% | - | - | - | - | - | - | - |
| Treasury specialist account of ShunSin Technology Holdings Limited | 2,858,000 | 2.71% | - | - | - | - | - | - | - |
| Hsu, Wen-Yi | 2,078,200 | 1.97% | - | - | - | - | - | - | - |
| Taiwan Business Bank entrusted fund specialist account of The Capital High-Tech | 800,000 | 0.76% | - | - | - | - | - | - | - |
| Tsai, Chao-Pao | 763,000 | 0.72% | - | - | - | - | - | - | - |
| Cathay Life Insurance Representative: Huang, Tiao-Kuei | 755,000 | 0.72% | - | - | - | - | - | - | - |
| Yuanta Mainstream funds | 523,000 | 0.50% | - | - | - | - | - | - | - |
| Peng, Chi-Liang | 454,000 | 0.43% | - | - | - | - | - | - | - |
| Citibank Hosting Europe SE investment account of UBS | 440,000 | 0.42% | - | - | - | - | - | - | - |

x. Long-Term Investment Ownership

April 26, 2019; Unit: share; %

| Shift in investment | Ownership by the Company | | Direct or Indirect Ownership by Directors/Supervisors/Managers | | Total Ownership | |
|------------------------------------------------|--------------------------|-----|----------------------------------------------------------------|-------|--------------------|-------|
| | Shares | % | Shares | % | Shares | % |
| ShunSin Technology Holdings (HongKong) Limited | 678,808,240 | 90 | 74,183,966 | 10 | 752,992,216 | 100 |
| ShunSin Technology (Zhong Shan) Limited | - | - | RMB 1,000: 722,637 (Note) | 100 | RMB 1,000: 722,637 | 100 |
| ShunSin Technology (Samoa) Corporation Limited | USD 1,000: 9,510 | 100 | - | - | USD 1,000: 9,510 | 100 |
| Talentek Microelectronics (He fei) Limited | - | - | RMB 1,000: 11,450 (Note) | 57.25 | RMB 1,000: 11,450 | 57.25 |

Note: For China Limited Company, so there are no shares and par value..

IV Fundraising Situation

i. Capital and Shares

1. The Sources of Capital Stock

April 26, 2019; Unit: 1,000 shares/NT\$ 1,000

| Year/month | Par value | Authorized shares | | Paid-in capital stock | | Remarks | | |
|------------|-----------|-------------------|------------|-----------------------|------------|---------------------------|--------------------------------------------|---------|
| | | Shares | Amount | Shares | Amount | Source of capital stock | CapitalIncreased by Assets Other than Cash | Other s |
| 2008/01 | USD 1.00 | 50 | USD 50 | - | - | Initial Capital | None | Note 1 |
| 2008/07 | USD 1.00 | 40,000 | USD 40,000 | 83 | USD 83 | Capital Increased by Cash | None | Note 2 |
| 2008/08 | USD 1.00 | 40,000 | USD 40,000 | 36,000 | USD 36,000 | Capital Increased by Cash | None | Note 3 |
| 2013/11 | USD 1.88 | 80,000 | USD 80,000 | 46,276 | USD 46,276 | Capital Increased by Cash | None | Note 4 |
| 2014/01 | USD 2.42 | 80,000 | USD 80,000 | 50,526 | USD 50,526 | Capital Increased by Cash | None | Note 5 |
| 2014/05 | 10 | 144,000 | 1,440,000 | 90,947 | 909,468 | Transferring currency | None | Note 6 |
| 2015/01 | 110 | 144,000 | 1,440,000 | 105,447 | 1,054,468 | Capital Increased by Cash | None | Note 7 |

Note 1: The Company has established a capital stock of 1 share, with a paid-in capital of US\$1.

Note 2: Capital Increased 82,999 shares by Cash..

Note 3: Capital Increased 35,917,000 shares by Cash.

Note 4: Capital Increased 10,276,000 shares by Cash.

Note 5: Capital Increased 4,250,000 shares by Cash.

Note 6: The company changed the par value from USD 1 dollar to NTD 10 dollars

Note 7: Tai-Cheng-Shang-Zi No. 1031707309 released on December 12, 2014 by Taiwan Stock Exchange Co., Ltd.

2. Types of Share Issued

April 26, 2019; Unit:share

| Stock types | Authorized stock | | | Remarks |
|--------------|--------------------|-----------------|-------------|------------------------------------------------------|
| | Outstanding Shares | Unissued shares | Total share | |
| Common stock | 105,446,800 | 38,553,200 | 144,000,000 | Treasury shares held by the Company 2,858,000 shares |

Note: all are listed shares.

ii. Structure of Shareholders

April 26, 2019

| Structure of shareholders Amount | Government Agencies | Financial Institutions | Other Institutions | Foreign Institutions & Individuals (Notes) | Individuals | Treasury shares | Total |
|----------------------------------|---------------------|------------------------|--------------------|--------------------------------------------|-------------|-----------------|-------------|
| Number of Shareholders | 1 | 20 | 25 | 17 | 4,462 | 1 | 4,526 |
| Shareholding (shares) | 46,000 | 10,641,000 | 901,990 | 66,023,200 | 24,976,610 | 2,858,000 | 105,446,800 |
| Percentage | 0.04% | 10.09% | 0.86% | 62.61% | 23.69% | 2.71% | 100.00% |

Note: The proportion of mainland investment is 0.17%.

iii. Distribution of Shares

April 26, 2019

| Shares | Number of shareholders | Total Shares Held | Percentage |
|--------------------------------|------------------------|-------------------|------------|
| 1 to 999 | 194 | 20,294 | 0.02% |
| 1,000 to 5,000 | 3,593 | 6,487,371 | 6.15% |
| 5,001 to 10,000 | 323 | 2,567,500 | 2.43% |
| 10,001 to 15,000 | 107 | 1,402,588 | 1.33% |
| 15,001 to 20,000 | 81 | 1,478,360 | 1.40% |
| 20,001 to 30,000 | 74 | 1,888,500 | 1.79% |
| 30,001 to 40,000 | 35 | 1,241,000 | 1.18% |
| 40,001 to 50,000 | 23 | 1,052,183 | 1.00% |
| 50,001 to 100,000 | 51 | 3,649,000 | 3.46% |
| 100,001 to 200,000 | 28 | 4,285,364 | 4.06% |
| 200,001 to 400,000 | 7 | 2,148,640 | 2.04% |
| 400,001 to 600,000 | 3 | 1,417,000 | 1.34% |
| 600,001 to 800,000 | 3 | 2,318,000 | 2.20% |
| 800,001 to 1,000,000 | - | - | - |
| More than 1,000,001 (included) | 4 | 75,491,000 | 71.59% |
| In total | 4,526 | 105,446,800 | 100.00% |

iv. List of Major Shareholders

April 26, 2019

| Name of major shareholders | Shares | Shares Held | Percentage |
|---------------------------------------------------------------------------------|--------|-------------|------------|
| Foxconn (Far East) Limited | | 63,964,800 | 60.66% |
| Fubon Life | | 6,590,000 | 6.25% |
| Treasury specialist account of ShunSin Technology Holdings Limited | | 2,858,000 | 2.71% |
| Hsu, Wen-Yi | | 2,078,200 | 1.97% |
| Taiwan Business Bank entrusted fund specialist account of The Capital High-Tech | | 800,000 | 0.76% |
| Tsai, Chao-Pao | | 763,000 | 0.72% |
| Cathay Life Insurance | | 755,000 | 0.72% |
| Yuantan Mainstream funds | | 523,000 | 0.50% |
| Peng, Chi-Liang | | 454,000 | 0.43% |
| Citibank Hosting Europe SE investment account of UBS | | 440,000 | 0.42% |

v. Market Price Per Share, Net Value, Earning& Dividend For Last Two Years

Unit: NT\$ / thousands shares

| Items | | Year | 2017 | 2018 | Current Year to March 31, 2019 |
|------------------------|-----------------------------------------------|-----------------------------------------------------|------------|---------------------|--------------------------------|
| Market Price Per Share | Highest | | 152.5 | 176 | 141 |
| | Lowest | | 90.2 | 51.9 | 76.2 |
| | Average | | 117.4 | 111.01 | 105 |
| Equity Per Share | Before distribution | | 51.37 | 53.54 | 53.46 |
| | After distribution (Note 9) | | 50.43 | Not distribution | Not distribution |
| Earnings Per Share | Weighted Average shares | | 105,447 | 105,447 | 105,447 |
| | Earnings per share | | 1.05 | 2.83 | 0.48 |
| Dividends Per Share | Cash dividend | | 0.94 | 2.27 (Note 9) | Not distribution |
| | Stock Dividends | Stock Dividends Appropriated from Retained Earnings | - | - | - |
| | | Stock Dividends Appropriated from Capital Reserve | - | - | - |
| | Accumulated Unappropriated Dividends (Note 4) | | 99,119,992 | 239,364,236 (Note9) | Not distribution |
| Investment Return | P/E ratio (Note 5) | | 104.50 | 43.00 | 191.11 |
| | Price-dividend ratio (Note 6) | | 116.73 | Not distribution | Not distribution |

| Items \ Year | | 2017 | 2018 | Current Year to March 31, 2019 |
|--------------|------------------------------|-------|------------------|--------------------------------|
| Analyses | Cash dividend yield (Note 7) | 0.86% | Not distribution | Not distribution |

Note 1: List the highest and lowest market prices of common stock in each year, and calculate the average market prices of each year according to the turnover value and volume of each year.

Note 2: please fill in the column by referring to the number of shares issued at the end of the year and the distribution according to the resolution of the shareholders' meeting of the following year.

Note 3: If there is a need for retrospective adjustment due to the situation of stock dividends, the earnings per share before and after adjustment shall be shown.

Note 4: where conditions for the issuance of equity securities stipulate that dividends accrued in the current year are accrued in the surplus year, the accrued dividends accrued in the current year shall be disclosed separately.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share.

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share..

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price.

Note 8: The equity per share and earnings per share shall be provided with the data checked by the accountant in the latest quarter up to the date of publication of the annual report; the remaining columns shall be filled in with the data of the year up to the date of publication of the annual report.

Note 9: 2018 dividends is only proposed by the Board of Directors and have not yet been approved by the AGM.

vi. Corporate Dividend Policy and Its Implementation

1. Corporate Dividend Policy

The Company has amended its Articles of Association (hereinafter referred to as "the Sixth Amendment of the Articles of Association") by resolution of Board of Directors on March 22, 2019. The Articles of Association have not yet been adopted by the shareholders' meeting. The Company's dividend policy is set forth in Articles 13.1 to 13.9 of the Sixth Amendment of the Articles of Association. The main provisions are as follows:

Subject to the Applicable Law and this Article and except as otherwise provided by the rights attached to any shares, the Company may distribute profits in accordance with a proposal for profits distribution approved by, in the case of dividends in the form of cash, a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors, or, in the case of dividends in the form of shares as provided in Article 11.4(a), the Board and sanctioned by the Members by a Supermajority Resolution, in general meetings; provided that after the Board approves the distribution of dividend in cash, the Board shall report such distribution in the recent annual general meeting. No Dividends or other distribution shall be paid except out of profits of the Company, realised or unrealised, out of share premium account or any reserve, fund or account as otherwise permitted by the Law. Except as otherwise provided by the rights attached to any shares, all Dividends and other distributions shall be paid according to the number of the shares that a Member holds. If any share is issued on terms providing that it shall rank for Dividend as from a particular date, that share shall rank for Dividends accordingly.

Upon the final settlement of the Company's accounts, if there is "surplus profit" (as defined below), the Company shall set aside no less than five per cent (5%) as compensation to employees ("**Employees' Compensations**") and Employees' Compensations may be distributed to employees of the Company and its Subsidiaries, who meet certain qualifications. The Company shall, from the surplus profit, set aside no more than zero point one per cent (0.1%) thereof as remuneration for the Directors ("**Directors' Remuneration**"). The distribution proposals in respect of Employees' Compensation and Directors' Remuneration shall be approved by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors and submitted to the shareholders' meeting for report. However, if the Company has accumulated losses, the Company shall reserve an amount thereof for making up the losses before proceeding with the abovementioned distributions and allocation. The "surplus profit" referred to above means the net profit before tax and for the avoidance of doubt, such amount is before any payment of compensation to employees and

remuneration for the Directors.

In determining the Company's dividend policy, the Board recognises that the Company operates in a mature industry, and has stable profit streams and a sound financial structure. In determining the amount, if any, of the Dividend or other distribution it recommends to Members for approval in any financial year, the Board:

- <1> May take into consideration the earnings of the Company, overall development, financial planning, capital needs, industry outlook and future prospects of the Company in the relevant financial year, so as to ensure the protection of Members' rights and interests; and
- <2> Shall set aside out of the profits of the Company for each financial year: (i) a reserve for payment of tax for the relevant financial year; (ii) an amount to offset losses incurred in previous years; (iii) ten per cent (10%) as a general reserve ("Statutory Reserve") (unless the Statutory Reserve has reached the total paid-up capital of the Company), and (iv) a special surplus reserve as required by the applicable securities authority under the Applicable Public Company Rules or a reserve as determined by the Board pursuant to Article 14.1.

Subject to compliance with the Law and after setting aside the amounts for Employees' Compensations and Directors' Remuneration in accordance with Article 13.4 and such amounts as the Board deems fit in accordance with the distribution policy set out in Article 13.5, the Board shall recommend to distribute no less than ten per cent (10%) of the earnings generated from the immediately preceding financial year (exclusive of those accumulated from previous years) out of the distributable amount as Dividend to the Members.

Dividends to the Members and the Employees' Compensation may be distributed, in the discretion of the Board, by way of cash or by way of applying such sum in paying up in full unissued shares or a combination of both for allocation and distribution to employees or the Members, provided that, in the case of a distribution to Members, no less than fifty per cent (50%) of the total amount of such Dividend shall be paid in cash. No unpaid Dividend and compensation shall bear interest as against the Company.

2. Proposed dividend distribution at the shareholders' meeting

- <1> Shareholder stock dividend: none.
- <2> Shareholders' cash dividend: the cash dividend of NT\$239,364,236 set aside from the 2018 annual earnings shall be NT \$2.27 per share, and the chairman shall be authorized to set the dividend base date after the adoption of resolution at shareholders' regular meeting.

3. Anticipated major changes in dividend policy

As of the date of publication of the annual report, the Company has no plans to change its dividend policy.

vii. The impact of the Proposed Sotck Dividends at the Shareholders' Meeting on the Company's Operating Performance and Earnings Per Share: none.

viii. Remuneration to Employees, Directors, and Supervisors

1. Please refer to 6 (1 of Articles of Association for the number and scope of compensations for employees, directors and supervisors contained in the articles of association of the Company.
2. Accounting treatment applied to the difference between actual and estimated compensations to employees, directors and Supervisors:

The estimated amount of Employees' Compensation and directors' remuneration of the

Company for the year of 2018 shall be based on the net profit before tax before the payment of employees' compensations and directors' remuneration by the Company multiplied by the employees' compensations and directors' remuneration apportionment proportion formulated in the Articles of Association of the Company, and shall be reported as the operating expenses for the year of 2018. However, if there is any difference between the actual amount allocated by Board of Directors and the estimated amount, it will be deemed as the change of accounting estimation and listed as the annual profit and loss by Board of Directors resolution. If employees' compensations is paid in stock, the calculation basis of the number of shares to be paid in stock is based on the closing price of the day before the Board of Directors' decision and considering the influence of ex-dividend and ex-rights.

3. Information on the Amount of Compensation for Distribution Approved by the Board of Directors are as follows:

The Company's employees' compensations distribution proposal for 2018 was approved by the Board of Directors of the Company on March 22, 2019. The distribution of employee bonus and the remuneration of directors and supervisors is as follows:

<1> It is proposed to distribute NT\$40,000,000 in cash remuneration to employees and NT\$352,629 to directors.

<2> It is proposed to distribute NT\$0 in stock remuneration for employees, which accounts for 0% of the total profits and remuneration for employees in the current period.

<3> The imputed earnings per share after distributing the remuneration to employees, directors, and supervisors is to be proposed for distribution: N/A

4. The actual distribution of compensations to employees, directors and supervisor in previous year:

<1> Actual distribution:

| Employee dividends | | | Unit: NT\$ |
|----------------------------------|--------------------------------------------|-------------------------|---------------------------|
| Employee Stock Dividends: Amount | Employee Stock Dividends: Number of Shares | Employee Cash Dividends | Remuneration to Directors |
| - | - | 15,340,000 | 153,419 |

<2> In the case of any differences between the actual distributed and recognized number, please state the difference, reasons and response: none.

ix. Buyback of Treasury Stock

| | |
|---------------------------------------------|--------------------------|
| Times | First time |
| Purpose of the buyback | Transferred to employees |
| Timeframe of buy-back | 2019/01/15~2019/03/07 |
| Price range | 62.00~118.00 |
| Class, quantity of shares bought back | Common stock/2,858,000 |
| Value of shares bought-back (in NT\$) | 243,432 thousand |
| Shares sold/transferred | 0 |
| Accumulated number of company shares held | 2,858,000 |
| Percentage of total company shares held (%) | 2.71% |

x. Situation of New Issuance of Corporate Bonds, Preference Shares, Global Depositary Receipts, Employee Stock Option, Employee Restricted Stocks and

New Share Issuance in Connection with Mergers and Acquisitions

1. Handing of Corporate Bonds:

<1>Information on outstanding and ongoing corporate bonds:

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Corporate Bond Type | | Initial Unsecured Convertible Bonds in the Republic of China |
| Issuing date | | February 12, 2018 |
| Denomination | | NT\$100,000 |
| Issuing and transaction location | | N/A |
| Issue price | | Issuance at 100.5% of par value |
| Total amount | | The total denomination is NT\$1.5 billion and the total amount raised is NT\$1.5 billion and Nt \$1.575 billion. |
| Interest rate | | Coupon rate 0% |
| Term | | 5 year Date of expiration: February 12, 2023 |
| Guarantee Agency | | N/A |
| Consignee | | Trust Department of Bank SinoPac |
| Underwriting institution | | Grand Fortune Securities Co., Ltd. Yuanta Securities KGI Securities |
| Certified lawyer | | N/A |
| CPA | | N/A |
| Repayment method | | In addition to conversion, sale and redemption, repayment shall be made at maturity on the basis of the denomination of the bond. |
| Outstanding principal | | NT\$1.5 billion (as of April 30, 2019) |
| Terms of redemption or advance repayment | | See the issuance and conversion methods for details. |
| Restrictive clause | | None |
| Name of credit rating agency Rating date Rating of corporate bonds | | N/A |
| Other rights attached | As of the printing date of this Annual Report, amount of(exchanged or subscribed)ordinary shares, GDRs or other securities converted | There is no conversion amount yet. |
| | Issuance and conversion method | Refer to issuance and conversion method |
| Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity | | There is no dilution of the equity of the Company before the bondholder executes the conversion, and when the bondholder will exercise the convertible right at the right time, the request convertible time varies, which will effectively delay the dilution effect of earnings per share. For the existing shareholders' rights and interests, although the issuance of convertible corporate bonds will slightly increase the Company's liabilities before the conversion, with the conversion of corporate bonds into common shares, it can not only reduce liabilities, but also improve the shareholders' rights and interests. In the long run, the impact on the existing shareholders' rights and interests is not far-reaching. |
| Transfer Agent | | None |

<2>Convertible Bond:

| Convertible Bond Type | | Initial Unsecured Convertible Bonds in the Republic of China |
|----------------------------------------------------------|---------|--------------------------------------------------------------|
| Year | | For year ended April 30, 2019 |
| Items | | |
| Market Value of Convertible Bond | Highest | 105.3 |
| | Lowest | 97.9 |
| | Average | 102.9 |
| Conversion Price | | 175.2 |
| Issue (Transaction) Date and Conversion Price upon Issue | | February 12, 2018/NT\$175.2 |
| Conversion Method | | Issuance of New Shares |

<3>Information about Exchangeable Bonds: none.

<4>Information about Shelf Registration to Issue Corporate Bonds: none.

<5>Information about Bonds with Attached Warrants: none.

