



Common Stock Code:6451

# ShunSin Technology Holdings Limited

## 2019 Annual Report

Market Observation Post System: <http://mops.twse.com.tw>  
Company Website: <http://www.shunsintech.com>

Print Date: April 30, 2020

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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
Independent Director	Chiu, Huang-Chuan	R.O.C.	Master Degree in Law, University of Cambridge Lawyer, Baker & McKenzie Lawyer, TAIWAN COMMERCIAL LAW OFFICE

Title	Name	Nationality or Place of Registration	Main Working (Educational)Experience
Independent Director	Ting, Hung-Hsun	R.O.C.	Bachelor Degree in Accounting, Chinese Culture University Independent Director, Test Rite Retail Co., Ltd. Independent Director, Test Rite Internaional Co., Ltd. Supervisor, TIEN LIANG BIOTECH CO., LTD
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 2019

The operating performance indicators of the Group in 2019 are as follows:

Currency: NT\$ thousand, %

Item		FY2019		FY2018		Diff.	Note
Profitability	Consolidated Revenue	5,744,804		4,465,710		1,279,094	Mainly due to rising customer demand.
	Consolidated Gross Profit (margin)	1,386,499	24.13%	841,401	18.84%	545,098	Mainly due to changes in product mix.
	Consolidated Net Income (margin)	629,285	10.95%	290,618	6.51%	338,667	Mainly due to rising consolidated revenue and gross profit.
	Return on Asset	6.13%		3.31%		2.82%	Mainly due to rising consolidated net income.
	Return on Equity	11.12%		5.25%		5.87%	Mainly due to rising consolidated net income.
	Earnings per share	\$6.16		\$2.83		\$3.34	Mainly due to rising consolidated net income.
Capital Structure	Debts ratio	50.50%		47.41%		3.09%	Mainly due to increased short-term borrowing needs for operating turnover.
Liquidity	Current ratio	217.94%		241.71%		(23.80%)	Mainly due to increased short-term borrowing, the ration is still good.
	Quick ratio	206.51%		218.79%		(12.28%)	Mainly due to increased short-term borrowing, the ration is still good.
Operating Performance	Average collection turnover (times)	4.76		4.67		0.08	-
	Average collection days	76.77		78.10		(1.34)	-
	Average inventory turnover (times)	10.43		6.70		3.74	Mainly due to changes in product mix, so average inventory declines.
	Average inventory turnover days	34.99		54.52		(19.53)	Changes as average inventory turnover.

The overall operating performance of 2019 was better than that of 2018, mainly due to the fruitful results achieved in diversifying the Group's transformation products. In 2020, the Group will continue the growth momentum of 2019, provide clients with more diversified products, and build stronger and closer cooperation with clients, all to continue to drive the Group's operating performance in 2020.

### Income Share of Product Sales in 2019 and 2018

	FY 2019	FY 2018
High-speed optical transceiver	48.07%	47.3%
SiP	18.25%	22.5%
Biometric ID	21.36%	10.6%
Automotive Electronics	10.7%	11.8%
Other	1.62%	7.8%
Total	100%	100%

## **ii. Summary of Operational Plans for the Year**

The Group's product sales portfolio is primarily composed of SiP products, the high-speed optical transceiver module, and the biometric module (Face-ID). These three types of products can connect with both current and future market trends of product rising momentum.

The establishment of 5G and big data has brought about an excess demand for data transmission and can further promote the business growth of the Group's SiP products and high-speed optical transceiver module. The Group's cooperative clients are industry-leading enterprises and are currently working together to develop related products, which has had quite fruitful achievement in 2019. In addition to continuing to harvest the established project, the Group shall also continue to develop forward-looking technology and closer cooperation with the clients.

Due to the Sino-US trade war, in order to reduce the risk of a single production base, the Group started setting up a subsidiary in Vietnam in 2019. The Vietnam subsidiary factory is still under construction now and is expected to start production in the third quarter of 2020. Together with the third-stage Zhongshan subsidiary factory, the Group's planning capacity can be more perfectly planned and can provide clients with more business services in the future.

The outbreak of the novel coronavirus at the beginning of this year has considerably impacted the global industry. The influence on the Group for the entire year cannot yet be assessed and still depends on the overall industry. In addition to establishing its own epidemic prevention system and actively advocating the concept of health and education to all employees, the Group is also fully cooperating with the local government's epidemic prevention measures. Currently, the production capacity has recovered and is in good condition, and the orders affected by the lockout can also be fully coordinated with client demands to adjust the production schedule and reduce impact.

## **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 the 5G network has been a closely watched topic and market throughout the world. All countries have started to invest in the construction and commercial planning of the 5G network. According to a report from the economic forecast institute IHS Markit, the 5G supply chain will generate US\$3.5 trillion of global revenue and US\$13.2 trillion of global economic output by 2035. As 5G supports the high-frequency Sub-6GHz and mmWave (millimeter wave), it not only drives the PA market, but also significantly changes RF components and RF front-end module (RF FEM) technology. As for smart phones of the Group's terminal application products, 5G will be the biggest growth momentum over the next decade. According to the research firm Gartner, more 5G smart phones are expected to be launched in 2020, 5G services will also be launched in many countries, and the coverage and hardware of 5G will be improved, all of which will increase consumers' willingness to replace their phones and is expect to lead to the growth of smart phone sales. After applying the 5G frequency band in the future, the internal modules will have a greater demand for integration technology, which is believed to be a big business opportunity for the Group in the adept field of SiP technology.

- **Optical Communication Market:**

In the case of big data era, the rapid growth of the global mobile broadband and cloud computing market, makes a sharp rise in the demand for data transmission, and the optical transceiver module which can quickly handle a large amount of data transmission has become



one of the industry development direction; in the past, the 40G transceiver module product can meet most of the market demand, and with the improvement of network transmission technology, the future 5G data transmission speed will be one hundred times of 4G; according to the report of Lightcounting, it points out that at the beginning of 2020, the optical transceiver module market will continue to expand, and the 400G optical transceiver module will be the mainstream of higher order applications. The Group has been deeply engaged in the field of high-speed optical transceiver module for many years, and the production technology has been continuously advanced from 10G to 400G high-speed optical transceiver module. It is expected that the products of high-speed optical transceiver module will continue to bring a lot of benefits to the Group in 2020.

- **Biometrics ID Market:**

In addition, according to the estimate of market-research firm Gartner, the IOT sensor market is expected to reach US\$330 billion by 2022, with a compound annual growth rate (CAGR) of 40%. As the IOT industry progresses, the IOT sensor market will grow by more than 300% in the next 10 years. The global smartphone 3D sensing market will grow to US\$5.96 billion by 2020, with a penetration rate of 20%, according to Topology Research Institute. 3D sensing technology requires a lot of packaging technology, and the Group has invested a lot of resources in this technology, which is expected to remain one of the Group's main products in 2020.

The Group already has successful experience of establishing the product in the above-mentioned terminal market, among which, good products have been developed in 5G RF and optical communication market based on the steady packaging experience for many years, stood out from the industry and won many clients; the Group will continue to develop SiP process, become the pioneer in the trend of the times and break through the technical barriers, to bring better services to the clients of the Group.

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

The report of OECD Economic Outlook 2019 points out that influenced by the global trade war (especially the Sino-US trade war), the Brexit and the uncertainty of trade relation with European Union, the high level of global corporate bond scale, and the US-Iraq geopolitics in 2019, the economic growth and employment opportunities of both the developed countries and developing countries slow down, and the above causes make the low growth, low inflation and low interest rates becoming the best reflection of the global economy in 2019.

Although some products of the Group are affected by the Sino-US trade war, the Group has won the trust and support of clients by virtue of the diversified layout, years of experience and high-yield technology; contrary to the sluggish global economy, the business performance reverses the trend to grow and create good results. In order to cope with the Sino-US trade war, the construction of second production base has been started to reduce the impact. In the future, apart from the development of various projects, we also expect to take advantage of the business opportunities in the 5G market and enjoy more growth momentum.

Looking ahead to 2020, under the panic influence affecting the global supply chain for the novel coronavirus, and Sino-US trade war to be formally negotiated, the start of 2020 may not be good, the IMF and the world bank and other international institutions continuously reduce the global economic growth rate, and the global financial market is beset by the gloomy shadows, but the global expanding 5G layout speeds up a lot compared to the past 4G construction; Gartner and IHS Markit economic forecast institute all have confidence in 5G driven market momentum, and the Group's diversified products are closely related to the 5G market; the high-speed optical

transmission receiver module, biometric module and SiP sensor all have great potential; based on the Group's rich experience in sealing and testing and high yield of packaging technology, the Group has absolute confidence in this challenge, and believe that it can bring excellent performance. As for the direct impact of novel coronavirus and the Sino-US trade war, the Group has arranged multiple production bases and adjusted the production schedule flexibly, to meet the client needs and reduce the impact. The Group will continue to maintain a positive and stable attitude, in the face of the rapidly changing global environment, boldly break through difficulties and carefully layout the world, stand firmly to grasp the possible opportunities and achieve a more ambitious future.

Chairman: Hsu, Wen-Yi

## II. Introduction to the Company

### i. Profile of the Company and Group:

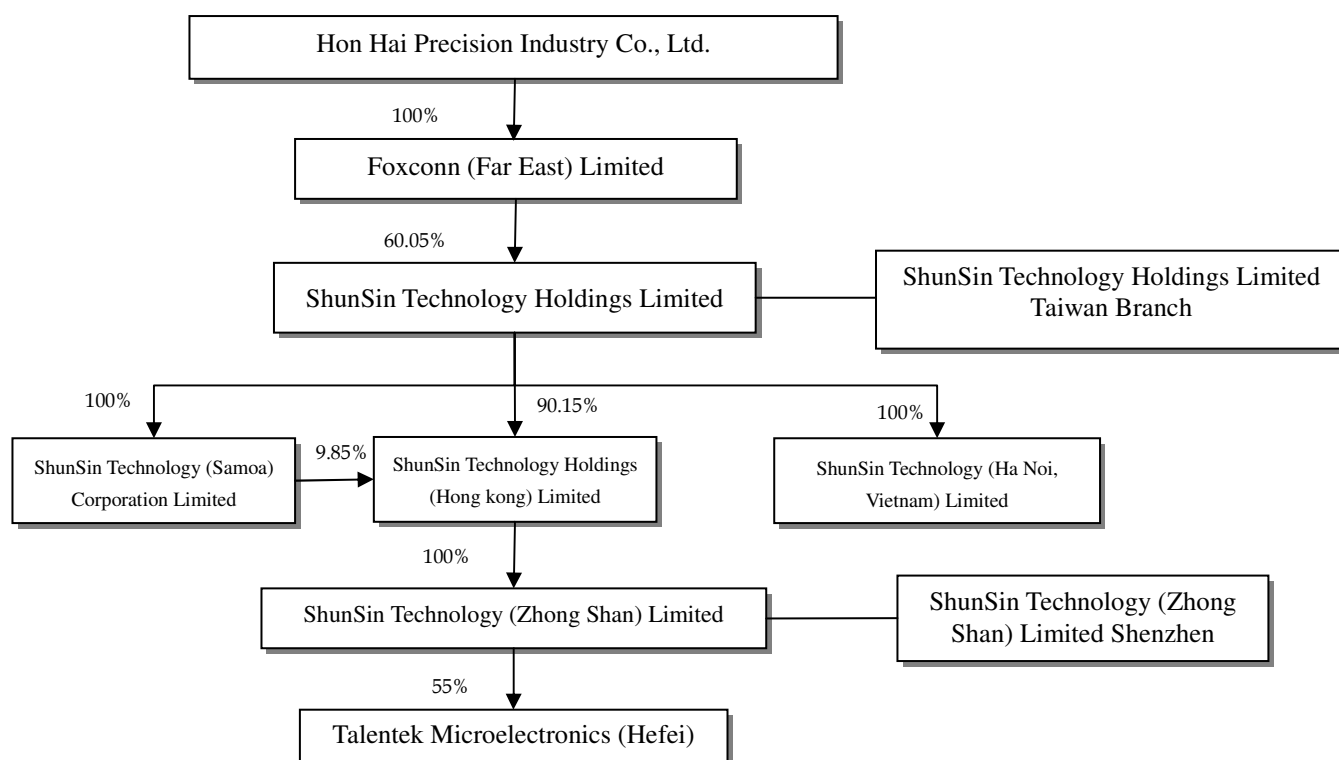
#### 1. Establishment Date and the Profile of the Group:

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”), ShunSin Technology (Samoa) Corporation Limited (hereinafter referred to as "ShunSin Samoa") and ShunSin Technology (Ha Noi, Vietnam) Limited (hereinafter referred to as "ShunSin Ha Noi ") 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, 2020



### 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 2019 is (NT\$63,354) thousand, accounting for 1.1% 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 2019 and 2018 are NT\$ (153) and NT\$ 90,218 thousand respectively, accounting for (0%) and 2.02% of its operating revenue in the current year. On December 31, 2019, 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\$ 6,225 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 future expansion due to the demand of 5G related applications and products, as 5G construction is gradually completed, the demand and technology for sensors and optical fiber transceiver modules needed by the product, combined with relevant 5G applications, will continue to rise, and in order to meet the present market and product needed trend of high integration and high speed transmission, the Group will be dedicated to improving the existing packaging technology to rapidly meet the specifications of the products on the market. The Group will also continue to design and develop packaging technology in the fields of sensors, thick films, optical transceiver modules, automotive electronics, and various other products to expand the customer market.

The R&D expenses in 2019 and 2018 accounted for 4.89% and 8.42% 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 ratio of R&D expenses in 2019 was lower than that in 2018, mainly because the large-scale projects of 2018 entered mass production in 2019, and the related R&D expenses were transferred into the cost.

<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, Vietnam 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 response to the continuous growth of operation scale and risks related to the trade war, the Board of Directors approved the establishment of a second production base in Vietnam on October 17, 2019, which is expected to start production in the second quarter of 2020. The Group also started integrating local resources to form a Vietnamese operation team based on the successful experience of China to meet local manpower needs and policies. The Vietnamese production base will help the Group increase order capacity and productivity, disperse geopolitical risks, and reduce the proportion of management and production costs, thus enabling

the expansion of operation scale and enhancement of overall competitiveness, while still limiting the risks thereof.

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

(1) Purchasing Concentration Risks

The top 10 suppliers in the Group in 2019 and 2018 account for 51.24% and 44.61% of purchases respectively; the increase in purchase concentration in 2019 was primarily due to the change in the Group's sales mix and the fact that customers have designated suppliers for key raw materials to ensure quality. 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 10 customers of the Group in 2019 and 2018 account for 99.29% and 97.88% of sales respectively; the Top 2 customers accounted for about 48% of total revenue in the two years, and the concentration of sales during those two years showed no significant difference. 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 biometric 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.

The terminal application market of the Group's main cooperative customer is high-level smart phones, and the Group's revenue is closely related to sales in this market. Therefore, from the perspective of market demand, the industry where the group is has considerable relevance to the demand change of the downstream terminal application market.

Global shipments of smart phones are expected to grow again in the future due to the application of 5G, which will bring a new wave of replacement opportunities in the high-level smart phone market and consequently rising shipments. 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) Risk of concentrating production base in a single area

The main production base of the Group is located in mainland China, where production costs and price level have been increasing annually. Furthermore, the recent global trade war has also exerted additional tariff costs on foreign businesses in mainland China, all of which have led to the gradual increase of the Group's overall production costs.

In the face of rising production costs in mainland China due to the impact of domestic consumption and trade war, the Group has not only made continuous improvement of production and process management and taken countermeasures like introducing automation equipment, but has also planned to establish a second production base in Vietnam in order to reduce the impact of increased production costs in mainland China on operation.

## (4) Risk of novel coronavirus effects on operation

The main production base of the Group is located in mainland China, which is currently one of the areas with the most serious outbreak of the pandemic. If the Zhongshan subsidiary has confirmed cases, it will affect the daily operation of the Group.

At the beginning of the outbreak, the Group actively cooperated with the epidemic prevention policy of local government to extend the annual holiday, and after improving the quarantine measures, the Group was approved by local government to return to work: the employees must be isolated at home and submit their tourism history prior to returning to work; furthermore, the Group set up a disinfection tank at the entrance for vehicles and an entry quarantine station to measure staff temperature and issue masks; regularly and comprehensively disinfects the plant every day; inspects whether the staff wear their masks correctly at all times, and continue to advocate epidemic prevention guidelines in order to reduce the impact of the novel coronavirus.

(5) 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.

(6) 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:

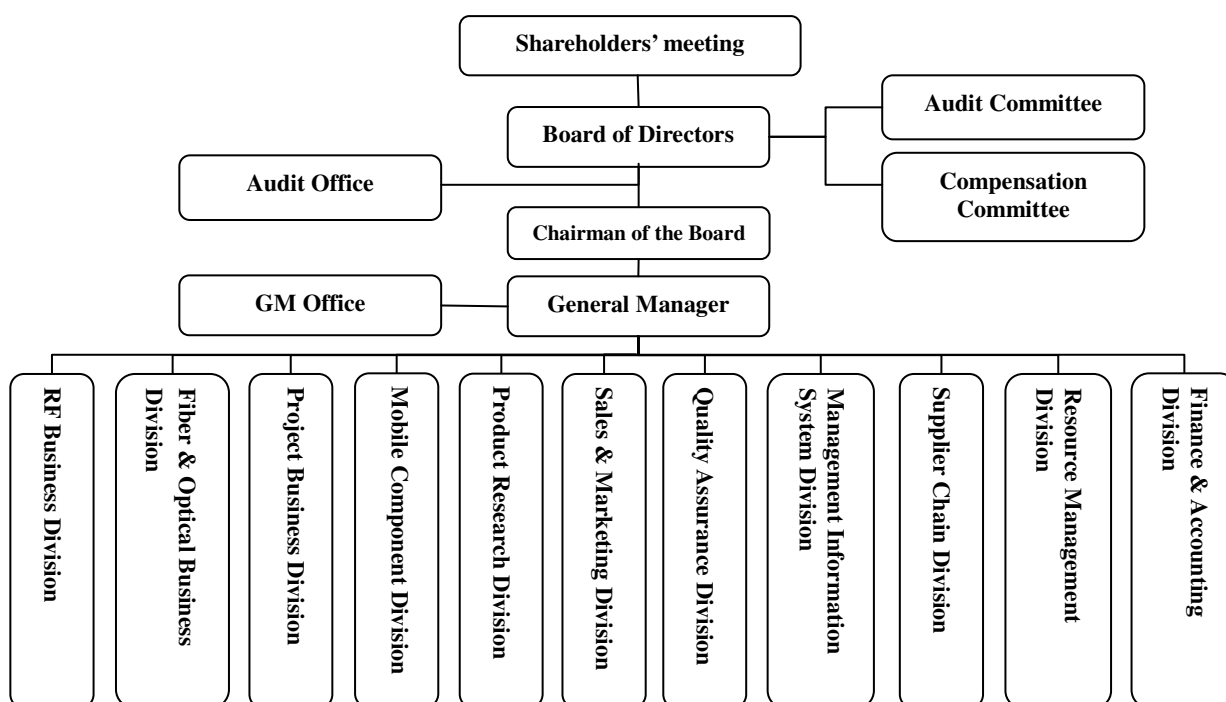
Time	Milestones
1998	ShunSin Techology (Zhongshan) Limited (hereinafter referred to as “Shunsin Zhongshan”), which was previously named Ambit Microsystems (Zhongshan) Corporation, was established in Guangdong Province, China in June.
2000	ShunSin Zhongshan began its formal operation.
2004	Became the “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 revested 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 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

Time	Milestones
	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 biometric 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.
2019	Passed product certification and started mass production of 100Gb/s single-module optical transceivers for Chinese customers. Light source photosensitizer products passed end-customer certification and started mass production. Introduced the high - order packaging technology of double-sided plastic seal. In December, the plant construction of ShunSin Zhongshan Phase III was completed. Established ShunSin Technology (Ha Noi, Vietnam) Limited in December.

# 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.
Management Information System Division	Responsible for computer system and information security management, software and hardware and system purchases, management and maintenance, system development and maintenance.
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 17, 2020

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	Note
							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	60.05	-	-	-	-	NA	Director, Zheng Ding Technology Holding Limited	Note 2
	R.O.C.	Representative: Hsu, Wen-Yi	Male	2017/06/22		2014/05/20	3,749,200	3.56	1,794,200	1.68	-	-	-	-	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	
Director	KY	Foxconn (Far East) Limited	-	2017/06/22	3	2014/05/20	63,964,800	60.66	63,964,800	60.05	-	-	-	-	NA	Director, Zheng Ding Technology Holding Limited	-
	R.O.C.	Representative: Ni, Ching-Yu	Male	2018/09/06		2018/09/06	-	-	-	-	-	-	-	-	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 S BU., Hon Hai Precision Industry Company Ltd	
Director	KY	Foxconn (Far East) Limited	-	2017/06/22	3	2014/05/20	63,964,800	60.66	63,964,800	60.05	-	-	-	-	NA	Director, Zheng Ding Technology Holding Limited	-
	R.O.C.	Representative: Yu, Che-Hung	Male	2017/06/22		2014/05/20	-	-	-	-	-	-	-	-	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 Finance and Investment, Hon Hai Precision Industry Company Ltd Director, Avary Holding (Shenzhen) Company Ltd Supervisor, Avary Technology Company Ltd	

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	Note
							Number	%	Number	%	Number	%	Number	%			
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 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 Independent Director, Test Rite Retail Co., Ltd. Independent Director, Test Rite Internaional Co., Ltd. Supervisor, & TIEN LIANG BIOTECH CO., LTD	Partner, BAKER TILLY CLOCK & CO Supervisor, Emerging Display Technologies Independent Director / Member of the Compensation Committee / Chairman of the Audit Committee, CyberTAN Technology, Inc. Independent Director / Member of the Compensation Committee & Chairman of the Audit Committee, ICARES Medicus, Inc. Director, CEN LINK CO., LTD.	-
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, Master Degree in Management Science, Kaohsiung Polytechnic Institute Manager of Underwriting Department, Yuanta Core Pacific Securities Co., Ltd. Director, Emerging Display Technologies	General Manager / Director, Mildex Optical Inc. Independent Director / Chairman of the Compensation Committee, TAYIH LUN AN CO., LTD. Independent Director / Chairman of the Compensation Committee / Member of the Audit Committee, CyberTAN Technology, Inc.	-

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

Note 2: General Manager Hsu, Wen-Yi has managed the Company for many years and achieved outstanding performance. Therefore, the legal chairman of the Company has appointed the General Manager to concurrently be the representative of the Company directors and the Chairman of the Board of Directors in order to strengthen the understanding of the board members on operation status and set business objectives that are more in line with the market to thus improve operation and management efficiency. The Board of Directors of the Company has three independent directors and seven directors in total, which is effective for supervision and management.