2. Preference Shares: none.

3. Issuance of Global Depositary Receipts: none.

4. Employee Stock Options Plan:

<1>Non-Expired Employee Stock Options of The Company:

| Type of employee stock option | First issuance employee stock option |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Effective date of registration | 2017.04.12 |
| Issue (processing) date | 2017.07.17 |
| Option Duration | The term of validity of the stock option certificates(from the date of issue) shall be 3.5 years |
| Number of options granted | 3,000 |
| Percentage of shares exercisable to outstanding common shares | 2.845% |
| Performance | Issue of new shares |
| Vesting schedule and ratio (%) | At the end of two years, 60% of the shares will be executed, and at the end of three years, the remaining 40% of the shares will be executed. |
| Shares exercised | - |
| Value of shares exercised | - |
| Shares unexercised | 3,000,000 shares |
| Exercise price per share on unexercised shares | 97.80 |
| Percentage of shares unexercised to outstanding common shares (%) | 2.845% |
| Impact on shareholders' equity | As regards the expression of financial statements, in accordance with International Accounting Standards, only the warrant holder of the Company can exercise 60% of the warrant given to the employee two years after the expiration of the warrant certificate, and the remaining 40% of the warrant can be executed three years after the expiration of the warrant. The impact on the original shareholder's rights and interests is diluted. |

<2>Employee Stock Options Granted to Officers and Top 10 Employees:

April 30, 2019; Unit: Shares/NT\$1,000

| Title | Name | Grant Shares | Ratio of Shares Grant to Total Issued Shares | Exercised | | | | Unexecuted | | | |
|-----------|--------------------------------------------------------------|-----------------|----------------------------------------------|------------------------------|-----------------|--------|--------------------------------------------------|------------------------------|-----------------|----------|--------------------------------------------------|
| | | | | Quantity of Shares Exercised | Price Per Share | Amount | Ratio of Shares Exercised to Total Issued Shares | Quantity of Shares Exercised | Price Per Share | Amount | Ratio of Shares Exercised to Total Issued Shares |
| Manager | General manager | Hsu, Wen-Yi | 187 | 0.18% | - | - | - | 187 | 97.80 | 18,288.6 | 0.18% |
| | Vice-general Manager of Sales & Marketing Division | Weng, Yin-Huang | | | | | | | | | |
| | Director of Resource Management Division | Fan, Chen-Piao | | | | | | | | | |
| | Director of Finance & Accounting Division | Wang, Chieh-Min | | | | | | | | | |
| Employees | Director of Project Business Division | Luo, Chi-Wah | 362 | 0.34% | - | - | - | 362 | 97.80 | 35,403.6 | 0.34% |
| | Director of Mobile Component Division | Li, Shun-Lung | | | | | | | | | |
| | Director of RF Business Division | Xiao, Jun-yi | | | | | | | | | |
| | Director of Fiber & Optical Business Division | Ho, Kuang-Sheng | | | | | | | | | |
| | Senior deputy manager of RF Business Division | Tseng Yi | | | | | | | | | |
| | Director of Quality Assurance Division | Zhu, Jian-fang | | | | | | | | | |
| | Director of Project Business Division | James Cheng | | | | | | | | | |
| | Director of Supplier Chain Division | Li, Qiu-mei | | | | | | | | | |
| | Senior Specialist Manager of Information Management Division | Chang, Yan-Fang | | | | | | | | | |

| Title | Name | Grant Shares | Ratio of Shares Grant to Total Issued Shares | Exercised | | | | Unexecuted | | | |
|------------------------------------------------------------|----------------|--------------|----------------------------------------------|------------------------------|-----------------|--------|--------------------------------------------------|------------------------------|-----------------|--------|--------------------------------------------------|
| | | | | Quantity of Shares Exercised | Price Per Share | Amount | Ratio of Shares Exercised to Total Issued Shares | Quantity of Shares Exercised | Price Per Share | Amount | Ratio of Shares Exercised to Total Issued Shares |
| Senior Deputy Manager of Fiber & Optical Business Division | Pao, Yung-Nian | | | | | | | | | | |

5. Employee Restricted Stock: none.

6. Issuance of New Shares In Connection with Mergers and Acquisitions : none.

xi. Implementation of Funds Usage Plan

The Company has not completed the plan for raising and issuing securities is the first unsecured convertible bonds within the territory of the Republic of China in 2018. The contents and implementation of the plan are as follows:

1. Content of Plan:

<1> Approval date and document No. of competent authority of the enterprise: January 10, 2018; Chin-Kuan-Cheng- Fa-Tzu No. 1060050468

<2> The total funds required for this project are NT\$1,900,000 thousand.

<3> Source of fund

(1) Issuance of the first unsecured convertible corporate bonds in the Republic of China: NT\$1,507,500 thousand.

The Company issues 15,000 first unsecured convertible corporate bonds in the Republic of China, each denominated NT\$100, with a total denomination of NT\$1,500,000 thousand. During the five-year issuance period, the coupon interest rate is 0%. The issuance price is 100.5% of the par value and the fund raised is NT\$1,507,500 thousand.

(2) The rest of the plan needs NT \$392,500 thousand to be funded from its own funds or with bank loans.

<4> Items of the plan and the execution

Unit: NT\$1,000

| Plant project | Estimated completion date | Total amount of funds required | Schedule of scheduled fund usage | | | | |
|-------------------------------------|---------------------------|--------------------------------|----------------------------------|---------------|----------------|---------------|----------------|
| | | | 2017 | 2018 | | | |
| | | | Fourth quarter | First quarter | Second quarter | Third quarter | Fourth quarter |
| Establishment of plant | Fourth quarter of 2018 | 400,000 | 7,941 | 68,489 | 134,001 | 139,451 | 50,118 |
| Purchase of machinery and equipment | Fourth quarter of 2018 | 1,500,000 | - | 150,000 | 600,000 | 150,000 | 600,000 |
| Total amount | | 1,900,000 | 7,941 | 218,489 | 734,001 | 289,451 | 650,118 |

<5> Estimated benefits

The total amount of this project is NT\$1,900,000,000 of which 400,000,000 is used to build factories and 1,500,000,000 is used to purchase machinery and equipment. The Company has been working in the field of SiP for many years. With its technological advantages in high density packaging, ceramics and heat dissipation, The Company leads the industry in equipment and cost competitiveness, and is trusted by well-known RF module designers all over the world. Considering the increasingly sophisticated and complex process of system packaging module, the Company must continue to invest in all kinds of high-end manufacturing and testing equipment, automation equipment and customized equipment to maintain the Company's competitive advantage and meet the needs of end-user products, and to create revenue and profits for the Company.

<6> The expected benefits are as follows:

Unit: 1,000 pieces/NT\$1,000

| Year | Project | Production volume | Sales volume | Sales value | Operating margin | Net operating profit |
|------|-----------------------|-------------------|--------------|-------------|------------------|----------------------|
| 2018 | Advanced SiP Products | 29,026 | 29,026 | 1,136,542 | 272,770 | 181,847 |
| 2019 | Advanced SiP Products | 81,003 | 81,003 | 3,171,753 | 767,564 | 513,824 |
| 2020 | Advanced SiP Products | 81,003 | 81,003 | 3,171,753 | 780,251 | 526,511 |

2. Implementation and Benefit Analysis:

<1> Implementation:

Unit: NT\$1,000

| Project | Implementation | Up to first quarter of 2019 |
|-----------------------------------|-----------------------------|-----------------------------|
| Establishment of plants | Expenditure | Estimated 400,000 |
| | | Actual 400,000 |
| | Implementation progress (%) | Estimated 100.00% |
| | | Actual 100.00% |
| Purchase of machine and equipment | Expenditure | Estimated 1,500,000 |
| | | Actual 1,108,589 |
| | Implementation progress (%) | Estimated 100.00% |
| | | Actual 73.91% |
| Total | Expenditure | Estimated 1,900,000 |
| | | Actual 1,508,589 |
| | Implementation progress (%) | Estimated 100.00% |
| | | Actual 79.40% |

<2> The reasons and reasonableness of the situation of ahead or behind schedule

The progress of the capital utilization plan for the construction of factory buildings is slightly backward because the Company readjusted the construction structure to contractors in order to improve the quality of the factory buildings and the safety of the buildings, so that the construction commencement time was later than the original schedule. Therefore, although the implementation progress was slightly behind the original schedule in the fourth quarter of 2018, the capital utilization plan for the construction of factory buildings was completed in the first quarter of 2019. The actual implementation progress was 100.00%. There were no major abnormalities.

Up to the first quarter of 2019, the scheduled capital progress of the planned purchase of machinery and equipment was 100.00%, while the actual progress was 73.91%. This is because the Company had a long time to coordinate with the equipment supplier about payment terms and equipment delivery time. However, the Company has purchased the equipment in succession according to the “Procedures for Acquisition or Disposal of Assets”, and the equipment has been paid in installments, so the cumulative implementation schedule is behind schedule. The Company will continue to complete the installation and commissioning of the equipment. The reasons for the delay in the implementation of the project are reasonable and there are no major abnormalities.

<3> The reasons and reasonableness of the benefits ahead or behind schedule

This project started mass production in the second half of 2018. The benefit in 2018 was reflected in the financial statements of 2018. In the first quarter of 2019, due to the traditional off-season and the Lunar New Year in February, the terminal sales of brand factories were not as expected, resulting in the decline of product orders for the planned projects, resulting in the difference between the achievement situation and the forecast. It is expected that in the second half of the peak season, with orders issued, the benefits will continue to show, and there are no major abnormalities.

<4> The impact of the difference in the actual achievement of progress and benefit on shareholders' equity and the improvement plan

The lagging progress of the purchase of machinery and equipment is due to the long time of coordination with equipment suppliers on payment terms and delivery date, but has been purchased in succession according to "Procedures for Acquisition or Disposal of Assets", and the equipment is paid by installments. The Company will continue to complete the installation and commissioning of equipment according to the planned schedule, so the lagging progress should not have a significant impact on shareholders' rights.

In terms of actual benefits, there is no significant difference in the achievement of advanced SiP products in 2018. However, the effect of capital raising in the first quarter of 2019 has not reached the expected target, the amount of owners' equity attributable to the parent Company in the first quarter of 2019 after deducting the net operating loss of this plan is NT\$5,612,146 thousand, which is still a slight increase of 4.18% compared with NT\$5,386,869 thousand at the end of 2017 before the capital raising. And it is expected that in the second half of the peak season, with the order issued, the benefits will continue to show. Although the fundraising benefit in this season is not expected to reach the target, there is still no significant impact on shareholders' equity.

V. Operation Overview

i. Business Content

1. Business Scope

<1> Main Contents of Company's Business

The Group is mainly engaged in System in Package; SiP product, high-speed Optical fiber transceiver (Optical Transceiver); Optical TXR and other integrated circuit modules for packaging, testing and sale. SiP products are mainly high-frequency wireless communication module, wireless local area networking module (WiFi module), Low Noise Amplifier (LNA) and so on. Other types of integrated circuit module products are 3D sensing module, including Face-ID, Sensor, Automotive Electronics and thick-film hybrid integrated circuit module. Our products are mainly used in consumer electronics, cloud servers and hearing aids.

<2> Operating proportion

Unit: NT\$ 1,000; %

| Items | Year | 2017 | 2018 |
|---------------------|------|--------------------------|--------------------------|
| | | Operating proportion (%) | Operating proportion (%) |
| Optical Transceiver | | 26 | 48 |
| System in Package | | 51 | 22 |
| Others | | 23 | 30 |
| In total | | 100 | 100 |

<3> Company's current product (service) items

- (1) Semiconductor Integrated Circuit (Power Amplifier; PA), Antenna Switch Module (ASM), Filter, Duplexer, etc.) Packaging and Testing Services: Mainly used in communication modules of smart phones.
- (2) Wafer thinning, cutting and packaging inspection services: used in various module processes.
- (3) Sensor (Micro Electro-Mechanical Systems; MEMS)): packaging and testing services for gyroscopes, ambient light sensors, etc.: It is mainly used in the sensing module of smart mobile phone.
- (4) Optical Transceiver Module (40G-300G high-end optical transceiver module, etc.) packaging and testing services: mainly used for storage and transmission of enterprise servers and cloud servers.
- (5) Hybrid integrated circuit module for medical electronics: microphone module for hearing aids.
- (6) Assembling and testing of automotive electronic parts: mainly used in vehicle smart keys and vehicle media control system.
- (7) 3D Sensing Front-end Module: It is mainly used in face recognition module of smartphone.

<4> New products (services) planned for development

- (1) 100G-CWDM4-2KM Optical Fiber Transceiver Module
- (2) 400G 8-channel single-fiber bidirectional optical transceiver module
- (3) System Module for Intelligent Portable Device
- (4) Induction Module of Environmental Light Source
- (5) Automotive Electronic Module Assembly
- (6) RF front-end module

2. Industry Overview

<1> Status quo and development of the industry

◆ SiP market

SiP is a packaging concept based on System on Chip (SoC). SiP refers to “the package containing several chips or one chip or the same module in an IC package, together with the package containing more than one passive component, capacitor, resistor, connector, antenna and any other component, is regarded as SiP”. In other words, not only can multiple chips be assembled in a package, but also devices and circuit chips containing the above different types can be stacked together to build a more complex and complete system.

Nowadays, consumer electronics and mobile communication products are in the ascendant. The function integration of related electronic products is becoming more and more diverse. The products are becoming lighter, thinner, shorter and smaller. The product life cycle is shorter and shorter, which leads to the pressure of timely appearing on the market. Under this dual pressure, the time and cost of research and development of SoC are considerable, especially in the integration of heterogeneous components such as passive components, which is facing a great technical bottleneck. However, SiP can break through the limitation of SoC development and make it meet the demand of smaller, faster and cheaper products, more in line with the current consumer electronics mainstream trend. Compared with general packaging technology, SiP has the following advantages:

- (1) Packaging efficiency is improved and packaging size is reduced
- (2) Shorten product launch time
- (3) Different process wafers can be packaged to achieve heterogeneous integration.
- (4) Reduce system cost and improve electrical performance
- (5) It can be used in many fields, such as optoelectronics, communication, sensor and MEMS, and
- (6) Less patent cost and infringement risk

However, Moore's law, which has lasted for more than half a century in the past, may no longer be effective due to the limitation of physical specifications of PCB substrates. The industry and academia have proposed three solutions: More Moore's law, More than

Moore, and Beyond CMOS. The industry generally supports SiP as an important way to solve the failure of Moore's law.

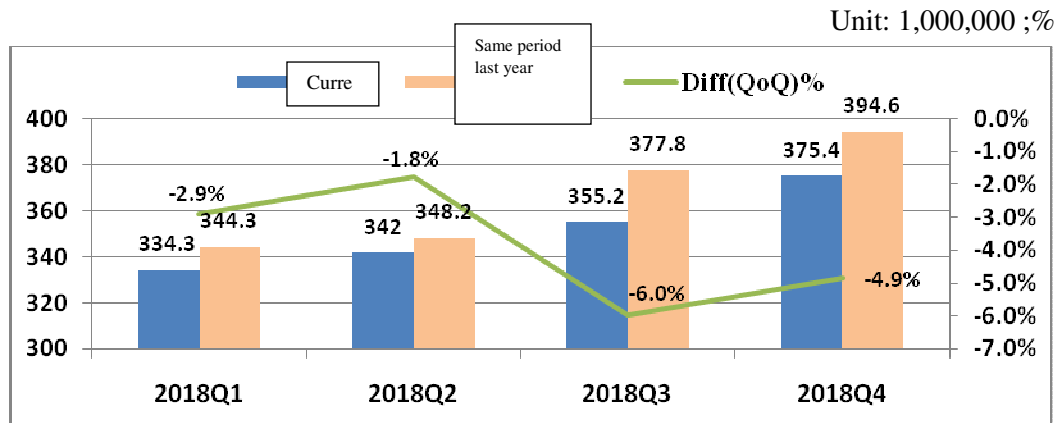
More Moore, involved in the semiconductor components as CPU, memory, logic devices, etc., is the direction of the development of SoC. However, this route will encounter leakage problems. When the characteristic size of wafer is reduced to 10 nm, the thickness of gate oxide layer is only as thick as 10 atoms, which will produce many quantum effects, leading to the characteristics of transistors is difficult to control, and all of these cause the transistor leakage is very serious. On the other hand, the More than Moore route is to pursue more advanced packaging process to meet the market demand in a more pragmatic way from blindly pursuing chip power consumption reduction and performance improvement. Products in this aspect include analog/Radio Frequency (RF) devices, passive devices, power management devices, also known as the field of SiP specialty.

In the hot 5G market in the near future, SiP technology is also the technical field that the major packaging factories compete to layout. In the early stage of 4G era, there were only 16 frequency bands in the world, but now there are only 49 frequency bands in the world. Even with carrier convergence (CA), there are only more than 1000 RF combinations of 4G applications in the world. However, in the era of 5G, various new frequency bands emerge in an endless stream, and there are many possibilities in the use of carrier convergence. At the same time, 5G should be compatible with 4G, 3G and the combination of RF is very complex, with a conservative estimation of more than 10,000 kinds. Therefore, the increasingly high complexity of 5G chip will drive the growth of the demand for front-end SiP module.

◆ Market of smartphone:

After the explosive growth of smart phones in the past few years, the market has gradually become saturated and replaced "to buy new one" with "to replace one". However, in recent years, there has been no special breakthrough in the function of smart phones, and the price of high-end smart phones keeps rising, which makes consumers generally not willing to consume. According to research figures released by IDC, the global smartphone market Year-over-Year sales have declined for five consecutive quarters. IDC has claimed that the trend of continuous decline of market buying of the Chinese market, which accounts for about 30% of the global smart phone sales, has become more and more obvious since the beginning of the second quarter of last year. The sales of smart phone in the China market has been shrinking for seven consecutive quarters till 2018, showing that the replacement cycle of mobile phone users is longer.

[Simultaneous Comparison of Global Smartphone Market Shipments in 2018]



Source: IDC quarterly announcements; sorted by ShunSin

In addition, although IDC predicts that the smartphone market in 2019 will face the challenge of three consecutive years of declining sales, the smartphone market will recover in the second half of 2019. Moreover, in the long run, the arrival of 5G technology will enable the mobile phone market to meet a new wave of replacement and drive the growth of the overall market. In 2023, the sales volume of smart phones might return to the level of 1.54 billion sets.

[Global Smart Phone Market Shipment Forecast for 2019-2023]

Worldwide Smartphone Platform Shipments, Market Share, and Year-Over-Year Growth, 2019 and 2023 (shipments in millions)

| Generation | 2019 Shipment Volume* | 2019 Market Share* | 2019 Year-Over-Year Growth* | 2023 Shipment Volume* | 2023 Market Share* | 2023 Year-Over-Year Growth* |
|--------------|-----------------------|--------------------|-----------------------------|-----------------------|--------------------|-----------------------------|
| 3G | 57.5 | 4.1% | -25.4% | 34.6 | 2.2% | -3.4% |
| 4G | 1,330.6 | 95.4% | 0.2% | 1,105.9 | 71.7% | -4.4% |
| 5G | 6.7 | 0.5% | N/A | 401.3 | 26.0% | 23.9% |
| Total | 1,394.9 | 100.0% | -0.8% | 1,541.8 | 100.0% | 1.7% |

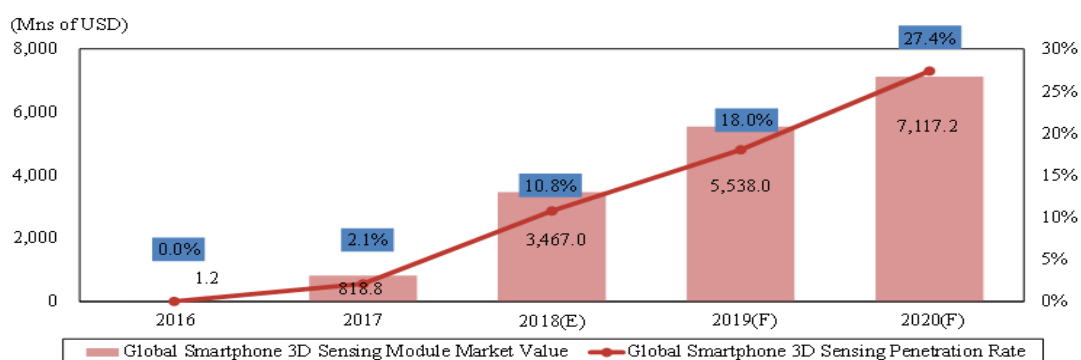
Source: IDC, 2019/03

Since Apple took the lead in introducing smart phones equipped with 3D sensing modules in 2017, brand manufacturers actively followed suit and launched symbolic products. 3D sensing modules have gradually become one of the marketing features of high-end smart phones. Huawei, another leading smart phone brand, has recently introduced a new device (code: Princeton) with a rear 3D sensing module. The Princeton phone uses a Sony sensor. At present, SONY is making rapid progress in developing 3D sensors. In particular, after acquiring the Belgian start-up company Softkinetic in 2015, SONY acquired Time of Flight (ToF) technology and combined with its own advantages, finally completed the corresponding 3D sensors. Its 3D lens can accurately measure distance by reflecting light. Based on this, Huawei has developed a feature that allows users to instantly generate 3D models that can be shared with others for themselves and their surroundings. Huawei expects to equip these 3D sensors in many new smart phones

to be released in 2019.

As for the future of 3D camera, the industry thinks it has a bright future. It will be more fun to create 3D models of people and objects for AR applications, which will hopefully lead to the launch of rear-camera 3D sensing module phones by various mobile phone manufacturers. According to research data from Trendforce's Topology Research Institute, the penetration rate of 3D sensing modules in smart phones has increased to 10.8% in 2018, and it is estimated to increase to 18% in 2019. The overall 3D sensing market value will reach \$550 million in the mobile phone market, and after 2020, the penetration rate will increase significantly, and the market value will reach \$710 million.

圖：2016~2020 年手機 3D 感測滲透率與產值



Source：拓墾產業研究院整理，2018/11

◆ Overview of mobile transmission

In recent years, with the rapid growth of global mobile broadband and cloud computing market in the era of big data in the field of cloud computing and Netcom servers, users choose to access shared computing resource pools by operating modes of network, server, storage space or application and service. As a result, the demand for cloud computing is growing rapidly. The need for large-scale data centers and network bandwidth upgrades will drive the infrastructure of optical fiber broadband networks.

According to the prediction of Cisco Global Cloud Index compiled by Cisco, the traffic of Cloud Data Center will increase from 3,851 exabytes per year to 14,076 exabytes from 2015 to 2020, with a compound annual growth rate of 29.6%. However, during the same period, the traffic of traditional enterprise data center only increases from 827 EB to 1,259 EB per year, the annual compound growth rate of which is only 8.8%. Therefore, in the future, Cloud Data Center will become the main force for the market growth of data center. It is estimated that by 2020, Cloud Data Center will handle 92% of the global workload. In the era of big data, cloud, server, large computer and other mobile computing market will continue to grow.

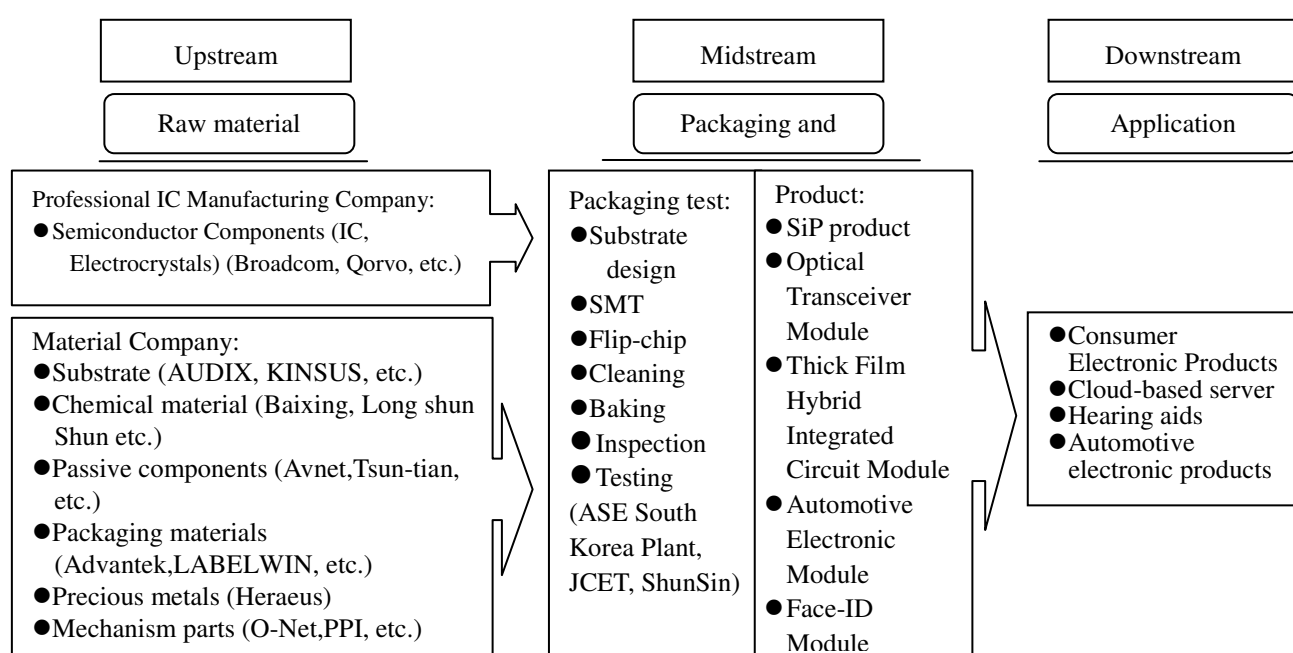
<2> The relation among up-, mid-, and down-stream

Semiconductor manufacturing process can be divided into: upstream IC design Company, midstream IC wafer manufacturing plant and downstream IC packaging and

testing. Packaging and testing is the last process in the production of semiconductor chips, which is the technology of sealing insulating materials for integrated circuits.

Compared with foreign semiconductor manufacturers, most of them are Integrated Device Manufacturer (IDM), Taiwan is specialized in one stop of supply chains. This vertical separation is the biggest difference between Taiwan's and foreign semiconductor industries. Under the rapidly changing industrial environment and the increasing capital equipment investment, the unique characteristics of the vertical separation gradually meet the needs of the industry and lay the foundation for Taiwan's semiconductor industry in the international competitive position.

The Group is a midstream packaging and testing Company in the industrial chain. The following figure shows the relevance of the Group in the overall industry:



<3> Various Development Trends of Products

The Group is mainly engaged in the packaging, testing and sales of SiP products, high-speed optical transceiver modules and other types of integrated circuit modules. SiP products are mainly high-frequency wireless communication modules. Other types of integrated circuits are mainly Face-ID modules, automotive electronic and thick film hybrid integrated circuit modules.

(1) High-frequency Wireless Communication Module

Radio Frequency Power Amplifier (RFPA) module is a necessary component of digital mobile phone, wireless network and other high frequency wireless communication products in signal amplification function. It is an integrated module composed of semiconductor components and passive components, using SiP technology.

In the highly competitive wireless communication market, the product demand of small and energy-saving (electricity and cost) is an inevitable trend. RFPA module is one of

the key components of wireless communication transmitter, which is related to the communication quality of various communication systems. At the same time, it is also the most power-consuming and large-volume circuit component in the system.

The RFPA module is composed of two parts: receiving and transmitting. Its main circuit includes antenna, wireless switch, receiving filter, frequency synthesizer, high-frequency amplifier, receiving local oscillator, mixing frequency, intermediate frequency, transmitting local oscillator, power amplifier control, power amplifier and so on. Overall, the key components of basic RFPA modules include RF Transceiver, PA, ASM, Surface Acoustic Wave (SAW) and Bulk Acoustic Wave Filter (BAW) or RF front-end modules, duplexers and synthesizers that integrate the above functions. RF front-end module will be more and more integrated to simplify subsystem, reduce cost and size, save space for terminal application products, and create conditions for the realization of single-chip front-end solution.

With the deployment of 3G and 4G networks, high density has become an obvious trend, while the 5G era of increasing network capacity and transmission rate has already advanced. The International Telecommunication Union IMT-2020 adds 5G spectrum in 2019, and the 5G network has three important components: 5G for the Internet of Things (IoT), 5G for the sub-6 GHz band and 5G for the mmWave band. In other words, there will not be a unified 5G RF front-end, but "5G IoT, 5G sub-6 GHz and 5G mmWave develop along their respective paths, and build parallel ecosystems with their RF System in Packaging (SiP) progress respectively.

The new frequency band and new technology mean the new design of the product. The update and upgrade demand of the product is the direct opportunity brought by 5G to RF front-end module. PA is an important part of all kinds of wireless transceivers and one of the most important modules in 5G communication system. PA has important applications at the transceiving end. With the development of communication technology, the number of PA is expected to increase linearly. Intuitively, in terms of quantity, PA benefits the most in the 5G era.

It can also be seen from the layout of communication operators and terminal equipment providers that 5G is planned to be used in emerging directions such as automobile entertainment, smart home, smart city, industrial automation and virtual reality. If 1G~4G is just a vertical innovation in the mobile phone ecosystem with mobile phones as the carrier, then 4G~5G opens up numerous new directions of Internet of things application, and the application demand increment brought by horizontal innovation will be multiplied.

(2) High Speed Fiber Transceiver Module

High speed fiber transceiver modules are commonly used in cloud computing, Netcom servers and supercomputers. With the advent of the era of big data, the rapid growth of

the global mobile broadband and cloud computing markets has greatly increased the demand for data transmission, and the optical fiber transceiver module that can quickly process large amounts of data transmission has become the development direction of the telecommunications industry in recent years.

Nowadays, optical fiber communication technology mostly uses light emitting diode (LED) and laser diode (Laser diode) for optical transmission. The transmitter is used to convert the digital signal input by the sender into optical signal. After transmitting the optical signal over a long distance through the optical fiber, the optical amplifier and other repeaters are used to transmit the received optical signal to the transceiver module. The received optical signal is converted back to the digital signal, and a large amount of data transmission can be completed in a few seconds. Because optical fiber communication has many advantages, all countries are actively developing optical technology.

Depending on the distance of data transmission, the optical fibers used can be divided into single-mode or multi-mode fibers. The corresponding optical transceiver modules are also divided into single-mode or multi-mode modules. Single-mode fiber uses solid laser as light source, while multi-mode fiber uses light emitting diode as light source. Single-mode fiber has wide transmission frequency bandwidth and long transmission distance, but because it needs laser source, the cost is higher, while multi-mode fiber has low transmission speed and short distance with the lower cost. The core diameter and dispersion of single-mode optical fibers are small, allowing only one mode transmission, while the core diameter and dispersion of multi-mode optical fibers are large, allowing hundreds of modes transmission.

In 2018, 100G specification replaced 40G specification as one of the main specifications, but there are still many divergent problems in the optical transceiver market. Therefore, the Institute of Electrical and Electronics Engineers (IEEE) and the Multi-Source Agreement (MSA) have formulated many standards for optical transceiver modules. As for the requirement of medium and long distance 100G modules, the interface specification defined by IEEE can not meet the internal interconnection requirements of large data centers due to cost or transmission distance. Therefore, among many standards, the single-mode PSM4 and CWDM4 standards formulated by MSA are more suitable for the mainstream long distance 100G QSFP28 optical modules in the market.

Although some people believe that the next generation will be the world of 200G, the consensus in the industry is that 400G will certainly become the next mainstream rate. At present, the 100G technology with 4x25G is too complex to be extended to 400G. In order to reduce the cost of 100G and support 400G optical components economically, the industry is turning to a new technology: using optical components

encoded by four-stage pulse amplitude modulation (PAM-4) under 50G Baud to achieve a speed of 100G per channel, and then through the aggregation of 4x100G to achieve a speed of 400G.

According to analysts' forecasts, by 2020, Internet of Things technology is expected to connect up to 200 billion devices (sources: IDC, Intel, United Nations). The growth rate of data centers is extraordinary rapid, and the increasing demand and data volume make the density and power close to the limit. At present, the problem of heat dissipation and power consumption in 400G optical communication technology needs to be overcome. But before the time of the Internet of Things comes, how to further improve and overcome the transmission speed will be the goal of continuous efforts in the optical communication market.

(3) Face-ID Module (3D Sensing Front-end Module)

After Apple released the iPhone X equipped with Face ID in 2017, the Face-ID technology has attracted more and more attention from all walks of life, which not only led the non-apple mobile phone manufacturers to follow up comprehensively, including self-driving and Advanced Driving Assistance System (ADAS), Virtual Reality and Augmented Reality (VR/AR), unmanned store and other new applications also began to import 3D sensing technology.

At present, the mainstream technologies used in 3D sensing include time-of-flight (ToF) and Structured Light. The main function is to obtain 3D Depth Map by optical refraction, and further measure the distance between device end and object. If the whole principle of 3D sensing operation is decomposed, the operation of diffraction optical element (DOE), CMOS image sensor, Vertical Cavity Surface Emitting Laser (VCSEL) and other elements should still be used, and different algorithms should be used for measurement.

Although some practitioners in the market have proposed that microwave ToF scheme will replace the current VCSEL mode as a Face-ID module for future smart phones, the resolution of microwave ToF is lower than that of VCSEL ToF, and the security of privacy and information protection is far less than that of VCSEL ToF. This is also the reason why backing radars often use microwave ToF. Because reversing does not require high resolution, but focuses on the “distance measurement” function.

Although no specific application of microwave ToF has been proposed yet, VCSEL ToF still faces the problem of high production cost.

(4) Automotive Electronic Products

Automotive electronics is the general name of automotive electronic control devices and on-board automotive electronic control devices. Because the development of automotive technology mainly focuses on automotive safety performance, comfort and

convenience, energy saving and emission reduction/power performance, it can be subdivided into engine control system, chassis control system, automotive body electronic control system and on-board electronics.

Nowadays, about 70% of the innovation of automobile technology comes from automobile electronics. The application of automobile electronics technology has become the main symbol to measure the level of the whole vehicle. The value proportion of electronic products in the whole vehicle has been increasing. At present, the value proportion of automobile electronics in a single vehicle has increased from 1% in 1950 to 20% to 35% at present, mainly because of the rising of the complexity and functionality of automobile electronics. From the earliest vehicle-mounted radio, electronic ignition device to today's safety control system, power control system and a variety of electromechanical integration of the combination of units, making the value of automotive electronic monomer continues to increase.

Driving safety and multimedia entertainment in the car have always been the focus of automotive electronics. Self-driving safety instructions, the American Society of Automotive Engineers (SAE) divides the self-driving stage into 0-5 levels. At present, the industry is still in the development stage of Level 2. It is expected that the self-driving function of Level 2-Level 3 will explode in the next 5-10 years, which will bring huge business opportunities for sensor and camera manufacturers. Taking cameras as an example, not only will the demand for cameras installed outside the car body grow significantly, but the demand for cameras installed inside the car will also increase significantly.

In addition to the perceived technological development, the maturity of 5G layout will also inject a strong innovation drive into the automotive electronics industry, among which the C-V2X technology based on 5G NR standard is specially built for self-driving applications. C-V2X refers to the communication technology between vehicle and vehicle (V2V), vehicle and infrastructure (V2I), vehicle and pedestrian (V2P), and vehicle and network (V2N). By using ITS frequency band of 5.9GHz, direct communication without honeycomb network can be realized, and the delay is quite low, so as to improve the safety of self-driving cars and establish a safe use case and the foundation of continuous evolution for self-driving cars in the future.

In terms of multimedia entertainment in the car, in the era of the Internet of everything, the average user has a number of mobile communication devices for Internet operation, multimedia entertainment and other functions. Therefore, wireless links and on-board communications are also popular selling points for new models in various automobile factories. Through mobile communication devices, information can be transmitted to cars, homes and even offices. Therefore, automotive electronics integration technology enlarges the market demand of sensors, cameras, wireless communication transmission,

operation panel and other products, promotes the rapid development of the whole upstream and downstream industrial chain, and becomes a new blue ocean for the development of multiple industrial markets, as well as a new engine for economic growth.

<4> Competition

The Group is mainly engaged in the assembly, testing and sales of SiP, high-speed optical transceiver module and other types of integrated circuit module, as a professional semiconductor packaging and testing company. System module package products include high frequency wireless communication module and wireless module, etc. The main products are radio frequency power amplifiers used in mobile phones. For instance, South Korea Plant, ASE, South Korea Plant, Amkor Technology Taiwan, JCET, TONG HSING ELECTRONIC IND., LTD. and LINGSEN PRECISION INDUSTRIES, LTD. all provide such module packaging and testing services. The high-speed optical fiber transceiver module faces the competition from Fabrinet Co., ltd. and PCL Technologies, Inc.. Therefore, in the fierce market competition, the Group not only focuses on diversity of products and diversification of operational risks, but also maintains the leading process technology and quality, and continuously obtains orders of new products from customers to reduce risks.

3. Overview of Technology and R & D

<1> Technical Level and Research and Development of Business

(1) Technological Level

The Group is mainly engaged in the packaging and testing of SiP products, high-speed fiber transceiver modules and other types of integrated circuit modules. This type of packaging product consists of passive components (inductors, capacitors, resistors) and active components (wafers, filters, switches) highly integrated into a ceramic substrate or a high-density resin substrate to form a light, thin, short and small functional module. The packaging technologies used include SMT, Flip Chip, Stack Die, Lens Attach, Fine Pitch Wire Bonding, Vacuum and Flex Molding, EMI Sputtering, etc. Such technologies come with radio frequency testing technology, fiber transceiver module testing technology, and biometric module testing technology. Compared with traditional packaging, the packaging of such module products has the following characteristics:

- A. Apply surface mount technology (SMT) to packaging
- B. A variety of different types of chip hybrid packaging
- C. Hybrid packaging wire bonding and flip chip
- D. High density layout of passive components and chips
- E. Customized packaging forms

As can be seen from the above technical characteristics, it is difficult to package different components in the same module. Different packaging processes are designed

for different types of modules, which cannot completely apply existing product design experience. In addition to the use of common equipment in the industry, it is necessary to establish a mature process and develop relevant fixtures, materials and parameters by itself. In order to achieve the high yield level of mass production, it is necessary to accumulate certain skill and experience. The technical threshold for entering module packaging products is relatively high, and the Company has many years of experience in the packaging module industry, the overall technical maturity has been quite high, and the related processes and products have been certified by internationally renowned consumer electronics manufacturers.

(2) Research and Development

The research and development direction of the Group is not only to continuously develop advanced manufacturing process for the current products, but also to strengthen its own ability in packaging and testing, and to develop toward diversified packaging and testing products. The future development direction is expected to be as follows:

| Product | Development direction |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SiP | <p>1. High-frequency wireless communication module products will be designed in the way of multi-mode and multi-frequency integration. The product size will be smaller and thinner, and the density of parts will be higher and higher. Therefore, the research and development of higher-level packaging technology will be carried out.</p> <p>(1) Double-sided Module Packaging Technology (2) Packaging Technology of Ultra-Small Ambient Light Sensor (3) Surface Mounting Technology for Ultra-small Spacing Parts (4) Selective Injection Molding Technology (5) 5G Module Packaging Technology</p> <p>2. Actively develop in the direction of diversification of packaging and testing products, and strengthen the research and development of customized module.</p> |
| Optical Transceiver Module | <p>High-end optical transceiver module products continue to develop towards multi-channel and high-speed. At present, 100G-CWDM4-2KM and 400G-BIDI-PAM4 products are under development. Relevant optical module packaging technologies will continue to be developed:</p> <p>(1) High Precision Optical Parallel Packaging Technology (2) Multi-chip COB heat dissipation package (3) Better Anti-EMI Packaging Technology (4) Amplitude Modulation Technology of Optical Transceiver Module (5) More sophisticated Wavelength Division Multiplexing Technology</p> |
| Thick Film Hybrid Integrated Circuit Module | <p>Import Rigid PCB circuit packaging applications based on embedded passive components to reduce product costs.</p> |

<2> R&D expenditure incurred in recent years and up to the date of publication of annual reports

Unit: NT\$1,000; %

| Year Items | 2016 | 2017 | 2018 | As of March 31, 2019 |
|-------------------------------|-----------|-----------|-----------|----------------------|
| R & D cost | 166,167 | 165,229 | 376,098 | 59,957 |
| Net operating income | 4,132,887 | 3,148,644 | 4,465,710 | 1,426,822 |
| R & D cost /Net revenue ratio | 4.02 | 5.25 | 8.42 | 4.20 |

<3> Technologies and products successfully developed

| Year | R & D results | Function and use |
|------|---------------------------------------------------------------------------------------|---------------------------------------------------|
| 2010 | High Precision Optoelectronics Module Packaging and Testing Technology | Optical Transceiver Module |
| | QFN Packaging Technology | High Frequency Wireless Communication Module |
| 2011 | Assembly Technology of CPV Modules | Concentrating Solar Photoelectric System Products |
| | Wireless Module Electromagnetic Mask Packaging Technology | Wireless Module |
| | Solder Paste Assembly Technology with High Heat Dissipation and Air-Free Cave | High Frequency Wireless Communication Module |
| | Packaging of Radio Frequency Encrypted SIM Card | SIM Card Module |
| | Hybrid Packaging Technology of Wire Bonding and Flip Chip | High Frequency Wireless Communication Module |
| | Packaging Technology of MEMS Filter | High Frequency Wireless Communication Module |
| 2012 | Optical Transceiver Module Assembly Technology for Silicon-based Platform (SiOB) | Optical Transceiver Module |
| | Technology of Low Noise Amplifier Circuit | Thick Film Hybrid Integrated Circuit Module |
| | Packaging Technology of Built-in Components and Chip Circuit Board | High Frequency Wireless Communication Module |
| | Packaging Technology of Nickel-Palladium-Gold Coating Substrate | High Frequency Wireless Communication Module |
| | Development and Import of Copper Wire Packaging Technology | High Frequency Wireless Communication Module |
| 2013 | Packaging Technology of Single Ceramic Module | High Frequency Wireless Communication Module |
| | Active Fiber Transceiver Module Assembly Technology | Optical Transceiver Module |
| | Assembly Technology of Optical Transceiver Module for Bonding Hard and Soft Substrate | Optical Transceiver Module |
| | Packaging Technology of Wafer-level Packaging Filter | High Frequency Wireless Communication Module |

| Year | R & D results | Function and use |
|------|----------------------------------------------------------------------------------------------------------|----------------------------------------------|
| | Packaging Technology of Ultra-thin SIM Card | SIM Card Module |
| | Ultra-thin QFN Packaging | High Frequency Wireless Communication Module |
| | Packaging Technology Based on Direct Copper-plated Ceramic Substrate | Thick Film Hybrid Integrated Circuit Module |
| 2014 | Cover Packaging Technology of GPS Low Noise Amplifier | High Frequency Wireless Communication Module |
| | MEMS Sensor Packaging Technology | Sensor |
| | Cutting Technology of Wafer-level Packaging Filter | High Frequency Wireless Communication Module |
| | Packaging Technology of High Thermal Conductivity Metal Heat Dissipating Module | Thick Film Hybrid Integrated Circuit Module |
| 2015 | SecondMold Packaging Technology for Environmental Light Source Inductor | Sensor |
| | Compression Mold Packaging Technology for MEMS | Sensor |
| | Low Cost Testing Technology for MEMS | Sensor |
| | Single Chip Fingerprint Packaging Technology | Fingerprint Recognition Module |
| | High Thermal Conductivity Metal Substrate and Module | Thick Film Hybrid Integrated Circuit Module |
| | Pass-through Structure and Method of Ceramic Circuit Board | Thick Film Hybrid Integrated Circuit Module |
| 2016 | Development of Laser Ranging Inductor | Optical Sensing |
| | Single Hardening Coating Technology | Fingerprint Recognition Module |
| 2017 | Development of Conductive Film RF Module | High Frequency Wireless Communication Module |
| | Development of RF Module for Copper Wire | High Frequency Wireless Communication Module |
| | Development of Built-in Chip Module | High Frequency Wireless Communication Module |
| 2018 | Development of ALS Cover Sensor | Sensor |
| | Packaging and Testing Technology of Single-fiber Bidirectional PAM4 Modulated Optical Transceiver Module | Optical Transceiver Module |
| | Fiber Array Device High Precision Packaging Technology of CWDM4 Optical Transceiver Module | Optical Transceiver Module |
| | Chip Array High Precision Passive Alignment of Optical Transceiver Module Packaging Technology | Optical Transceiver Module |
| | High Precision Laser De-panel Technology of CWDM4 Optical Transceiver Module | Optical Transceiver Module |
| | 3D Sensing Front-end Module | Face-ID Module |

<4> Long-term and short-term business development plan

(1) Short-term plan

With many years of intensive work in the field of packaging, and with excellent experience, equipment, technology and competitive production costs, the Group has maintained a good cooperative relationship with the world's leading RF module designers and optical design factories, leading its competitors in both existing products and new products in priority. As a result, 5G PA module and 400G high-speed optical transceiver module have been developed and cooperated with customers in recent popular 5G market and big data market. The Group will continue to maintain its competitive edge, continue to refine advanced packaging technology to provide customers with better service, and thereby expand product areas and customer Groups, and strive for more types of module orders.