## <2> Principal Shareholders of Corporate Shareholders

April 17, 2020

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 25, 2020

Name of legal person	Principal shareholders of corporate shareholders	Shareholding ratio
Hon Hai Precision Industry Co., Ltd.	Terry Gou	1,341,768,518
	CTBC Hosting Terry Gou Trust Treasury Account	400,000,000
	Citibank Hosting Government of Singapore Investment Account	256,075,219
	New Labor Pension Fund	225,037,438
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	208,209,135
	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	170,320,761
	Norges Bank - internal - NBIM PF EQ INTERNAL CFD	167,370,948
	Citibank Hosting Hon Hai Precision Industry Co., Ltd. Depositary Receipts Account	145,748,093
	Fidelity Puritan Trust : Fidelity Low - Priced Stock Fund	142,480,912
	Fubon Life	140,340,000

## <4> Professional Knowledge and Independence of Directors or Supervisors

April 17, 2020

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	11	12	
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, 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 corporate shareholders who directly hold more than 5% of the total number of shares issued by the Company, or is one of the top five shareholders, or appoints a representative as the director or supervisor of the Company in accordance with Article 27 (1) or (2) of the Corporation Law (excluding independent directors who are concurrently appointed by the Company and its parent company, subsidiaries or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
  6. He/she is not the director, supervisor, or employee of other companies where more than half of the director seats or voting shares are controlled by the same person (excluding independent directors who are concurrently appointed by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
  7. He/she is not the director, supervisor, or employee of other company or institution where the chairman, general manager, or equivalent are the same person or spouse (excluding independent directors who are concurrently appointed by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
  8. He/she is not the director, supervisor, manager, or shareholder holding more than 5% of the shares of a specific company or institution that has financial or business transactions with the Company (excluding specific companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company and independent directors who are concurrently appointed by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
  9. He/she is not a professional, sole proprietor, partnership, company or institution owner, partner, director, supervisor, manager, or spouse of such that provides audit services for the Company or affiliated enterprises or whose cumulative amount of remuneration for business, legal affairs, finance, accounting, and other related services in the past two years does not exceed NT \$500000. However, this does not apply to members of the Remuneration Committee, the Public Acquisition Review Committee, or the Special Merger and Acquisition Committee who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Law or the Enterprise Merger and Acquisition Law.
  10. Not a spouse or a second-degree relative of any other Director of the Company.
  11. No violations of Article 30 of the Company Act.
  12. Not a governmental, judicial person or its representative as defined by Article 27 of the Company Act (R.O.C).



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

April 17, 2020

Title	Nationality	Name	Gender	Inauguration Date	Shareholding		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			Note
					Number	%	Number	%	Number	%			Title	Name	Relation	
General Manager	R.O.C.	Hsu, Wen-Yi	Male	2013/12/27	1,794,200	1.68	-	-	-	-	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	-	-	-	Note
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	-	-	-	-
Senior Assistant Manager of Resource Management Division	R.O.C.	Fan, Chen-Piao	Male	2018/11/14	15,000	0.01	-	-	-	-	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 ShunSin Technology (Ha Noi, Vietnam) Limited Director of ShunSin Technology (Bac Giang, Vietnam) Limited	-	-	-	-
Director of RF Business Division	Hongkong.	Chi-Wah, Lo	Male	2019/07/15	-	-	-	-	-	-	Bachelor Degree in Electronic Engineering, Vocational Training Council, Hongkong Director of Testing Department, Ambit Corporation Manager of Testing Department, Hon Hai Precision Industry Company Ltd.	Director of RF Business Division, ShunSin Technology (Zhong Shan) Limited Chairman of Talentek Microelectronics (He fei) 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	-	-	-	-
Director of Supplier Chain Division	P.R.C.	Li, Qiu-mei	Female	2016/09/09	-	-	-	-	-	-	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	-	-	-	-	-	-	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	26,000	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	-	-	-	-

Title	Nationality	Name	Gender	Inauguration Date	Shareholding		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			Note
					Number	%	Number	%	Number	%			Title	Name	Relation	
Director of Project Business Division	R.O.C.	James Cheng	Male	2017/12/05	-	-	-	-	-	-	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	-	-	-	-
Director of Management Information System Division	R.O.C.	William Niu	Male	2019/09/17	-	-	-	-	-	-	Doctor of Information, University of Sydney, Australia Software Development Manager, Sonic Healthcare Software Development Manager, National Cancer Institute of Australia	Director of Management Information System Division, ShunSin Technology (Zhong Shan) Limited	-	-	-	-

Note : General Manager Hsu, Wen-Yi has managed the Company for many years and achieved outstanding performance. Therefore, the legal chairman of the Company has appointed the General Manager to concurrently be the representative of the Company directors and the Chairman of the Board of Directors in order to strengthen the understanding of the board members on operation status and set business objectives that are more in line with the market to thus improve operation and management efficiency. The Board of Directors of the Company has three independent directors and seven directors in total, which is effective for supervision and management.

### iii. Remuneration of the Director, Supervisor, General Manager, Vice General Manager, etc. in Recent Years (2019)

#### 1. Remuneration of Directors (including Independent Directors)

							Unit: NT\$ thousands; %		
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	1,680				1,260		
		All the companies within the consolidated financial reports	1,680				1,260		
	Pension (B)	The Company	-				-		
		All the companies within the consolidated financial reports	-				-		
	Remuneration (C)	The Company	430				322		
		All the companies within the consolidated financial reports	430				322		
	Business execution expenses (D)	The Company	70				54		
		All the companies within the consolidated financial reports	70				54		
The proportion of the four items A, B, C and D total amount on the profit after tax		The Company	0.34				0.26		
		All the companies within the consolidated financial reports	0.34				0.26		
Part-time employees	Salary, awards and	The Company	2,888				-		

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
remuneration	special expenses (E)	All the companies within the consolidated financial reports		4,206				-		
	Pension (F)	The Company		108				-		
		All the companies within the consolidated financial reports		108				-		
	Employee's Compensations (G)	The Company	Cash amount	27,756				-		
			Stock amount	-				-		
		All the companies within the consolidated financial reports	Cash amount	27,756				-		
			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		5.23				-		
		All the companies within the consolidated financial reports		5.44				-		
Is there any remuneration from other invested businesses apart from subsidiaries or parent company				17,964				-		
1. Please state the remuneration payment policy, system, standard, and structure of the independent director, and the relevance with the amount of remuneration according to the responsibility, risk, investment time, and other factors: The Company will evaluate the performance of the Board of Directors every year according to the degree of participation and responsibility in the Board of Directors. In addition to the monthly fixed compensation, the performance evaluation of the independent director will also affect remuneration.										
2. 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 1,000,000	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 1,000,000 (included) ~2,000,000 (excluded)	-	-	-	-
NTD 2,000,000 (included) ~3,500,000 (excluded)	-	-	-	-
NTD 3,500,000 (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)	-	-	-	-

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
NTD 30,000,000 (included)~50,000,000 (excluded)	-	-	Hsu, Wen-Yi	Hsu, Wen-Yi
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\$ thousands; %

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 or parent company
		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	4,379	5,064	216	216	856	1,489	33,808	-	33,808	-	6.24	6.44	-
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 1,000,000	-	-
NTD 1,000,000 (included) ~2,000,000 (excluded)	-	-
NTD 2,000,000 (included) ~3,500,000 (excluded)	-	-
NTD 3,500,000 (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)	-	-
NTD 30,000,000 (included)~50,000,000 (excluded)	Hsu, Wen-Yi	Hsu, Wen-Yi-

Range of remuneration paid to General Managers and Vice General Managers	General Manager and Vicegeneral Manager's name	
	TheCompany	All the companies in financial reports
NTD 50,000,000 (included) ~100,000,000 (excluded)	-	-
Over NTD 100,000,000	-	-
Total Amount	2	2

#### 4. Remuneration of the top five directors of listed and OTC companies

The Company has no requirement to disclose this information.

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

Unit: NT\$ thousands; %

Title	Name	Stock amount	Cash amount	Total amount	The ratio of total amount on the profit after tax (%)
General Manager	Hsu, Wen-Yi	-	44,288	44,288	7.04
Vice General Manager of Sales & Marketing Division	Weng, Yin-Huang				
Senior Associate Manager of Resource Management Division	Fan, Chen-Piao				
Director of Finance & Accounting Division	Wang, Chieh-Min				

#### 6. Comparing and explaining the proportion of total remuneration paid to directors, supervisors, general managers, vice general managers, etc. 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\$ thousands

Items	2018		2019	
	Amount	%	Amount	%
Board of Directors	27,890	9.6.	58,842	9.35
General manager and vice-general manager				
Net profit after tax	290,618	100.00	629,285	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 (2019)

The third Board of Directors held 11 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	10	1	-	90.91	-
Director	Foxconn (Far East) Limited Representative: Yu, Che-Hung	10	1	-	90.91	-

Title	Name	Practical attendance	Commissioned attendance	Time of leaves	Practical attendance ratio	Remarks
Director (Note)	Foxconn (Far East) imited Representative: Ni, Ching-Yu	9	2	-	81.82	Tenure 2018/09/06-2020/06/21
Director	Hu, Chien-Lei	10	1	-	90.91	-
Independent director	Chiu, Huang-Chuan	11	-	-	100.00	-
Independent director	Ting, Hung-Hsun	11	-	-	100.00	-
Independent director	Lin, Ying-Shan	8	3	-	72.73	-

<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
2019. 01.08	15 <sup>th</sup> session of the 3 <sup>rd</sup> BOD	The Company buys back shares and transfers them to employees for the first time.	3/3	Adoption of resolution	None
2019. 03.22	16 <sup>th</sup> session of the 3 <sup>rd</sup> BOD	1. The Company's consolidated financial statements for 2018 and the audit opinion report prepared by the accountant.	3/3 (in proxy of one seat)	Adoption of resolution	None
		2. To issue the Company's 2018 business report.		Adoption of resolution	None
		3. The distribution of employees' compensations and directors' remuneration in 2018.		Adoption of resolution	None
		4. Amendment of the Company's Memorandum and Articles of Association.		Adoption of resolution	None
		5. Performance evaluation and bonus payment for managers of the Company in 2018.		Adoption of resolution	None
		6. Amendment of the Company's "Corporate Governance Best Practice Principles".		Adoption of resolution	None
		7. Formulated the Company's "Procedures for Handling Request made by Director".		Adoption of resolution	None
		8. The Company applied to financial institutions for short-term quotas and signed contracts.		Adoption of resolution	None
		9. To discuss the Company "2018 Internal Control System Effectiveness Assessment" and issue the Company's "2018 Internal Control System Statements".		Adoption of resolution	None
		10. Convened the Company's 2018 annual general meeting.		Adoption of resolution	None
2019. 04.26	17 <sup>th</sup> session of the 3 <sup>rd</sup> BOD	1. Amendment of the Company's "Procedures for Acquisition or Disposal of Assets".	3/3	Adoption of resolution	None
		2. Amendment of the Company's "Procedures for Lending Fund to Others".		Adoption of resolution	None
		3. Amendment of the Company's "Procedures for Endorsements & Guarantees".		Adoption of resolution	None
		4. The Company's Earnings Distribution Statement for 2018.		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
2019. 05.10	18 <sup>th</sup> session of the 3 <sup>rd</sup> BOD	The Company applied to financial institutions for short-term quotas and signed contracts.	3/3 (in proxy of one seat)	Adoption of resolution	None
2019. 05.13	19 <sup>th</sup> session of the 3 <sup>rd</sup> BOD	The Company transfers the treasury stocks to employees for the first time.	3/3	Adoption of resolution	None
2019. 05.20	20 <sup>th</sup> session of the 3 <sup>rd</sup> BOD	The Company appoints Chinatrust Commercial Bank as the coordination host bank to organize the joint credit bank group and applies to the joint credit bank group for the joint credit line.	3/3	Adoption of resolution	None
2019. 06.24	21 <sup>th</sup> session of the 3 <sup>rd</sup> BOD	Manager salary adjustment plan in 2019 of the Company.	3/3	Adoption of resolution	None
2019. 08.12	22 <sup>th</sup> session of the 3 <sup>rd</sup> BOD	1. Director's remuneration distribution in 2018.	3/3	Adoption of resolution	None
		2. Amendment of the Company's "Audit Committee Charter".		Adoption of resolution	None
		3. Amendment of the Company's "Ethical Corporate Management Best Practice Principles".		Adoption of resolution	None
2019. 10.17	23 <sup>th</sup> session of the 3 <sup>rd</sup> BOD	The Company plans to establish Vietnam subsidiaries.	3/3	Adoption of resolution	None
2019. 11.13	24 <sup>th</sup> session of the 3 <sup>rd</sup> BOD	1. Manager's compensations Distribution in 2018	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
2019. 12.26	25 <sup>th</sup> session of the 3 <sup>rd</sup> BOD	1. Formulated 2020 Audit Plan of the Company.	3/3	Adoption of resolution	None
		2. Formulated the 2020 Operation Plan of the Company.		Adoption of resolution	None
		3. Amendment of the Company's "Performance Appraisal Method for Board of Directors".		Adoption of resolution	None
		4. The Company applied to financial institutions for short-term quotas and signed contracts		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 22, 2019, 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 2018.	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 May 13, 2019, the Company discussed the transferring of treasury stocks to employees for the first time and



Chairman's execution of recusal was as follows:

Director	Propoasl Contents	Reasons for interests resucal	Voting Situation
Hsu, Wen-Yi (Note)	The Company transfers the treasury stocks to employees for the first time.	Due to the discussion of the allocation and transfer of shares to its own managers, 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 of the Company held on June 24, 2019, 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 2019 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.

D.During the Board meeting held on August 12, 2019, the Company discussed the directors' remuneration distribution in 2018 and directors' execution of recusal was as follows:

Director	Propoasl Contents	Reasons for interests resucal	Voting Situation
Hsu, Wen-Yi (Note)	Directors' remuneration Distribution in 2018	Due to the discussion on their own remuneration, 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.

E.During the Board meeting held on November 13, 2019, the Company discussed the managers' compensations distribution in 2018 and Chairman's execution of recusal was as follows:

Director	Propoasl Contents	Reasons for interests resucal	Voting Situation
Hsu, Wen-Yi (Note)	Managers' compensations Distribution in 2018	Due to the discussion on his own compensation, 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.

(3)Evaluation and implementation of the Board of Directors:

A.Evaluation and implementation of the Board of Directors:

Evaluation interval	Evaluation period	Evaluation scope	Evaluation methods	Evaluation contents	
Once a year	FY 2019	Board of Directors	The Chairman of the Board of Directors shall evaluate the actual operation of the Board of Directors in the previous year and submit a report to the Board of Directors.	Participation in the operation of the Company	45 items in total
				Decision quality of the Board of Directors	
				Composition and structure of the Board of Directors	
				Election and continuing education of directors	
				Internal controls	
				Evaluation results	96.11

B.Evaluation and implementation of directors:

Evaluation interval	Evaluation period	Evaluation scope	Evaluation methods	Evaluation contents	
Once a year	FY 2019	Individual directors	Individual directors shall submit a report to the Board of Directors after self-assessment according to their personal participation in the Board of Directors in the previous year.	Controlling of the objectives and tasks of the Company	23 items in total
				Cognition of the responsibilities of directors	
				Participation in the operation of the Company	
				Management and communication of internal relationships	
				Professional level and continuing education of directors	
				Internal controls	
				Evaluation results	
					94.43

C.Performance of functional committees

a. Evaluation and implementation of the Audit Committee:

Evaluation interval	Evaluation period	Evaluation scope	Evaluation methods	Evaluation contents	
Once a year	FY 2019	Audit Committee	The convener shall evaluate the actual operation of the Audit Committee in the previous year and submit a report to the Board of Directors.	Participation in the operation of the Company	22 items in total
				Cognition of the responsibilities of the Audit Committee	
				Decision quality of the Audit Committee	
				Composition and member election of the Audit Committee	
				Internal controls	
				Evaluation results	96.59

b. Evaluation and implementation of the Compensation Committee:

Evaluation interval	Evaluation period	Evaluation scope	Evaluation methods	Evaluation contents	
Once a year	FY 2019	Compensation Committee	The convener shall evaluate the actual operation of the Compensation Committee in the previous year and submit a report to the Board of Directors.	Participation in the operation of the Company	19 items in total
				Cognition of the responsibilities of the Remuneration Committee	
				Decision quality of the Remuneration Committee	
				Composition and member election of the Remuneration Committee	
				Internal controls	
				Evaluation results	98.68

(4)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:

	Objective	Execution
1	Constitute and operate the Board of Directors according to law	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.
2	Diversify the members of the Board of Directors	The Company has elected three independent directors, who have a background in finance, law, and business, and set up an Audit Committee and held a meeting to improve the effectiveness of corporate governance.
3	Disclose the information of board members and operations according to law	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 (2019), the attendance of independent directors was as follows:

(1)The second Audit Committee held 5 meetings and the independent directors were absent as follows:

Title	Name	Practical attendance	Commissioned attendance	Practical attendance ratio (%)	Remarks
Independent director	Chiu, Huang-Chuan	5	-	100	-
Independent director	Ting, Hung-Hsun	5	-	100	-
independent director	Lin, Ying-Shan	3	2	60	-

<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's actions in responses to the Audit Committee's opinions
2019. 03.22	14 <sup>th</sup> session of the 2 <sup>nd</sup> A.C.	1. The Company's consolidated financial statements for 2018.	Adoption of resolution	Submit to the Board of Directors for resolution
		2. Issued the Company's business report for 2018.	Adoption of resolution	Submit to the Board of Directors for resolution
		3. To discuss the Company "2018 Internal Control System Effectiveness Assessment" and issue the Company's "2018 Internal Control System Statements".	Adoption of resolution	Submit to the Board of Directors for resolution
2019. 04.26	15 <sup>th</sup> session of the 2 <sup>nd</sup> A.C.	1. The Company's Earnings Distribution Statement for 2018.	Adoption of resolution	Submit to the Board of Directors for resolution
		2. Amendment of the Company's "Procedures for Acquisition or Disposal of Assets".	Adoption of resolution	Submit to the Board of Directors for resolution
		3. Amendment of the Company's "Procedures for Lending Fund to Others".	Adoption of resolution	Submit to the Board of Directors for resolution
		4. Amendment of the Company's "Procedures for Endorsements & Guarantees".	Adoption of resolution	Submit to the Board of Directors for resolution
2019. 05.10	16 <sup>th</sup> session of the 2 <sup>nd</sup> A.C.	The Company's consolidated financial statements for the first quarter of 2019.	Adoption of resolution	Submit to the Board of Directors
2019. 08.12	17 <sup>th</sup> session of the 2 <sup>nd</sup> A.C.	1. Amendment of the Company's "Audit Committee Charter".	Adoption of resolution	Submit to the Board of Directors
		2. Amendment of the Company's "Ethical Corporate Management Best Practice Principles".	Adoption of resolution	Submit to the Board of Directors
2019. 10.17	18 <sup>th</sup> session of the 2 <sup>nd</sup> A.C.	The Company plans to establish Vietnam subsidiaries.	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.

(4) Annual key tasks and operations of the Audit Committee:

	Annual key tasks	Operation situation
1	Review financial statements audited by an accountant	Completed at the 14th session of the 2nd Audit Committee meeting
2	Review annual business report	Completed at the 14th session of the 2nd Audit Committee meeting
3	Review earnings distribution statement	Completed at the 14th session of the 2nd Audit Committee meeting
4	Review the effectiveness of the	Completed at the 14th session of the 2nd Audit

	Annual key tasks	Operation situation
	Company's internal control	Committee meeting
5	Review the formulation and amendment of the Company's internal control measures	In accordance with the regulations, the Audit Committee of the Company shall complete the formulation and amendment of various internal control measures and submit them to the Company's Board of Directors for discussion.
6	Other matters specified in Article 14-5 of the Securities and Exchange Law	The Company's Audit Committee shall complete reviewing all matters in accordance with the regulations and submit them to the Company's Board of Directors for discussion.

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				

Items	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Y	N	Description	
(1) Does the Board of Directors formulate a diversification policy to membership and implement it?	✓		<p>(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.</p> <p>The Board of Directors of the Company has set a minimum number of seats for personnel with a professional background in accounting, business and finance, law, or industry and has disclosed the official policies and implementation on the Company's official website.</p> <p>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.</p>	No significant differences.
(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, report the performance evaluation results to the Board of Directors, and use it as a reference for compensation and remuneration, as well as the nomination and renewal of individual directors?	✓		<p>(3) The Company has stipulated in the "Performance Appraisal Method for Board of Directors" that the performance evaluation of the Board of Directors members of the Board of Directors and the Functional Committee as a whole shall be carried out on a regular basis every year.</p> <p>According to the appraisal method, the Company has completed the 2019 performance evaluation of the Board of Directors and submitted it to the Board of Directors on March 25, 2020; with a full score being 100, the performance evaluation result of the Board of Directors was 96.11, the average performance evaluation result of the members of the Board of Directors was 94.43, the performance evaluation result of the Audit Committee was 96.59, and the performance evaluation result of the Compensation Committee was 98.68.</p> <p>The result shows that the Board of Directors of the Company has good</p>	No significant differences.