(2) Long-term plan

The Group's main advantages lie in its rich experience in module manufacturing and its technical advantages in high density packaging, ceramics and heat dissipation. In the future, the Group will continue to build its existing technological advantages and extend its industrial chain and product complexity. In the future, the Group will study Bump wafer manufacturing, new type of Double Side Molding Ball Grid Array, and application of optical sensor, MEMS sensors, high-speed optical transceiver module, automotive electronics and 3D sensing front-end module, etc.

ii. Overview of Market and Production and Marketing

1. Analysis of Market

<1> Sales (Provision) Areas of Major Commodities (Services)

Unit: NT\$ 1,000; %

| Year Area | 2017 | | 2018 | |
|--------------|-----------|--------|-----------|--------|
| | Amount | % | Amount | % |
| Asia | 2,890,567 | 91.8 | 3,853,586 | 86.30 |
| Africa | 258,077 | 8.2 | 612,124 | 13.70 |
| Total amount | 3,148,644 | 100.00 | 4,465,710 | 100.00 |

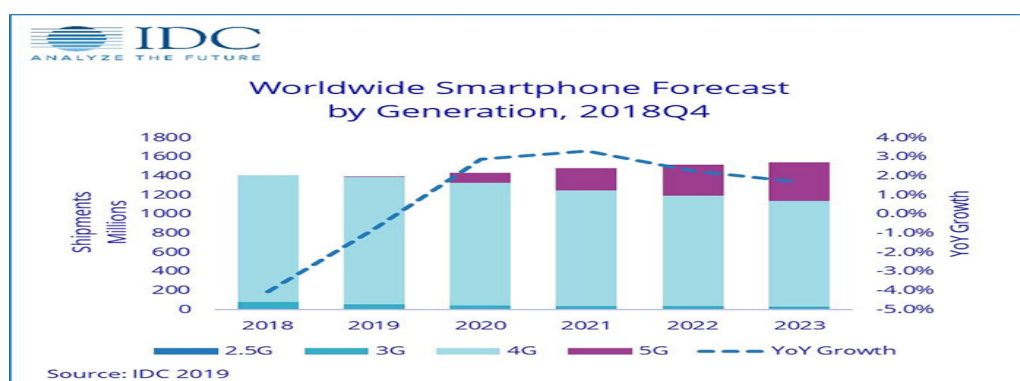
<2> Market Share

At present, our main products are SiP module and high-speed optical fiber transceiver module packaging and testing. The SiP module is mainly composed of RFPA, ASM and other filter circuits. It belongs to the semiconductor downstream packaging and testing industry. The Group has been operating in this industry for more than 10 years, with rich experience in manufacturing and research and development, including optical fiber transceiver module, the Group's featured products are featured with 100G+ single-mode/multi-mode model, belongs to the high-precision industry with rich experience, high-end manufacturing capacity and flexible capacity deployment. Our long-term customers are the world's leading RF module designer and optical communicator.

They are among the leading market players in this field and account for a large share of the market.

<3> Market Unexpected Supply and Demand and Growth

In addition, IDC predicts that the smartphone market in 2019 will face the challenge of three consecutive years of declining sales. However, the smartphone market will recover in the second half of 2019. Moreover, in the long run, the arrival of 5G technology will enable the mobile phone market to meet a new wave of replacement and drive the growth of the overall market. In 2023, the sales volume of smart phones will return to the level of 1.54 billion sets. Among them, about one out of every four smart phones shipped in the world is 5G, which is estimated to reach 401.3 million in the year.



According to DRAmEXchange, the global server market will continue to grow in 2019. But under the pressure of global environmental uncertainty, server shipments slowed down to 3.9% this year compared with 2018. However, with the development of 5G industry, the demand for servers from telecommunications industry and network service providers will gradually increase. Server shipments are expected to peak in 2020.

<4> Competition Niche

The Group's revenue mainly comes from the packaging and testing of SiP products and the assembly and testing of high-speed fiber transceiver modules. The SiP product industry is characterized by rapid technological innovation and concentrated product forms. Especially in recent years, the life cycle of consumer electronic products has been continuously shortened. Due to the development of 5G technology, the market demand of optical communication market is also increasing year by year. The innovative technology research and development ability can help customers launch new products as soon as possible, maintain the high yield of the module, and successfully obtain market opportunities, which is the key to winning orders in this industry.

(1) With years of packaging experience, flexible grasp of market demand

Our Group has been engaged in module packaging and testing and high-speed optical fiber transceiver module packaging and testing for many years. We have an in-depth understanding of the characteristics of the industry and are able to fully meet the requirements of customers with flexible capacity deployment. In recent years, with the

rapid growth of data transmission, the expansion of mobile bandwidth and the rapid change of smart mobile phones and optical communication market, the Group can accurately grasp the market fluctuations and has the ability to develop in line with the latest technology, so it has fully grasped its competitive advantages and can meet the requirements of customers in terms of quality and cost.

- (2) Continue to develop advanced manufacturing processes to help customers to seize market opportunities

The Group continues to develop advanced packaging processes in module packaging, from existing SMT, Die Mount, Wire Bond, and various packaging processes, including planar matrix packaging (LGA), to Flip Chip, Micro Electro Mechanical Device (MEMS), Ambient Light Sensor and Proximity Sensor (ALS, PS) and other advanced packaging processes. With the improving and integrating the function of circuit modules, the size of modules can be reduced continuously, meeting the needs of customers, helping customers to seize market opportunities as soon as possible, and achieving great results.

- (3) Keep abreast of market trends and expand achievements in different fields

In response to the rapid rise of the Internet of Things and big data, the Group has spared no effort to build R&D and manufacturing capabilities in sensors and high-speed optical transceiver modules, and has achieved considerable scale and customer recognition. In terms of biometric technology, besides the ability of fingerprint recognition module, the ability of Face-ID module has also been certified by customers. At present, the Group has entered the stage of mass production of Face-ID module. At the same time, the Group has continued to improve and upgrade related technologies and expand the market of terminal application products.

<5> Favorable and Unfavorable Factors for The Future Development and Countermeasures.

- (1) Favorable factor

A. Maintaining high barriers to access to advanced packaging technology and capital

The Group's key technology is the integrated packaging and testing technology of the system module, which has a high degree of barriers to entry. The Group has studied in depth for many years and has rich experience in packaging technology, such as high precision surface mounting, Flip Chip mounting technology, multi-Stack Die and other leading industry equipment and technology, which can meet the current design needs of SiP, and continue to actively move towards "light, thin, short, and small" advanced packaging technology research to meet the current trend of consumer electronics production.

Advanced semiconductor packaging technology is highly technology-intensive, and its manufacturing technology and product yield determine the cost of production. Our Group has high yield, stable quality and experienced R&D and production

personnel. We regularly and at any time observe and adjust the packaging process and related machine programs to maintain a high yield and reduce production costs. In addition, large-scale production will reduce the unit cost of R&D, procurement and expense.

Advanced packaging testing technology is becoming more and more important to packaging industry, and the amount of capital investment is also increasing, which makes the characteristics of capital-intensive packaging industry more and more obvious. Our Group has advanced packaging and testing technology and equipment, and the quality and technology have won the recognition of international large companies, which makes it difficult for other new entrants to enter.

B. Product diversification

The Group is a professional semiconductor packaging and testing Company, mainly engaged in the assembly, testing and sales of SiP, high-speed fiber transceiver modules and other types of integrated circuit modules. Besides the high frequency wireless communication module and high speed optical fiber transceiver module, there are also wireless module, low noise amplifier, micro electromechanical system, face recognition module, automotive electronics, sensing elements and thick film hybrid integrated circuit module. Products are widely used in many fields, such as consumer electronics, information and medical electronics, which can reduce the operational risks brought by the economic downturn of a single industry.

C. Maintain long-term stable cooperative relationship with customers

The Group's products are designed and developed jointly by customers according to their demands for new products. Under the characteristics of short life cycle of terminal consumer electronic products, rapid change of products and ever-changing functions, it is necessary to shorten the speed of joint development of new products. The Group has been cooperating with major customers for a long time, and has established a good tacit understanding with customers. With the advantage of stable and excellent product quality, the Group has won the certification of many international large companies, and has successfully won the trust and recognition of customers.

(2) Unfavorable factors and countermeasures

A. Changes in Demand for Consumer Electronic Products

One of the Group's main sales products is high frequency wireless communication module and Face-ID module for consumer electronic products, and its products are used in mobile phones (smart phones), wireless network and other communication products. In terms of consumer electronic products, they are characterized by short life cycle, ever-changing functions and easy to be affected by the consumption habit of shopping during the Christmas and New Year. The peak shipping period is mostly

concentrated in the fourth quarter. As a result, demand for suppliers is anticipated in the third to fourth quarters, so revenue in the second half of the year is typically significantly higher than in the first half.

In recent years, the global shipment growth rate of smart phones has slowed down year by year. The developed markets have become saturated with the market demand for high-end smart phones, and the market shipments have turned to emerging markets, and the supplier target has turned to the demand for low-end smart phones in emerging markets. The terminal application market of the Group's main cooperative customers is high-end smart phones, and the Group's revenue is associated with its sales situation. Therefore, from the perspective of market demand, the industry of the Group is closely related to the market demand change of the downstream terminal application market.

.Countermeasures

The Group will keep an eye on the market demand at all times and work closely with end-brand manufacturers to grasp market opportunities, develop more innovative and advanced products, and launch new products in line with consumers' tastes and preferences earlier than competitors. At the same time, the Group will closely monitor the changes in government policies to reduce the adverse effects of policy changes, while actively maintaining the diversification of product layout so as to reduce the risk caused by the change of demand for consumer electronic products.

B. Relevant Risks in Market Competition

The Group mainly engages in the assembly, testing and sales of SiP, high-speed optical transceiver module and other types of integrated circuit module. It is a professional semiconductor packaging and testing Company. SiP products include high frequency wireless communication module and the wireless module and so on, main products are applied to the mobile phone of the Radio Frequency Power Amplifier (RFPA), domestic and foreign packaging factory, such as ASE's South Korea Plant, Amkor Technology's South Korea Plant, Jiangsu Changjiang Electronics Technology Co., Ltd., Tong Hsing Electronic Industries, Ltd. and LINGSEN PRECISION INDUSTRIES, LTD. all provide such module sealing and testing services. Our high-speed optical transceiver module is in competition with Fabrinet Co., Ltd. and PCL Technologies, Inc.. Therefore, in the fierce market competition, the Group not only focuses on diversification of products and diversification of operating risks, but also maintains the leading technology and quality of the process, and continuously obtains orders of new products from customers to reduce risks.

Countermeasures

(A) In order to diversify the operation mode and disperse the operation risk, our

Group has the capability of system-level packaging, cladding technology and other packaging technology, and provides customized service, develops and produces related module products according to customer needs, and provides one-stop customer service.

- (B) The Group has achieved heterogeneous integration through SiP in order to accelerate the integration of more functions in the module. Therefore, the Group will improve the difficulty of manufacturing process to increase and meet the order demand of customers, which has the advantages of economies of scale and improving the barriers for new manufacturers to enter. In the future, we will continue to deepen the cooperation with customers to consolidate the source of orders.
- (C) Our Group has many years of experience in the process of high-speed optical transceiver module. It can provide the next generation of 400G high-speed optical transceiver module technology services, as well as customized services, so that customer products can be quickly introduced into the terminal market.

C. The Risk of Rising Wage Costs in the Mainland

The Group's main production base is located in mainland China. In recent years, the continuous increase of labor wages and security in mainland China has led to the increase of labor costs year by year. In addition, the improvement of education level and income level in mainland China has led to the decrease of labor supply in mainland China under the change of social value, resulting in the gradual increase of recruitment cost and production cost of the Group.

Countermeasures

Facing with the rising wages of Chinese workers in the future, the Group will continue to improve production line planning, process management and the introduction of automated high-efficiency equipment, in order to further save manpower, improve output efficiency, increase yield, and then reduce production costs to cope with, and strengthen staff training to enhance work efficiency, in order to reduce the impact of labor costs on operation.

2. Important Uses and Production Process of Major Products

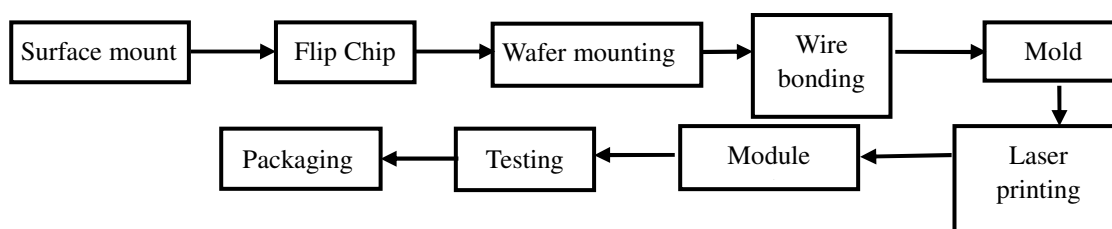
<1> Important Uses of Major Products

| Main properties | Main products | Important uses |
|---------------------------------------|----------------------------------------------|----------------------------|
| SiP Products | High Frequency Wireless Communication Module | Smart phones and tablets |
| | Low Noise Power Amplifier | Smart phones |
| High Speed Optical Transceiver Module | High Speed Fiber Transceiver Module | Servers and Supercomputers |
| Other Integral Circuit | Micro-electromechanical | Smart phones |

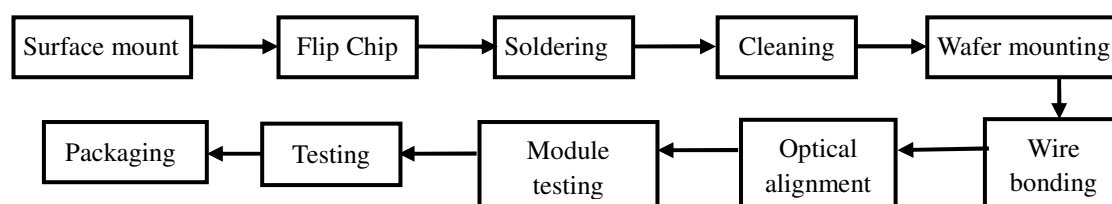
| Main properties | Main products | Important uses |
|-----------------|---------------------------------------------|----------------------------------------------------------|
| Modules | systems and sensing elements | |
| | Automotive electronics | Automotive electronics |
| | Thick Film Hybrid Integrated Circuit Module | Hearing aid products used in medical technology industry |
| | Face-ID Module | Smart phones |

<2> Major Product Production Process

(1) SiP product production process



(2) Production process of optical transceiver module



<3> Supply status of main raw materials

| Product name | Major supplier | Supply status |
|--------------------|---------------------------------------------------|---------------|
| Base board | AUDIX,KINSUS | Good |
| Electronic parts | Taiwan Murata, Avnet, WT Microelectronics | Good |
| Mechanism parts | O-Net, PPI, Enplas | Good |
| Precious metals | Heraeus | Good |
| Chemical material | Baixing, Shenzhen Long Shun Sheng Electronic Ltd. | Good |
| Packaging material | Advantek, LABELWIN, ETC. | Good |

<4> The name of the customer who has accounted for more than 10% of the total imported (sold) goods in any year of the last two years, the amount and proportion of the imported (sold) goods, and the reasons for their increase or decrease are explained.

(1) Major supplier information for the last two years

Unit: NT\$ 1,000; %

| # | 2017 | | | | 2018 | | | | As of first quarter of 2019 | | | |
|---|--------------|-----------|------------------------------------------------|------------------------|--------------|-----------|------------------------------------------------|------------------------|-----------------------------|---------|------------------------------------------------|------------------------|
| | Name | Amount | Percentage of net purchases for the whole year | Relations with issuers | Name | Amount | Percentage of net purchases for the whole year | Relations with issuers | Name | Amount | Percentage of net purchases for the whole year | Relations with issuers |
| 1 | AUDIX | 216,531 | 10.49 | None | Marubeni | 165,066 | 6.04 | None | PPI | 113,716 | 13.55 | None |
| 2 | KINSUS | 128,113 | 6.21 | None | SUBTRON | 149,551 | 5.47 | None | O-Net | 69,606 | 8.30 | None |
| | Others | 1,719,260 | 83.3 | | Others | 2,418,512 | 88.49 | | Others | 655,798 | 78.15 | |
| | Net purchase | 2,063,904 | 100.00 | | Net purchase | 2,733,129 | 100.00 | | Net purchase | 839,120 | 100.00 | |

Explanation of Reasons for Change in Increase or Decrease

The Group's changes in the purchase amount of the above suppliers are mainly due to the fluctuation of product mix and market demand, and the changes are reasonable.

(2) Major Sales Customer Information for the Last Two Years

Unit: NT\$ 1,000; %

| # | 2017 | | | | 2018 | | | | As of first quarter of 2019 | | | |
|---|------------------|-----------|--------------------------------------------|------------------------|------------------|-----------|--------------------------------------------|------------------------|-----------------------------|-----------|--------------------------------------------|------------------------|
| | Name | Amount | Percentage of net sales for the whole year | Relations with issuers | Name | Amount | Percentage of net sales for the whole year | Relations with issuers | Name | Amount | Percentage of net sales for the whole year | Relations with issuers |
| 1 | A | 890,603 | 28.29 | None | B | 1,588,389 | 35.57 | Note | D | 425,912 | 29.85 | None |
| 2 | B | 851,469 | 27.04 | Note | D | 547,916 | 12.27 | None | B | 412,017 | 28.88 | Note |
| 3 | C | 435,508 | 13.80 | None | A | 541,059 | 12.12 | None | E | 159,747 | 11.20 | Note |
| | Others | 972,038 | 30.87 | | Others | 1,788,346 | 40.04 | | Others | 429,146 | 30.07 | |
| | Net sales volume | 3,148,644 | 100.00 | | Net sales volume | 4,465,710 | 100.00 | | Net sales volume | 1,426,822 | 100.00 | |

Note: Customer B has the same ultimate parent company as our Company.

Explanation of Reasons for Change in Increase or Decrease

The change of our Group's sales customers is mainly due to the recession of terminal market and the increase or decrease of individual customers' business needs and performance. The changes are reasonable.

<5> Value of Production for the Last Two Years

Unit: NT\$ 1,000; 1,000 pieces

| Year | 2017 | | | 2018 | | |
|---------------------------------------|----------|---------|-----------|----------|---------|-----------|
| Production value | | | | | | |
| Main products | Capacity | Yield | Output | Capacity | Yield | Output |
| SiP Products | 375,672 | 291,333 | 1,272,237 | 344,083 | 145,098 | 866,032 |
| High-speed Optical Transceiver Module | 790 | 529 | 635,627 | 1,328 | 921 | 1,756,152 |

<6> Sales Volume Table for the Last Two Years

Unit: NT\$ 1,000; 1,000 pieces

| Year | 2017 | | | | 2018 | | | |
|---------------------------------------|----------------|-------|--------------|-----------|----------------|-------|--------------|-----------|
| Production value | Domestic sales | | Export sales | | Domestic sales | | Export sales | |
| Main products | Quantity | Value | Quantity | Value | Quantity | Value | Quantity | Value |
| SiP Products | 88 | 710 | 310,091 | 1,593,588 | - | - | 285,699 | 1,004,619 |
| High-speed Optical Transceiver Module | 3 | 90 | 550 | 834,988 | - | - | 1,616 | 2,123,410 |

Note: Export sales refers to sales outside Taiwan.

iii. Employees' Employment Data in the Last Two Years and up to the Print Date of Annual Report

Unit: Person

| Year | | 2017 | 2018 | As of April 30, 2019 |
|-----------------------------------------------|--------------------------|--------|--------|----------------------|
| Number of employees | Management | 34 | 43 | 43 |
| | General staff | 659 | 837 | 774 |
| | Operating Personnel | 1,024 | 1,479 | 1,873 |
| | In total | 1,717 | 2,359 | 2,690 |
| Average age | | 24.45 | 28.06 | 27.66 |
| Average seniority | | 2.8 | 2.37 | 2.13 |
| Ratio of academic qualifications distribution | PhD | 0.12% | 0.08% | 0.07% |
| | Master | 0.93% | 0.85% | 0.71% |
| | Junior College | 30.98% | 31.50% | 26.73% |
| | Senior high school | 63.25% | 62.10% | 67.21% |
| | Below senior high school | 4.72% | 5.47% | 5.28% |

iv. Environmental Protection Expenditure Information

1. Total Amount of costs (including compensation) and penalties due to environmental pollution in recent years and up to the publication date of the annual report, together with future countermeasures (including improvement measures) and possible expenditures (including the estimated amount of loss, punishment and compensation that may occur in the absence of

countermeasures. If it cannot be reasonably estimated, it shall state the fact that it cannot be reasonably estimated.)

As of the publication date of the annual report, no costs or penalties caused by environmental pollution has occurred in the latest year of the Group.

v. Labor-Management Relations

1. List the Company's employee welfare measures, further education, training, retirement system and its implementation, as well as the agreement between labor and management and various employee rights and interests safeguard measures.

<1> Employees' welfare measures

In addition to providing employees with relevant insurances in accordance with local government regulations, our Group provides regular salary promotion opportunities every year to reward employees with excellent performance, and provides annual bonuses, performance bonuses, retention bonuses and production incentive bonuses, etc., based on the Company's operating performance and individual work performance. Employees can enjoy statutory holidays, marriage leave, maternity leave, annual leave and other holidays. Other welfare measures include wedding, funeral, birthday gift money, proposal to improve special bonus, free annual health check, regular organization of all kinds of entertainment contests, evening party or garden party and other activities and the allocation of music room, game room, basketball court, (electronic) reading room, gym, leisure area and other staff cultural and health welfare activities.

<2> Further education and training

The Group has always been adhering to the "people-oriented" development ideas, to provide staff with a good learning environment and scientific and reasonable career development planning, in order to improve the overall quality of staff and work skills. The Group's educational training can be divided into:

(1) Pre-job training

Every new employee must attend the pre-job training and professional training. The complete new employees growth training plan provides the new employees with a quick way to get to know and integrate into the Company as soon as possible.

(2) Career planning

The Group has established seven well-regulated training systems, including competency development training, professional competency training, OJT training, subject training, quality management training, occupational safety/environmental protection/occupational health training, self-inspiration (such as foreign language training), and formulated annual training plans to train reserve management personnel and professional and technical personnel for the Group. The Group advocates lifelong learning and provides a resourceful online learning system that enables employees to

systematically use the entire Company's learning resources online, laying a solid foundation for future development. The Group advocates lifelong learning and provides a resourceful online learning system that enables employees to systematically use the entire Company's learning resources online, laying a solid foundation for future development.

(3) Overseas training

Senior employees with good performance have the opportunity to receive training in Taiwan or other countries and regions.

(4) Academic education

In order to encourage employees to continue to serve the Company, the Company provides educational and training programs, establishes incentive system, and implements the policy of rewarding tuition fees for on-the-job academic education, so as to stimulate employees' potential, expand their career development channels, train technical and managerial reserve cadres at all levels of the Company, and foster the competitiveness of the enterprise by advantageous human resources.

<3> Retirement system and its implementation

The Taiwan Branch of the Company has established a retirement-related system in accordance with the Labor Standards Act. The retirement payment is made by the Company as a retirement payment per cent of its monthly salary, which is deposited in the retirement personal account of the workers.

The Chinese subsidiary of the Company has made monthly contributions to the local social security bureau for the employees' social insurance. Upon reaching the age of statutory retirement, the employees can apply for the retirement fund from the social security bureau. All the in-service and retired employees' retirement support funds are arranged by the local government.

<4> The agreement between labor and management and the protection measures of employee's rights

The Group has always attached great importance to employee rights. In order to strengthen the relationship between employer and employee and enhance employee's coherence, new employee's Need and Care Cards are issued when employees serve in the office, various seminars are held regularly, employee opinion survey is conducted, and appeal and handling channels such as senior supervisor mailbox, trade unions, party mailboxes and Employee Care Centers, Labor Dispute Mediation Committee and Catering Committee are set up, and these channels and information are disseminated to all staff at any time. Employees can reflect their opinions and suggestions through diversified channels at any time. Up to now, the channels of communication between the Company and employees are smooth and well-implemented

In accordance with the laws and regulations of Labor Safety And Health Act, the Group carries out the work of health and safety management, sets up special organizations and personnel to carry out environmental safety and health management, and sets up the Labor Protection Supervision Committee to conduct regular inspections to ensure the safety of employees, environment and equipment. The Group also pays attention to the coordination of physical and mental health of employees. In addition to arranging regular physical examination for in-service employees, the Group also provides occupational health examination for specific employees to strengthen prevention. The Group has restaurants, lounges and various sports venues for employees to use, and provides psychological counseling services to help employees to relieve stress and improve emotional management.

The relevant provisions of the Agreement on Labor and Management are governed by the Internal Control System and Management Regulations in accordance with the law. The responsibilities and powers of employees at all levels in various departments have been clearly regulated, and the working rules have been specified in the Employee Manual issued to employees in order to safeguard their rights.

2. Please clarify the losses incurred as a result of labour disputes in recent years and up to the date of publication of the annual report, and disclose the estimated amount and response measures that may occur at present and in the near future. If the estimates are not available, the fact that the estimates are not available should be clarified.

The Group attaches great importance to labor-management relations and there has been no loss due to labor disputes in the most recent year and as of the date of publication of the annual report.

vi. Important Contracts

| No. | Contract Property | Persons Concerned | Date of Commencement and Termination of Contract | Main Contents | Restriction Terms |
|-----|-----------------------|-------------------------------------------------|--------------------------------------------------|------------------------------------------------------------|-------------------|
| 1 | Lease contract | Zhongshan Honghui Property Management Co., Ltd. | 2019/4/13~2020/4/12 | Staff dormitory of ShunSin Zhongshan | None |
| 2 | Lease contract | Zhongshan Honghui Property Management Co., Ltd. | 2019/3/15~2020/3/14 | Staff dormitory of ShunSin Zhongshan | None |
| 3 | Lease contract | Century Technology Co., Ltd. | 2019/2/1~2020/1/31 | Factory of ShunSin Zhongshan Shenzhen Branch | None |
| 4 | Lease contract | Honfujin Precision Industry (Shenzhen) | 2019/2/1~2020/1/31 | Administrative office of ShunSin Zhongshan Shenzhen Branch | None |
| 5 | Construction contract | Zhongding International Construction Co., Ltd. | 2018/1/15~the date of construction completion | Main Works of Phase III Plant | None |

| No. | Contract Property | Persons Concerned | Date of Commencement and Termination of Contract | Main Contents | Restriction Terms |
|-----|-------------------|-------------------|--------------------------------------------------|---------------|-------------------|
| 6 | Sales contract | Customer C | 2010/5/1~2020/5/1 | Sales terms | None |
| 7 | Sales contract | Customer F | 2017/1/29~2020/1/29 | Sales terms | None |
| 8 | Sales contract | Customer G | 2018/12/24~2023/12/24 | Sales terms | None |
| 9 | Sales contract | Customer H | 2018/6/1~2023/5/31 | Sales terms | None |

VI. Financial Overview

i. Condensed Balance Sheet and Consolidated Income Statement over the Last Five Years

1. Condensed Balance Sheet and Consolidated Income Statement

(1). Condensed Balance Sheet

Unit: NT\$ 1,000

| Year | | Financial Information over the Last Five Years | | | | | March 31, 2019 |
|-----------------------------------------------|-----------------------------|------------------------------------------------|-----------|-----------|-----------|-----------------|-----------------|
| | | 2014 | 2015 | 2016 | 2017 | 2018 | |
| Items | | | | | | | |
| Current assets | | 5,180,007 | 5,999,523 | 7,215,440 | 7,750,373 | 7,830,009 | 7,016,762 |
| Property, plant and equipment | | 1,273,179 | 1,330,061 | 816,592 | 811,869 | 2,487,643 | 2,482,908 |
| Intangible assets | | 7,195 | 6,139 | 6,690 | 5,245 | 6,404 | 5,427 |
| Other assets | | 162,287 | 345,996 | 256,830 | 218,445 | 411,971 | 990,526 |
| Total assets | | 6,622,668 | 7,681,719 | 8,295,552 | 8,785,932 | 10,736,027 | 10,495,623 |
| Current liabilities | Before distribution | 2,246,410 | 1,419,288 | 2,191,110 | 3,210,944 | 3,239,037 | 2,988,673 |
| | After distribution (Note 1) | 1,455,559 | 786,607 | 1,621,697 | 3,111,824 | Not distributed | Not distributed |
| Non-current liabilities | | 57,091 | 94,300 | 147,045 | 157,985 | 1,850,897 | 1,869,517 |
| Total liabilities | Before distribution | 2,303,501 | 1,513,588 | 2,338,155 | 3,368,929 | 5,089,934 | 4,858,190 |
| | After distribution (Note 1) | 3,094,352 | 880,907 | 1,768,742 | 3,269,809 | Not distributed | Not distributed |
| Total equity attributable to owners of parent | | | | | | | |
| Common stock | | 909,468 | 1,054,468 | 1,054,468 | 1,054,468 | 1,054,468 | 1,054,468 |
| Capital reserves | | 1,011,750 | 2,455,727 | 2,455,727 | 2,478,162 | 2,632,394 | 2,640,987 |
| Retained earnings | Before distribution | 1,492,467 | 1,802,508 | 2,131,000 | 1,672,431 | 1,925,629 | 1,975,669 |
| | After distribution (Note 1) | 701,616 | 1,169,827 | 1,561,587 | 1,573,311 | Not distributed | Not distributed |
| Other equity | | 905,482 | 855,428 | 316,202 | 181,808 | 4,093 | 184,454 |
| Treasury stock | | - | - | - | - | - | (243,432) |
| Non-controlling interests | | - | - | - | 30,134 | 29,509 | 25,287 |
| Total equity | Before distribution | 4,319,167 | 6,168,131 | 5,957,397 | 5,417,003 | 5,646,093 | 5,637,433 |
| | After distribution (Note 1) | 3,528,316 | 5,535,450 | 5,387,984 | 5,317,883 | Not distributed | Not distributed |

Source: The financial reports which have been checked by the accountants are compiled according to the International Financial Reporting Standards (IFRS).

Note 1: As of the date of publication of the annual report, the profit distribution plan for 2018 has not been submitted to the shareholders' meeting for recognition, so the amount after the distribution is not shown.

(2). Consolidated Income Statement

Unit: NT\$1,000

| Items | Year | Financial Information over the Last Five Years | | | | | The year ended March 31, 2019 |
|----------------------------------------------------------------|------|------------------------------------------------|-----------|-----------|-----------|-----------|----------------------------------|
| | | 2014 | 2015 | 2016 | 2017 | 2018 | |
| Operating revenue | | 5,376,274 | 5,912,035 | 4,132,887 | 3,148,644 | 4,465,710 | 1,426,822 |
| Gross profit from operations | | 1,392,126 | 1,424,480 | 1,146,331 | 602,193 | 841,401 | 198,311 |
| Net operating profits | | 905,601 | 1,010,526 | 728,655 | 242,685 | 136,907 | 48,339 |
| Non-operating income and expenses | | 36,608 | 307,157 | 409,988 | (169,730) | 201,509 | 13,064 |
| Profit (loss) from continuing operations before tax | | 942,209 | 1,317,683 | 1,138,643 | 72,955 | 338,416 | 61,403 |
| Profit of the continuing business unit in | | 923,836 | 1,100,892 | 961,173 | 107,540 | 290,618 | 45,156 |
| Losses of discontinued unit | | - | - | - | - | - | - |
| Profit | | 923,836 | 1,100,892 | 961,173 | 107,540 | 290,618 | 45,156 |
| Other comprehensive income, net | | 166,773 | (50,054) | (539,226) | (134,156) | (174,129) | 181,023 |
| Total comprehensive income (loss) | | 1,090,609 | 1,050,838 | 421,947 | (26,616) | 116,489 | 226,179 |
| Profit, attributable to Owners of parent | | 923,836 | 1,100,892 | 961,173 | 110,844 | 298,247 | 50,040 |
| Profit, attributable to Non-controlling interests | | - | - | - | (3,304) | (7,629) | (4,884) |
| Comprehensive income attributable to Owners of parent | | 1,090,609 | 1,050,838 | 421,947 | (23,550) | 120,532 | 230,401 |
| Comprehensive income attributable to Non-controlling interests | | - | - | - | (3,066) | (4,043) | (4,222) |
| Basic earnings per share | | 10.23 | 10.56 | 9.12 | 1.05 | 2.83 | 0.48 |

Source: The financial reports which have been checked by the accountants are complied according to the International Financial Reporting Standards (IFRSs).

1. Name of CPA and Audit Opinions for the Last Five Years:

| Years | CPA | Name of CPA Firm | Audit Opinion |
|-------|-------------------------------|------------------|---------------|
| 2013 | Kuan, Chun-Hsiu, Yu, Chi-Lung | KPMG | Clean opinion |
| 2014 | Kuan, Chun-Hsiu, Yu, Chi-Lung | KPMG | Clean opinion |
| 2015 | Kuan, Chun-Hsiu, Yu, Chi-Lung | KPMG | Clean opinion |
| 2016 | Kuan, Chun-Hsiu, Yu, Chi-Lung | KPMG | Clean opinion |
| 2017 | Kuan, Chun-Hsiu, Yu, Chi-Lung | KPMG | Clean opinion |
| 2018 | Kuan, Chun-Hsiu, , | KPMG | Clean opinion |

| | | | |
|--|--------------|--|--|
| | Chao, Min-Ju | | |
|--|--------------|--|--|

ii. Financial Analysis over the Last Five Years

1. Financial Analysis Statement

| analysis Items | | Financial Analysis over the Last Five Years | | | | | The year ended March 31, 2019 |
|-------------------------|--------------------------------------------------------|---------------------------------------------|--------|--------|--------|--------|----------------------------------|
| | | 2014 | 2015 | 2016 | 2017 | 2018 | |
| Financial structure (%) | Debts ratio | 34.78 | 19.70 | 28.19 | 38.34 | 47.41 | 46.28 |
| | Long-term Funds to Property, plant and equipment Ratio | 343.73 | 470.84 | 747.55 | 686.68 | 301.36 | 302.34 |
| Debt paying ability % | Current ratio | 230.59 | 422.71 | 329.31 | 241.37 | 241.73 | 234.77 |
| | Quick ratio | 199.18 | 382.87 | 311.97 | 218.03 | 218.79 | 211.80 |
| | Interest guarantee (times) | 285.83 | 484.02 | 144.32 | 6.64 | 9.74 | 6.47 |
| Operation Capacity | Average collection turnover(times) | 9.31 | 8.25 | 7.04 | 5.51 | 4.67 | 7.09 |
| | Average collection days | 40 | 45 | 52 | 67 | 79 | 52 |
| | Average inventory turnover (times) | 10.26 | 9.78 | 8.15 | 5.54 | 6.69 | 11.18 |
| | Average payable turnover(times) | 7.81 | 7.66 | 7.91 | 6.44 | 6.66 | 9.82 |
| | Average inventory turnover days | 36 | 38 | 45 | 66 | 55 | 33 |
| | Average property, plant and equipment turnover (times) | 4.80 | 4.54 | 3.85 | 3.86 | 2.70 | 3.39 |
| | Total asset turnover Ratio(times) | 0.93 | 0.83 | 0.52 | 0.36 | 0.45 | 0.57 |
| Profitability | Return on assets (%) | 16.02 | 15.42 | 12.11 | 1.38 | 3.30 | 2.16 |
| | Return on equity (%) | 24.50 | 20.99 | 15.85 | 1.89 | 5.25 | 3.20 |
| | Profit before tax to (%) (Note 2) | 103.60 | 124.96 | 107.98 | 6.91 | 32.09 | 23.29 |
| | Profit rate (%) | 17.18 | 18.62 | 23.26 | 3.41 | 6.50 | 3.16 |
| | Basic earnings per share | 10.23 | 10.56 | 9.12 | 1.05 | 2.83 | 0.48 |
| Cash flow | Cash flow ratio (%) | 35.68 | 115.32 | 59.97 | 5.07 | (4.62) | 15.54 |
| | Cash Flow Adequacy Ratio(%) | 70.51 | 78.94 | 86.39 | 60.93 | 60.19 | 66.02 |
| | Cash flow reinvestment ratio(%) | 7.24 | 9.69 | 8.24 | 9.34 | (2.53) | 6.12 |
| Leverage | Operating Leverage | 1.51 | 1.57 | 1.65 | 2.42 | 4.24 | 2.72 |
| | Financial leverage | 1.00 | 1.00 | 1.01 | 1.05 | 1.39 | 1.30 |

Please explain the reasons for the recent changes in the financial ratios in the past two years (if the change is less than 20%, it can be exempted from analysis):

1. Debts Ratio has increased: mainly due to the issue of convertible corporate bonds this year.

2. Long-term Funds to Property, plant and equipment Ratio has declined: mainly due to customer demand and the

| analysis Items | Year | Financial Analysis over the Last Five Years | | | | | The year ended March 31, 2019 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|---------------------------------------------|------|------|------|------|----------------------------------|
| | | 2014 | 2015 | 2016 | 2017 | 2018 | |
| <p>purchase of equipment for the new products in this year.</p> <p>3.Interest guarantee has increased: mainly due to the profit after tax grow higher than the interest expense caused by the borrowing and issuing convertible bonds for capital turnover in this year.</p> <p>4.Average inventory turnover increases: the main reason is that the revenue of this year increases compared with the year before, so the cost goes up accordingly.</p> <p>5.Average property, plant and equipment Turnover(times) decreased: the main due to the purchase of equipment for the new products and customers' demand.</p> <p>6.Total asset turnover increases: it is mainly caused by the increase of the annual revenue compared with the previous year.</p> <p>7.Increase in the rate of return on assets: it is mainly caused by the increase in the profit after tax of this year compared with the previous year.</p> <p>8.Increase in the rate of return on equity: it is mainly caused by the increase of profit after tax in this year compared with the previous year.</p> <p>9.Increased Profit before tax to capital: it is mainly caused by the increase of profit before tax in this year compared with the previous year.</p> <p>10.Profit rate rises: mainly due to the increase of profit after tax in this year compared with the previous year.</p> <p>11.Increase in Basic earnings per share: mainly due to the increase in after-tax profit in the current year compared with the previous year.</p> <p>12.Dcline in cash flow ratio: The net cash outflows from the operating activities mainly due to the increasing revenues of current year and adjustment of production policies caused by the change of product sales portfolio.</p> <p>13.The cash reinvestment rate declines;This is mainly due to the change of product projects and sales , purchasing fixed assets and the adjustment of production policies in this year.</p> <p>14.The increase of operating leverage: the main reason is that although the revenue increased this year, the operating expenses increased due to the expansion of manpower, so the operating profit decreased, so the ratio increased.</p> <p>15. The increase of financial leverage is mainly caused by the decrease of operating interests due to the increase of operating expenses and the increase of interest expenses due to short-term operating working capital and the issuance of convertible bonds.</p> | | | | | | | |

Source: The financial reports which have been checked by the accountants are compiled according to the International Financial Reporting Standards (IFRS).

Note: the calculation formula are as follows:

1. Financial structure

(1) Debt Ratio = total liabilities / total assets.

(2) Long-term Funds to Property, plant and equipment Ratio = (total equity + non-current liabilities) / net amount of real estate, facilities and equipment.

2. Debt-paying ability

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - payment in advance) / current liabilities.

(3) Interest guarantee (times) = income tax and pre-tax profit / interest expenses for current period.

3. Operating Ability

(1) Account Receivable turnover Ratio(Times) (including receivables and notes receivable arising from business) is equal to net sales / average receivables (including receivables and notes receivable arising from business).

(2) Average Accounts Receivable days = 365 / receivable turnover rate.

(3) Average Inventory turnover = cost of sale / average inventory.

(4) Average account Payable turnover Ratio (including accounts payable and notes payable arising from business) = sales cost / average balance of accounts payable for each period (including accounts payable and notes payable arising from business).

(5) Average inventory turnover = 365 / inventory turnover rate.

(6) Average property, plant and equipment Turnover Ratio = net sales volume / average net amount of real estate, facilities and equipment.

(7) Total asset turnover ratio = net sales volume / average total assets.

4. Profitability

- (1)Return on assets = [after-tax profit and loss + interest expense * (1-tax rate)] / average total assets.
- (2)Return on equity = after-tax profit/loss/total average equity.
- (3)Profit ratio = after-tax profit/loss/net sales.
- (4)Basic earnings per share = (profits and losses attributable to the owner of the parent Company)/ weighted average number of issued shares.

5. Cash Flow

- (1)Cash flow ratio = net cash flow of business activities / current liabilities.
- (2)Net Cash Flow Adequacy=Net Cash Flow of Business Activities in the Last Five Years/Last Five Years (Capital Expenditure + Inventory Increase + Cash Dividend).
- (3)Cash reinvestment ratio=(net cash flow of business activities - cash dividend) /(gross amount of real estate, facilities and equipment+long-term investment+other non-current assets+operating funds).

6.Leverage:

- (1)Operating Leverage= (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Benefits
- (2)Financial Leverage = Operating Interest/ (Operating Interest - Interest Cost).

iii. Audit Committee's review report of 2018

The Board of Directors has prepared the Company's Financial Statements and 2018 Business Report. Of which, the Financial Statements have been audited by KPMG Taiwan. The Financial Statements, 2018 Business Report and proposal for distribution of 2018 earnings have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please review.

ShunSin Technology Holdings Limited

Chairman of the The Audit Committee: Ting, Hung-Hsun

On the date of March 22, 2019

The Board of Directors has prepared the Company's proposal for distribution of 2018 earnings. The proposal for distribution of 2018 earnings have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please review.

ShunSin Technology Holdings Limited

Chairman of the The Audit Committee: Ting, Hung-Hsun

On the date of April 26, 2019

iv. Annual Financial Statements of the Recent Years: Please refer to P124 to P195

v. Annual Individual Financial Statement audited by CPA of the Recent Years:
N/A.

vi. The impacts of financial difficulties on the Financial Situation happened to the Company and its affiliated companies in recent years and before the print date of Annual Report: None.

VII. Introspection and Analysis of Financial Situation and Financial Performance and Risk Management

i. Financial Situation

Unit: NT\$1,000

| Items | Year | 2017 | 2018 | Change in Increase (Decrease) | | |
|-----------------------------------------------------------------------------------------------------------------------------------------|------|-----------|------------|-------------------------------|----------------|-----------|
| | | | | Amount | Change Ratio % | Statement |
| Current assets | | 7,750,373 | 7,830,009 | 79,636 | 1.03% | |
| Property, plant and equipment | | 811,869 | 2,487,643 | 1,675,774 | 206.41% | 1 |
| Intangible assets | | 5,245 | 6,404 | 1,159 | 22.10% | |
| Other assets | | 218,445 | 411,971 | 193,526 | 88.59% | 2 |
| Total assets | | 8,785,932 | 10,736,027 | 1,950,095 | 22.20% | 1 |
| Current liabilities | | 3,210,944 | 3,239,037 | 28,093 | 0.87% | |
| Non-current liabilities | | 157,985 | 1,850,897 | 1,692,912 | 1071.57% | 3 |
| Total liabilities | | 3,368,929 | 5,089,934 | 1,721,005 | 51.08% | 3 |
| Common stock | | 1,054,468 | 1,054,468 | 0 | 0 | |
| Capital reserves | | 2,478,162 | 2,632,394 | 154,232 | 6.22% | |
| Retained earnings | | 1,373,841 | 1,615,955 | 242,114 | 17.62% | |
| Exchange differences on translation of foreign financial statements | | 181,808 | 4,093 | (177,715) | (97.75%) | 4 |
| Total equity | | 5,417,003 | 5,646,093 | 229,090 | 4.23% | |
| Major changes are specified as follows: (analysis is exempted if the change is less than 20% or the amount is less than NT\$10 million) | | | | | | |
| 1. Mainly due to the purchase of production equipment in 2018 in response to customer needs and new products. | | | | | | |
| 2. The main reason is the increase of deferred income tax assets due to the change of tax law in Mainland China in 2018. | | | | | | |
| 3. The main reason is the issue of convertible corporate bonds in 2018. | | | | | | |
| 4. The main reason is exchange rates of RMB to NT and US dollar to NT both show a downward trend lead to narrowed differences.. | | | | | | |

Source: The financial reports are audited and certified by Certified Public Accountants in accordance with the International Financial Reporting Standards (IFRSs).

ii. Financial Performance

1. Financial Performance Analysis Statement

Unit: NT\$ 1,000; %

| Items | Year | 2017 | 2018 | Change in Increase (Decrease) | | |
|------------------------------------|------|-----------|-----------|-------------------------------|----------------|-----------|
| | | | | Amount | Change Ratio % | Statement |
| Operating revenues | | 3,172,163 | 4,494,625 | 1,322,462 | 41.69% | 1 |
| Less: Sales Returns and Allowances | | 23,519 | 28,786 | 5,267 | 22.39% | 1 |
| Operating costs | | 2,546,451 | 3,624,309 | 1,077,858 | 42.33% | 1 |
| Gross profit from operations | | 602,193 | 841,401 | 239,208 | 39.72% | 1 |

| Year Items | 2017 | 2018 | Change in Increase (Decrease) | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|---------|-------------------------------|----------------|-----------|
| | | | Amount | Change Ratio % | Statement |
| Operating expenses | 359,508 | 704,494 | 344,986 | 95.96% | 2 |
| Net operating profit | 242,685 | 136,907 | (105,778) | (43.59%) | 2 |
| Non-operating income and expenses | (169,730) | 201,509 | 371,239 | 218.72% | 3 |
| Profit (loss) from continuing operations before tax | 72,955 | 338,416 | 265,461 | 363.87% | 1 |
| Deduct: Income Tax Expense | (34,585) | 47,798 | 82,383 | 238.20% | 5 |
| Profit | 107,540 | 290,618 | 183,078 | 170.24% | 4 |
| Major change items are specified as follows: (If the change is less than 20%, it can be exempted from analysis) 1. Mainly due to sales portfolio changes and customer demand, resulting in increased revenue related subjects. 2. Operating expenses rise due to the expansion of manpower in 2018 in response to rising customer demand and changing product sales. 3. The main reason is that the exchange loss caused by exchange rate fluctuation in 2017 is large. 4. Mainly due to the increase in revenue, gross profit, net operating profit and non-business income and expenditure.. 5. Mainly due to the better profit situation in 2018, resulting in higher income tax expenses. | | | | | |

2. Expected Sales Rate and Its Basis

The expected sales volume of the Company refers to the development situation of the industry of each major product, the sales situation of past products, the expected growth rate of products, the development of new customers and the business growth of existing customers, and takes into account the material situation of main raw materials, supplier capacity and delivery time, etc., to set the shipping target. Actual performance may vary significantly from expected sales volume due to a number of factors, including : (1) general economic, market and business conditions; (2) sales of final products using the Company's products; (3) the impact of the Company's product demand and price competition in the industry; (4) the Company may pursue other development opportunities.