Items	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Y	N	Description	
(4) Does the Company evaluate the independence of CPA on a regular basis?	✓		participation in operations and high-quality decision-making. Relevant evaluation results will serve as a reference for the remuneration and nomination of the Board of Directors of the Company. (4) The Board of Directors of the Company regularly evaluates the independence of visa accountants every year.	No significant differences.
4. Does the listed and OTC company have an appropriate number of competent corporate governance personnel and has it designated a corporate governance director to be responsible for corporate governance related matters (including but not limited to providing data required by directors and supervisors for business, assisting directors and supervisors to comply with laws and regulations, handling matters related to the meeting of the Board of Directors and the shareholders in accordance with law, making minutes of the meetings of the Board of Directors and shareholders, etc.)?		✓	The stock affairs personnel of the Company are responsible full-time for the secretary business of the Board of Directors and evaluation of corporate governance. They are responsible for: (1) preparing for the meeting of the Board of Directors and the shareholders and providing information; (2) Improving and supervising the corporate governance evaluation, and (3) handling the registration and change affairs of the Company jointly with the Administration Department. The stock affairs personnel works directly under the CFO of the Company and reports to him. At present, no special corporate governance director has been appointed, which may be proposed to the Board of Directors in the future for discussion and appointment according to necessity.	No significant differences
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's 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	✓		(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	No significant differences

Items	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Y	N	Description	
responsible for the collection and disclosure of Company information, implementing the spokesman system, the legal entities announcements uploaded to website, etc.)? (3) Does the company announce and declare the annual financial report within two months after the end of the fiscal year, as well as the financial report of the first, second, and third quarters and the operation of each month in advance before the specified time limit?		✓	disclosure of Company's website information, and the Company has a spokesman and deputy spokesman system.  (3) In order to fully communicate with the accountant and reduce the risk of financial report errors caused by the reduction of the accountant's audit time, the Company has not considered publicly announcing and declaring the annual financial report in advance, but will still complete it within the announcement period in accordance with laws and regulations. The Company's quarterly financial reports and monthly operations are announced and declared before the time limit prescribed by laws and regulations.	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 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)?	✓		(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 employees, communicates smoothly, and provides a good working environment for employees. (2) Employee Care: The Company provides adequate education and training and reasonable remuneration and welfare measures. (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. (4) Supplier relations: The Company maintains good relations with suppliers and seeks win-win growth through mutual cooperation. (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. (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. (7) Implementation of Risk Management	No significant differences  No significant differences  No significant differences  No significant differences  No significant differences  No significant differences



Items	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons
	Y	N	Description	
			<p>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 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 2020. 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	Note
		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		

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	Note
		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		
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 the Company or affiliated enterprises (excluding independent directors of the Company, the parent, or the subsidiary corporation who is appointed through the Corporation Law or in accordance with the national laws).
- 3.He/she is not a 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 corporate shareholders who directly hold more than 5% of the total number of shares issued by the Company, or is one of the top five shareholders, or appoints a representative as the director or supervisor of the Company in accordance with Article 27 (1) or (2) of the Corporation Law (excluding independent directors who are concurrently appointed by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
- 6.He/she is not the director, supervisor, or employee of other companies where more than half of the director seats or voting shares are controlled by the same person (excluding independent directors who are concurrently appointed by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
- 7.He/she is not the director, supervisor, or employee of other company or institution where the chairman, general manager, or equivalent are the same person or spouse (excluding independent directors who are concurrently appointed by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
- 8.He/she is not the director, supervisor, manager, or shareholder holding more than 5% of the shares of a specific company or institution that has financial or business transactions with the Company (excluding specific companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company and independent directors who are concurrently appointed by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company in accordance with this act or local laws and regulations).
- 9.He/she is not the professional, sole proprietor, partnership, company or institution owner, partner, director, supervisor, manager, or their spouse that provides audit services for the Company or affiliated enterprises or whose cumulative amount of remuneration for business, legal affairs, finance, accounting, and other related services in the past two years does not exceed NT \$500000. However, this does not apply to the members of the Remuneration Committee, the Public Acquisition Review Committee, or the Special Merger and Acquisition Committee who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Law or the Enterprise Merger and Acquisition Law.
10. 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 (2019) was held the meeting 6 times. The qualifications and attendance are as follows:

Title	Name	Actual attendance	Commissioned attendance	Actual attendance rate(%)	Remarks
Convener	Chiu, Huang-Chuan	6	-	100	-
Committee member	Ting, Hung-Hsun	6	-	100	-
Committee member	Lin, Ying-Shan	4	2	67	-
<p>Other Matters to Be Recorded:</p> <p>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.</p> <p>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</p>					

### <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
2019.03.22	5 <sup>nd</sup> session of the 2 <sup>nd</sup> C.C.	1. The distribution of employees' compensations and directors' remuneration in 2018.	Adoption of resolution	Submit to the Board of Directors for resolution
		2. Performance evaluation and bonus payment for managers of the Company in 2018.	Adoption of resolution	Submit to the Board of Directors for resolution
2019.05.13	6 <sup>rd</sup> session of the 2 <sup>nd</sup> C.C.	The Company transfers the treasury stocks to employees for the first time.	Adoption of resolution	Submit to the Board of Directors for resolution
2019.06.24	7 <sup>th</sup> session of the 2 <sup>nd</sup> C.C.	Manager salary adjustment plan in 2019 of the Company.	Adoption of resolution	Submit to the Board of Directors for resolution
2019.08.12	8 <sup>th</sup> session of the 2 <sup>nd</sup> C.C.	Director's Remuneration Distribution in 2018	Adoption of resolution	Submit to the Board of Directors for resolution
2019.11.13	9 <sup>th</sup> session of the 2 <sup>nd</sup> C.C.	Manager's Compensations Distribution in 2018	Adoption of resolution	Submit to the Board of Directors for resolution
2019.12.26	10 <sup>th</sup> session of the 2 <sup>nd</sup> C.C.	Amendment the Company's "Performance Appraisal Method for Board of Directors".	Adoption of resolution	Submit to the Board of Directors for resolution

### 5. Implementation of Fulfilling Social Responsibility, Differences from Code of Practice on Corporate Social Responsibility of Listed and OTC Companies and Reasons

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. Does the Company conduct risk evaluation on environmental, social, and corporate governance issues related to the operation of the Company in accordance with the principle of materiality and establish relevant risk management policies or strategies?	✓		The Company regularly collects laws and regulations on environmental, social, and corporate governance issues related to the Company's operation and customer and industry requirements, conducts risk evaluation and formulates relevant risk management policies or strategies, carries out social responsibility education and training courses every year, improves the social responsibility awareness of all its employees and supervisors, and advocates the latest	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	
			policies and regulations to reduce the Company's operation-related risks. The Company has formulated the Corporate Social Responsibility Principles y 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, protects social public awareness and enhance CSR information disclosure, so as to fulfill social citizenship obligations and contribute to the community.	
2. 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?	✓		The Company has set up designated units for corporate social environmental responsibility policies, which irregular 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
3. Environmental issues (1) Does the Company establish an appropriate environmental management system in accordance with its industrial characteristics?	✓		(1) The Company has established an environmental management system according to the industrial characteristics; the use of main raw materials complies with RoHS provisions and prohibits the hazardous substances specified in the regulations; the three wastes in the production process are under regular monitoring and are only discharged after meeting relevant standards in order to reduce the impact on the environment.	No significant differences.
(2) Does the Company endeavor to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?	✓		(2) The Company has implemented the GB/T23331:2012-ISO 50001 energy management system and established energy monitoring and management measures to best use resources and continuously improve efficiency. It also promotes environmental protection and energy saving projects, such as frequency conversion energy saving, LED lighting, recycling of reclaimed water, elimination of old electromechanical equipment, reuse of packaging materials, etc., and actively introduces clean solar photovoltaic energy to reduce greenhouse gas and waste	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 evaluate the potential risks and opportunities of climate change for the enterprise now and in the future and take countermeasures for climate related issues?	✓		emissions and reduce its impact on the environment. (3) The Company embodies corporate social responsibility, pays close attention to the greenhouse effect caused by climate change, and conducts carbon tracking and management according to the ISO14064 standard to reduce the impact on the environment.	No significant differences.
(4) Does the Company keep statistics of greenhouse gas emissions, water consumption, and total weight of waste for the past two years and then formulate policies for energy conservation, carbon reduction, greenhouse gas reduction, water use reduction, or other waste management?	✓		(4) The Company has a third party calculate and verify greenhouse gas emissions, water consumption, and the total weight of waste every year and hereby sets the energy conservation and emission reduction targets and policies, as well as implements them as described in the aforementioned projects, with the expectation of reducing the energy and resource waste and greenhouse gas emissions.	No significant differences.
4. Social issues				
(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 and implement reasonable employee welfare measures (including compensation, vacation, and other benefits) and appropriately reflect the operation performance or results in employee compensation?	✓		(2) The Company regularly organizes various seminars, employee opinion survey, set up high-level executives, trade unions, party and Group mailboxes and employee care 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.	No significant differences.
(3) Does the Company provide a safe and healthy working environment for employees, and regularly implement safety and health education for employees?	✓		(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 an effective career development training program for its employees?	✓		(4) 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.
(5) Does the Company comply with	✓		(5) In the product manufacturing process, the	No significant

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	
relevant laws and regulations and international standards for customer health and safety, customer privacy, and marketing and labeling of products and services and formulate relevant policies and complaint procedures to protect the rights and interests of customers? (6) Has the Company established a supplier management policy that requires suppliers to follow relevant specifications and their implementation in environmental protection, occupational safety and health, labor rights, and other issues?	✓		Company complies with the requirements of quality standards, confidentiality agreements, relevant laws and regulations, and international standards as required by customers. Meanwhile, the Company has established a smooth customer complaint channel and system, which is disclosed on the Company's official website.  (6) The Company has established a supplier management policy that requires suppliers to fulfill their due environmental and social responsibilities with regard to environmental protection, occupational safety and health, and labor and human rights and requires qualified suppliers to sign relevant guarantee documents. Meanwhile, the Company selects and evaluates qualified suppliers from the list of qualified suppliers on a quarterly basis. Relevant information has been disclosed on the Company's official website.	differences.  No significant differences.
5. Does the Company prepare such reports as corporate social responsibility reports that disclose the Company's non-financial information with reference to internationally accepted reporting standards or guidelines? Is the disclosed report confirmed or guaranteed by a third-party verification unit?		✓	The Company has not reached the scale or fell into the industry category required by laws and regulations to issue a corporate social responsibility report, but 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.
6. 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, the principle does not differ significantly from the "Code of Practice on Corporate Social Responsibility of Listed and OTC Companies".				
7. 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 2019 is RMB 132,500, and the number of recipients is 100.				

#### 6. Implementation of Integrity Operation, Differences from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons

Evaluation items	Operation situation			Differences and Reasons between the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
	Y	N	Summary	

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) Has the Company formulated Ethical Corporate Management Best Practice Principles approved by the Board of Directors and practices of integrity operation in its regulations and external documents, and is the Board of Directors and senior management committed to actively implement its business policies?	✓		(1) The Company has formulated “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” approved by the resolution of the Board of Directors to specify matters needing attention of the Board of Directors and management in the conduct of business.	No significant differences.
(2) Has the Company established an evaluation mechanism for the risk of dishonest conduct, regularly analyze and evaluate business activities with a high risk of dishonesty within the business scope, and formulate a plan to prevent dishonest conduct accordingly, which contains at least the preventive measures against the activities in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		(2) 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.
(3) Has the Company specified operating procedures, guidelines for conduct, disciplinary and appeal systems for violations in the plan to prevent dishonest conduct, implement them, and regularly review and revise the disclosed plan?	✓		(3) 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.	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?	✓		(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.	No significant differences.
(2) Has the Company set up a designated unit affiliated with the Board of Directors to promote the integrity of the enterprise and report regularly (at least once a year) to the Board of Directors on its integrity operation policies, plans to prevent dishonest	✓		(2) The Administration Department of the Company is responsible for formulating and implementing integrity operation policies and preventive plans, which is affiliated with the Board of Directors and reports to the Board of Directors at least once a year. The Administration Department should report to the Board of Directors at least once	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	
conduct, and supervision of implementation? (3) Does the Company formulate policies to prevent conflicts of interest, provide appropriate channels for presentation, and implement them?	✓		a year. (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 corporate governance and risk control, and to operate in good faith.	No significant differences.
(4) Has the Company established an effective accounting system and internal control system for implementing integrity operations, and has the internal auditing unit or accountant checked the implementation of plans to prevent dishonest conduct according to relevant audit plans based on the risk assessment results of dishonest conduct?	✓		(4) The Company has established an effective accounting policy and internal control and audit system for business activities with a high risk of dishonesty and occasionally reviews the system to ensure that the design and implementation of the system remain effective. Internal auditors shall regularly audit the compliance with the system referred to in the preceding paragraph. In addition to regular audits, they will also carry out special audits on projects with a risk of dishonesty according to the industry category 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, follow-up measures to be taken after 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, follow-up measures, and punishment methods for handling violations of complaints, and provide proper	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	
(3) Does the Company take measures to protect whistleblowers not suffer for which he/she reported?	✓		reporting channels for receiving, processing and feedback of employee's demands by designated departments and person. (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 retaliatory actions.	No significant differences.
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. The principle and the procedures does not differ significantly from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies".				
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

## ShunSinTechnologyHoldingsLimited Statement of Internal Control System

Date: March 25, 2020

The Company states the following with regard to its internal control system during fiscal year 2019, 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 12/31/2019 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 3/25/2020, 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.In the most recent year and as of the date of publication of the annual report, if the Company and its internal personnel are punished according to law, or the Company punishes its internal personnel for violating the provisions of the internal control system and the result of the punishment may significantly impact shareholders' rights and interests or securities prices, the contents of the punishment, the main deficiencies, and the improvements shall be listed: 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	2019.05.13	The approval of “The Company transfers the treasury stocks to employees for the first time.”
Board of Directors	2019.05.20	The approval of “The Company appoints Chinatrust Commercial Bank as the coordination host bank to organize the joint credit bank group and applies to the joint credit bank group for the joint credit line.”
Board of Directors	2019.06.24	The approval of “Manager salary adjustment plan in 2019 of the Company.”
Board of Directors	2019.08.12	(1) The approval of “Director’s remuneration distribution in 2018.” (2) The approval of “Amendment of the Company’s ”Audit Committee Charter”.” (3) The approval of “Amendment of the Company’s ”Ethical Corporate Management Best Practice Principles”.
Board of Directors	2019.10.17	The approval of “Establish Vietnam subsidiaries”.
Board of Directors	2019.11.13	(1) The approval of “Manager’s compensations Distribution in 2018”. (2) The approval of “The Company applied to financial institutions for short-term quotas and signed contracts”.
Board of Directors	2019.12.26	(1) The approval of “Formulated 2020 Audit Plan of the Company”. (2) The approval of “Formulated the 2020 Operation Plan of the Company”. (3) The approval of “Amendment of the Company’s ”Performance Appraisal Method for Board of Directors”.” (4) The approval of “The Company applied to financial institutions for short-term quotas

Meeting Types	Convening Date	Important Resolution
		and signed contracts”.
Board of Directors	2020.01.16	The approval of “Changing the Company's initial investment in its Vietnam subsidiary”
Board of Directors	2020.03.25	(1) The approval of “The Company’s Consolidated Financial Statements for 2019”. (2) The approval of “The 2019 Business Report ”. (3) The approval of “The Company’s “Assessment of Internal Control System Effectiveness ” and “Statement of Internal Control System” in 2019”. (4) The approval of “2019 Employees' Compensations and Directors' Remuneration”. (5) The approval of “Replacement of principal/secondary Certified Public Accountant and assessment of their competency and independence”. (6) The approval of “The Amendments of the Company’s “Memorandum and Articles of Association””. (7) The approval of “Distribution of 2019 Earnings”. (8) The approval of “The Company transfers the treasury stocks to employees for the second time”. (9) The approval of “The Amendments of the Company’s internal control regulation“ (10) The approval of “Performance evaluation, performance bonus, and employee compensation distribution of managers in 2019”. (11) The approval of “The Company applied to financial institutions for short-term quotas and signed contracts”. (12) The approval of “Promotion of the director of Resource Management Division”. (13) The approval of “Convened the Company’s 2020 annual general meeting.
Board of Directors	2020.04.27	(1) The approval of “List of Candidates for the Fourth Board of Directors of the Company” (2) The approval of “The Amendments of the Company’s Rules of Procedure for Shareholders Meetings” (3) The approval of “The Amendments of the Company’s Rules of Procedure for Broad of Directors Meetings and Audit Committee Charter” (4) The approval of “The Amendments of the Company’s Compensation Committee Charter” (5) The approval of ”The Company buys back shares and transfers them to employees for the second time” (6) The approval of ”To add the report and discussion items of the Company's annual shareholders’ meeting in 2020 and to change the venue of the annual shareholders’ meeting.”
Annual General Meeting	2019.06.24	(1) Ratification of “The 2018 Business Report and The Company’s Consolidated Financial Statements for 2018”. Execution: Relevant documents have been filed in the Company. (2) Ratification of “Distribution of 2019 Earnings”. Execution: The Company announced on July 3, 2019 that July 26, 2019 was set as the base date of ex-dividend, and announced on July 3, 2019 that August 22, 2019 was set as the date of cash dividend payment. Up to now, all cash dividends for the year of 2019 have been paid. (3) Approved of the amendments to the Company’s “Memorandum and Articles of Association” by special resolution Execution: Implemented in accordance with the new regulations and completed the deposit in the registered country,Cayman Islands. (4) Approved of the amendment of the Company’s “Procedures for Acquisition or Disposal of Assets”, “Procedures for Lending Funds to Others” and “Procedures for Endorsements & Guarantees”. Execution: Implemented in accordance with the new internal control measures.

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 ("KPMG")	Kuan, Chun-Hsiu	Chao, Min-Ju	2019.1.1~2019.12.31	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\$ THOUSAND

CPA Firm	Name of Accountant	Audit Fee	Non-audit expenses					Inspection Period	Remarks
			System Design	Commercial Registration	Human Resources	Others (Note 2)	Subtotal		
KPMG	Kuan, Chun-Hsiu Chao, Min-Ju	4,120	-	-	-	140	140	2019.1.1~ 2019.12.31	-

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:

The annual audit fee was NT\$ 5,500,000 in 2018 and was NT\$1,380,000 less than that of 2018 in 2019, a decrease of 25%, mainly due to the Company's gradual improvement of its accounting quality, which helps reduce the audit cost.

### vi. Alternation of CPA: None

### 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	2019		As of April 17, 2020	
		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	(175,000)	-	(119,000)	-
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	-	-	-	-
Independent Director	Ting, Hung-Hsun	-	-	-	-
Independent Director	Lin, Ying-Shan	-	-	-	-
Vice-general Manager of Sales & Marketing Division	Weng, Yin-Huang	-	-	-	-
Director of Resource Management Division	Fan, Chen-Piao	(35,000)	-	7	-
Director of Finance & Accounting Division	Wang, Chieh-Min	-	-	-	-

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 17, 2020

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	60.05%	-	-	-	-	-	-	-
Mercuries Life Insurance Co., Ltd.	3,800,000	3.57%	-	-	-	-	-	-	-
New labor pension fund	3,265,000	3.07%	-	-	-	-	-	-	-
Hsu, Wen-Yi	1,794,200	1.68%	-	-	-	-	-	-	-
Old labor pension fund	1,096,000	1.03%	-	-	-	-	-	-	-
HSBC custodial Morgan Stanley International Limited account	885,000	0.83%	-	-	-	-	-	-	-
Chase custodial JP Morgan Securities Limited investment account	439,000	0.41%	-	-	-	-	-	-	-
Zhi-Liang Peng	399,000	0.37%	-	-	-	-	-	-	-

Name	Shareholding		Spouse & Minor Minor Shareholding		Shares Held through Other Parties Shares		Related Party		Remark
	Number	%	Number	%	Number	%	Name	Relation	
Standard Chartered custodial European Credit Suisse Securities investment account	384,000	0.36%	-	-	-	-	-	-	-
HSBC custodial Merrill Lynch International - client integrated Taiwan day trading account	311,000	0.29%	-	-	-	-	-	-	-

## x. Long-Term Investment Ownership

March 31, 2020; 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	74,183,976	10	752,992,216	100
ShunSin Technology (Zhong Shan) Limited	-	-	RMB thousand: 722,637 (Note)	100	RMB thousand: 722,637	100
ShunSin Technology (Samoa) Corporation Limited	US\$ thousand: 9,510	100	-	-	US\$ thousand: 9,510	100
Talentek Microelectronics (He fei) Limited	-	-	RMB thousand: 11,650 (Note)	58.25	RMB thousand: 11,650	58.25
Shunsin Technology ( Ha Noi, Vietnam) Limited	US\$ thousand: 6,000 (Note)	100	-	-	US\$ thousand: 6,000 (Note)	100

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 17, 2020; Unit: 1,000 shares/NT\$ thousand

Year/month	Par value	Authorized shares		Paid-in capital stock		Remarks		
		Shares	Amount	Shares	Amount	Source of capital stock	Capital increased by assets other than Cash	Others
2008/01	USD 1.00	50	USD 50	-	-	Initial Capital	None	Note1
2008/07	USD 1.00	40,000	USD 40,000	83	USD 83	Capital Increased by Cash	None	Note2
2008/08	USD 1.00	40,000	USD 40,000	36,000	USD 36,000	Capital Increased by Cash	None	Note3
2013/11	USD 1.88	80,000	USD 80,000	46,276	USD 46,276	Capital Increased by Cash	None	Note4
2014/01	USD 2.42	80,000	USD 80,000	50,526	USD 50,526	Capital Increased by Cash	None	Note5
2014/05	10	144,000	1,440,000	90,947	909,468	Transferring currency	None	Note6
2015/01	110	144,000	1,440,000	105,447	1,054,468	Capital Increased by Cash	None	Note7
2019/07-2019/11	95.62	144,000	1,440,000	106,525	1,065,248	Capital Increased by Employee stock Option	None	Note8

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.

Note 8: Jin-Guan-Zheng-Fa-Tzu No.1060011395 released on April 12, 2017 by Financial Supervisory Commission R.O.C.

#### 2. Types of Share Issued

April 17, 2020; Unit:share

Stock types	Authorized stock			Remarks
	Outstanding Shares	Unissued shares	Total share	
Common stock	106,524,800	37,475,200	144,000,000	Treasury shares held by the Company 1,757,000 shares

Note: all are listed shares.

### ii. Structure of Shareholders

April 17, 2020

Structure of shareholders Amount	Government Agencies	Financial Institutions	Other Institutions	Foreign Institutions & Individuals (Notes)	Individuals	Treasury shares	Total
Number of Shareholders	3	4	38	35	7,644	1	7,725
Shareholding (shares)	4,461,000	3,901,306	425,168	67,442,830	28,537,496	1,757,000	106,524,800
Percentage	4.19%	3.66%	0.40%	63.31%	26.79%	1.65%	100.00%

Note: The proportion of mainland investment is 0.06%.

### iii. Distribution of Shares

April 17, 2020

Shares	Number of shareholders	Total Shares Held	Percentage
1 to 999	259	26,176	0.02%
1,000 to 5,000	6,519	11,539,079	10.83%
5,001 to 10,000	534	4,259,010	4.00%
10,001 to 15,000	141	1,837,697	1.73%
15,001 to 20,000	94	1,754,119	1.65%
20,001 to 30,000	65	1,662,848	1.56%
30,001 to 40,000	31	1,128,000	1.06%
40,001 to 50,000	20	931,841	0.87%
50,001 to 100,000	34	2,401,700	2.25%
100,001 to 200,000	12	1,592,000	1.49%
200,001 to 400,000	8	2,391,000	2.24%
400,001 to 600,000	1	439,000	0.41%
600,001 to 800,000	-	-	-
800,001 to 1,000,000	1	885,330	0.83%
More than 1,000,001 (included)	6	75,677,000	71.04%
In total	7,725	106,524,800	100.00%

### iv. List of Major Shareholders

April 17, 2020

Name of major shareholders	Shares	Shares Held	Percentage
Foxconn (Far East) Limited Representative: Huang, Chiu-lien, Huang, De-Cai		63,964,800	60.05%
Mercuries Life Insurance Co., Ltd.		3,800,000	3.57%
New labor pension fund		3,265,000	3.07%
Hsu, Wen-Yi		1,794,200	1.68%
Old labor pension fund		1,096,000	1.03%
HSBC custodial Morgan Stanley International Limited account		885,000	0.83%
Chase custodial JP Morgan Securities Limited investment account		439,000	0.41%
Zhi-Liang Peng		399,000	0.37%
Standard Chartered custodial European Credit Suisse Securities investment account		384,000	0.36%
HSBC custodial Merrill Lynch International - client integrated Taiwan day trading account		311,000	0.29%

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

Unit: NTD / thousand shares

Items	Year	2018	2019	Current Year to March 31, 2020
Market Price Per Share	Highest	176	182.5	173.5
	Lowest	51.9	76.2	68.9
	Average	111.01	126.41	136.87
Equity Per Share	Before distribution	53.54	53.21	50.23
	After distribution (Note 9)	50.99	Not distribution	Not distribution
Earnings Per Share	Weighted Average shares	105,447	103,550	106,525
	Earnings per share	2.83	6.16	0.46
Dividends Per Share	Cash dividend	2.27	3.70	Not distribution
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	-	-
		Stock Dividends Appropriated from Capital Reserve	-	-
	Accumulated Unappropriated Dividends (Note 4)		239,364,236	387,640,860
				Not distribution



Items \ Year		2018	2019	Current Year to March 31, 2020
Investment Return Analyses	P/E ratio (Note 5)	43.00	18.77	274.35
	Price-dividend ratio (Note 6)	53.60	31.25	Not distribution
	Cash dividend yield (Note 7)	0.019	0.032	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.

## vi. Corporate Dividend Policy and Its Implementation

### 1. Corporate Dividend Policy

The Company has amended its Articles of Association (hereinafter referred to as “the Seventh Amendment of the Articles of Association”) by resolution of Board of Directors on March 25, 2020. 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 Seventh 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\$387,640,860 set aside from the 2019 annual earnings shall be NT \$3.7 per share, and the Board of Directors shall set the dividend base date after the book closure period of the 2020 annual general 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 2019 was approved by the Board of Directors of the Company on March 25, 2020. The distribution of employee bonus and the remuneration of directors and supervisors is as follows:

<1> It is proposed to distribute NT\$87,562,798 in cash remuneration to employees and NT\$752,476 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: none.

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

<1> Actual distribution:

Employee dividends			Unit: NTD
Employee Stock Dividends: Amount	Employee Stock Dividends: Number of Shares	Employee Cash Dividends	Remuneration to Directors
-	-	40,000,000	352,629

<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
Ratio of purchase quantity to estimated purchase quantity (%)	100%
Shares sold/transferred	1,101,000
Accumulated number of company shares held	1,757,000
Percentage of total company shares held (%)	1.65%

## x. Situation of New Issuance of Corporate Bonds, Preference Shares, Global Depository 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, 2020)	
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 converted (exchanged or subscribed) ordinary shares, GDRs or other securities converted	There is no conversion amount yet.	
	Issuance and conversion (exchanged or subscribed) 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		2019	For year ended April 30, 2020
Market Value of Convertible Bond	Highest	112.0	112.0
	Lowest	97.9	99.1
	Average	105.66	105.54
Conversion Price		171.3	
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 Depository 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	1,078,000 shares
Value of shares exercised	103,078,360
Number of unexecuted expired shares (Note 1)	858,000 shares
Shares unexercised	1,064,000 shares
Exercise price per share on unexercised shares	95.62 (Note 2)
Percentage of shares unexercised to outstanding common shares ( % )	1%
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.

Note 1: The number of invalid shares caused by employee demission.

Note 2: The issue date of the stock warrant approved by the chairman was July 17, 2017, and the share subscription price was the original closing price of NT\$ 97.8 / share on that day. The subsequent share subscription price was adjusted to NT\$ 95.62 in accordance with the issuance of employee share warrants in 2017 and Item 2 of Article 7 of the Share Subscription Metho

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

April 30, 2020; Unit: Shares /NT\$ thousand

April 30, 2020, Cont. Shares 1114 thousand												
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	95.62 (Note)	17,880.9	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 RF Business Division	Luo, Chi-Wah	327	0.31%	183	95.62 (Note)	17,498.4	0.17%	144	95.62 (Note)	13,769.3	0.14%
	Director of Mobile Component Division	Li, Shun-Lung										
	Senior Manager of Product Research Division	Liang, Ai-Hua										
	Director of Fiber & Optical Business Division	Ho, Kuang-Sheng										
	Assistant Manager of Sales & Marketing Division	Zhang, Zhi-Hua										
	Director of Quality Assurance Division	Zhu, Jian-fang										
	Director of Project Business Division	James Cheng										
	Director of Supplier Chain Division	Li, Qiu-mei										
	Senior Manager of Management Information System Division	Chang, Yan-Fang										
	Assistant Manager of Sales & Marketing Division	You, Chun-Ju										

Note: The issue date of the stock warrant approved by the chairman was July 17, 2017, and the share subscription price was the original closing price of NT\$ 97.8 / share on that day. The subsequent share subscription price was adjusted to NT\$ 95.62 in accordance with the issuance of employee share warrants in 2017 and Item 2 of Article 7 of the Share Subscription Method.

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\$ thousand

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: thousand pieces/NT\$ thousand

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\$ thousand

Project	Implementation		Up to first quarter of 2020
Establishment of plants	Expenditure	Estimated	400,000
		Actual	400,000

Project	Implementation		Up to first quarter of 2020
Purchase of machine and equipment	Implementation progress (%)	Estimated	100.00%
		Actual	100.00%
	Expenditure	Estimated	1,500,000
		Actual	1,428,170
	Implementation progress (%)	Estimated	100.00%
		Actual	95.21%
Total	Expenditure	Estimated	1,900,000
		Actual	1,828,170
	Implementation progress (%)	Estimated	100.00%
		Actual	96.22%

<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.

As of the end of the first quarter of 2020, the anticipated execution schedule of the planned purchase of machinery and equipment was 100.00%, and the actual execution schedule was 95.21%. This difference is because the Company has been coordinating with some equipment suppliers for a long time and cooperating with the mass production scale to purchase the equipment, which has caused the cumulative execution schedule to fall behind. The Company will continue to complete the installation and commissioning of the equipment. The reason for the delay in the execution schedule of the planned project is reasonable and indicates no major abnormality.

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

The annual benefits of the project for 2019 have been reflected in the 2019 financial statements, and the achievement is still good. In the first quarter of 2020, due to the impact of the traditional off-season, the Chinese New Year in February, and the outbreak of the novel COVID-19, the terminal sales volume of the brand factory was not as good as expected, resulting in a slight difference between the actual progress and the expected situation. Profits are expected to continue to show up with the orders issued in the peak season in the second half of the year, indicating no major abnormality.

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

The delay in the purchase schedule of machinery and equipment is due to the long coordination with the equipment supplier on payment terms and delivery time and is in accordance with the mass production scale. The Company will continue to complete the installation and commissioning of equipment according to the schedule to ensure that the delay in the schedule does not have a significant impact on shareholders' rights.

Furthermore, according to the actual benefit, the realization of the advanced SiP packaging product in 2019 demonstrated no significant difference, and despite the slight difference in the first quarter of 2020, in the case of overall cost control decrease, the operating benefit still meets the standards, and the benefit is expected to appear in the second half of the year, along with the order issued in the peak season, with no negative effect 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 transceiver (Optical Transceiver) 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 Biometric 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

Items \ Year	2018	2019
	Operating proportion (%)	Operating proportion (%)
Optical Transceiver	48	48
Biometric Module	10	21
System in Package	22	18
Others	30	34
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 biometric module of smartphone.
- (8) Smartwatch mainboard assembly and testing: mainly applied to personal sports and intelligent health monitoring.

##### <4> New products (services) planned for development

- (1) 100G-PAM4 Optical Transceiver Module
- (2) 200G-QSFP Optical Transceiver Module
- (3) 400G 8-channel single-fiber bidirectional optical transceiver module
- (4) System module for intelligent mobile devices
- (5) 5G module packaging technology for heat dissipation enhancement
- (6) Automobile electronic module assembly

- (7) High-density electronic and mechanical parts coplanar or double-sided assembly technology
- (8) Button type rotor vibrating motor
- (9) Temperature and time monitoring smart label

## 2. Industry Overview

### <1> Status quo and development of the industry

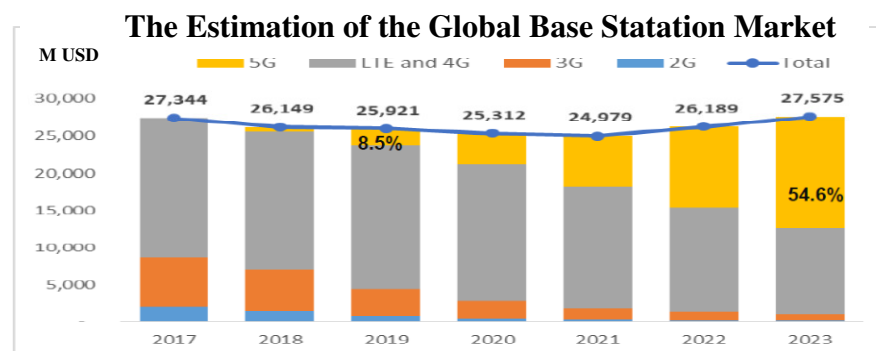
#### ◆ 5G new era

5G communication technology is a new concept that breaks through the 4G system. The frequency of 5G communication technology is 3-300GHz, which is different from the frequency of the past 4G system, which is 2-8GHz. 5G communications technology is faster than 4G system, with theoretical speeds of up to 100 times faster than 4G, while the telecommunication dealers estimate the actual speeds should still be more than 11 times faster.

According to the report from IHS Markit in October of 2019, the wireless telecommunication manufacturer's experience in the transition from 3G to 4G enables them to expand 5G services at a staggering rate, with the deployment of 5G expected to grow substantially and peak between 2020 and 2021, and with hundreds of operators joining in each quarter. The report of IHS Markit even expects that, the arrival of 5G will increase the global real GDP up to US\$3 trillion from 2020 to 2035, equivalent to an economic entity with the size of entire India in the world, and will create the global output value as much as US\$13.2 trillion; in 2035, 5G will affects the revenue of US\$3.5 trillion in the whole world, but the world is influenced by the novel coronavirus outbreak, so the overall 5G schedule will delay by the impact.

At present, more than 60 countries in the world are carrying out the interpretation of 5G spectrum, and China and Japan completed the interpretation of 5G spectrum in December of 2018 and April of 2019 respectively. Meanwhile, according to GSA statistics, 296 telecom operators worldwide have invested in the construction of 5G network, among which 56 telecom operators have launched 5G commercial services.

5G development firstly need to update and construct the infrastructure; according to the research report of Gartner, driven by the network construction of telecom operators in the United States, South Korea, UK, Japan, Italy, Spain, and China, 5G base station construction in 2019 accounted for about 8.5% of the overall market proportion, and the proportion will reach 54.6% in 2023. The world is still a lack of 5G infrastructure; 5G global deployment is in the first half year of 2019 had been out of stock, and the demand far exceeded the expectations of the supplier, especially after South Korea, the United States and Switzerland launched the 5G communications in the second quarter, as the 5G deployment is increased, the 5G supply market is already in short supply.

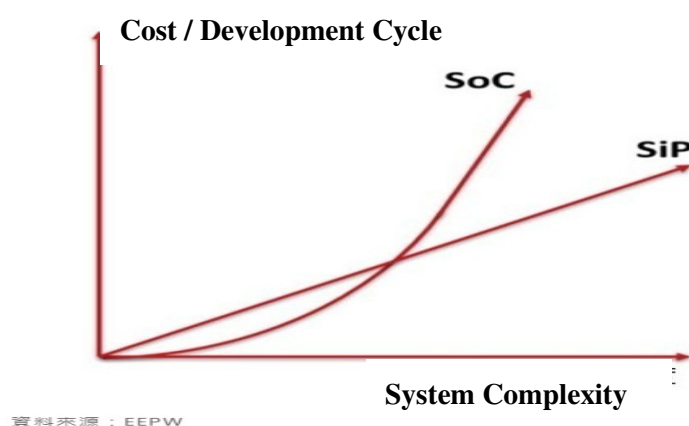


Source: Gartner(2019/08)

#### ◆ SiP market

The SiP (System inPackage) concept means "multiple chips or a chip or the same module in one IC package, plus the packaging of passive component, capacitor, resistor, connector, antenna or more components, namely a SiP", which not only can assemble multiple chips in a package, but also can stack the different types of above components with the circuit chip, to build into a more complex and heterogeneous integration system.

Along with the development of science and technology, the intelligent mobile phone and smart watch products need more placement and integration functions, and the arrival of 5G makes the related products needing the placement of more RF components, and the integration requirements to future 5G related products will be higher, but the Moore's law develops to the bottleneck, so the SiP will become the best market heterogeneous integration solution based on the research and development time and relative cost advantages. 5G is expected to significantly improve related products demand for SiP, especially in the case of intelligent mobile phone.



For example: 5G band is mainly divided into Sub-6 and millimeter wave; Sub-6's signal properties are similar to past 4G LTE signal, so the main difference with 4G era is an increase in the number of RF components; according to Qorvo forecast, 5G smart phone's RF components cost will reach US\$25, almost double of 4G smart phone, among which the receiver/transmitter filter increases from 30 to 75, and even the power amplifier, RF switch, and spectrum are doubled. However, the millimeter wave brings a revolutionary change to the structure of RF component, which makes it necessary to form the AiP (Antenna in Packaging) module with the millimeter wave antenna and the RF component separately. According to the report of MEMS Consulting, the total market size of SiP RF front-end modules was US\$3.3 billion in 2018 and is expected to grow to US\$5.3 billion by 2023.

	Units	
	4G	5G
Receiver/Transmitter Filter	30	75
Number of Bands	15	30
Radio Frequency	10	30
PA	7	16

Source:CNYES.COM

#### ◆ Smartphone Market :

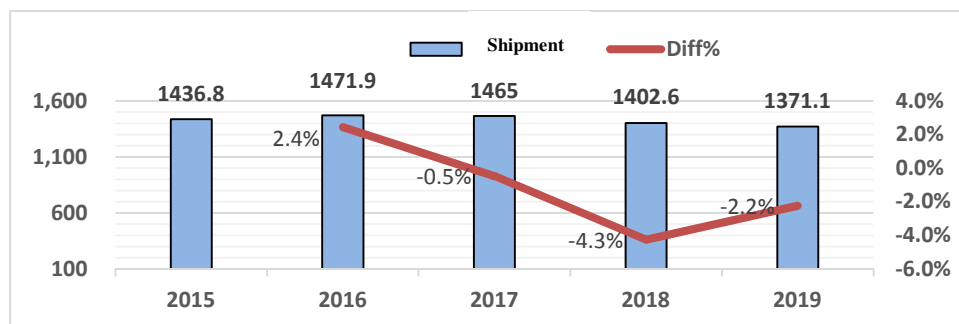
With the enlargement of mobile communication network in the global coverage, the mobile phones have become essential electronic device in the daily life, and the

increasing consumer demand becomes a motive force of the mobile phone industry's unceasing expansion; since Apple has released the iPhone, the mobile phone industry has revolutionary change in the pattern, and has entered the era of smartphone.

After the explosive growth of smartphones in the past few years, the market has gradually become saturated. With the increasing price of high-end mobile phones and no revolutionary breakthrough in functions, the consumers gradually turn to "replacement" instead of "new purchase". According to the research data released by IDC, the smartphone sales have fallen for three years in a row, for the reasons not only to the saturation of the market, but also to the sales setbacks of Huawei's mobile phones in overseas market and the consumers' waiting for 5G phones.

#### [2015~2019 Global smartphone market shipment comparison]

Unit: million pcs; %

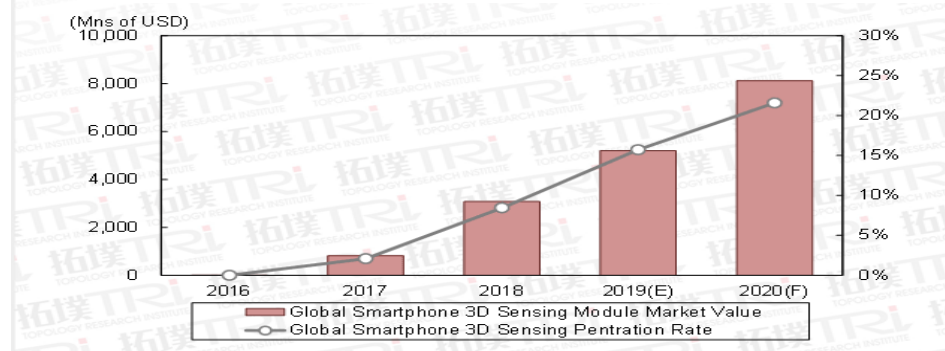


Data source: IDC quarterly published information; SST compiled

IDC also pointed out that in 2020, due to the outbreak of COVID-19, the capacity of factories in the Mainland China was affected and slowed down in shipments. It is expected that the global smartphone shipments will decline by 2.3%. However, driven by the accelerated development of 5G, the global smartphone shipments are expected to return to increase in 2021, which means the impact of 5G market will be delayed.

In addition, as Apple was the first to launch the smart phone equipped with 3D sensing module in 2017, various brands actively followed suit by launching the symbolic products, and 3D sensing module gradually becomes one of the marketing features of high-end smart phones. According to the analysis of Topology Research Institute, the market for 3D sensing smartphones will reach US\$5.96 billion in 2019 with a penetration rate of about 15%, and US\$8 billion in 2020 with a penetration rate of more than 20%.

#### The Penetration Rate of 3D Sensing Modules in Smartphones and the Production for 2016~2020

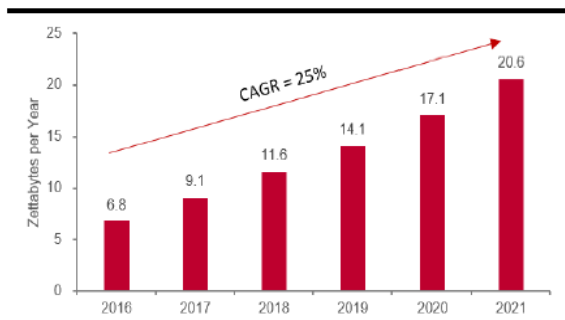


Data source: Topology Research Institute (2019/11)

### ◆ Overview of mobile transmission

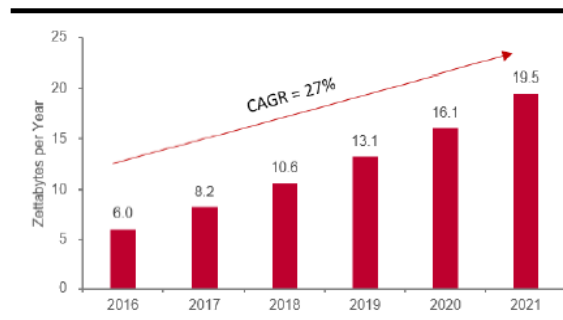
In recent years, with the development of 5G communication technology and the era of big data, the global mobile broadband and cloud computing market is growing rapidly. Users choose to access the shared computing resource pool by the operation mode of network, server, storage space or application and service, so the demand for network cloud computing is also growing rapidly. According to the data of Cisco, the global data center flow will reach 14.1ZB in 2019 and is expected to reach 20.6ZB in 2021, with a compound growth rate of 21% in 2019-2021. At the same time, the global cloud data center will grow at a faster speed. In 2019, the global cloud data center will reach 13.1ZB, accounting for about 93%, and in 2021, it will reach 19.5ZB, accounting for about 95%, with a compound growth rate of 27% from 2019 to 2021.

**IP Traffic Growth of Global Data Center**



Source: Cisco, Founder Securities

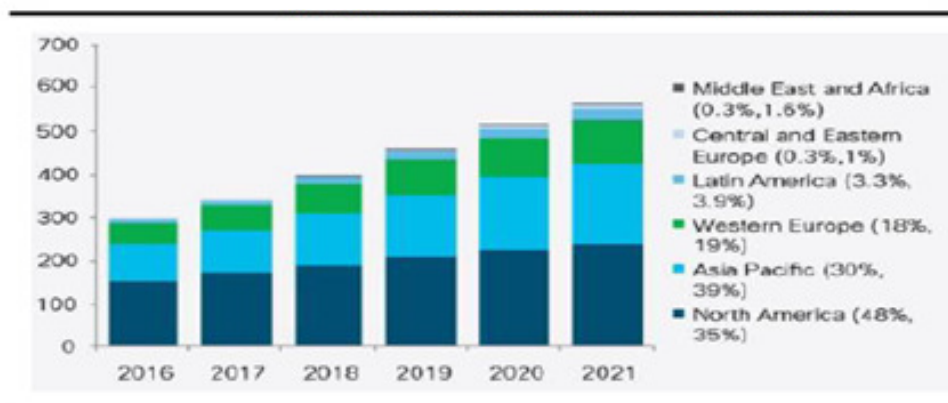
**Traffic Growth of Cloud Global Data Center**



Source: Cisco, Founder Securities

And the large-scale data center and network bandwidth upgrade demand will drive the infrastructure construction of optical fiber broadband network, and the leading enterprises in the network, such as Facebook, Google and Amazon, began the construction of super-large scale data centers; according to the statistics of Cisco, the number of global super-large scale data center in 2019 will reach 509, with the year-on-year growth of 44%; it predicts that in 2021, the number of global super-large scale data center will reach 628, with the annual compound growth rate of 11% in 2019-2021, and the annual compound growth rate of 13% in 2016-2021; the main source of growth is the Asia-Pacific region (mainly China and Japan).

**The Growth of Super-Large Scale Data Center in Each Area**

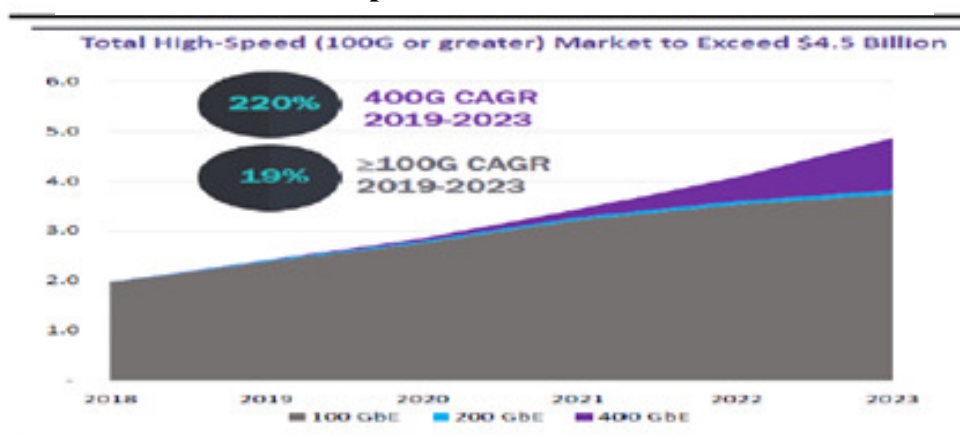


Source: Cisco Global Cloud Index, Founder Securities

The growth of data center also drives the demand growth of optical transceiver module. According to data from Ovum, the market size of optical transceiver modules over 100G in 2020 will reach US\$3 billion, and it will reach US\$5 billion by 2023, among which the

annual compound growth rate of 400G products will reach 220%.

### The Market Size of Optical Transceiver Modules over 100G



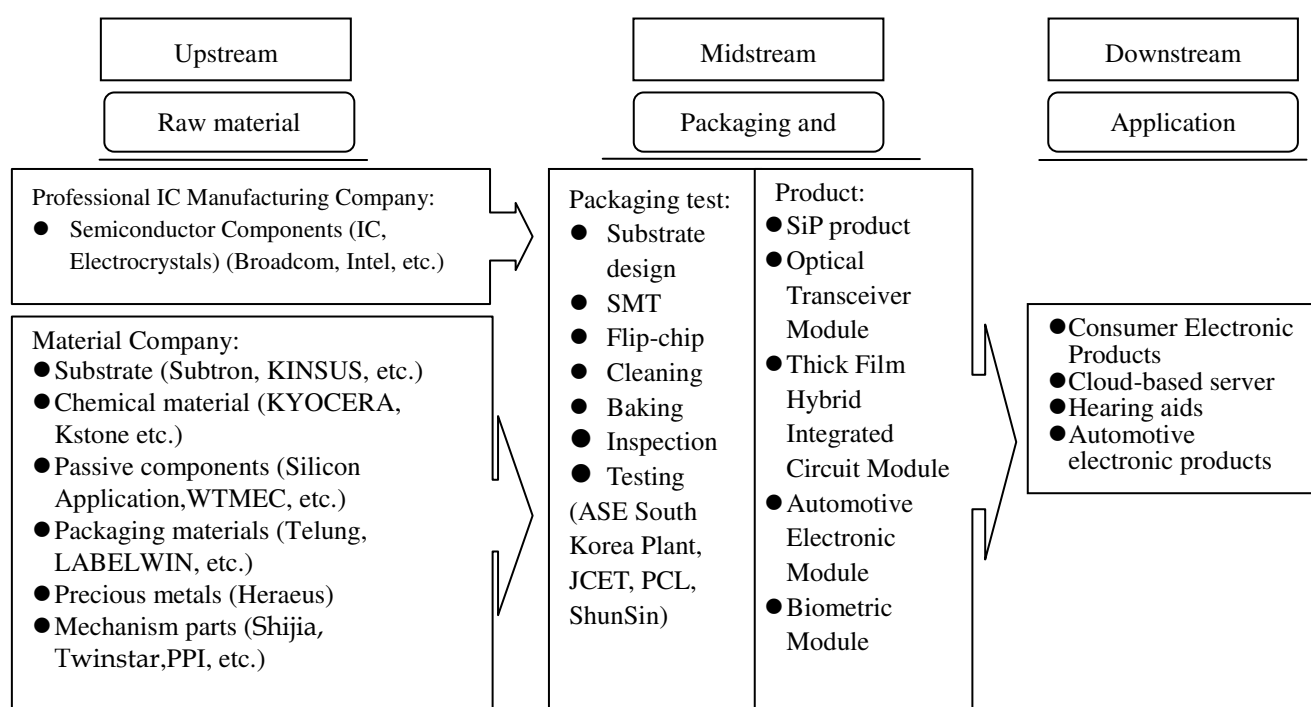
Source: Ovum, Founder Securities

#### <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 package products primarily refer to high-frequency wireless communication modules, while other types of integrated circuits are generally biometric modules, automotive electronics, and thick-film hybrid integrated circuit modules.