3. Possible Impact on the Company's Future Financial Operations and Coping Plans

The Group keeps abreast of market trends and assesses the impact of market changes on the Group's operations as the demand for technology from end products continues to grow. In addition, most of our customers are major suppliers of leading industrial manufacturers, and we maintain close cooperation with them, so that the Group can grasp the market dynamics and obtain orders. In addition, the Company should pay attention to the changing situation of market demand at any time, continuously develop new products and expand market share, so as to improve the Company's profits. In the future, the Company's financial business should be in a sound and good state.

iii. Cash Flow

1. Analysis of Current Flow Change in Recent Years

Unit: NT\$ 1,000; %

| Items | Year 2017 | 2018 | Increase (decrease) in Amount | Increase (decrease) in Ratio (%) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------|----------------------------------|-------------------------------------|
| Cash Flow from Operating Activities | 163,059 | (149,737) | (312,796) | (191.83%) |
| Cash Flow from Investment Activities | (327,411) | (1,351,921) | (1,024,510) | (312.91%) |
| Cash Flow from Funding Activities | 458,984 | 558,989 | 100,005 | 21.79% |
| Analysis in change: 1. The decrease of cash inflows from business activities is mainly due to the increase of revenue in the current year and the change of sales mix, which results in the Company having to prepare materials in advance and the rise of related accounts receivable, inventory and other items, resulting in the net cash outflow of business activities in the current year. 2. The decrease in cash inflows from investment activities is mainly attributable to the increase in customer demand and the purchase of equipment for the production of new products in the current year. | | | | |

2. Improvement Plan of Liquidity Insufficiency and Analysis of Cash Flow in the Next Year (2019)

The cash inflow generated from the surplus cash and operation on the Group's account is sufficient to cover the daily operating turnover. In order to maintain good liquidity, part of the capital expenditure in 2019 will be funded by the organization of a joint loan, and there is no lack of liquidity. In the event of a large capital expenditure programme in the future, the Company will assess borrowing by financial institutions or funding from capital markets.

iv. Impacts of Material Capital Expenditure on Financial Business in Recent Years

The decrease in the turnover ratio of property, plant and equipment in the current period is mainly due to the substantial increase in the fixed asset account amount in the Company in 2018 due to the increase in customer demand and the purchase of equipment for new products. The increase rate is 206% compared with the same period of last year, which far exceeds the growth rate of revenue. All capital expenditure plans of the Company will take into account the current financial situation and the expected future income that can be brought back, so that the increase in capital expenditure will not adversely affect the financial business.

| Turnover rate | 2017 | 2018 |
|--------------------------------------|------|------|
| Property, plant and equipment (time) | 3.86 | 2.70 |
| Total asset turnover ratio (time) | 0.36 | 0.45 |

v. Joint Venture Policies in the Previous Year, Major Reasons for Profit or Loss, Improvement Plans and Investment Plan for the Upcoming Year

1. Reinvestment Policies of the Company

At present, the Company's reinvestment policy is to make long-term investments in the investment targets related to the Company's business, but not in other industries. The relevant executive departments follow the internal control system, such as "Investment Cycle" and "Procedures for Acquisition or Disposal of Assets". The above measures or procedures are discussed and adopted by the Board of Directors or shareholders' meeting.

2. Main Reasons for Recent Re-investment Gains or Losses

Unit: NT\$1,000

| Reinvestment Business | Shareholding ratio | Profit and Loss of Investment in 2018 | Main Causes of Profit or Loss and Improvement Plans |
|------------------------------------------------|--------------------------------------|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| ShunSin Hong Kong | Direct and indirect holdings of 100% | 353,103 | This is mainly due to the profits of ShunSinZhongshan recognized. |
| ShunSinZhongshan | Indirect holding of 100% | 360,908 | The main reason is that this year's operation is better than last year's. |
| ShunSin Technology (Samoa) Corporation Limited | 100% | 55,487 | The main reason is that the legal person is responsible for the purchase of overseas equipment and materials without any other operating expenses. |
| Talentek Microelectronics (He fei) Limited | Indirect holding of 55% | (9,325) | This is mainly due to the new establishment of the Company, which is still in the stage of preparation. |

3. Investment Plan for the Coming Year

The Group will invest in new system module products, such as automatic mounting machine, laser cutting machine, dispensing machine and vacuum injection moulding machine; SMT line, dispensing machine, vacuum injection moulding machine and horizontal continuous sputtering machine for SiP module (5G); wearable module mainly invests in automatic equipment such as testing machine, appearance inspection machine, shaft riveting press and film coating.

vi. Risk Matters in Recent Years and Up to the Date of Publication of Annual Report

1. The Impact of Interest Rate, Exchange Rate Change and Inflation on Corporate Profits and Losses and the Future Countermeasures

<1> Interest rate change

The Group has been continuously planning to expand its operating scale to strengthen its

competitiveness and maintain a good relationship with its Banks to facilitate access to low-cost fund in the future; In addition to using the capital market to raise funds in the future, the Group will observe the trend of interest rate and choose to borrow in the form of fixed interest rate or floating interest rate to avoid the risk of interest rate fluctuation. Interest costs for the Group in 2018 and 2017 were NT\$38,682 thousand and NT\$12,914 thousand respectively, accounting for 0.87% and 0.41% of the combined business respectively. Interest rate changes had no significant impact on the Group's operation.

<2> Exchange rate change

The main import and sales of the Group are denominated in US dollars, so the foreign currency positions of receivables and payables of import and sales can offset each other. However, as the receivables denominated in foreign currency are more than the payables, the natural hedge cannot be completely realized. In order to reduce the impact of exchange rate fluctuations on the profit and loss of the Group, the financial department will collect exchange rate data at any time, make trend judgment and risk assessment, keep close contact with the bank, and timely adjust foreign currency positions to avoid exchange risk.

The Group's net exchange benefits and (losses) in 2018 and 2017 are NT\$ 90,218 thousand and (263,446) thousand respectively, accounting for 2.02% and (8.37%) of its operating income in the current year. On December 31, 2018, when the new Taiwan dollar depreciates or appreciates by 0.25% against the us dollar and all other factors remain unchanged, the pretax profit will increase by NT\$ 7,440 thousand. Its impact on the Group's profits and losses should be limited.

<3> Inflation

The Group's past profits and losses have not yet been significantly affected by inflation. The Group will keep an eye on fluctuations in market prices and maintain good interaction with customers and suppliers. In case of higher purchase costs due to inflation, the Group will adjust its sales prices appropriately when necessary to minimize its impact on the Group's operations.

2. Main Reasons for Policies, Profits or Losses in High Risk and High Leverage Investment, Loan to Others, Endorsement and Guarantee and Derivative Commodity Transactions and Countermeasures

Based on the principle of prudence and pragmatic management, the Group does not engage in high-risk, high-leveraged investment and other transactions except focusing on the business of the Group.

The Group has stipulated "Procedures for Lending Funds to Others", "Procedures for Endorsements & Guarantees", "Procedures for Acquisition or Disposal of Assets" and "Procedures for Financial Derivatives Transactions". The Group will comply with the above procedures, so the relevant risks should be limited.

3. Future R & D plan and Estimated R & D cost

In view of the increasing demand for consumer electronics applications in the future, and the increasing number of sensors and related applications in consumer electronics applications, in order to meet the current trend of light and thin products in the market, the Group is committed to improving the existing packaging technology to quickly meet the market demand for various product specifications. The Group is also continuously developing new products to expand the customer market.

The R&D expenditure in 2018 and 2017 accounted for 8.42% and 5.25% of the operating revenue respectively. The Group actively engaged in technology development, continuously put R&D resources and personnel to develop advanced packaging technology, including optimization process and high automation, and actively developed diversified products. The proportion of R&D expenditure in 2018 was higher than that in 2017, mainly because of the active development of new products in 2018.

4.Impacts of Important Policy and Law Changes at Home and Abroad on Corporate Financial Business and Countermeasures

The Company is incorporated in the Cayman Islands and operates mainly in Hong Kong, Samoa, Taiwan and China. The Group carries out all business in accordance with important domestic and foreign policies and laws and regulations, keeps an eye on important domestic and foreign policy development trends and legal changes, and takes appropriate measures in response to changes in the market environment. The Group has also discussed with external experts about the economic substance identification regulations promulgated by the Cayman Islands recently, and preliminarily determined that there is no significant impact on the Group. Therefore, there is no case that there is a significant impact on the financial business due to important domestic and foreign policies and laws.

5.The Impact of Technological Change and Industrial Change on Corporate Financial Business and Countermeasures

The Group keeps abreast of the market trends of terminal products and assesses the impact of market changes on the Group's operations. In addition, most of the clients of the Group are leading manufacturers of terminal products or their major suppliers. The Group maintains close cooperation with the clients, and can grasp the market dynamics of the brand factories, and actively develop diversified products to reduce the impact of market fluctuations of single products. Therefore, technological and industrial changes will not have a material adverse impact on the Group's financial business.

6. Impact of Corporate Image Change on Corporate Crisis Management and Countermeasures

The Group focuses on the operation of its own industry, continuously pursues the sustainable operation and growth of the enterprise, actively strengthens internal management,

and improves product quality and production efficiency. In addition, the Group constantly introduces excellent talents, cultivates the strength of the business team, and returns the business results to shareholders and the public, so as to fulfill the social responsibility of the enterprise. The Group's business results and the Company's good reputation, as of the date of publication of the annual report, there is no corporate image change caused by the enterprise crisis.

7.Expected Effectiveness, Possible Risks and Countermeasures of Mergers and Acquisitions

As of the recent years and the print date of annual report, there is no merger plan. Any merger plans in the future, if any shall be subject to the "Procedures for Acquisition or Disposal of Assets". Moreover, in order to reduce the possible risks, if the Company finds the potential merger target, it will take a prudent assessment attitude, consider the integration effect of the merger, and consult relevant professionals, and deal with the merger process with reasonable conditions, so as to ensure the interests of the Company and the overall shareholders' rights and interests.

8.Anticipated Efficiency, Possible Risks and Countermeasures of the Expanded Plant:

In order to cope with the continuous growth of the Group's operating scale, ShunSinZhongshan constructed the phase III plant in early 2018, which will be completed in 2019. After the completion of the Zhongshan phase III plant, the replanning of the production line will help the Group to strengthen the order receiving capacity, enhance production capacity, reduce the proportion of management and production costs, and expand the operation scale and enhance the overall competitiveness. The risks brought by the replanning are still limited.

9. Risks and Countermeasures Encountered in Purchasing or Marketing Concentration

<1> Purchasing Concentration Risks

The ratio of top 10 suppliers in the Group in 2018 and 2017 is 44.61% and 44.67% respectively, and there is no significant difference in the situation of purchase concentration in 2018, mainly because the Group's sales mix is relatively stable and the situation of purchase from suppliers is relatively fixed. In addition, because the raw materials purchased by the Group are not of special rareness, there are multiple suppliers of raw materials in same nature, so there is no single supplier in the purchase concentration.

<2> Marketing Concentration Risks

The top ten customers of the Group in 2018 and 2017 account for 97.88% and 98.49% of sales respectively, and the top two customers account for about 48% and 55% of the total revenue, respectively. The situation of sales concentration has gradually decreased, and the Group has been dealing with customers for a long time, and the trading situation is sound. In addition, the Group also actively research and develop new products and improve packaging technology, develop new customers and strive to diversify the

product portfolio, support customers to develop new design concepts, reduce the risk of order transfer of important customers.

10. The impact, risks and countermeasures of the transfer or exchange of shareholdings of directors, supervisors or major shareholders holding more than 10% of the shares on the Company

The directors or major shareholders holding more than 10% of the shares of the Company in the most recent year and up to the date of the publication of the annual report of the Company have no substantial transfer or change of shares.

11. The Impact, Risks and Countermeasures of the Change of Management Right on the Company

The Company has not changed its management rights in recent years or as of the date of publication of the annual report. The Company has strengthened various corporate governance measures, introduced independent directors and established Audit Committee in order to enhance the protection of the rights of the overall shareholders. In addition, the operation of the Company relies on professional managers, and its good performance should be supported by shareholders. Moreover, the Company has formulated a complete internal control system and relevant management rules. Therefore, the change of the right to operate should not result in the significant impact on the Company's operation.

12. Litigation or Non-litigation matters should list of The Company and its directors, supervisors, general managers, substantive principals, major shareholders and affiliated companies with a shareholding ratio of more than 10% shall be specified as major litigation, non-litigation or administrative litigation events whose results may have a significant impact on shareholders' rights and interests or securities prices. The facts of the dispute, the amount of the subject matter, the date of commencement of the proceedings, the principal parties involved and the disposition as of the date of publication of the annual report shall be disclosed.

The Company and its directors, supervisors, general managers, substantive persons in charge, major shareholders holding more than 10% of the shares of the Company and affiliated companies in the most recent years and up to the date of the publication of the annual report, and no judgment has been made or are still in the process of major litigation, non-litigation or administrative litigation matters.

13. Other important risks and countermeasures: none.

vii. Other Important Matters: none.

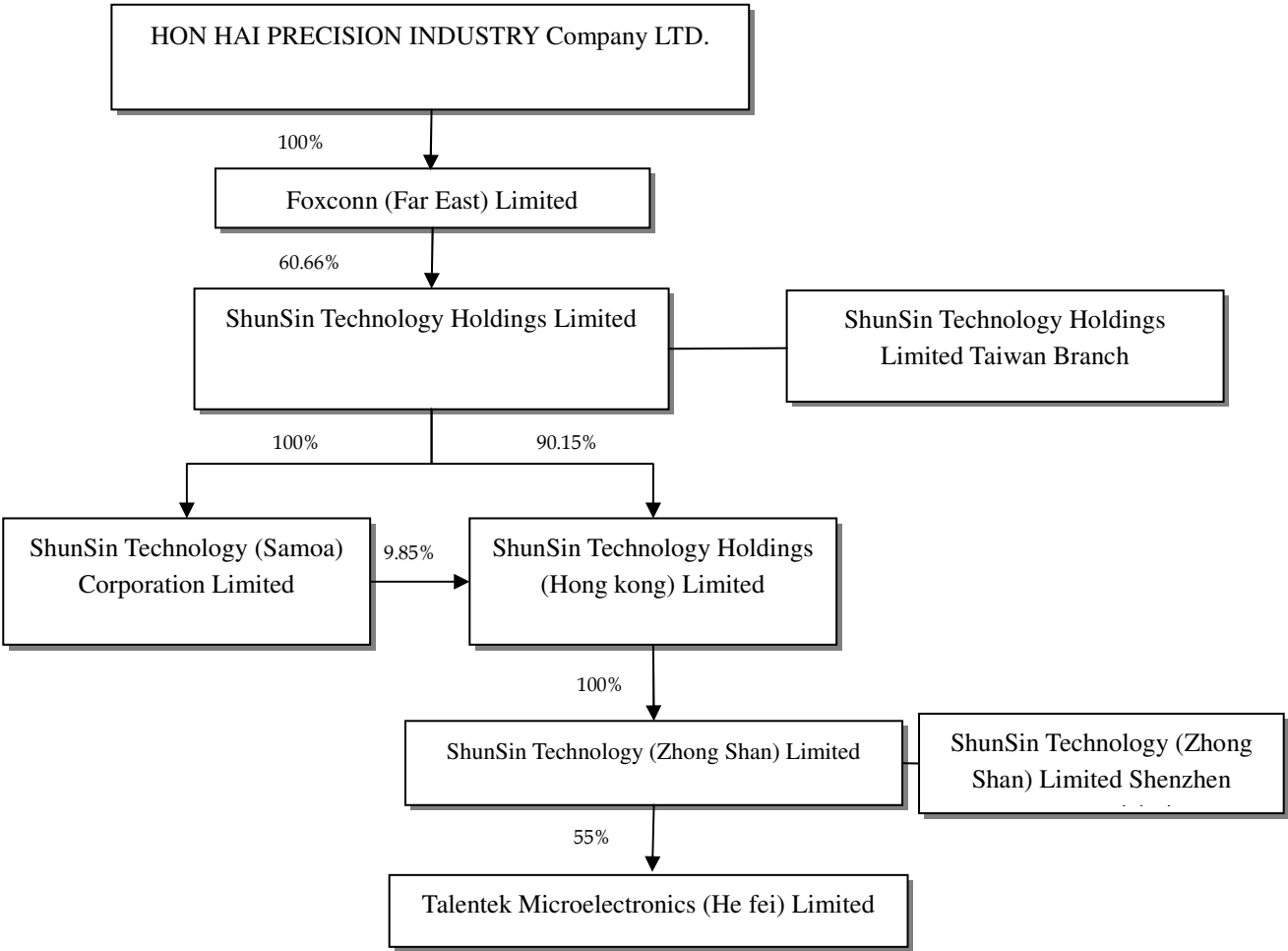
VIII. Special Items

i. Relevant Information of Associated Enterprises

1. Business Report on Merger of Related Enterprises

<1> Organization Chart of Related Enterprises

March 31, 2019



<2> Basic Information of Related Enterprises

March 31, 2019; Unit: NT\$ 1,000

| Name of Enterprise | Establishment Date | Location | Paid-in Capital | | Main Business Items |
|------------------------------------------------|--------------------|----------------|-----------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| HON HAI PRECISION INDUSTRY Company LTD. | 1974/2/20 | Taiwan | NTD | 138,629,906 | Information industry, communication industry, automation equipment industry, precision machinery industry, automotive industry and consumer electronics related connectors, chassis, radiators, wired/wireless communication products, optical products, power supply modules, manufacturing, sales and service of modular assembly products and network cable assembly products. |
| Foxconn (Far East) Limited | 1996/1/25 | Cayman Islands | USD | 8,061,629 | Holding Company for investment. |
| ShunSin Technology (Samoa) Corporation Limited | 2015/2/5 | Samoa | USD | 9,510 | Overseas material and equipment procurement. |
| ShunSin Technology Holdings(Hongkong) Limited | 2008/2/15 | Hong Kong | HKD | 752,992 | Holding Company for investment. |
| ShunSinTechnoogy Holdings Limited (Zhongshan) | 1998/6/19 | Mainland China | RMB | 722,637 | Assembly, testing and sales of SiP products and other types of integrated circuits. |
| TalentekMicroeletronics (He fei) Limited | 2017/6/5 | Mainland China | RMB | 20,000 | Design, R&D, testing and sales of electrical equipment, communication equipment and automation equipment |

<3> Subject to article 369 3 of the Company Act, a controlling and subordinate relationship is concluded to be: none.

<4> The industry covered by the overall business operation of the enterprise

The business of the Company and its affiliated enterprises includes general investment and business, as well as assembly, testing and sales of SiP products and other types of integrated circuits. The related enterprises operate in accordance with the overall business plan of the Group.

<5> Information on directors, supervisors and general managers of related enterprises

April 23, 2019

| Name of Enterprise | Title | Name or Representative | Shareholding | |
|------------------------------------------------|--------------------------------------|--------------------------------------------|-------------------------|---------|
| | | | Number of Share | Ratio % |
| HON HAI PRECISION INDUSTRY Company LTD. | Chairman/General Manager | Terry Gou | 1,334,668,518 | 9.63 |
| | Legal person/director | Hon Jin International Investment Co.,Ltd | 1,483,078 | 0.01 |
| | Legal person/director/representative | Lv, Fang-Ming | 6,177,580 | 0.04 |
| | Legal person/director | Hon Chiao International Investment Co.,Ltd | 21,239,551 | 0.15 |
| | Legal person/director/representative | Chen, Chen-Kuo | 1,529,610 | 0.01 |
| | Legal person/director | Hon Chiao International Investment Co.,Ltd | 21,239,551 | 0.15 |
| | Legal person/director/representative | Mao, Yu-Nan | - | - |
| | Director | Huang, Ching-Yuan | - | - |
| | Director | Sung, Hsue-Jen | - | - |
| | Independent director | Chan, Chi-Hsien | - | - |
| | Independent director | Lee, Kai-Fu | - | - |
| | Independent director | Wang, Kuo-Cheng | - | - |
| Foxconn (Far East) Limited | Director | Huang, Chiu-Lien | - | - |
| | Director | Huang, Te-Tsai | - | - |
| ShunSin Technology (Samoa) Corporation Limited | Director | Hsu, Wen-Yi | - | - |
| ShunSin Technology Holdings(Hongkong) Limited | Director/general manager | Hsu, Wen-Yi | - | - |
| ShunSin Technology (Zhong Shan) Limited | Executive director/general manager | Hsu, Wen-Yi | - | - |
| | Director | Fan, Chen-Piao | - | - |
| Talentek Microelectronics (He fei) Limited | Chairman | Luo, Chi-Hua | RMB 1,650,000 (Note) | 8.25% |

Note: For China Limited Company, so there are no shares and par value.

2. Overview of the Operation of the Related Enterprises

March 31, 2019; Unit: NT\$1,000

| Name of Enterprise | Total Assets | Total Liabilities | Net Value | Operating Income | Business Income(Losses) | Current Profit and Loss (after Tax) | EPS |
|-----------------------------------------------------|---------------|-------------------|---------------|------------------|-------------------------|-------------------------------------|------|
| HON HAI PRECISION INDUSTRY Company LTD. (Note 1) | 3,381,355,427 | 2,048,921,539 | 1,332,433,888 | 5,293,803,022 | 136,146,875 | 129,835,425 | 8.03 |
| Foxconn (Far East) Limited (Note 1) | 1,206,401,285 | 56,718,302 | 1,149,682,983 | 593,038 | (6,367,650) | 70,011,601 | 0.28 |
| ShunSin Technology (Samoa) Corporation Limited | 1,609,664 | 754,624 | 855,039 | 1,372 | 1,371 | 33,521 | 3.52 |
| ShunSin Technology Holdings(Hongkong) Limited | 8,717,003 | 586,808 | 8,130,195 | 0 | (502) | 102,228 | 0.14 |
| ShunSin Technology (Zhong Shan) Limited | 8,938,652 | 698,542 | 8,240,110 | 829,426 | 207,874 | 120,806 | 註 2 |
| Talenteletronics (He fei) Limited | 144,068 | 88,798 | 55,270 | 491 | (11,924) | (10,865) | 註 2 |

Note 1: Individual financial report data for 2018.

Note 2: Limited Companies Registered in China, no shares or par value.

3. Consolidated financial statements of related enterprises: same as Consolidated Financial Statements, please refer to pages 124 to 195

4. Report of Related Enterprises: N/A.

- ii. Raising of private securities and financial bond in the previous year and up to the date of publication of the annual report: none.**
- iii. Subsidiary holdings and disposal of shares in the previous year and up to the date of publication of the annual report: none.**
- iv. Additional remarks: none.**
- v. In the recent years up to the print date of Annual Report, a case has occurred that has had a significant impact on the rights of shareholders or the price of securities as specified in paragraph 2, paragraph 3, article 36 of the Securities and Exchange Act: none.**

vi. The Significant Difference between Shareholders Rights Protection Provisions of the Country

| Important matters of shareholder protection | Articles of Association and reason for discrepancy |
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| The Company's shares are generally signed or sealed by the directors on behalf of the Company and issue after getting a visa form a bank which is legally chartered as a visa issuer for the shares . After the Company's public offering, it is not allowed to print stocks and issue them without entity, but it should register with Taiwan Depository & Clearing Corporation . | This Company is the first listed Company and does not apply to this important issue of checklist of shareholders rights protection. |
| <ol style="list-style-type: none"> 1. The Board of Directors shall summon directors with clear reasons and notify each director and supervisor three days in advance. However, in case of emergency, the Board of Directors may summon directors at any time. 2. The convening notice referred to in the preceding paragraph may be sent to the directors and supervisors in writing, by fax, by E-mail, etc. | The requirement of notifying each director and supervisor three days ago is applicable to a Company that has not been publicly listed, but not to a listed Company. Therefore, article 49 of the Articles of Association shall still be subject to the provisions of the seven-day notice, and the seven-day notice shall be more rigorous than the three-day notice, and this part shall have no material effect on shareholders' equity in the Republic of China. |
| The Company may, during the term of office of directors, supervisors and important staff members, purchase liability insurance for the directors, supervisors and important staff members who are legally liable for compensation in respect of their business scope. The Board of Directors is authorized to handle matters related to insurance. | There is no concept of "supervisor" in the Company Law of Cayman Island, and the Company has an Audit Committee without a supervisor. Therefore, there is no relevant regulation on supervisor in the Articles of Association. In addition, article 47.2 of the Articles of Association only stipulates that a Company may purchase insurance or renew insurance for its directors or managers in respect of their liabilities arising out of acting as directors or managers. |
| <ol style="list-style-type: none"> 1. The annual general meeting shall be convened at least once a year. It should be held within six months after the end of each fiscal year. Shareholders' meetings are convened by the board of directors. 2. The shareholders' meeting shall be held in the territory of the Republic of China. If the shareholders' meeting is convened outside the Republic of China, the stock exchange shall approve within two days after the resolution of the board of directors or the shareholders obtain the permission from the competent authority. 3. Shareholders who own more than 1% of the company's outstanding shares are entitled to propose, in writing, agenda items for discussion in annual general meetings. If the proposing shareholder do not hold 1% of the shares, the proposal is not a shareholder's | <ol style="list-style-type: none"> 1. Regarding the extraordinary shareholders' meeting convened by the shareholders, as a result of the Cayman Company Law, such acts are not subject to the permission of the local authorities of the Cayman Islands. Therefore, Article 18.5 of the Articles of Association does not specify that the competent authority should be notified in advance for permission before they convene the extraordinary shareholders' meeting. 2. In addition, since the convening of the extraordinary shareholders' meeting is not subject to the permission of the local authorities of the Cayman Islands, if shareholders hold their own meeting outside the Republic of China, Article 18.5 of the Articles of Association of the Company only stipulates that the Stock Exchange should be notified in advance for approval, instead of "reporting to the Stock Exchange for approval within two days after |

| Important matters of shareholder protection | Articles of Association and reason for discrepancy |
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| <p>resolution, or there is more than one proposal, they shall not be included in the agenda.</p> <p>4. If the Shareholder continue to hold more than one year and hold more than 3% of the total outstanding shares, they may write down the proposed matters and reasons and request the Board of Directors to convene an extraordinary shareholders meeting. Within 15 days after the request is filed, and the Board of Directors has not notified to convene the meeting, the Shareholder may report to the competent authority for permission to convene themselves.</p> <p>5. Shareholders who hold more than half of the total number of issued shares for more than three months may convene an interim meeting of shareholders on their own. The shareholding period and the number of shares held by a shareholder shall be calculated on the basis of the shareholding at the time of the cessation of share transfer.</p> <p>6. The following matters shall be listed and explained in the shareholders' meeting agenda, and shall not be proposed via extempore motion:</p> <ul style="list-style-type: none"> (1) Appointment or dismissal of director, supervisor; (2) Change of charter; (3) Capital reduction; (4) To apply for the suspension of public offering; (5) Company dissolution, merger, share conversion, division; (6) Concluding, altering or terminating a contract for the lease of all business, entrusted operations or usual co-operation with others; (7) Cede all or major part of the business or property; (8) Acquisition the business or property from the other party has a significant impact on the operation of the Company; (9) Private placement of securities of an equity nature; (10) The director is engaged in the licensing of non-competition activities; (11) All or part of the dividends and bonuses are distributed by way of new shares; (12) The legal reserve and the capital surplus due to the contributed capital in excess of par or income from gift are distributed to the original shareholders by way of new | <p>the shareholders have obtained the permission from the competent authority” as required by the “Important Matters in the Protection of Shareholders' Rights and Interests”. This part shall have no material effect on shareholders' equity of the Republic of China.</p> |

| Important matters of shareholder protection | Articles of Association and reason for discrepancy |
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| shares. | |
| <ol style="list-style-type: none"> 1. Voting rights may be exercised electronically or in writing during the Company's shareholders' meeting. However, if the Company complies with the “applicable scope for the Company to adopt electronic voting,” promulgated by the competent securities nauthority of the Republic of China, the electronic method shall available for exercising voting rights. 2. Shareholders’ voting rights may be exercised electronically or in writing when the Company's shareholders' meeting is held outside of the Republic of China. 3. The shareholders' meeting notice must explain the methods through which shareholders may exercise voting rights in writing or in electronic form. Shareholders who have voted in writing or using the electronic method are considered to have attended shareholders'meeting in person. However, they are considered to have waived their rights to participate in any special motions or amendments to the original agendas that may arise during the shareholders' meeting. 4. Instructions to exercise written and electronic votes must be delivered to the Company at least two days before the shareholders'meeting. In the event where there are duplicate submissions, the earliest submission shall be taken into record. However,exception shall be granted if the shareholder issues a proper declaration to withdraw the previous vote. 5. If the shareholder decides to attend the shareholders' meeting in person after submitting a written or electronic vote, a proper declaration of withdrawal must be issued in the same method as did the original vote no later than two days before the shareholders' meeting. If the withdrawal is not received in time, then the written or electronic vote shall be taken into record. 6. If the shareholder has exercised written or electronic votes, and at the same time delegated a proxy to attend the shareholders meeting, then the voting decision exercised by the proxy shall prevail. | <p>In respect of the exercise of voting rights by shareholders in writing or electronically, the Company Law of Cayman Island does not mention whether the shareholders exercising their voting rights in writing or electronically can be regarded as attending the shareholders’meeting in person, and the Cayman Islands lawyers have not noticed any relevant cases.In order to make other arrangements, article 24.4 of the Articles of Association provides that “when a shareholder exercises his right to vote at the shareholders' meeting in writing or by electronic means in accordance with the previous provisions, he/she shall be deemed to entrust the chairman of the meeting as his agent to exercise his/her right to vote at the shareholders’ meeting in accordance with his/her instructions in written or electronic documents.Based on the status of agent, the chairman of the meeting shall not be entitled to exercise the voting rights of the shareholder in respect of matters not mentioned or specified in written or electronic documents, and/or amendments to the original motion proposed at the shareholders’ meeting.For the avoidance of doubt, the exercise of the right to vote in such manner shall be deemed to be a waiver of the exercise of the right to vote by the shareholder in respect of the provisional motion and/or amendments to the original motion proposed at the meeting.”Article 25.3 of the Articles of Association stipulates that the voting rights of the chairman of the shareholders' meeting as a result of his/her proxy shall not exceed the limit of 3% of the total number of voting shares issued prior to the cessation of the Company’s transfer.As the above differences arise from the absence of the same provisions in the Company Lawof Cayman Island, the impact of this part on the rights and interests of shareholders in the Republic of China should be limited.</p> |
| 1. The Articles of Association may regulate for the allocation of earnings or loss to be | According to the Company Law of Cayman Island, the Board of Directors of the Company |

| Important matters of shareholder protection | Articles of Association and reason for discrepancy |
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| <p>made up after the end of each quarter or each semi-annual accounting year.</p> <p>2. The Board of Directors' resolution shall be submitted to the supervisor for examination and approval, together with the business report and financial statements, of the Company's earnings allocation or loss allocation proposals for the first three quarters or the first half fiscal year. After supervisor approving, the company submit the related docutment to Board of Directors.</p> <p>3. When distributing surplus in accordance with the provisions of the preceding paragraph, the Company shall first estimate and retain the tax payable, make up for losses in accordance with the law and set aside the statutory surplus reserve. However, this shall not apply when the statutory surplus reserve has reached the paid-in capital.</p> <p>4. Where the Company issues new shares in accordance with the provisions of paragraph 2 to distribute the surplus, it shall be represented by the presence of more than two-thirds of the total number of shares issued, with the consent of more than half of the voting rights of the shareholders present. If the total number of shares of the shareholders present is less than the quota mentioned above, they may be represented by more than half of the shareholders who have issued the total shares, and the consent of more than two thirds of the voting rights of the shareholders present shall be exercised; the issuer of cash shall be decided by the Board of Directors.</p> <p>5. When a Company distributes its surplus or makes up for its loss in accordance with the provisions of the preceding four items, it shall follow the financial statements checked or reviewed by the accountant.</p> | <p>may distribute mid-term earnings at any time after considering the Company's operation. The Company, taking into account the actual operating conditions, decides to allocate the earnings in each fiscal year in accordance with the provisions of article 13.5 of the Articles of Association. Therefore, important matters in the protection of shareholders' rights and interests shall not be amended, and such differences shall have no material impact on shareholder'' rights and interests of the Republic of China.</p> |
| <p>The following agenda involving major rights and interests of shareholders require the attendance of shareholders representing more than two-thirds of the total issued shares, and more than half of the voting rights of the attending shareholders shall agree to proceed. If the total number of shares of the attending shareholders is less than the aforementioned quota, shareholders representing over half of the current outstanding shares may attend in which two thirds of the attending shareholders must agree to proceed:</p> | <p>1. Regarding the resolution method of the shareholders' meeting, in addition to the ordinary and supermajority resolutions under the ROC laws, the "special resolution" defined by the Cayman Islands' Company Law is also included in Article 1.1 of the Articles of Association of the Company. That is to say, without violating the law, in the shareholders' meeting of a Company, when the shareholders who are entitled to participate in the voting are present in person, or voted by a power of attorney, or by a representative legally authorized by a legal shareholder or a non-natural shareholder, after calculating the</p> |

| Important matters of shareholder protection | Articles of Association and reason for discrepancy |
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| <p>1. Concluding, altering or terminating a contract for the lease of all business, entrusted operations or usual co-operation with others, the transfer of all or a major part of the business or property, the transfer of all business or property of others that has a significant impact on the Company's operations.</p> <p>2. Change of charter</p> <p>3. If the change of the Articles of Association has damaged the rights of preferred stock shareholders, resolution of the preferred stock shareholders' meeting is required.</p> <p>4. All or part of the dividends and bonuses are distributed by way of new shares;</p> <p>5. Resolutions on the dissolution, merger or split of the Company.</p> | <p>number of voting rights of each shareholder, a resolution is adopted with the consent of at least two-thirds of the voting rights of the shareholders present.</p> <p>2. Subject to the provisions of the Company Law of Cayman Island, the following matters shall be dealt with in the form of a special resolution:</p> <p>(1) Change of charter</p> <p>According to the laws of the Cayman Islands, the change of charter should be carried out by special resolution specified by the Cayman Islands' company law. Therefore, Article 11.3 of the Articles of Association does not follow the "Shareholders' Rights Protection Checklist" regarding resolution requirement for altering organization documents and the Articles of Association by changing special resolution to supermajority resolution as required by law of the Republic of China. In addition, in accordance with Article 12 of the Articles of Association, if the amendments or changes to the Articles of Association will damage the priority of any type of shares, the relevant amendments or changes shall be subject to the special resolution and by a special resolution of a separate meeting of shareholders of such class of impaired shares.</p> <p>(2) Dissolution</p> <p>According to the laws of the Cayman Islands, if a company decides to voluntarily dissolve due to the inability to pay off its debt when it expires, its dissolution shall be decided by the shareholders' meeting. However, if the company is voluntarily liquidated and dissolved for reasons other than the above, its dissolution shall be subject to the special resolution prescribed by the Cayman Islands' company law. Therefore, the resolution thresholds for the liquidation and dissolution of the Company in Articles 11.5 of the Articles of Association of the Company have not been changed to the supermajority resolutions under the laws of the Republic of China in accordance with the requirements of "Important Matters in the Protection of Shareholders' Rights and Interests"</p> <p>(3) Merger</p> |

| Important matters of shareholder protection | Articles of Association and reason for discrepancy |
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| | <p>As the Cayman Islands' company law has mandatory provisions for the voting method for the "consolidation as defined by the laws of the Cayman Islands", paragraph (b) of Article 11.4 of the Articles of Association stipulates that a "merger" (except for "absorption merger "and/or" new merger "as defined in the Company Law of Cayman Island, only special resolution shall be required) requires a supermajority resolution</p> <p>3.The difference between the aforementioned items and the Checklist of Shareholders Rights Protection withrespect to Foreign Issuer's Place of Incorporation is that the important items of shareholders' rights and interests protection should be heavily resolved, which should be regulated in the articles of association by the heavily resolved items and the special resolution items respectively.Since these differences arise out of the provisions of laws of Cayman Island, and since the Articles of Association of the Company have listed the important resolution and special resolution specified in the Articles of Association for the important matters of shareholder rights protection, the impact of the Articles of Association on shareholders' rights and interests shall be limited.</p> |
| <p>Except as otherwise provided in the Articles of Association or the laws, resolutions of the shareholders' meeting shall be made in the presence of shareholders representing more than half of the total number of shares issued and with the consent of more than half of the voting rights of shareholders present.</p> | <p>As for the resolution method of the shareholders' meeting, apart from the ordinary and important resolutions under the law of R.O.C., there is still the "Special Resolution" defined by the Company Law of Cayman Island in article 1.1 of the Articles of Association.That is to say, in the absence of violation of the Company Law of Cayman Island, in the shareholders'meeting of a Company, a resolution passed with the consent of at least two-thirds of the voting rights of the shareholders present after the shareholders who are entitled to participate in the voting are present in person, or voted by a power of attorney, or by a representative legally authorized by a legal shareholder or a non-natural shareholder.(in accordance with Article 22.1 of the Articles of Association, it means that shareholders representing more than half of the total voting shares issued are required to attend in person.)</p> |
| <p>1. Any director (excluding independent director) or supervisor of a Company who transfers shares in excess of half of the amount of shares held by the Company at the time of election shall be relieved of his/her duties.</p> <p>2. When a director (excluding independent directors) or supervisor of theCompany is</p> | <p>There are no "supervisors" in the Company Law of Cayman Island and the Company has set up Audit Committee but without supervisors. Therefore, in the Articles of Association, there is no relevant regulation of supervisors. If a director of the Company transfers shares more than one-half of the amount of shares held by the Company at the time of his/her</p> |

| Important matters of shareholder protection | Articles of Association and reason for discrepancy |
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| <p>elected, his/her election is ineffective when the transfer of shares exceeds one-half of the amount of shares held at the time of his /her appointment, or during the period when the transfer of shares ceases before the shareholders' meeting is held, or when the transfer of shares exceeds one-half.</p> | <p>appointment, the provision of natural dismissal or invalid election shall be stipulated in Article 36.3 of the Articles of Association of the Company.</p> |
| <ol style="list-style-type: none"> 1. The Where the company has set up supervisors, the supervisor shall be elected via the shareholders' meeting. At least one of the supervisors must have a residence in the country. 2. The term of the supervisor shall not exceed three years. However, the supervisor may be re-elected. 3. When all supervisors are dismissed, the Board of Directors shall convene an extraordinary meeting of shareholders within 60 days to elect for supervisor. 4. The supervisor shall supervise business operations of the Company and, whenever deemed necessary, inspect the business and financial status of the Company, examine relevant accounting reports and documents and request the Board of Directors or managers to provide relevant reports. 5. The supervisor shall examine reports and statements compiled and submitted by the Board of Directors and provide opinions in the shareholders' meeting. 6. The supervisor must appoint an accountant or a lawyer to review the matter on behalf of the company. 7. Supervisors may attend and express their opinions in the Board of Directors' meeting. Where the Board of Directors or directors conducts business in violation of laws, Articles of Association, or resolutions of the shareholders' meeting, the supervisor shall immediately notify the Board of Directors or the Directors to stop their actions. 8. Each supervisor may exercise supervision independently. 9. The supervisor may not serve as a company director, manager or other employee. | <p>The laws of the Cayman Islands does not have an equivalent concept as the supervisor. Moreover, the Company has an audit committee. Therefore, there is no regulations related to the supervisor in the Articles of Association.</p> |
| <ol style="list-style-type: none"> 1. Shareholders who hold more than one percent of the current outstanding shares of the company for more than six months may request the supervisor to institute an action | <p>Since the laws of the Cayman Islands do not have an equivalent concept as the supervisor, and the Company has an audit committee, Article 47.3 of the Articles of Association of the</p> |

| Important matters of shareholder protection | Articles of Association and reason for discrepancy |
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| <p>against the Director on behalf of the Company, and have the Taipei District Court of Taiwan as the court of first instance.</p> <p>2. If the supervisor does not file a lawsuit within 30 days after the shareholder makes the request, the shareholder may file a lawsuit for the Company and the Taipei District Court of Taiwan shall be the court of first instance.</p> <p>3. The supervisor or or the independent director of the Audit Committee may, in the interests of the Company, convene the shareholders' meeting, except that the Board of Directors does not or cannot convene the shareholders' meeting.</p> | <p>Company provides that “within the scope permitted by the laws of the Cayman Islands, shareholders who hold at least one percent of the current outstanding shares for at least six months may: (a) In writing, request the independent director of the Audit Committee authorized by the Board of Directors to institute an action against the Directors on behalf of the Company, and may have the Taipei District Court of the Republic of China as the court of first instance; Or (b) In writing, request the independent director of the Audit Committee to institute an action against the Directors on behalf of the Company, and may have the Taipei District Court of the Republic of China as the court of first instance; Within 30 days after the request is made in accordance with the aforementioned Paragraph (a) or (b), if (i) the requested Board of Directors fails to authorize the independent director of the Audit Committee or the independent director of the Audit Committee authorized by the Board of Directors has not filed a lawsuit in accordance with paragraph (a); Or (b) if the independent director of requested the Audit Committee fails to institute an action, within the limits permitted by the laws of the Cayman Islands, the shareholders may institute an action on behalf of the Company against the Directors and have the Taipei District Court of the Republic of China as the court of first instance.” This differs from the “Important Matters in the Protection of Shareholders' Rights and Interests,” which specifies that “Shareholders who hold more than three percent of the current outstanding shares of the company for more than one year may request, in writing, the supervisor to institute an action against the Director on behalf of the Company, and have the Taipei District Court of Taiwan as the court of first instance. In addition, in view of the above provisions, counsel of Cayman Islands shall, in accordance with the acts of Cayman Islands, remind the following:</p> <p>The Cayman Islands' company law does not have specific regulations that allow certain minority shareholders to file derivative actions against the Directors in the courts of the Cayman Islands. In addition, the Company's Articles of Association is not a contract between the shareholders and the Directors but the agreement between the shareholders and the Company is that even if the minority shareholders are allowed to file a derivative action against the directors in the Articles of Association, lawyers of the Cayman Islands believe</p> |