#### (1) High-frequency wireless communication module

The Radio Frequency Power Amplifier (RFPA) module is a necessary component of digital mobile phones, wireless networks, and other high frequency wireless communication products on the signal amplification function and is the integration module of semiconductor components with passive components, packaged by SiP packaging technology.

In the fiercely competitive wireless communication market, the product demand of small and energy-saving (power and cost) features is an inevitable trend. The RFPA module is one of the key components of wireless communication transmissions, which is related to the communication quality of various communication systems. It is also the most power-consuming and large-volume circuit component in the system.

The RFPA module consists of RF-receiving and RF-sending components. Its main circuits include the antenna, wireless switch, receiving filter, frequency synthesizer, high-frequency amplifier, receiving local oscillator, mixing frequency, medium frequency, transmitting local oscillator, power amplifier control, and power amplifier. In general, the key components of basic the RFPA module primarily include the 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 modules will become increasingly integrated in order to simplify the subsystems, reduce costs and sizes, save space for terminal applications, and create conditions for the realization of single-chip front-end solutions.

2019 marks the first year of 5G terminal innovation. Reviewing the development process of 3G/4G, each iteration and upgrade of wireless communication technology will promote the major innovation of components inside smart phones, and 5G will bring the following innovations to the RFPA module:

- A. The RF front-end content increases substantially, the quantity and price of the front-end devices such as filter and PA rise together, and the trend of RF front-end integration will accelerate;
- B. The terminal antenna changes greatly, the Sub-6G frequency band LCP/MPI antenna becomes the mainstream, and the millimeter wave frequency band will adopt the AiP antenna.

The original PA main raw material - gallium arsenide (GaAs) - has the third generation of raw material - gallium nitride (GaN). Comparing the two generations of raw materials, the former has the high power (10V) and high linearity required by the carrier polymerization and multi-input & multi-output technology, which is more suitable for technical applications of frequency bands below 6GHz, such as those in the automotive electronics and military fields. The latter enables components to have higher output power (28-50V) and better frequency characteristics, which is more suitable for Sub-6GHz high-frequency technology applications, such as base stations and honeycomb networks.



STMicroelectronics (ST) indicates that in today's RF front-end circuits, GaAs remains the choice standard for high-frequency small-signal components. Both the GaAs MMIC chip integrated switch and amplifier have been widely used in smart phones and tablet computers, as well as other battery-powered portable devices. The linear and distortion features of the GaAs amplifier are usually better than the GaN amplifier, but it can assist GaN to realize linearization under high frequency through digital predistortion technology; along with the evolution of GaN technology toward the smaller process node, when the node is 0.15  $\mu\text{m}$  long, GaN will challenge the dominant position of GaAs components in portable wireless applications.

Telecommunication operators and the layout of the terminal equipment can also demonstrate that 5G is planned to be applied in such emerging directions as automotive entertainment, smart home, smart city, industrial automation, and virtual reality. Since 1G to 4G only had the mobile phone as the carrier, for the vertical innovation in the mobile ecosystem, 4G to 5G started many new IoT application directions, and the transverse incremental innovation application demand will be increased in multiples, and thus the demand for the application network will drive the demand growth of the RFPA module.

## (2) High-speed optical transceiver module

The high-speed optical transceiver module is commonly applied in cloud computing, netcom servers, supercomputers, and other fields. In the case of the big data era, along with the rapid growth of global mobile broadband and cloud computing market, various network enterprises have begun to deploy the super-large scale data center, which has led to a sharp rise in the demand for data transmission. Unlike traditional telecommunication access networks and transmission equipment, data center interconnection needs to achieve more informative and more intensive transmission, so the switching equipment needs to have a higher rate, lower power consumption, and more miniaturization. Therefore, the optical transceiver module, which can quickly handle a large number of data transmissions, has become the development direction of the telecommunications industry in recent years.

Today's optical communication technology usually adopts light-emitting diodes (LED) and laser diodes for optical transmission, using the transmitter to convert the sender input digital signal to the light signal through the optical fiber to realize the light signals for long distance transmission and then transmit to the transceiver module after passing an intermediate repeater, such as an optical amplifier, and transform the received light signals into the digital signal in order to complete a large amount of data transmissions in just a few seconds. With the multiple advantages of optical fiber communication, many countries are actively developing optical technology.

Depending on the length of data transmission distance, the optical fiber used can be categorized as a single-mode or multi-mode optical fiber, and the corresponding optical transceiver module can be either a single-mode or multi-mode module. Single-mode fibers adopt the solid-state laser as their light source, while multi-mode fibers adopt the light-emitting diode as their light source. The single-mode optical fiber has a wide frequency band and long transmission distance, but it needs the laser source and has a high cost; meanwhile, the multi-mode optical fiber has a low transmission speed and a short distance, but its cost is relatively low. The single-mode fiber core diameter and dispersion are small, allowing for only one mode transmission, while the multi-mode fiber core diameter and dispersion are large, allowing for hundreds of modes transmission.



Currently, the mainstream transmission specification is 100G, and 400G is generally recognized as the next generation mainstream specification. The 400G specification has three packaging types, namely QSFP-DD, OSFP, and CFP8. The solution applied in the 400G high-speed optical transceiver module in the data center is the mainstream QSFP-DD and OSFP. The size of QSFP-DD is smaller and more suitable for the application of super-large-scale data centers, which is the mainstream development direction. The OSFP package size is larger and has more power consumption, making it more suitable for telecommunication applications. CFP8 packaging has the highest power consumption and the largest size of the three types, which is twice the size of the other two packaging types, making it more suitable for the long-distance transmission of telecommunications access networks and DWDM forwarding systems.

According to the analysts' forecasts, the global flow of super-large scale data centers will grow to 20.5ZB per year in 2021, and the continuous global demand of super-large scale data centers is foreseeable. Although the high-speed optical transceiver module development towards 400G is inevitable, since the 5G transmission infrastructure has not yet been completed and the market demand for 400G has not grown, 100G specifications will still be the market mainstream for now.

### (3) Face-ID module (3D sensing front-end module)

After Apple released iPhone X with Face ID in 2017, the face recognition technology has become increasingly mature over the past three years. In addition to the comprehensive follow-up of non-Apple phone factories, other application fields, including the self-driving and advanced driving assistance system (ADAS), virtual reality and augmented reality (VR/AR), self-service shops, airports, railway stations, and even some schools have begun to import 3D sensing technology.

Currently, the mainstream technologies for 3D sensing include Time-of-Flight (ToF) and Structured Light. The main function involves using the principle of optical refraction to obtain 3D Depth Maps and further measures the distance between the device and the object. Even if the whole operation principle of 3D sensing is decomposed, the operation of diffraction optical component (DOE), CMOS image sensor, vertical cavity surface-emitting laser (VCSEL), and other components should still be used to cooperatively carry out measurements using different algorithms.

The largest 3D sensing application is currently smart phones, such as the front lens structure light VCSEL technology of Apple used for iPhone. Most patents are controlled by Apple, so it is more difficult for Android mobile phone factories to make developments. As a result, most factories have selected ToF technology with both low technical barriers and costs for development. While 3D sensors have no obvious new application in 2020, more mobile phone brands are expected to be willing to increase the model carrying ToF module, and market rumors suggest that Apple will place the ToF module in the rear lens of the iPhone in the next year. However, as time goes on, the high production cost of structural light VCSEL has gradually reduced, and it is expected to be used and optimized in more applications in the future.

### (4) Sensor

Integration of 5G application services and artificial intelligence Internet of Things (AIoT) systems will become the backbone network of future intelligent life, and the sensor is an indispensable foundation. From personal wearing, home, industrial, and commercial fields to the natural environment, a wide variety of sensors collect environmental changes and digitalize real-world analog signals (such as sound, light, temperature, humidity, vibrations, etc.), thus contributing to a variety of AIoT

innovative applications.

Intelligent mobile phones have a variety of sensors and MEMS components, such as inertial sensors, pressure gauges, microphone modules, and Ambient Light Sensor (ALS) components; these have become the necessary components of all smart phones. As 5G relevant applications are combined with AIoT, each phone-used sensors will continue to rise and have constant technical innovations.

For example, in the past, ALS was usually located at the top of the phone's front frame; however, in order to maximize the size of the display, the high-end smart phones has eliminated the frame, and thus the organic light emitting diode (OLED) display is usually used; the ambient light sensing behind the OLED display (Behind-OLED) is very difficult because the display light will interfere with ALS for measurement of the ambient light. AMS Semiconductor has developed a solution whose measuring accuracy exceeds the requirements of mobile phone manufacturers while also providing design flexibility, so the ALS can be placed behind the display and support the sensor hub structure commonly used for traditional ALS (mounted on the frame), making it the trend to place ALS behind the OLED display.

#### (5) Automotive electronics products

With the upgrading of automobile consumption and the promotion of new energy vehicles, the upgrading of the industrial structure has rapidly promoted the penetration of automobile electronic configuration. The continuous innovation of such electronic information technology as Internet, big data, and intelligence is changing people's way of life. In the era of the internet of everything, the automotive electronics industry has ushered in a golden period of development.

Recently, advanced intelligent automotive electronic products have become a major trend, especially for the semiconductor industry, due to the improvement of safety and the comfort of driving spaces. In addition to existing DC-DC converters, low-power MOS, voltage stabilizer, and TVS, the vehicle electric system importing sensors or such devices as those for navigation, temperature, image monitoring, and security detection, etc. have considerable development potential in the foreseeable future.

Previous automotive packaging technology has had difficulty meeting the new generation of high-speed computing and high-speed transmission speed requirements. The multi-chip module (MCM), System in Package (SiP), and advanced packaging such as Fan-in/Fan-out have become the inevitable trend, and these advanced packaging technologies will face three major challenges: "quality", "safety", and "reliability".

Regarding "quality" and "safety", the complete specifications are provided for the auto industry; the IATF 16949 automotive quality management system certificate is primarily applied to quality. Some European carmakers will require VDA6.3, and the mass production phase also has a new standard AQP; meanwhile, ISO26262 is applied to safety. As for "reliability", it shall strengthen from the 2R phase: CLR (Component Level Reliability) and BLR (Board Level Reliability).

To conform with CLR and BLR specifications, the components shall overcome three big problems - Heat Dissipation, Warpage, and Sequential Stress Tests. Since MCM/SiP and Fan-in/Fan-out are multi-chip packaging, various materials are composed of the complex thermal expansion coefficient (CTE); the MCM/SiP components must be able to maintain proper performance, must not produce warpage deformation, and must maintain normal operation under various tests with continuous changes due to the frequent and extreme temperature changes in the automotive application environment.

#### <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, Jiangsu Changjiang Electronics Technology Co., Ltd, 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) Packaging Technology of Ultra-Small Ambient Light Sensor  (2) Surface Mounting Technology for Ultra-small Spacing Parts  (3) 5G Module Packaging Technology  (4) Ultra-thin substrate system-level packaging  (5) Antenna-in package  (6) Selective molding technology  (7) LiDAR key component packaging technology  (8) Wearable electronic product packaging  (9) Compartment EMI shielding 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, high-rate, and wavelength division multiplexing. Currently, 100G-PAM4, 200G QSFP, and 400G -PAM4 products are in research and development. We will continue to develop related fiber module packaging technology:</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	Introducing high-resistance printing and finishing technical capabilities to expand product types.

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

Unit: NT\$1,000; %

Items \ Year	2017	2018	2019	As of March 31, 2020
R & D cost	165,229	376,098	280,919	68,318
Net operating income	3,148,644	4,465,710	5,744,804	1,005,498
R & D cost /Net revenue ratio	5.25	8.42	4.89	6.79%

<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

Year	R & D results	Function and use
		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
	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

Year	R & D results	Function and use
	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	Biometric Module
2019	Assembly technology on big size metal based PCB	Antenna module of base station in mobile network
	High Precision Package Technology for TEC of CWDM Optical Transceiver	Optical Transceiver Module
	High Precision Package Technology for Stack Die of CWDM Optical Transceiver	Optical Transceiver Module
	CWDM4-2KM Optical Transceiver	Optical Transceiver Module
	100G QSFP Optical Transceiver	Optical Transceiver Module
	Passive Fiber Array Component	Optical Transceiver Module
	Double side molding packaging technology	High Frequency Wireless Communication Module
	BGA package with 5-die EMI shielding technology	High Frequency Wireless Communication Module
	Package Grinding technique	SiP process technique
	Laser Ablation technique	SiP process technique

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

##### (1) Short-term plan

The Group has been deeply developing the packaging field for many years, with good experience, equipment, technology, and competitive production cost, and has maintained good cooperative relationships with the global top RF module designers and optic field design factories. Therefore, whether dealing with existing products or new ones, the priority goes ahead of industry competitors, and we have made the layout first in the recently hot 5G market and big data market. The 5G PA module and 400G high-speed optical transceiver module have been working with customers for development; the 3D sensing front-end module has also expanded customer-certified

product categories, and the new project will start operation in 2020. The Group will continue to maintain its competitive advantage, to improve the advanced packaging technology and provide customers with better quality services, as well as expand product fields and customer groups, while opening up more customers in different regions to diversify customer composition.

## (2) Long-term plan

The main advantage of the Group is that it has rich experience in module manufacturing and has established technological advantages with regard to high-density packaging, ceramics, and heat dissipation. In the future, the Group will continue to develop its existing technological advantages from the industrial chain and product complexity perspective. Future R&D directions include wafer bump manufacturing, new double-side molding ball grid arrays, applied optical sensors, MEMS related sensors, high-speed fiber optic transceiver modules, automotive electronics, 3D sensing front-end modules, and the expansion of the biomedical health business field with the smart labeling products.

The Group is currently focusing on the PLP Fan-out packaging. The technology of Fan-out packaging primarily replaces traditional printed circuit boards with high-precision semiconductors or panel coating, exposure, development, and electroplating equipment in order to achieve true thinness through a more detailed circuit layout and process capability. Compared to the traditional PCB board, the metal Fan-out layer in complete circuit boards can be reduced by half, and the overall thickness can be reduced from hundreds microns of PCB to tens of micrometers. Furthermore, it can be applied to SiP packaging, where the greatly shortened circuit can be helpful in the energy loss of signals and current conduction between the different function chips, as well as reducing the leak rate of high frequency signals. At present, the largest application of this technology is the mobile computing processor built by TSMC for Apple. The Group is focusing on the application of this technology in the SiP package. Pursuant to current product design, the thickness of the completed BGA module can be less than 0.7 mm.

## II. Market, production, and marketing overview

### 1. Analysis of Market

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

Unit: NT\$ thousand;%

Area \ Year	2018		2019	
	Amount	%	Amount	%
Asia	3,853,586	86.30	4,188,476	72.91
America	612,124	13.70	1,556,328	27.09
Total amount	4,465,710	100.00	5,744,804	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> Future market supply & demand and growth

Although the potential business opportunity of 5G (semiconductors, passive components, server and mobile components, etc.) is large, and the market research agency originally was optimistic that the semiconductor industry in 2020 would grow from 2019, in early 2020, because of COVID-19 and its impact to the global economic belt, the epidemic's influence has become a global problem. The United States, Europe, and Asia are all hot spots for the epidemic, significantly impacting the global economy and affecting the global semiconductor sales volume. Therefore, the market research agency has generally cut its booming 2020 semiconductor industry forecast.

As the global market was paralyzed by the outbreak, IC Insights made several downward revisions to the global semiconductor market, with sales declining 4% to \$345.8 billion. Furthermore, Gartner reduced the decline to \$415.4 billion, and the overall market growth rate was revised down to decline 0.9%.

The International Semiconductor Industry Association (SEMI) has concluded that although COVID-19 affects the semiconductor industry chain, the semiconductor industry will still show a growth trend in the long term, and the epidemic has only delayed growth. If the epidemic can be relieved in the second half of the year, the global economy can be expected to rebound in the second half of the year.

### <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, Compression Mold, Package Grinding, Laser ablation 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, biometric 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 biometric 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.

The terminal application market of the Group's main cooperative customer is high-level smart phones, and the Group's revenue is closely related to sales in this market. Therefore, from the perspective of market demand, the industry where the group is has considerable relevance to the demand change of the downstream terminal application market.

#### Countermeasures

Global shipments of smart phones are expected to grow again in the future due to the application of 5G, which will bring a new wave of replacement opportunities in the high-level smart phone market and consequently rising shipments. 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. Risk of production base concentration in a single area

The main production base of the Group is located in mainland China, where production costs and price level have been increasing annually. Furthermore, the recent global trade war has also exerted additional tariff costs on foreign businesses in mainland China, all of which have led to the gradual increase of the Group's overall production costs.

##### Countermeasures

In the face of rising production costs in mainland China due to the impact of domestic consumption and trade war, the Group has not only made continuous improvement of production and process management and taken countermeasures like introducing automation equipment, but has also planned to establish a second production base in Vietnam in order to reduce the impact of increased production costs in mainland China on operation.

#### D. Risk of novel coronavirus effects on operation

The main production base of the Group is located in mainland China, which is currently one of the areas with the most serious outbreak of the pandemic. If the Zhongshan subsidiary has confirmed cases, it will affect the daily operation of the Group.

##### Countermeasures

At the beginning of the outbreak, the Group actively cooperated with the epidemic prevention policy of local government to extend the annual holiday, and after improving the quarantine measures, the Group was approved by local government to return to work: the employees must be isolated at home and submit their tourism history prior to returning to work; furthermore, the Group set up a disinfection tank at the entrance for vehicles and an entry quarantine station to measure staff temperature and issue masks; regularly and comprehensively disinfects the plant every day; inspects whether the staff wear their masks correctly at all times, and continue to advocate epidemic prevention guidelines in order to reduce the impact of the novel coronavirus.

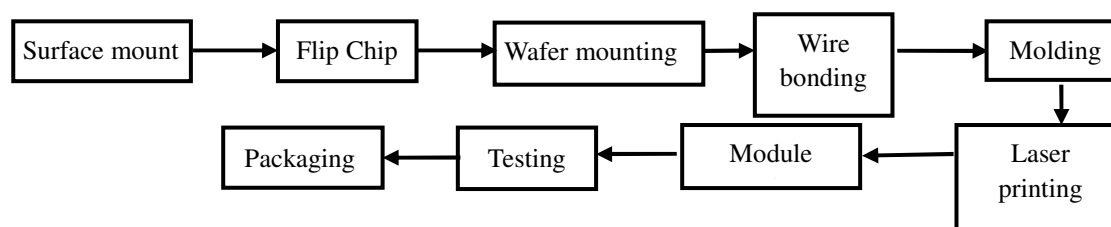
## 2. Important Uses and Production Process of Major Products

### <1> Important Uses of Major Products

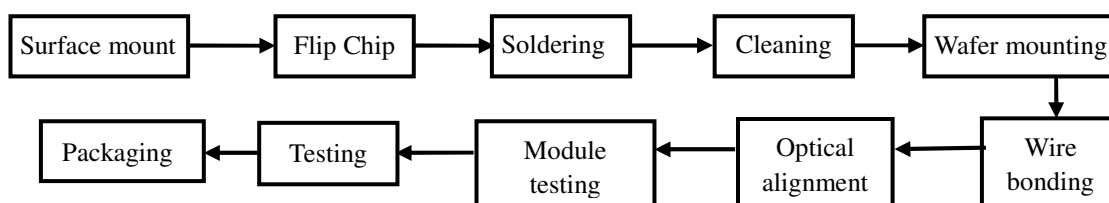
Main properties	Main products	Important uses
SiP Products	High Frequency Wireless Communication Module	Smart phones and tablets
	Low Noise Power Amplifier	Smart phones
High Speed Optical Transceiver Module	High Speed Fiber Transceiver Module	Servers and Supercomputers
Other Integral Circuit Modules	Micro-electromechanical systems and sensing elements	Smart phones
	Automotive electronics	Automotive electronics
	Thick Film Hybrid Integrated Circuit Module	Hearing aid products used in medical technology industry
	Biometric 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	Substron,KINSUS	Good
Electronic parts	Silicon Application,WTMEC, AVNET	Good
Mechanism parts	Shijia, Twinstar,PPI, Enplas	Good
Precious metals	Heraeus	Good
Chemical material	KYOCERA, Kstone	Good
Packaging material	Telung,LABELWIN, Trican	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\$ thousand; %

#	2018				2019				As of first quarter of 2020			
	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	Marubeni	165,066	6.04	None	SUBTRON	291,134	10.52	None	SUBTRON	45,490	9.78	None
2	SUBTRON	149,551	5.47	None	PPI	279,733	10.10	None	WT	26,067	5.60	None
	Others	2,418,512	88.49		Others	2,197,641	79.38		Others	393,722	84.62	
	Net purchase	2,733,129	100.00		Net purchase	2,768,508	100.00		Net purchase	465,279	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\$ thousand; %

#	2017	2018	As of first quarter of 2020
---	------	------	-----------------------------

	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	B	1,588,389	35.57	Note	D	1,546,630	26.92	Note	F	295,430	29.38	Note
2	D	547,916	12.27	Note	F	1,231,101	21.43	Note	C	220,063	21.89	None
3	A	541,059	12.12	None	B	858,231	14.94	None	D	195,377	19.43	None
	Others	1,788,346	40.04		Others	1,788,346	31.13		Others	294,628	29.30	
	Net sales	4,465,710	100.00		Net sales	5,744,804	100.00		Net sales	1,005,498	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\$ thousand; thousand pieces

Year	2018			2019		
Production value	Capacity	Yield	Output	Capacity	Yield	Output
Main products						
High-speed Optical Transceiver Module	1,328	921	1,756,152	2,320	1,343	2,731,427
Biometric module	68,106	14,204	439,281	76,997	46,674	1,215,964
SiP Products	344,083	145,098	866,032	845,286	546,232	1,001,879

### <6> Sales Volume Table for the Last Two Years

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

Year	2018				2019			
Production value	Domestic sales		Export sales		Domestic sales		Export sales	
Main products	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
High-speed Optical Transceiver Module	-	-	1,616	2,123,410	-	-	3,120	2,735,497
Biometric module	-	-	14,204	439,281	-	-	46,674	1,215,964
SiP Products	-	-	285,699	1,004,619	405,455	572,646	191,005	444,958

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		2018	2019	As of April 30, 2020
Number of	Management	43	49	49

Year		2018	2019	As of April 30, 2020
employees	General staff	837	759	755
	Operating Personnel	1,479	1,877	1,631
	In total	2,359	2,685	2,435
Average age		24.45	27.5	28.58
Average seniority		2.37	2.23	2.52
Ratio of academic qualifications distribution	PhD	0.08%	0.07%	0.08%
	Master	0.85%	0.78%	0.82%
	Junior College	31.50%	32.25%	29.77%
	Senior high school	62.10%	66.22%	62.22%
	Below senior high school	5.47%	0.67%	7.10%

#### 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	Young Fast Optoelectronics (Vietnam)	2019/11/1~ 2022/11/30	Factory of ShunSin Ha Noi	None
2	Lease contract	Zhongshan Port Export Processing Zone Property Development Co., Ltd.	2019/7/1~ 2020/6/30	Staff dormitory of ShunSin Zhongshan	None
3	Lease contract	Zhongshan Honghui Property Management Co., Ltd.	2020/1/5~ 2020/4/4	Staff dormitory of ShunSin Zhongshan	None
4	Lease contract	Century Technology Co., Ltd.	2020/2/1~ 2021/1/31	Factory of ShunSin Zhongshan Shenzhen Branch	None
5	Lease contract	Honfujin Precision Industry (Shenzhen)	2020/2/1~ 2021/1/31	Factory of ShunSin Zhongshan Shenzhen Branch	None

No.	Contract Property	Persons Concerned	Date of Commencement and Termination of Contract	Main Contents	Restriction Terms
6	Loan	Joint credit bank group	2019/12/26~ 2022/12/25	Joint loan credit	(1) Credit line split equipment investment and operating working fund. (2) Specific financial ratio maintained during the loan period.
7	Construction contract	CONG TY TNHH XAY DUNG CONG TRINH AN THAI HUNG	2020/3/20~ the date of construction completion	Reconstruction of factory of ShunSin Ha Noi	None
8	Construction contract	RUIYANG ENGINEERING COMPANY LIMITED	2020/3/15~ the date of construction completion	Reconstruction of factory of ShunSin Ha Noi	None
9	Sales contrac	Customer a	2018/6/1~2023/5/31	Sales terms	None
10	Sales contrac	Customer b	2018/12/24~2023/12/24	Sales terms	None
11	Sales contrac	Customer c	2019/6/27~2020/6/27	Sales terms	None
12	Sales contrac	Customer d	2019/9/1~2022/9/1	Sales terms	None
13	Sales contrac	Customer e	2019/11/19~2020/11/18	Sales terms	None
14	Sales contrac	Customer f	2020/3/31~2022/3/30	Sales terms	None
15	Sales contrac	Customer g	2020/4/13~2023/4/12	Sales terms	None
16	Sales contrac	Customer h	2020/4/22~2023/4/21	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\$ thousand

Year Items		Financial Information over the Last Five Years					March 31, 2020
		2015	2016	2017	2018	2019	
Current assets		5,999,523	7,215,440	7,750,373	7,830,009	8,323,471	8,068,105
Property, plant and equipment		1,330,061	816,592	811,869	2,487,643	2,255,451	2,229,404
Intangible assets		6,139	6,690	5,245	6,404	2,915	2,268
Other assets		345,996	256,830	218,445	411,971	866,999	779,582
Total assets		7,681,719	8,295,552	8,785,932	10,736,027	11,448,836	11,079,359
Current liabilities	Before distribution	1,419,288	2,191,110	3,210,944	3,239,037	3,818,993	5,274,104
	After distribution	786,607	1,621,697	3,111,824	2,999,673	Not distributed	Not distributed
Non-current liabilities		94,300	147,045	157,985	1,850,897	1,962,063	542,471
Total liabilities	Before distribution	1,513,588	2,338,155	3,368,929	5,089,934	5,781,056	5,816,575
	After distribution	880,907	1,768,742	3,269,809	4,850,570	Not distributed	Not distributed
Total equity attributable to owners of parent							
Common stock		1,054,468	1,054,468	1,054,468	1,054,468	1,065,248	1,065,248
Capital reserves		2,455,727	2,455,727	2,478,162	2,632,394	2,753,167	2,754,747
Retained earnings	Before distribution	1,802,508	2,131,000	1,672,431	1,925,629	2,324,580	1,984,990
	After distribution	1,169,827	1,561,587	1,573,311	1,686,265	Not distributed	Not distributed
Other equity		855,428	316,202	181,808	4,093	(345,230)	(410,685)
Treasury stock		-	-	-	-	(149,649)	(149,649)
Non-controlling interests		-	-	30,134	29,509	19,664	18.133
Total equity	Before distribution	6,168,131	5,957,397	5,417,003	5,646,093	5,667,780	5,262,784
	After distribution	5,535,450	5,387,984	5,317,883	5,163,297	Not distributed	Not distributed

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

##### (2). Consolidated Income Statement

Unit: NT\$ thousand

Items \ Year		Financial Information over the Last Five Years					The year ended March 31, 2020
		2015	2016	2017	2018	2019	
Operating revenue		5,912,035	4,132,887	3,148,644	4,465,710	5,744,804	1,008,669
Gross profit from operations		1,424,480	1,146,331	602,193	841,401	1,386,499	259,107
Net operating profits		1,010,526	728,655	242,685	136,907	623,298	113,486
Non-operating income and		307,157	409,988	(169,730)	201,509	165,136	(37,883)

Items \ Year	Financial Information over the Last Five Years					The year ended March 31, 2020
	2015	2016	2017	2018	2019	
expenses						
Profit (loss) from continuing operations before tax	1,317,683	1,138,643	72,955	338,416	788,434	75,603
Profit from the continuing business unit	1,100,892	961,173	107,540	290,618	629,285	466,44
Losses of discontinued unit	-	-	-	-		-
Profit	1,100,892	961,173	107,540	290,618	629,285	46,644
Other comprehensive income, net	(50,054)	(539,226)	(134,156)	(174,129)	(350,138)	(65,579)
Total comprehensive income (loss)	1,050,838	421,947	(26,616)	116,489	279,147	(18,935)
Profit, attributable to Owners of parent	1,100,892	961,173	110,844	298,247	638,315	48,051
Profit, attributable to Non-controlling interests	-	-	(3,304)	(7,629)	(9,030)	(1,407)
Comprehensive income attributable to Owners of parent	1,050,838	421,947	(23,550)	120,532	288,992	(17,404)
Comprehensive income attributable to Non-controlling interests	-	-	(3,066)	(4,043)	(9,845)	(1,531)
Basic earnings per share	10.56	9.12	1.05	2.83	6.16	0.46

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

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

Years	CPA	Name of CPA Firm	Audit Opinion
2015	Kuan, Chun-Hsiu, Yu, Chi-Lung	KPMG	Qualified Opinion
2016	Kuan, Chun-Hsiu, Yu, Chi-Lung	KPMG	Qualified Opinion
2017	Kuan, Chun-Hsiu, Yu, Chi-Lung	KPMG	Qualified Opinion
2018	Kuan, Chun-Hsiu, , Chao, Min-Ju	KPMG	Qualified Opinion
2019	Kuan, Chun-Hsiu, , Chao, Min-Ju	KPMG	Qualified Opinion

## ii. Financial Analysis over the Last Five Years

### 1. Financial Analysis Statement

Analysis Items \ Year		Financial Analysis over the Last Five Years					The year ended March 31, 2020
		2015	2016	2017	2018	2019	
Financial structure(%)	Debts ratio	19.70	28.19	38.34	47.41	50.49	52.49
	Long-term Funds toProperty, plant and equipment Ratio	470.84	747.55	686.68	301.36	338.28	260.39
Debt paying ability%	Curentratio	422.71	329.31	241.37	241.73	217.94	152.97
	Quick ratio	382.87	311.97	218.03	218.79	206.51	144.88
	Interest guarantee (times)	484.02	144.32	6.64	9.74	13.44	5.32
Operation Capacity	Average collection turnover(times)	8.25	7.04	5.51	4.67	4.75	4.45
	Average collection days	45	52	67	79	77	82
	Average inventory turnover (times)	9.78	8.15	5.54	6.69	10.43	7.36
	Average payable turnover(times)	7.66	7.91	6.44	6.66	9.13	6.30
	Average inventory turnover days	38	45	66	55	35	50

Analysis Items	Year	Financial Analysis over the Last Five Years					The year ended March 31, 2020
		2015	2016	2017	2018	2019	
	Average property, plant and equipment turnover (times)	4.54	3.85	3.86	2.70	2.42	1.70
	Total asset turnover Ratio(times)	0.83	0.52	0.36	0.45	0.51	0.37
Profitability	Return on assets (%)	15.42	12.11	1.38	3.30	6.13	2.24
	Return on equity (%)	20.99	15.85	1.89	5.25	11.12	3.42
	Profit before tax to (%) (Note 2)	124.96	107.98	6.91	32.09	74.01	28.38
	Profit rate (%)	18.62	23.26	3.41	6.50	10.95	4.63
	Basic earnings per share	10.56	9.12	1.05	2.83	6.16	0.46
Cash flow	Cash flow ratio (%)	115.32	59.97	5.07	(4.62)	50.60	11.84
	Cash Flow Adequacy Ratio(%)	78.94	86.39	60.93	60.19	85.02	88.56
	Cash flow reinvestment ratio(%)	9.69	8.24	9.34	(2.53)	17.25	7.64
Leverage	Operating Leverage	1.57	1.65	2.42	4.24	1.58	1.52
	Financial leverage	1.00	1.01	1.05	1.39	1.11	1.18

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. Interest coverage ratio increase: mainly due to the higher increase of net profit in the current year than that of interest expense in the current year.
2. Inventory turnover (times) increase: mainly due to the revenue in the current year is higher than that of the previous year, so the cost rises relatively.
3. Increase in the payable turnover (times): mainly due to the increase in costs and the decrease in the amount payable in the current year compared with the previous two years.
4. Decrease in average sales days: mainly due to an increase in the inventory turnover in the current year.
5. Increase in return on assets: mainly due to the increase of after-tax net profit in the current year compared with the previous year.
6. Increase of return on equity: mainly due to the increase of after-tax net profit in the current year compared with the previous year.
7. Increase in the ratio of net profit before tax to paid-in capital: mainly due to the increase of net profit before tax in the current year compared with the previous year.
8. Increase in net profit ratio: mainly due to the increase of after-tax net profit in the current year compared with the previous year.
9. Increase in earnings per share: mainly due to the increase in after-tax net profit in the current year compared with the previous year.
10. Increase in cash flow ratio: mainly due to the increase in profits in the current year, so that the operating activities have net cash inflows in the current year.
11. Increase in allowable cash flow ratio: mainly due to the increase in profits of the current year, so that the operating activities have net cash inflows in the current year.
12. Increase in cash reinvestment rate: this ratio is higher than that of the previous year due to the increase in profits in the current year.
13. Increase in operating leverage: this ratio increased due to the increase in operating profit because the increase in revenue and the change in sales mix result in different cost structures.
14. Decrease in financial leverage: mainly due to the increase in net operating profit for the current year higher than the increase in interest expense for the current year.

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

Note: the calculation formula are as follows:

1. Financial structure

(1)  $\text{DebtsRatio} = \text{total liabilities} / \text{total assets}$ .

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

2. Debt-paying ability

(1)  $\text{Current ratio} = \text{current assets} / \text{current liabilities}$ .

(2)  $\text{Quick ratio} = (\text{current assets} - \text{inventory} - \text{payment in advance}) / \text{current liabilities}$ .

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

3. Operating Ability

(1)  $\text{Account Receivable turnover Ratio(Times)}$  (including receivables and notes receivable arising from business) is equal to  $\text{net sales} / \text{average receivables}$  (including receivables and notes receivable arising

- from business).
- (2) Average Accounts Receivable days =  $365 / \text{receivable turnover rate}$ .
  - (3) Average Inventory turnover =  $\text{cost of sale} / \text{average inventory}$ .
  - (4) Average account Payable turnover Ratio (including accounts payable and notes payable arising from business) =  $\text{sales cost} / \text{average balance of accounts payable for each period (including accounts payable and notes payable arising from business)}$ .
  - (5) Average inventory turnover =  $365 / \text{inventory turnover rate}$ .
  - (6) Average property, plant and equipment Turnover Ratio =  $\text{net sales volume} / \text{average net amount of real estate, facilities and equipment}$ .
  - (7) Total asset turnover ratio =  $\text{net sales volume} / \text{average total assets}$ .
4. Profitability
- (1) Return on assets =  $[\text{after-tax profit and loss} + \text{interest expense} * (1 - \text{tax rate})] / \text{average total assets}$ .
  - (2) Return on equity =  $\text{after-tax profit/loss} / \text{total average equity}$ .
  - (3) Profit ratio =  $\text{after-tax profit/loss} / \text{net sales}$ .
  - (4) Basic earnings per share =  $(\text{profits and losses attributable to the owner of the parent Company}) / \text{weighted average number of issued shares}$ .
5. Cash Flow
- (1) Cash flow ratio =  $\text{net cash flow of business activities} / \text{current liabilities}$ .
  - (2) Net Cash Flow Adequacy =  $\text{Net Cash Flow of Business Activities in the Last Five Years} / \text{Last Five Years (Capital Expenditure + Inventory Increase + Cash Dividend)}$ .
  - (3) Cash reinvestment ratio =  $(\text{net cash flow of business activities} - \text{cash dividend}) / (\text{gross amount of real estate, facilities and equipment} + \text{long-term investment} + \text{other non-current assets} + \text{operating funds})$ .
6. Leverage:
- (1) Operating Leverage =  $(\text{Net Operating Revenue} - \text{Variable Operating Costs and Expenses}) / \text{Operating Benefits}$
  - (2) Financial Leverage =  $\text{Operating Interest} / (\text{Operating Interest} - \text{Interest Cost})$ .

### **iii. Audit Committee's review report of 2019**

The Board of Directors has prepared the Company's 2019 Business Report, Consolidated Financial Statements and proposal for distribution of 2019 earnings. Of which, the Consolidated Financial Statements have been audited by KPMG Taiwan. The Financial Statements, 2019 Business Report and proposal for distribution of 2019 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 25, 2020

**iv. Annual Financial Statements of the Recent Years:** Please refer to P.109 to P.175.

**v. Annual Individual Financial Statement audited by CPA of the Recent Years:**  
Not applicable.

**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\$ thousand

Items	Year	2018	2019	Change in Increase (Decrease)		
				Amount	Change Ratio %	Statement
Current assets		7,830,009	8,323,471	493,462	6.30%	
Property, plant and equipment		2,487,643	2,255,451	(232,192)	(9.33%)	
Intangible assets		6,404	2,915	(3,489)	(54.48%)	1
Other assets		411,971	866,999	455,208	110.45%	2
Total assets		10,736,027	11,448,836	712,809	6.64%	
Current liabilities		3,239,037	3,818,993	579,956	17.91%	
Non-current liabilities		1,850,897	1,962,063	111,166	6.01%	
Total liabilities		5,089,934	5,781,056	691,122	13.58%	
Ordinary share		1,054,468	1,065,248	10,780	1.02%	
Capital surplus		2,632,394	2,753,167	120,773	4.59%	
Retained earnings		1,615,955	1,985,081	369,126	22.84%	3
Exchange differences on translation of foreign financial statements		4,093	(345,230)	(349,323)	(8,534.64%)	4
Total equity		5,646,093	5,667,780	21,687	0.38%	
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. It is mainly due to the amortization year by year.						
2. It is mainly due to the investment increase of financial assets.						
3. It is mainly due to better profits in the current year.						
4. It is mainly due to the appreciation of the exchange rates of New Taiwan dollars to RMB and US dollars.						

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

### ii. Financial Performance

#### 1. Financial Performance Analysis Statement

Unit: NT\$ thousand; %

Items	Year	2018	2019	Change in Increase (Decrease)		
				Amount	Change Ratio %	Statement
Sales revenues		4,494,625	5,785,498	1,290,873	28.72%	1
Less: Sales Returns, Discounts and Allowances		28,915	40,694	11,779	40.74%	1
Operating costs		3,624,309	4,358,305	733,996	20.25%	1
Gross profit from operations		841,401	1,386,499	545,098	64.78%	1
Operating expenses		704,494	763,201	58,707	8.33%	
Net operating profit		136,907	623,298	486,391	355.27%	1
Non-operating income and expenses		201,509	165,136	(36,373)	(18.05%)	
Profit from continuing operations before tax		338,416	788,434	450,018	132.98%	1
Deduct: Income Tax Expense		47,798	159,149	111,351	232.96%	1
Profit		290,618	629,285	338,667	116.53%	1
Major changes are specified as follows: (analysis is exempted if the change is less than 20%)						
1. It is mainly due to the increase in customer demand and the fact that some new projects have entered the mass production, the relevant profit and loss accounts in the current year all increase compared with						

Year	2018	2019	Change in Increase (Decrease)		
Items			Amount	Change Ratio %	Statement
the previous year.					

## 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 Group 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\$ thousand; %

Items	Year	2018	2019	Increase (decrease) in Amount	Increase (decrease) in Ratio (%)
Cash Flow from Operating Activities		(149,737)	1,932,816	2,082,553	1,390.81%
Cash Flow from Investing Activities		(1,351,921)	(1,707,421)	(355,500)	(26.30%)
Cash Flow from Financing Activities		558,989	1,092,550	533,561	95.45%
Analysis in change:					
1. The increase in cash inflow from operating activities is mainly due to the increase in profits in the current year, which results in the net cash inflow from operating activities in the current year.					
2. The increase of cash outflows from investment activities is mainly due to the investment of financial assets in the current year, which results in the increase of cash outflows from investment activities in the current year.					
3. The increase of cash inflow from financing activities is mainly due to the increase of short-term borrowing in the current year, which results in the increase of cash inflow from financing activities in the current year.					

### 2. Improvement Plan of Liquidity Insufficiency and Analysis of Cash Flow in the Next Year (2020)

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 2020 will be funded by the 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 turnover ratio of real estate, plant, and equipment and the turnover ratio of total assets in the current period are moving in different directions. The main reason is that most of the Company's customer demand and capital demand of the project occurred in the previous year, while the benefits occurred in the second half of the previous year, so the two ratios appear in different directions. All of the Company's capital expenditure plans consider the financial situation at the time and the expected future earnings to be brought back, so that the increase in capital expenditure will not adversely affect the financial business.

Turnover rate	2018	2019
Property, plant and equipment (time)	2.70	2.42
Total asset turnover ratio (time)	0.45	0.52

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

##### 1. Investment Policies of the Company

At present, the Company's investment 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\$ thousand

Reinvestment Business	Shareholding ratio	Profit and Loss of Investment in 2019	Main Causes of Profit or Loss and Improvement Plans
ShunSin (Hong Kong)	Direct and indirect holdings of 100%	711,955	This is mainly due to the profits of ShunSin (Zhongshan) recognized.
ShunSin (Zhongshan)	Indirect holding of 100%	766,673	The main reason is that this year's operation is better than last year's.
ShunSin (Samoa)	100%	79,097	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%	(11,034)	This is mainly due to the Company is still in the stage of preparation.

##### 3. Investment Plan for the Coming Year

In order to disperse the operational risks and increase the production expansion space, the Group plans to invest and set up a factory in Vietnam. In addition to the operating turnover, the invested capital is primarily used to purchase land, engage in plant construction, clean room and mechanical and electrical engineering, and information equipment purchases. According to the actual demand, we will invest in such production equipment as wafer machines, wire drawing machines, surface mounting equipment, and laser cutting machines.

#### 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 2019 is (NT\$63,354) thousand accounting for 1.1% of the annual operating revenue. 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 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 2019 and 2018 are NT\$ (153) and NT\$ 90,218 thousand respectively, accounting for (0%) and 2.02% of its operating revenue in the current year. On December 31, 2019, 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\$ 6,225 thousand.

<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, Lending funds to Others, Endorsement and Guarantee 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 future expansion due to the demand of 5G related applications and products, as 5G construction is gradually completed, the demand and technology for sensors and optical fiber transceiver modules needed by the product, combined with relevant 5G applications, will continue to rise, and in order to meet the present market and product needed trend of high integration and high speed transmission, the Group will be dedicated to improving the existing packaging technology to rapidly meet the specifications of the products on the market. The Group will also continue to design and develop packaging technology in the fields of sensors, thick films, optical transceiver modules, automotive electronics, and various other products to expand the customer market.

The R&D expenses in 2019 and 2018 accounted for 4.89% and 8.42% 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 ratio of R&D expenses in 2019 was lower than that in 2018, mainly because the large-scale projects of 2018 entered mass production in 2019, and the related R&D expenses were transferred into the cost.

#### 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, Vietnam 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 response to the continuous growth of operation scale and risks related to the trade war, the Board of Directors approved the establishment of a second production base in Vietnam on October 17, 2019, which is expected to start production in the second quarter of 2020. The Group also started integrating local resources to form a Vietnamese operation team based on the successful experience of China to meet local manpower needs and policies. The

Vietnamese production base will help the Group increase order capacity and productivity, disperse geopolitical risks, and reduce the proportion of management and production costs, thus enabling the expansion of operation scale and enhancement of overall competitiveness, while still limiting the risks thereof.

## 9. Risks and Countermeasures Encountered in Purchasing or Marketing Concentration

### <1> Purchasing Concentration Risks

The top 10 suppliers in the Group in 2019 and 2018 account for 51.24% and 44.61% of purchases respectively; the increase in purchase concentration in 2019 was primarily due to the change in the Group's sales mix and the fact that customers have designated suppliers for key raw materials to ensure quality. 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 10 customers of the Group in 2019 and 2018 account for 99.29% and 97.88% of sales respectively; the Top 2 customers accounted for about 48% of total revenue in the two years, and the concentration of sales during those two years showed no significant difference. 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 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, 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:

<1> Information safety

As the Group is often in contact with customers' important information, it also attaches great importance to controlling information security. We also have strict controls over employees' access to external networks or installation of computer software, which must be approved in advance. For important system data, remote backup is also regularly carried out to prevent the loss of important data. In addition to basic information security education and training for new employees, information security training and the promotion of information security awareness are also carried out on a regular basis every year to provide the information security guarantee for the Company's production and operation activities. As of the latest annual report and the date of its publication, the Company has not experienced any major cyber-attacks that would impact its operations.