| Important matters of shareholder protection | Articles of Association and reason for discrepancy |
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| | <p>that the Directors will not be bound by the contents. However, under common law, all shareholders (including minority shareholders) have the right to file derivative actions (including litigation against the Directors) regardless of their shareholding proportion or period. Once the shareholder sues, the court of the Cayman Islands will have full discretion to decide whether the shareholder can continue the litigation. Furthermore, even if the Company's Articles of Association permits minority shareholders (or shareholders with the required shareholding ratio or period) to institute an action against the Directors on behalf of the Company, whether the lawsuit can continue ultimately depends on the court of the Cayman Islands. According to a relevant verdict of the Grand Court of the Cayman Islands, when the court of the Cayman Islands considers whether to approve the continuation of a derivative action, the applicable criterion is whether the court believes and accepts that the plaintiff's request on behalf of the Company is substantive on the surface and the claimed wrongful act is made by the controllable company, and the controller can prevent the Company from instituting a reverse action. The court of the Cayman Islands will determine on a case-by-case basis (although the court may refer to the provisions of the Company's Articles of Association, this is not a decisive factor). According to the laws of the Cayman Islands, the Board of Directors should decide on its behalf (instead of individual directors) on behalf of the Company. Therefore, the Directors shall, in accordance with the provisions of the Articles of Association, authorize any director according to resolution of the Board to file a lawsuit against other directors on behalf of the Company. The Cayman Islands' company act does not provide a clear specification to enable shareholders request the Directors to convene a board meeting to resolve specific matters. However, the Cayman Islands' company act does not prohibit the Company from establishing rules relating to the board meeting procedures in the Articles of Association (including the provisions for convening the board meeting).</p> |
| 1. The Directors of the Company shall faithfully carry out the business and perform the duty of observation as a good manager. If there is any violation resulting in damage of | There are no "supervisors" in the Company Law of Cayman Island and the Company has set up Audit Committee but without supervisors. Therefore, in the Articles of Association, there |

| Important matters of shareholder protection | Articles of Association and reason for discrepancy |
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| <p>the Company, the Director shall be liable for damages. If the act is committed on his/her or other's behalf, the shareholder meeting may resolve deeming the proceeds of the act as the Company's income.</p> <p>2. If the Director of the Company violates the law and causes damage to others when executing the Company's business, the Director and the Company shall be jointly liable for compensation.</p> <p>3. The manager and supervisor of the company shall bear the same liability for damages within the scope of their duties as the Directors of the Company.</p> | <p>is no relevant regulation of supervisors.</p> <p>Article 47.4 of the Articles of Association of the Company stipulates that “without affecting the obligations of the Directors of the Company in accordance with the common law and company law of the Cayman Islands, the Directors shall faithfully carry out their business when performing business operations of the Company and should fulfill (but not limited to) due diligence in observation and necessary skills, if there is a violation resulting in the Company's damage, the director shall be liable for damages. If such act, in violation of the aforementioned provisions, is committed on his/her or other's behalf, the shareholders’ meeting may make an ordinary resolution deeming the proceeds of the of the Director as the Company's income the Director to pay the proceeds to the Company. If the Director and manager of the Company violates applicable laws and/or orders and causes damage to others when executing the Company's business operations, the Director, manager and the Company shall be jointly liable for compensation.”However, for the above provisions, counsel of Cayman Island, in accordance with the laws of Cayman Island, reminds the following: Counsel in Cayman Islands believes that there is uncertainty in the provision regarding the treatment of directors’ interests as income of the Company and therefore doubts whether it is enforceable.For example, whether a director’s breach of duty is referred to the court for final determination and how the interests are defined.Counsel of Cayman Islands does not believe that this provision limits the liability of the director, who under laws of Cayman Islands shall remain under all statutory duties, common law duties and duties of loyalty.The duty of directors to the Company under laws of Cayman Islands may be divided into duties under common law (i.e., duties of professionalism, care and diligence) and duties of loyalty.However, the directors are legally obligated under all laws and, in certain circumstances, to third parties such as creditors. If the Company is insolvent or in danger of insolvency, the directors shall exercise their duties in the interests of creditors.</p> <p>Since the Company's Articles of Association contains agreements between shareholders and the Company, the Directors are not parties to the Company's Articles of Association. Therefore, all rights to damages against the Directors claiming the violation of their</p> |

| Important matters of shareholder protection | Articles of Association and reason for discrepancy |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>obligations should be standardized in the service contract.</p> <p>Under laws of Cayman Islands, a manager or supervisor is not generally liable to the Company or its shareholders as a director of the Company. However, if the manager or supervisor is authorized to act on behalf of the executive, he or she shall have the same obligation as the directors of the Company. For the avoidance of doubt, Company in Cayman Islands generally regulates its responsibilities and obligations to the Company and shareholders in its service contracts with managers or supervisors.</p> <p>Similarly, since the Articles of Association of the Company are an agreement between shareholders and the Company, the manager or the supervisor is not a party to the Articles of Association of the Company. Therefore, all claims against the manager or the supervisor for breach of the obligations shall be regulated in the service contract.</p> <p>As far as laws of Cayman Islands are concerned, the Articles of Association are agreements between shareholders and the issuing Company, directors (as directors of the issuing Company) are not parties to the articles of association. Therefore, lawyers in Cayman Islands believe that the Articles of Association do not bind directors. If the issuing Company intends to make the relevant terms binding on the directors, the lawyers in Cayman Islands believe that the relevant rights should be regulated in the contracts, such as service contracts, with individual directors</p> |

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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 apply 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 | | | | 107.12.31 | | 106.12.31 | |
|------|-----------------------------------------------------------------------------------------------|------------------|--------------------------|-------------------|-------------------------|-------------------|---------------------------------------------------------------------|------------------------------------------------------------------------------------------------|-------------------------|--------------------------|-------------------|
| | | Amount | | Amount | | | | 金 額 | | 金 額 | |
| | | % | | % | | | | % | | % | |
| 11xx | Assets | | | | | 21xx | Liabilities and equities | | | | |
| 11xx | Current assets: | | | | | 21xx | Current liabilities: | | | | |
| 1100 | Cash and cash equivalents (Note 6(1)) | \$ | 5,293,307 | 49 | 6,364,637 | 73 | 2100 | Short-term loans(Note 6(9)) | \$ | 1,635,021 | 15 |
| 1140 | Current contract assets(Note 6(17) and 7) | | 350,068 | 3 | - | - | 2170 | Accounts payable | | 590,342 | 6 |
| 1151 | Notes receivable(Note 6(4)and (17)) | | 13,104 | - | 13,855 | - | 2180 | Accounts payable-- related parties(Note 7) | | 366 | - |
| 1170 | Accounts receivable(Note 6(4)and (17)) | | 510,893 | 5 | 255,497 | 3 | 2200 | Other payables (Note 6(19)) | | 346,737 | 3 |
| 1181 | Accounts receivable — related parties(Note 6(4)and (17)and 7) | | 789,697 | 8 | 328,134 | 4 | 2220 | Other payables — related parties(Note 7) | | 656,256 | 6 |
| 1206 | Other receivables(Note 6 (5)) | | 126,242 | 1 | 37,882 | - | 2300 | Other current liabilities | | 10,315 | - |
| 1310 | Inventories(Note6(6)) | | 501,540 | 5 | 581,106 | 6 | | | | <u>3,239,037</u> | <u>30</u> |
| 1410 | Prepayments | | 241,788 | 2 | 168,269 | 2 | | | | <u>3,210,944</u> | <u>38</u> |
| 1470 | Other current assets | | <u>3,370</u> | <u>-</u> | <u>993</u> | <u>-</u> | 25xx | Non-current liabilities: | | | |
| | | | <u>7,830,009</u> | <u>73</u> | <u>7,750,373</u> | <u>88</u> | 2500 | Financial liabilities measured at fair value through profit and loss — non-current(Note 6(10)) | | 22,800 | - |
| 15xx | Non-current assets: | | | | | 2530 | Convertible corporate bonds payable(Note 6(10)) | | 1,384,135 | 13 | - |
| 1510 | Financial assets measured at fair value through profit or loss — non-current (Note6(2)and(3)) | | 11,048 | - | - | - | 2570 | Deferred income tax liabilities(Note 6(13)) | | 377,397 | 4 |
| 1543 | Financial assets measured at cost — non-current(Note6(2)and(3)) | | - | - | 39,926 | - | 2630 | Long-term deferred income | | 65,492 | - |
| 1600 | Property, plant and equipment(Note6(7)and7) | | 2,487,643 | 23 | 811,869 | 10 | 2645 | Deposits received | | <u>1,073</u> | <u>-</u> |
| 1780 | Intangible assets(Note6(8)) | | 6,404 | - | 5,245 | - | | | | <u>1,850,897</u> | <u>17</u> |
| 1840 | Deferred tax assets(Note 6(13)) | | 350,004 | 4 | 124,842 | 2 | 2xxx | Total liabilities | | <u>5,089,934</u> | <u>47</u> |
| 1920 | Refundable deposits | | 10,035 | - | 10,621 | - | 31xx | Interest vested in the owner of the parent Company: (Note 6(10),(14)and(15)): | | | |
| 1985 | Long-term lease prepayments | | <u>40,884</u> | <u>-</u> | <u>43,056</u> | <u>-</u> | 3110 | Common stock | | <u>1,054,468</u> | <u>10</u> |
| | | | 2,906,018 | 27 | 1,035,559 | 12 | 3200 | Capital reserve | | <u>2,632,394</u> | <u>25</u> |
| | | | | | | 3300 | Retained earnings: | | | | |
| | | | | | | 3310 | Legal reserve | | 309,674 | 3 | 298,590 |
| | | | | | | 3350 | Unappropriated retained earnings | | <u>1,615,955</u> | <u>15</u> | <u>1,373,841</u> |
| | | | | | | | | | <u>1,925,629</u> | <u>18</u> | <u>1,672,431</u> |
| | | | | | | 3400 | Other equities: | | | | |
| | | | | | | 3411 | Exchange differences on translation of foreign financial statements | | 4,093 | - | 181,808 |
| | | | | | | | Total equity attributable to owners of parent | | <u>5,616,584</u> | <u>53</u> | <u>5,386,869</u> |
| | | | | | | 36xx | Non-controlling equity | | 29,509 | - | 30,134 |
| | | | | | | 3xxx | Total equity | | <u>5,646,093</u> | <u>53</u> | <u>5,417,003</u> |
| 1xxx | Total assets | \$ | <u><u>10,736,027</u></u> | <u><u>100</u></u> | <u><u>8,785,932</u></u> | <u><u>100</u></u> | 2-3xxx | Total liabilities and equity | \$ | <u><u>10,736,027</u></u> | <u><u>100</u></u> |
| | | | | | | | | | <u><u>8,785,932</u></u> | <u><u>100</u></u> | |

(See accompanying notes to financial statements)

Chairman: 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 | | | | | Exchange differences on translation of foreign financial statements | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
|--------------------------------------------------------------------|---------------------|------------------|----------------|----------------------------------|------------------|---------------------------------------------------------------------|-----------------------------------------------|---------------------------|------------------|
| | Common stock | Capital reserves | Legal reserves | Unappropriated retained earnings | Total | | | | |
| 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) | - | (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, C

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 semiconductors.

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 new standards, 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 "Applying 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 |

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

Except for the following items, the Group believes that the adoption of the above 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 “Construction 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 Group 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.

| Affected Items in Consolidated Balance Sheet | 2018.12.31 | | | 2018.1.1 | | |
|----------------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------|------------------------------------------|--------------------------------------------|--------------------------------------|
| | 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 | |

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

| Affected items of consolidated income statement | 2018 | | |
|--------------------------------------------------------|-------------------------------------------------|---------------------------------------------------|----------------------------------------|
| | Book value of non-application of IFRS 15 | Impact Number of Accounting Policy Changes | Book value after re-preparation |
| 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\$) | <u>\$ 2.54</u> | <u>0.29</u> | <u>2.83</u> |
| Diluted Earnings Per Share (NT\$) | <u>\$ 2.51</u> | <u>0.29</u> | <u>2.80</u> |

| Affected Items of Consolidated Cash Flow Statement | 2018 | | |
|-----------------------------------------------------------|-------------------------------------------------|---------------------------------------------------|---------------------------------------------|
| | 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

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

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

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

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 | | | 2018.1.1 | 2018.1.1 | 2018.1.1 |
|-------------------------------------------------------|-------------------|------------------|----------------|-------------------|-------------------------------|--------------------------|
| | IAS 39 book value | Reclassification | Re-measurement | IFRS 9 book value | Retained earnings adjustments | 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.

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

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 with a depreciation charge for right-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 accounting remains 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 Group 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.

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

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 liability, with no restatement 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 economic 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.

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

| 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 the Regulations 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.

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

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.

The Company 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 Microelectronics (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%.

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

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

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

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

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

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.

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

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.

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

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.

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

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

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

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.

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

<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

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

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

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

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's 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 expects 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 does 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

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

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

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

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

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

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.

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

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 | <u>\$ 5,293,307</u> | <u>6,364,637</u> |

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 | <u>\$ 11,048</u> |

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 | <u>\$ 39,926</u> |

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.

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

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 |
| | <u>\$ 1,313,694</u> | <u>597,486</u> |

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 | - |
| | <u>\$ 1,313,694</u> | | <u>-</u> |

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

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

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 |
| | <u>\$ 597,486</u> |

5. Other receivables

| | 2018.12.31 | 2017.12.31 |
|-------------------|--------------------------|----------------------|
| Other receivables | <u>\$ 126,242</u> | <u>37,882</u> |

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 |
| | <u>\$ 501,540</u> | <u>581,106</u> |

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) | - |
| | <u>\$ 3,624,309</u> | <u>2,546,451</u> |

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:

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

| | 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 | <u>\$ 502,706</u> | <u>2,778,440</u> | <u>67,299</u> | <u>1,036,364</u> | <u>315,109</u> | <u>48,033</u> | <u>420,619</u> | <u>5,168,570</u> |
| 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 | <u>\$ 358,259</u> | <u>2,016,021</u> | <u>65,967</u> | <u>632,945</u> | <u>156,207</u> | <u>-</u> | <u>148,087</u> | <u>3,377,486</u> |
| 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 | <u>\$ 184,420</u> | <u>1,786,661</u> | <u>48,526</u> | <u>505,286</u> | <u>150,474</u> | <u>5,560</u> | <u>-</u> | <u>2,680,927</u> |
| 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 | <u>\$ 163,279</u> | <u>1,734,391</u> | <u>38,722</u> | <u>512,633</u> | <u>116,592</u> | <u>-</u> | <u>-</u> | <u>2,565,617</u> |
| Book value: | | | | | | | | |
| Balance as of December 31, 2018 | <u>\$ 318,286</u> | <u>991,779</u> | <u>18,773</u> | <u>531,078</u> | <u>164,635</u> | <u>42,473</u> | <u>420,619</u> | <u>2,487,643</u> |
| Balance as of January 1, 2017 | <u>\$ 216,439</u> | <u>375,157</u> | <u>8,537</u> | <u>150,988</u> | <u>37,449</u> | <u>-</u> | <u>28,022</u> | <u>816,592</u> |
| Balance as of December 31, 2017 | <u>\$ 194,980</u> | <u>281,630</u> | <u>27,245</u> | <u>120,312</u> | <u>39,615</u> | <u>-</u> | <u>148,087</u> | <u>811,869</u> |

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 | <u>\$ 20,229</u> |

**Notes to Consolidated Financial Report of ShunSin Technology Holdings Limited and
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| | 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 | <u>\$ 14,730</u> |
| 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 | <u>\$ 13,825</u> |
| Balance as of January 1, 2017 | \$ 6,420 |
| Amortization for current period | 3,160 |
| Translation effect | (95) |
| Balance as of December 31, 2017 | <u>\$ 9,485</u> |
| Book value: | |
| Balance as of December 31, 2018 | <u>\$ 6,404</u> |
| Balance as of January 1, 2017 | <u>\$ 6,690</u> |
| Balance as of December 31, 2017 | <u>\$ 5,245</u> |

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 |
| | <u>\$ 4,586</u> | <u>3,160</u> |

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 | <u>\$ 1,635,021</u> | <u>2,480,536</u> |
| Unused quota | <u>\$ 3,645,459</u> | <u>1,415,414</u> |
| Interest rate range (%) | <u>0.81~3.56</u> | <u>0.81~2.49</u> |

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

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

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 | <u>7,294</u> |
| 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 | <u>7,500</u> |
| Ending balance of corporate bonds payable | <u>\$ 1,384,135</u> |

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) | <u>129,000</u> |
| | <u>\$ 1,500,000</u> |

<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.

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

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:

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

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

11. Operating lease-- as a lessee

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

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

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:

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

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 Zhongshan City, 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

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

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 |
| | <u>\$ 52,531</u> | <u>36,595</u> |

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 28 of 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 ShunSinZhongshan and Talentek Microelectronics (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:

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

| | <u>2018</u> | <u>2017</u> |
|--------------------------------------------------------------|-------------------------|------------------------|
| Current | | |
| Current period | \$ 16,660 | 22,921 |
| Underestimate (overestimate) of income tax for previous year | 3,867 | (34,716) |
| | <u>20,527</u> | <u>(11,795)</u> |
| 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) | - |
| | <u>27,271</u> | <u>(22,790)</u> |
| Income tax expense (benefit) | <u><u>\$ 47,798</u></u> | <u><u>(34,585)</u></u> |

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:

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------------------------------------------|--------------------------|------------------------|
| Pre-tax net profit | <u><u>\$ 338,416</u></u> | <u><u>72,955</u></u> |
| 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 | <u>5,796</u> | <u>(6,488)</u> |
| Income tax expense (benefit) | <u><u>\$ 47,798</u></u> | <u><u>(34,585)</u></u> |

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

<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 | 2017.12.31 |
|-----------------------------------------------------------------|-------------------|-------------------|
| 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.

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

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.

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

<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 | - |
| | <u>\$ 2,632,394</u> | <u>2,478,162</u> |

<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.

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

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% |

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

<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.

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

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 | <u>\$ 298,247</u> | <u>110,844</u> |
| Weighted average number of outstanding shares | <u>105,447</u> | <u>105,447</u> |
| Basic earning per share (NT\$) | <u>\$ 2.83</u> | <u>1.05</u> |
| Diluted earnings per share of the Company | | |
| Net profit for the current period | <u>\$ 298,247</u> | <u>110,844</u> |
| 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 | <u>106,471</u> | <u>105,903</u> |
| Diluted earning per share (NT\$) | <u>\$ 2.80</u> | <u>1.05</u> |

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 | <u>\$ 4,465,710</u> |

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.

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

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.

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

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.

| | <u>Book value</u> | <u>Cash flow of the contract</u> | <u>Within 1 year</u> | <u>1-2 years</u> | <u>2-5 years</u> | <u>More than 5 years</u> |
|------------------------------------------------|---------------------|----------------------------------|----------------------|------------------|------------------|--------------------------|
| 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 | - | - | - |

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

<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\$ |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| 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 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| 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

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

information according to regulations.) of the financial assets and financial liabilities of the Group are listed as follows:

| | 2018.12.31 | | | | |
|-------------------------------------------------------------------------------------------|--------------|------------|---------|---------|--------------|
| | Book value | Fair value | | | Total amount |
| | | Grade 1 | Grade 2 | Grade 3 | |
| 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 |

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

| | 2017.12.31 | | | | |
|------------------------------------------|---------------------|------------|---------|---------|--------------|
| | Book value | Fair value | | | Total amount |
| | | Grade 1 | Grade 2 | Grade 3 | |
| 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)

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

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 or loss — equity vehicle investment without active market | Refer to Listed (OTC) Company Act | <ul style="list-style-type: none"> • Net value Ratio multiplier of stock price(1.39 on 2018.12.31) • Share price sales ratio multiplier(1.17 on 2018.12.31) • Lack of market liquidity discounts(20% on 2018.12.31) | <ul style="list-style-type: none"> • The higher the multiplier, the higher the fair value. • 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:

| | Input value | Move up or down | Changes in fair value reflecting in current profits and losses | |
|-----------------------------------------------------------------|----------------------|-----------------|----------------------------------------------------------------|--------------------|
| | | | 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) |

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

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 seek to 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.

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

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.

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

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 cash equivalents 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:

| | 2018.1.1 | Cash flow | Non-cash changes | | | 2018.12.31 |
|---------------------------------------------|---------------------|----------------|---------------------------|-----------------------|--------------------|------------------|
| | | | Discount and amortization | Exchange rate changes | Fair value changes | |
| 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 | <u>\$ 2,480,536</u> | <u>654,691</u> | <u>(116,071)</u> | <u>-</u> | <u>-</u> | <u>3,019,156</u> |

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 companies, 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 |
| Armada 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 |

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

| 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 |

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

<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 |

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

<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 | 2018 | | | 2017 | | |
|---------------------------------|------------------------|---------------------------|---------------------|------------------------|---------------------------|---------------------|
| | Operating costs | Operating expenses | Total amount | Operating costs | Operating expenses | Total amount |
| Properties | | | | | | |
| 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 Balance of amounts | Turnover rate % | Overdue receivables of Related parties | | Related parties of receivables Amount recovered after the period (Note 2) | Setting aside for allowance for bad debt |
|----------------------------------------|------------------------------------------|-----------------------|------------------------------------------------------|-----------------|----------------------------------------|-----------|---------------------------------------------------------------------------|------------------------------------------|
| | | | | | Amount | Treatment | | |
| ShunSinZhongshan | The Company | Parent company | Accounts receivable (Note 1): 336,767 | 8.58 | - | | 336,767 | - |
| ShunSinZhongshan | Triple Win Technology (ShenZhen) Co. Ltd | Other Related parties | Accounts receivable: 440,032 | 2.03 | - | | 170,958 | - |
| ShunSinZhongshan | the Company | Parent company | Other receivables (Note 1): 1,545,814 | - | - | | 939,653 | - |
| ShunSinZhongshan | 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.

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

<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 | ShunSinZhongshan | 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) | ShunSinZhongshan | 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.

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

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.

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 1 and 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 | | | | | | |
| ShunSinZhongshan | 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 Hong Kong and then re-invest in companies in Hong Kong.
- (3. Invest in ShunSinZhong Shan 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).

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

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

<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”

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

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.

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

| <u>Customer's name</u> | <u>2018</u> | <u>2017</u> |
|------------------------|----------------------------|-------------------------|
| 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 | <u><u>\$ 3,265,766</u></u> | <u><u>2,526,769</u></u> |

ShunSin Technology Holdings Limited

Chairman: Hsu, Wen-Yi

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