**vii. Other Important Matters:** none.

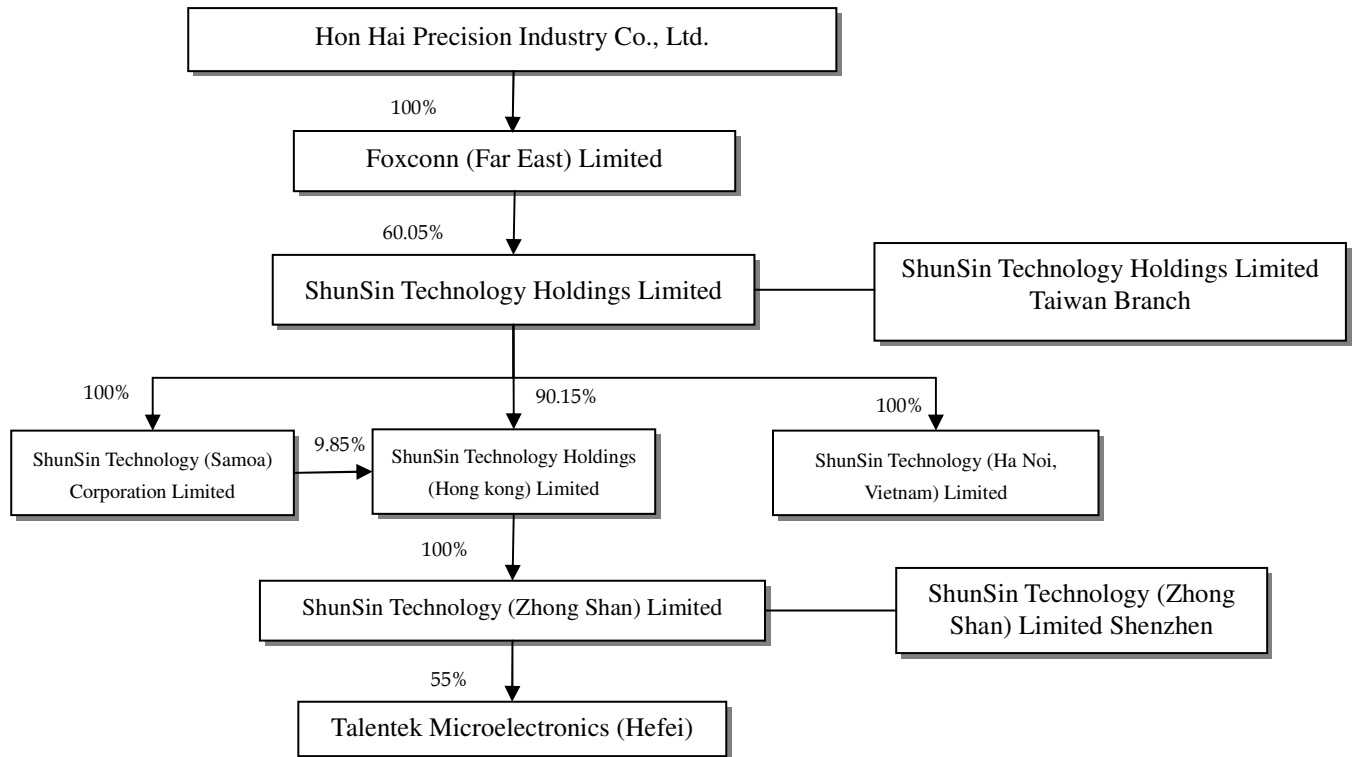
## VIII. Special Items

### i. Relevant Information of Associated Enterprises

#### 1. Business Report on Merger of Related Enterprises

##### <1> Organization Chart of Related Enterprises

March 31, 2020



<2> Basic Information of Related Enterprises

March 31, 2020; Unit: \$ thousand

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 (Ha Noi, Vietnam) Limited	2019/12/26	Vietnam	USD	6,000	Assembly, testing and sales of high speed optical transceiver.
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: Not applicable.

<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 25, 2019

Name of Enterprise	Title	Name or Representative	Shareholding	
			Number of Share	Ratio %
HON HAI PRECISION INDUSTRY Company LTD.	Chairman / CEO	Liu, Young-Way	656,219	0.00%
	Vice Chairman / Legal Person as Corporate Director	Hon Yiing International Investments Co., Ltd.	1,483,078	0.01%
		Representative: Jay Lee	-	0.00%
	Legal Person as Corporate Director	Hon Yiing International Investments Co., Ltd.	1,483,078	0.01%
		Representative: Lu, Sung-Ching	2,400	0.00%
	Legal Person as Corporate Director	FU CHIU TECHNOLOGY CO., LTD.	10,560	0.00%
		Representative: Tai, Cheng-Wu	10,236,755	0.07%
	Director	Terry Guo	1,341,768,518	9.68%
	Director	Lu, Fang-Ming	6,177,580	0.04%
	Independent Director	James Wang	-	0.00%
	Independent Director	Kuo, Tei-Wei	-	0.00%
	Independent Director	Kung, Kuo-Chuan	-	0.00%
Foxconn (Far East) Limited	Director	Huang, Chiu-Lien	-	-
	Director	Huang, Te-Tsai	-	-
ShunSin Technology (Samoa) Corporation Limited	Director	Hsu, Wen-Yi	-	-
Shunsin Technology (Ha Noi, Vietnam) Limited	Director	Fan, Chen-Piao	-	-
ShunSin Technology Holdings (Hongkong) Limited	Director/general manager	Hsu, Wen-Yi	-	-
ShunSin Technology (Zhong Shan) Limited	Executive director/general manager	Hsu, Wen-Yi	-	-
	Supervisor	Fan, Chen-Piao	-	-
Talentek Microeletronics (He fei) Limited (Note)	Chairman	Luo, Chi-Hua	RMB 1,650,000	8.25%
	Supervisor	Chung, Shin-Yen	RMB 100,000	0.5%

Note: It's a Limited Company in China, so there are no shares and par value.



## 2. Overview of the Operation of the Related Enterprises

March 31, 2020; Unit:\$ thousand

Name of Enterprise	Currency	Capital	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)	NTD	138,629,906	3,028,660,841	1,788,676,495	1,239,984,346	2,849,729,987	10,676,675	115,308,736	8.32
Foxconn (Far East) Limited (Note 1)	NTD	8,061,629	1,248,427,625	57,898,133	1,190,529,492	593,472	(3,988,199)	80,325,573	0.33
ShunSin Technology (Samoa) Corporation Limited	USD	9,510	51,041	25,189	25,852	26	(58)	31	0.003
Shunsin Technology (Ha Noi, Vietnam) Limited	VND	139,038,000	174,694,219	39,498,835	135,195,384	0	(4,012,840)	(3,842,616)	Note 2
ShunSin Technology Holdings (Hongkong) Limited	NTD	2,876,906	8,469,164	189,994	8,279,170	0	(810)	129,771	0.17
ShunSin Technology (Zhong Shan) Limited	RMB	722,637	2,168,942	184,444	1,984,497	129,335	32,473	31,435	Note 2
Talentek Microelectronics (He fei) Limited	RMB	20,000	26,793	17,550	9,243	1,140	(1,827)	(724)	Note 2

Note 1: Individual financial report data for 2019.

Note 2: Registered as a limited Company, no shares or par value.

3. Consolidated financial statements of related enterprises: same as Consolidated Financial Statements, please refer to pages 109 to 175.

4. Report of Related Enterprises: Not applicable.

**ii. Raisng 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
The Company is not allowed to print stocks and issue them without entity.	This Company is the primary listed Company and does not apply to this important issue of checklist of shareholders rights protection.
<p>1. 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.</p> <p>2. 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>1. 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 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> <p>2. In addition, 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.</p>
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.	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 Law of Cayman Island, the impact of this part on the rights and interests of shareholders in the Republic of China should be limited.
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
<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 audited 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. 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>6. Share Swap</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. 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 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</p>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
	<p>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> <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 with respect 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>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
<ol style="list-style-type: none"> <li>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.</li> <li>When a director (excluding independent directors) or supervisor of the Company is 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.</li> </ol>	<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 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"> <li>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.</li> <li>The term of the supervisor shall not exceed three years. However, the supervisor may be re-elected.</li> <li>When all supervisors are dismissed, the Board of Directors shall convene an extraordinary meeting of shareholders within 60 days to elect for supervisor.</li> <li>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.</li> <li>The supervisor shall examine reports and statements compiled and submitted by the Board of Directors and provide opinions in the shareholders' meeting.</li> <li>The supervisor must appoint an accountant or a lawyer to review the matter on behalf of the company.</li> <li>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.</li> <li>Each supervisor may exercise supervision independently.</li> <li>The supervisor may not serve as a company director, manager or other employee.</li> </ol>	<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"> <li>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 against the Director on behalf of the Company, and have the Taipei District Court of Taiwan as the court of first instance.</li> <li>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.</li> <li>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.</li> </ol>	<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 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</p>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
	<p>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 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</p>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
	<p>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>
<ol style="list-style-type: none"> <li>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 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.</li> <li>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.</li> <li>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.</li> </ol>	<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.</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:</p> <p>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 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</p>

Important matters of shareholder protection	Articles of Association and reason for discrepancy
	<p>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 the 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, 2019 and 2018, and the related consolidated statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial 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 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 (19) 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 adopts 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 IFRSs 15 and the understanding 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 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 (22) “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 susceptible to the operating conditions of the companies and the economic environment that the fund invests, 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 (15) 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, 2019 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, 2019 and 2018**

**Expressed in Thousands of New Taiwan Dollars**

		<b>2019.12.31</b>		<b>2018.12.31</b>				<b>2019.12.31</b>		<b>2018.12.31</b>	
<b>Assets</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Liabilities and equities</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
11xx	<b>Current assets:</b>					21xx	<b>Current liabilities:</b>				
1100	Cash and cash equivalents (Note 6(1))	\$ 6,386,315	56	5,293,307	49	2100	Short-term loans (Note 6(9))	\$ 3,022,229	27	1,635,021	15
1110	Current financial assets at fair value through profit or loss (Note 6(2))	1,429	-	-	-	2170	Accounts payable	363,471	3	590,342	6
1140	Current contract assets (Note 6(19) and 7)	260,384	2	350,068	3	2180	Accounts payable to related parties (Note 7)	1	-	366	-
1151	Notes receivable (Note 6(3) and (19))	710	-	13,104	-	2200	Other payables (Note 6(20))	341,200	3	346,737	3
1170	Accounts receivable (Note 6(3) and (19))	530,614	5	510,893	5	2220	Other payables to related parties (Note 7)	34,749	1	656,256	6
1181	Accounts receivable—related parties (Note 6(3), (19) and 7)	571,492	5	789,697	8	2230	Current tax liabilities	16,645	-	-	-
1206	Other receivables (Note 6(4))	129,224	1	126,242	1	2280	Current lease liabilities (Note 3(1) and 6(12))	20,462	-	-	-
1310	Inventories (Note 6(5))	334,061	3	501,540	5	2300	Other current liabilities	20,236	-	10,315	-
1410	Prepayments	102,552	1	241,788	2			<u>3,818,993</u>	<u>34</u>	<u>3,239,037</u>	<u>30</u>
1470	Other current assets	6,690	-	3,370	-	25xx	<b>Non-current liabilities:</b>				
		<u>8,323,471</u>	<u>73</u>	<u>7,830,009</u>	<u>73</u>	2500	Non-current financial liabilities at fair value through profit or loss (Note 6(11))	-	-	22,800	-
15xx	<b>Non-current assets:</b>					2530	Convertible bonds payable (Note 6(11))	1,413,728	12	1,384,135	13
1510	Financial assets measured at fair value through profit or loss— non-current (Note 6(2) and (11))	478,401	4	11,048	-	2570	Deferred tax liabilities (Note 6(15))	421,389	4	377,397	4
1600	Property, plant and equipment (Note 6(6) and 7)	2,255,451	20	2,487,643	23	2580	Non-current lease liabilities (Note 3(1) and 6(12))	31,413	-	-	-
1755	Right-of-use assets (Note 3(1), 6(7) and 12)	90,329	1	-	-	2630	Long-term deferred revenue	94,090	1	65,492	-
1780	Intangible assets (Note 6(8))	2,915	-	6,404	-	2645	Guarantee deposits received	1,443	-	1,073	-
1840	Deferred tax assets (Note 6(15))	268,126	2	350,004	4			<u>1,962,063</u>	<u>17</u>	<u>1,850,897</u>	<u>17</u>
1915	Prepayments for business facilities	19,335	-	-	-	2xxx	<b>Total liabilities</b>	<u>5,781,056</u>	<u>51</u>	<u>5,089,934</u>	<u>47</u>
1920	Refundable deposits	10,808	-	10,035	-						
1985	Long-term lease prepayments (Note 3(1))	-	-	40,884	-	31xx	<b>Total equity attributable to owners of parent (Note 6(11), (16) and (17)):</b>				
		<u>3,125,365</u>	<u>27</u>	<u>2,906,018</u>	<u>27</u>	3110	Ordinary share	<u>1,065,248</u>	<u>9</u>	<u>1,054,468</u>	<u>10</u>
						3200	Capital surplus	<u>2,753,167</u>	<u>24</u>	<u>2,632,394</u>	<u>25</u>
						3300	Retained earnings:				
						3310	Legal reserve	339,499	3	309,674	3
						3350	Unappropriated retained earnings	<u>1,985,081</u>	<u>17</u>	<u>1,615,955</u>	<u>15</u>
								<u>2,324,580</u>	<u>20</u>	<u>1,925,629</u>	<u>18</u>
						3400	Other equity interest:				
						3410	Exchange differences on translation of foreign financial statements	<u>(345,230)</u>	<u>(3)</u>	<u>4,093</u>	<u>-</u>
						3510	Treasury shares	<u>(149,649)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
							Total equity attributable to owners of parent	<u>5,648,116</u>	<u>49</u>	<u>5,616,584</u>	<u>53</u>
						36xx	<b>Non-controlling interests</b>	<u>19,664</u>	<u>-</u>	<u>29,509</u>	<u>-</u>
						3xxx	<b>Total equity</b>	<u>5,667,780</u>	<u>49</u>	<u>5,646,093</u>	<u>53</u>
1xxx	<b>Total assets</b>	<u><b>\$ 11,448,836</b></u>	<u><b>100</b></u>	<u><b>10,736,027</b></u>	<u><b>100</b></u>	2-3xxx	<b>Total liabilities and equity</b>	<u><b>\$ 11,448,836</b></u>	<u><b>100</b></u>	<u><b>10,736,027</b></u>	<u><b>100</b></u>

See accompanying notes to consolidated financial statements.

**Chairman: Hsu, Wen-Yi**

**Manager: Hsu, Wen-Yi**

**General Accountant: Wang, Chieh-Min**

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES**  
**Consolidated Statements of Profit or Loss and Other Comprehensive Income**  
**For the years ended December 31, 2019 and 2018**  
(Expressed in Thousands of New Taiwan Dollars, Except for Earning Per Share)

		<b>2019</b>		<b>2018</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>4000</b>	<b>Operating Revenue (Note 6(19) and 7)</b>				
4110	Sales revenue	\$ 5,785,498	101	4,494,625	101
4170	Loss: Sales return	3	-	129	-
4190	Sales discounts and allowances	40,691	1	28,786	1
	<b>Operating Revenue</b>	<b>5,744,804</b>	<b>100</b>	<b>4,465,710</b>	<b>100</b>
5000	<b>Operating costs (Note 6(5), (6), (7), (8), (12), (13), (14) and 7)</b>	<b>4,358,305</b>	<b>76</b>	<b>3,624,309</b>	<b>81</b>
5900	<b>Gross profit from operations</b>	<b>1,386,499</b>	<b>24</b>	<b>841,401</b>	<b>19</b>
6000	<b>Operating expenses (Note 6(3), (6), (7), (8), (12), (13), (14), (17), (20) and 7):</b>				
6100	Selling expenses	33,253	-	33,662	1
6200	Administrative expenses	434,813	8	294,734	7
6300	Research and development expenses	280,919	5	376,098	8
6450	Impairment loss (impairment gain and reversal of impairment loss)	14,216	-	-	-
	<b>Total operating expenses</b>	<b>763,201</b>	<b>13</b>	<b>704,494</b>	<b>16</b>
6900	<b>Net operating profits</b>	<b>623,298</b>	<b>11</b>	<b>136,907</b>	<b>3</b>
7000	<b>Non-operating income and expenses (Note 6(2), (11), (12), (21) and 7)</b>				
7010	Other income	269,996	5	186,331	5
7020	Other gains and losses	(41,506)	(1)	53,860	1
7050	Finance costs	(63,354)	(1)	(38,682)	(1)
	<b>Total non-operating income and expenses</b>	<b>165,136</b>	<b>3</b>	<b>201,509</b>	<b>5</b>
7900	<b>Profit from continuing operations before tax</b>	<b>788,434</b>	<b>14</b>	<b>338,416</b>	<b>8</b>
7950	<b>Loss: Income tax expense (Note 6(15))</b>	<b>159,149</b>	<b>3</b>	<b>47,798</b>	<b>1</b>
	<b>Profit</b>	<b>629,285</b>	<b>11</b>	<b>290,618</b>	<b>7</b>
8300	<b>Other comprehensive income:</b>				
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation	(350,138)	(6)	(174,129)	(4)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
8300	<b>Other comprehensive income, net</b>	<b>(350,138)</b>	<b>(6)</b>	<b>(174,129)</b>	<b>(4)</b>
8500	<b>Total comprehensive income (loss)</b>	<b>\$ 279,147</b>	<b>5</b>	<b>116,489</b>	<b>3</b>
	<b>Profit, attributable to:</b>				
8610	Owners of parent	\$ 638,315	11	298,247	7
8620	Non-controlling interests	(9,030)	-	(7,629)	-
		<b>\$ 629,285</b>	<b>11</b>	<b>290,618</b>	<b>7</b>
	<b>Comprehensive income attributable to:</b>				
8710	Owners of parent	\$ 288,992	5	120,532	3
8720	Non-controlling interests	(9,845)	-	(4,043)	-
		<b>\$ 279,147</b>	<b>5</b>	<b>116,489</b>	<b>3</b>
	<b>Basic earnings per share (expressed in New Taiwan Dollars) (Note 6(18))</b>				
9750	Basic earnings per share	<b>\$ 6.16</b>		<b>2.83</b>	
9850	Diluted earnings per share	<b>\$ 5.67</b>		<b>2.80</b>	

See accompanying notes to consolidated 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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Retained earnings					Exchange differences on translation of foreign financial statements	Treasury shares	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, 2018	\$ 1,054,468	2,478,162	298,590	1,373,841	1,672,431	181,808	-	5,386,869	30,134	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	30,134	5,471,074
Earnings allocation and distribution:										
Legal reserve	-	-	11,084	(11,804)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	(99,120)	(99,120)	-	-	(99,120)	-	(99,120)
Profit	-	-	-	298,247	298,247	-	-	298,247	(7,629)	290,618
Other comprehensive income (loss)	-	-	-	-	-	(177,715)	-	(177,715)	3,586	(174,129)
Total comprehensive income (loss)	-	-	-	298,247	298,247	(177,715)	-	120,532	(4,043)	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 interests	-	-	-	-	-	-	-	-	3,418	3,418
Balance at December 31, 2018	1,054,468	2,632,394	309,674	1,615,955	1,925,629	4,093	-	5,616,584	29,509	5,646,093
Earnings allocation and distribution:										
Legal reserve	-	-	29,825	(29,825)	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	(239,364)	(239,364)	-	-	(239,364)	-	(239,364)
Profit	-	-	-	638,315	638,315	-	-	638,315	(9,030)	629,285
Other comprehensive income (loss)	-	-	-	-	-	(349,323)	-	(349,323)	(815)	(350,138)
Total comprehensive income (loss)	-	-	-	638,315	638,315	(349,323)	-	288,992	(9,845)	279,147
Shares issued due to stock option executed	10,780	92,298	-	-	-	-	-	103,078	-	103,078
Purchase of treasury shares	-	-	-	-	-	-	(243,432)	(243,432)	-	(243,432)
Proceeds from sale of treasury shares	-	-	-	-	-	-	93,783	93,783	-	93,783
Share-based payment transactions	-	28,475	-	-	-	-	-	28,475	-	28,475
Balance at December 31, 2019	\$ 1,065,248	2,753,167	339,499	1,985,081	2,324,580	(345,230)	(149,649)	5,648,116	19,664	5,667,780

See accompanying notes to consolidated 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, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 778,434	338,416
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	588,500	322,204
Amortization expense	4,033	4,586
Expected credit loss for bad debt expense	14,216	-
Net loss on financial assets and liabilities at fair value through profit or loss	44,902	38,757
Interest expense	63,354	38,682
Interest income	(126,483)	(154,914)
Share-based payments	28,475	25,232
Loss (gain) on disposal of property, plant and equipment	(5,165)	(2,284)
Property, plant and equipment transferred to expenses	254	-
Total adjustments to reconcile profit (loss)	<u>612,086</u>	<u>272,263</u>
Changes in operating assets and liabilities		
Changes in operating assets:		
Contract assets	89,684	(101,441)
Notes receivable	12,394	751
Accounts receivable	(33,523)	(255,396)
Accounts receivables—related parties	218,205	(461,563)
Other receivables	(15,792)	(102,415)
Inventories	167,479	(114,990)
Prepayments	139,236	(87,493)
Other current assets	(3,320)	(2,377)
Long-term Lease Prepayments	-	2,172
Total changes in operating assets	<u>574,363</u>	<u>(1,122,752)</u>
Changes in operating liabilities:		
Accounts payable	(226,871)	101,520
Accounts payable—related parties	(365)	(7,565)
Other payable	46,518	70,291
Other payable—related parties	4,335	25,789
Other current liabilities	9,921	2,079
Long-term deferred income	28,598	33,559
Total changes in operating liabilities	<u>(137,864)</u>	<u>225,673</u>
Total changes in operating assets and liabilities	<u>436,499</u>	<u>(897,079)</u>
Total adjustments	<u>1,048,585</u>	<u>(624,816)</u>
Cash inflow (outflow) generated from operations	1,837,019	(286,400)
Interest received	127,225	158,265
Interest paid	(32,049)	(11,779)
Income tax paid	621	(9,823)
<b>Net cash flows from (used in) operating activities</b>	<u>1,932,816</u>	<u>(149,737)</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through profit or loss	(571,513)	-
Acquisition of property, plant and equipment	(1,147,571)	(1,354,282)
Proceeds from disposal of property, plant and equipment	32,436	7,634
Decrease (increase) in refundable deposits	(773)	586
Acquisition of intangible assets	(665)	(5,859)
Increase in prepayments for business facilities	(19,335)	-
<b>Net cash used in investing activities</b>	<u>(1,707,421)</u>	<u>(1,351,921)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	7,044,962	3,430,156
Decrease in short-term loans	(5,657,754)	(4,275,671)
Proceeds from issuing convertible bonds	-	1,500,206
Increase in guarantee deposits received	341	-
Payments of lease liabilities	(9,064)	-
Cash dividends paid	(239,364)	(99,120)
Shares issued due to stock option executed	103,078	-
Payments to acquire treasury shares	(243,432)	-
Proceeds from sale of treasury shares	93,783	-
Increase in non-controlling interests	-	3,418
<b>Net cash flows from financing activities</b>	<u>1,092,550</u>	<u>558,989</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(224,937)</u>	<u>(128,661)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,093,008	(1,071,330)
<b>Cash and cash equivalents at beginning of period</b>	5,293,307	6,364,637
<b>Cash and cash equivalents at end of period</b>	<u>\$ 6,386,315</u>	<u>5,293,307</u>

**Chairman: Hsu, Wen-Yi**

**Manager: Hsu, Wen-Yi**

**General Accountant: Wang, Chieh-Min**

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**For the year ended December 31, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**1. Company history:**

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, 2008, 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.

**2. Approval date and procedures of the consolidated financial statements:**

The consolidated financial statements were authorized for issuance by the Board of Directors on March 25, 2020.

**3. New standards, amendments and interpretations adopted:**

(1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<b>New, Revised or Amended Standards and Interpretation</b>	<b>Effective Date Announced by IASB</b>
IFRSs 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019

Except for IFRS 16 “Leases”, 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 signification changes are as follows:

IFRS 16 replaces the existing lease guidance, including IAS 17 Lease, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below:

# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explain in note 4(j).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contract that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after Januaty 1, 2019.

### B. As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of wwhether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities on balance sheet.

The Group chose to apply exemption recognition requirements instead of recognizing its relative right-of-use assets and lease liabilities.

Leases classified as operating leases under IAS 17, At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either: their carrying amount as if FIRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases:

- (a) Applied a single discount rate to a portfolio of leases with similar characteristics.
- (b) Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- (c) Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

### C. Impacts on financial statements

On transition to IFRS 16, the Group recognized additional \$56,845 thousand of right-of-use assets and \$15,961 thousand of lease liabilities, respectively, and recognized the difference, long-term prepaid rent amounting to \$40,884 thousand, in retained earnings. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at Januanry 1, 2019. The weighted-average rate applied is 5.23%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	<b>January 1, 2019</b>
Operating lease commitment at December 31, 2018 as disclosed in the	\$ 25,670

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

	<u><b>January 1, 2019</b></u>
Group's consolidated financial statements	
Recognition exemption for:	
Short-term lease	(7,386)
	<u><b>\$ 18,284</b></u>
Discounted using the incremental borrowing rate at January 1, 2019	15,961
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	<u><b>\$ 15,961</b></u>

(2) The impact of IFRS issued by the FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<u><b>New, Revised or Amended Standards and Interpretations</b></u>	<u><b>Effective date per IASB</b></u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020
The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.	

(3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u><b>New, Revised or Amended Standards and Interpretations</b></u>	<u><b>Effective date per IASB</b></u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results will be disclosed when the Group completes its evaluation.

# **SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES**

## **Notes to Consolidated Financial Statements**

### **4. Summary of significant accounting policies**

The significant accounting policies have been applied consistently to all periods presented in the consolidated financial statements.

Except for note 3, 4(j) that disclose the changes in accounting policies, the significant accounting policies presented in the consolidated financial statements are summarized as follows:

#### **(1) Statement of compliance**

These consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

#### **(2) Basic of preparation**

##### **A. 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.

##### **B. Functional and presentation currency**

The functional currency of a Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

#### **(3) Basic of consolidation**

##### **A. Principle of preparation of the consolidated financial statements**

The consolidated financial statements comprise the Company and its subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of parent and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

## SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### B. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of subsidiary	Business activities	Percentage of ownership (%)	
			December 31, 2019	December 31, 2019
The Company	ShunSin Technology Holdings (Hong Kong) Limited (hereinafter referred to as ShunSin (Hong Kong))	Holding Company	90.15% (Note 1)	90.15% (Note 1)
The Company	ShunSin Technology (Samoa) Corporation Limited (hereinafter referred to as ShunSin (Samoa))	Overseas material and equipment purchase	100.00%	100.00%
The Company	ShunSin Technology (HaNoi, Vietnam) Limited (hereinafter referred to as ShunSin (HaNoi))	Optical transceivers manufacturing	100.00% (Note 3)	- %
ShunSin (Samoa)	ShunSin (Hong Kong)	Holding Company	9.85% (Note 1)	9.85% (Note 1)
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 2)	55.00% (Note 2)

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: Talentek (He fei) was registered and established on June 5, 2017 in Hefei, Anhui Province, China. The authorized 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%.

Note3: ShunSin (Ha Noi) was registered on December 26, 2019 in Ha Noi, Vietnam. The authorized capital is USD 6,000 thousand. The Company invested USD 6,000 thousand on January 14, 2020, shareholding is 100%.

Subsidiaries which are not included in the consolidated financial statement: None.

#### (4) Foreign currency

##### A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rate at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

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### **Notes to Consolidated Financial Statements**

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated into the functional currencies using exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

#### **B. Foreign operations**

The assets and liabilities of foreign operations are translated into the presentation currency at the exchange rate at the reporting date. The income and expense of foreign operations, are translated into presentation currency at the average rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposed of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation and are recognized in other comprehensive income.

#### **(5) Classification current and non-current assets and liabilities**

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period; or
- D. The asset is cash or a cash equivalent (as define in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- A. It is expected to be settled in the normal operating cycle;
- B. It is held primarily for purpose of trading;
- C. It is due to be settled within 12 months after the reporting period; or
- D. The Group does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting period. Terms of a liability that could at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

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(6) Cash and cash equivalents

Cash comprises cash on hand and demand deposit. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(7) Financial instruments

Accounts receivables and debt securities issued are initially recognized when transactions occurred. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial assets is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Fair value through profit or loss(FVTPL)

All financial assets not classified as amortized cost or fair value through other comprehensive income (hereinafter referred to as FVOCI) described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or



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### **Notes to Consolidated Financial Statements**

significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(c) **Impairment of financial assets**

The Group recognize losses allowances for expected credit losses (ECL) on financial assets (including cash and cash equivalents, 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.

Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (of a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.) ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

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- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or delay of payments;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost at deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### (d) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

### B. Financial liabilities and equity instruments

#### (a) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### (b) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

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(c) Treasury stocks

When repurchasing the equity instruments recognized by the Company, the Company recognized as a decrease in equity base on the paying amount. (including directly attributable costs). The repurchased shares are classified as treasury stocks. Subsequent sales or reissue of treasury stocks, the amount received is recognized as an increase in equity, and the remaining or loss generated by the transaction is recognized as a paid-in capital or retained earnings (if the paid-in capital is insufficient).

(d) Compound financial instruments

Compound financial instruments issued by the Group are convertible bonds (denominated in New Taiwan dollars) that the holder has the option to convert into share capital, and the number of shares issued will not vary with changes in their fair value.

The original recognized amount of a compound financial liability is measured by the fair value excluding equity conversion rights. 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 are allocated to the liabilities and equity components based on the proportion of the original debt and equity book value.

After the initial recognition, the liability component of the composite financial instrument is measured using the effective interest rate method after amortization. The equity components of compound financial instruments are not remeasured after they are initially recognized.

Interest related to financial liabilities is recognized as profit or loss. Financial liabilities are reclassified as equity at the time of conversion, and their conversion does not generate profit or loss.

(e) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(f) Derecognition of financial liabilities

The Group excludes financial liabilities when contractual obligations have been fulfilled, cancelled or expired.

When the terms of financial liabilities changed and the cash flow of the modified liabilities is significantly different, the original financial liabilities are excluded and the new financial liabilities are recognized at fair value based on the revised terms.

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### **Notes to Consolidated Financial Statements**

When excluding financial liabilities, the difference between their carrying amount and the total payment (including any transferred non-cash assets or liabilities assumed) is recognized as profit or loss.

(g) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset when the Group has the legal right to offset and intend to deliver or simultaneously realize the assets and settle the liabilities, expressing them in the balance sheet in net.

C. Derivative financial instruments

The Group hold derivative financial instruments to hedge its foreign currency and interest rate exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and change therein are generally recognized in profit or loss.

(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

A. Recognition and measurement

Property, plant and equipment are measured by cost less accumulated depreciation and any accumulated impairment.

When the major components of property, plant and equipment have different economic lives, they are treated as separate items (main components) of property, plant and equipment.

The gain or loss generated from the disposal of property, plant and equipment are recognized as profit or loss.

B. Subsequent cost

Subsequent expenditures are capitalized when their future economic benefits are likely to flow into the Group.

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### C. Depreciation

Depreciation is calculated based on the cost of assets minus the residual value, and the straight-line method is adopted to recognize profit or loss within the estimated useful life.

There is no depreciation on land.

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

(a) Buildings and structures	21 years
(b) Machinery and equipment	1 year 10 months to 6 years
(c) Office equipment (including computer and telecommunication equipment)	4 to 6 years
(d) Testing equipment	1 to 6 years
(e) Other facilities	1 to 10 years
(f) Lease improvement	1 to 10 years

The Group reviews the depreciation method, useful life and residual value on each reporting day, and makes appropriate adjustments if necessary.

### (10) Lease

#### **Applicable from January 1, 2019**

#### A. Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses Whether:

- (a) The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identically ;and
- (b) The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use ; and
- (c) The Group has the right to direct the use of the asset throughout the period of use only if either:
  - The Group has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - The relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the Group designed the asset in a way that predetermines how and for what purpose

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it will be used throughout the period of use.

On the lease establishment date or when reassessing whether the contract includes a lease, the Group allocates the consideration in the contract to the individual lease components on the basis of the relative separate price

**B. As a lessee**

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that are cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) Fixed payments, including in-substance fixed payments;
- (b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) Amounts expected to be payable under a residual value guarantee; and
- (d) Payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) There is a change in future lease payments arising from the change in an index or rate; or
- (b) There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) There is charge in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying assets, or
- (d) There is a change of its assessment on whether it will exercise a extension or termination option; or
- (e) There is any lease modifications.

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When the lease liability is remeasured due to the changes of index or rate, residual value deposit, and the assessment of purchase, extend or terminate option, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The rental periods of office, staff dorm, and machinery are short-term lease, the Group chose to apply exemption recognition requirements instead of recognizing its relative right-of-use assets and lease liabilities, and recognized as expenses during the lease period on a straight-line basis.

#### **Applicable before January 1, 2019**

As a lessee

Assets of operating leases are not recognized in the Group's balance sheet.

Rental payments for operating leases (excluding service costs such as insurance and maintenance) are recognized as expenses on a straight-line basis during the lease period. The total benefit provided by the lessor to induce the lease arrangement is recognized as a reduction in rental expenses on the straight-line method during the lease period

Contingent lease payments are recognized as current expenses when the lease adjustment is determined.

#### **(11) Intangible assets**

##### **A. Recognition and measurement**

The Group obtains intangible assets with limited service life, which is measured by cost less accumulated amortization and accumulated impairment.

##### **B. 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.

##### **C. Amortization**

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.

The Group reviews the amortization method, useful life and residual value of intangible assets on each reporting day, and makes appropriate adjustments if necessary.

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**(12) Impairment of non-financial assets**

The Group assesses on each reporting day whether there is any indication that the carrying amount of non-financial assets (other than inventory, contract assets and deferred income tax assets) may be impaired. If any signs exist, the Group shall re-estimate the asset's recoverable amount.

For the purpose of impairment test, a group of assets whose cash inflow is mostly independent of the cash inflows of other individual assets or asset groups is used as the smallest identifiable asset group.

The recoverable amount is the greater of the fair value of individual assets or cash-generating units minus the disposal cost and its use value. If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Impairment losses are recognized immediately in profit or loss, and the book value of each asset is reduced in proportion to the book value of each other asset in the unit.

Non-financial assets other than goodwill will only be reversed within its book value (less depreciation or amortization) determined when the asset did not recognize impairment losses in previous years.

**(13) Revenue recognition**

Most products producing by the Group as work-in-process are under control of client, thus, the Group recognized revenue during the process of produce. Main revenue items are as follows:

**A. 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.

**B. 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.

**C. Financial components**

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



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#### **(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 bonus or bonus scheme is recognized as a liability if the Group have a current statutory or presumptive obligation to pay due to the past service provided by its employees and the obligation can be reliably estimated.

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

#### **(15) Government subsidies**

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

#### **(16) Share-based payment transactions**

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

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

#### **(17) Income tax**

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

Current taxes comprise the expected tax payables or receivables on the taxable profit (losses) for the year and any adjustment to the tax payable of receivable in respect of previous years. The amount is based on the statutory tax rate at the reporting date or the tax rate of the substantive legislation to measure the best estimate of the amount expected to be paid or received.

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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:

- A. Assets or liabilities not originally recognized in the transaction of a consolidation and which do not affect accounting profits and taxable income (losses) at the time of the transaction.
- B. Arising from investments in subsidiaries and joint venture interests which are likely not to be converted in the foreseeable future.
- C. Original recognition of goodwill.

Deferred income tax is measured at the tax rate at which the temporary difference is expected to revert, and is based on the legal tax rate or substantive legislative tax rate at 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:

- A. Having the legal enforcement power to offset the current income tax assets and current income tax liabilities; and
- B. 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;
  - (a) The same taxpayer; or
  - (b) 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; such reduction are reversed when the probability of future taxable profit improves.

#### **(18) Earnings per share**

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

Diluted earnings 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, employee stock options, and bonds.

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## Notes to Consolidated Financial Statements

### (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.

## 5. 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 (22) for the description of financial asset evaluation through profit and loss at fair value.

## 6. Description of important accounting items

### (1) Cash and cash equivalents

	<b>2019.12.31</b>	<b>2018.12.31</b>
Current deposit	\$ 3,618,592	2,823,962
Times deposit	2,767,723	2,469,345
Cash and cash equivalents as shown in the consolidated cash flow statement	<b><u>\$ 6,386,315</u></b>	<b><u>5,293,307</u></b>

For the disclosure of interest rate risk and sensitivity analysis of the Group's financial assets, please refer to note 6 (22) for details.

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

#### A. Current

The Group engages in derivative financial commodity transactions to avoid exchange rate risks exposed by business activities. The details of the Group's derivative instruments reported as financial assets measured at fair value through profit or loss due to the absence of hedge accounting are as follows:

Forward foreign exchange contract:

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	<b>2019.12.31</b>			
	<b>Contract amount</b>	<b>Currency</b>	<b>Period</b>	<b>Fair value asset (Liability)</b>
Sell forward foreign exchange	USD 9,000	USD to RMB	2019.11.11~ 2020.2.13	<u><u><b>1,429</b></u></u>

**B. Non-current**

	<b>2019.12.31</b>	<b>2018.12.31</b>
Financial assets designated at fair value through profit and loss:		
Derivative financial assets		
Right to redeem and sell back corporate debt	\$ 2,250	-
Non-derivative financial assets		
Stocks of domestic unlisted companies	-	11,048
Private Equity	476,151	-
	<u><u><b>\$ 478,401</b></u></u>	<u><u><b>11,048</b></u></u>

ShunSin (Zhongshan), a subsidiary of the Group, invested RMB 125,000 thousand in Jinan Fujie Industrial Investment Fund Partnership (Limited Partnership), in order to integrate resources and develop a strategic cooperation network for the semiconductor industry.

Please refer to note 6 (21) for the amount recognized as profit or loss in the fair value re-measurement.

**(3) Notes receivable and accounts receivable**

	<b>2019.12.31</b>	<b>2018.12.31</b>
Notes receivable	\$ 710	13,104
Accounts receivable	544,416	510,893
Accounts receivable-related party	571,492	789,697
Minus: loss allowance	(13,802)	-
	<u><u><b>\$ 1,102,816</b></u></u>	<u><u><b>1,313,694</b></u></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 for the Group. 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.

# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

The anticipated credit loss of notes receivable and accounts receivable of the combined companies on December 31, 2019 and 2018 are analyzed as follows:

	<b>2019.12.31</b>		
	<b>Book value of notes receivable and accounts receivable</b>	<b>Weighted average anticipated credit loss rate (%)</b>	<b>Provision against anticipated credit losses during the continuance of existence</b>
Not overdue	\$ 1,076,185	-	-
Past due 1-30 days	26,488	-	-
Past due 61-90 days	143	-	-
	<b><u>\$ 1,102,816</u></b>		<b><u>-</u></b>

In addition, the Group has recognized whole amount of \$13,802 thousand toward the accounts receivable with evidence showing that it cannot reasonably be expected to be recovered.

	<b>2018.12.31</b>		
	<b>Book value of notes receivable and accounts receivable</b>	<b>Weighted average anticipated credit loss rate (%)</b>	<b>Provision against anticipated credit losses during the continuance of existence</b>
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 121-365 days	84	-	-
	<b><u>\$ 1,313,694</u></b>		<b><u>-</u></b>

The Group's statement of allowance of uncollectible notes receivable and accounts receivable is as follows:

	<b>2019</b>	<b>2018</b>
Opening balance	\$ -	-
Recognized loss allowance	14,216	-
Exchange gain (loss)	(414)	-
Ending balance	<b><u>\$ 13,802</u></b>	<b><u>-</u></b>

Financial assets previously mentioned are not used as guarantees for short-term loans and line of credit.

# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (4) Other receivables

	<b>2019.12.31</b>	<b>2018.12.31</b>
Other receivables	<u><u>\$ 129,224</u></u>	<u><u>126,242</u></u>

Other receivables of the Group were not overdue in December 31, 2019 and 2018.

### (5) Inventories

	<b>2019.12.31</b>	<b>2018.12.31</b>
Raw materials	\$ 290,640	432,966
Work-in-process	22,380	31,897
Finished products (including semi-finished products)	<u>21,041</u>	<u>36,677</u>
	<u><u>\$ 334,061</u></u>	<u><u>501,540</u></u>

Operating costs recognized for the year of 2019 and the year of 2018 of the Group:

	<b>2019.12.31</b>	<b>2018.12.31</b>
Cost of selling inventories	\$ 4,341,863	3,605,946
Loss allowance for inventory valuation losses and slow-moving inventories	17,782	18,816
Revenue from sale of scraps	<u>(1,340)</u>	<u>(453)</u>
	<u><u>\$ 4,358,305</u></u>	<u><u>3,624,309</u></u>

As of December 31, 2019 and 2018, the inventory of the Group has not been provided as a pledge guarantee

### (6) 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 2019 and the year of 2018 are as follows:

	<b>Housing and building</b>	<b>Machinery and equipment</b>	<b>Office equipment (including computer communication equipment)</b>	<b>Inspection equipment</b>	<b>Other equipment</b>	<b>Lease improvement</b>	<b>Unfinished construction and equipment to be inspected</b>	<b>Total</b>
Cost or recognized cost:								
Balance as of January 1, 2019	\$ 502,706	2,778,440	67,299	1,036,364	315,109	48,033	420,619	5,168,570
Addition	-	76,581	356	43,368	20,020	-	327,637	467,962
Disposal	-	(61,821)	(433)	(54,366)	(54)	-	-	(116,674)
Re-classification	-	35,817	-	15,826	29,704	-	(81,601)	(254)
Translation effect	(20,048)	(112,368)	(2,675)	(41,642)	(15,145)	(1,915)	(25,318)	(219,111)
Balance as of December 31, 2019	<u><u>\$ 482,658</u></u>	<u><u>2,716,649</u></u>	<u><u>64,547</u></u>	<u><u>999,550</u></u>	<u><u>349,634</u></u>	<u><u>46,118</u></u>	<u><u>641,337</u></u>	<u><u>5,300,493</u></u>
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><u>\$ 502,706</u></u>	<u><u>2,778,440</u></u>	<u><u>67,299</u></u>	<u><u>1,036,364</u></u>	<u><u>315,109</u></u>	<u><u>48,033</u></u>	<u><u>420,619</u></u>	<u><u>5,168,570</u></u>

Depreciation and impairment losses:

# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	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
Balance as of January 1, 2019	\$ 184,420	1,786,661	48,526	505,286	150,474	5,560	-	2,680,927
Depreciation of the year	27,596	276,795	8,194	164,115	96,288	5,617	-	578,605
Disposal	-	(61,821)	(433)	(27,095)	(54)	-	-	(89,403)
Translation effect	(8,453)	(78,679)	(2,238)	(25,438)	(9,834)	(445)	-	(125,087)
Balance as of December 31, 2019	<u>\$ 203,563</u>	<u>1,922,956</u>	<u>54,049</u>	<u>616,868</u>	<u>236,874</u>	<u>10,732</u>	<u>-</u>	<u>3,045,042</u>
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>
Book value:								
Balance as of December 31, 2019	<u>\$ 279,095</u>	<u>793,693</u>	<u>10,498</u>	<u>382,682</u>	<u>112,760</u>	<u>35,386</u>	<u>641,337</u>	<u>2,255,451</u>
Balance as of January 1, 2019	<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 December 31, 2018	<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>

### (7) Right-of-use assets

The cost and depreciation of the Group's leased land, building and transportation equipment, etc., and its changes are as follows:

	Land	Building	Vehicle	Total
Cost of right-of-use assets:				
Balance as of January 1, 2019	\$ -	-	-	-
Retrospective application of new standard adjustments	40,884	10,133	5,828	56,845
Balance as of January 1, 2019 after adjustment	40,884	10,133	5,828	56,845
Add	-	45,253	-	45,253
Exchange rate changes	(1,631)	(404)	(233)	(2,268)
Balance as of December 31, 2019	<u>\$ 39,253</u>	<u>54,982</u>	<u>5,595</u>	<u>99,830</u>
Depreciation of right-of-use assets:				
Balance as of January 1, 2019	\$ -	-	-	-
Retrospective application of new standard adjustments	-	-	-	-
Balance as of January 1, 2019 after adjustment	-	-	-	-
Depreciation	1,429	5,629	2,837	9,895
Exchange rate changes	(57)	(224)	(113)	(394)
Balance as of December 31, 2019	<u>\$ 1,372</u>	<u>5,405</u>	<u>2,724</u>	<u>9,501</u>
Book value:				
Balance as of December 31, 2019	<u>\$ 37,881</u>	<u>49,577</u>	<u>2,871</u>	<u>90,329</u>

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The Group leased factory building, office and vehicles with operating lease, please refer to Note 6 (13).

(8) Intangible assets

The cost, amortization and impairment losses of the Group' intangible assets for the year of 2019 and 2018 are as follows:

	<b><u>Cost of computer and software</u></b>
Cost:	
Balance as of January 1, 2019	\$ 20,229
Acquisition	665
Impact of exchange rate changes	<u>(833)</u>
Balance as of December 31, 2019	<b><u>\$ 20,061</u></b>
Balance as of January 1, 2018	\$ 14,730
Acquisition	5,859
Impact of exchange rate changes	<u>(360)</u>
Balance as of December 31, 2018	<b><u>\$ 20,229</u></b>
Amortization and impairment losses:	
Balance as of January 1, 2019	\$ 13,825
Amortization for current period	4,033
Impact of exchange rate changes	<u>(712)</u>
Balance as of December 31, 2019	<b><u>\$ 17,146</u></b>
Balance as of January 1, 2018	\$ 9,485
Amortization for current period	4,586
Impact of exchange rate changes	<u>(246)</u>
Balance as of December 31, 2018	<b><u>\$ 13,825</u></b>
Book value:	
Balance as of December 31, 2019	<b><u>\$ 2,915</u></b>
Balance as of December 31, 2018	<b><u>\$ 6,404</u></b>
Balance as of January 1, 2018	<b><u>\$ 5,245</u></b>



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The amortization expenses of intangible assets for 2019 and 2018 are reported under the consolidated income statement as follows:

	<b>2019</b>	<b>2018</b>
Operating costs	\$ 855	583
Operating expenses	3,178	4,003
	<b><u>\$ 4,033</u></b>	<b><u>4,586</u></b>

#### (9) Short-term loans

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

	<b>2019.12.31</b>	<b>2018.12.31</b>
Unsecured bank loans	<b><u>\$ 3,022,229</u></b>	<b><u>1,635,021</u></b>
Line of credit	<b><u>\$ 2,879,756</u></b>	<b><u>3,645,459</u></b>
Interest rate range (%)	<b><u>0.70~2.43</u></b>	<b><u>0.81~3.56</u></b>

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

#### (10) Long-term loans

The Company and CTBC Co., Ltd. (hereinafter referred to as CTBC) and 13 other financial institutions signed a joint credit for the purchase of machinery and equipment and related auxiliary facilities and enrichment of the interim working capital. According to the contract, the total credit limit is NT \$ 3.9 billion or the equivalent of US dollars. As of March 25, 2020, the line of credit has not been used.

According to the provisions of the loan contract, during the loan period, the Group shall calculate and maintain a specific current ratio based on the consolidated financial report of each year for which the accountant audited, and the consolidated financial report for the second quarter of each year reviewed by the accountant. Financial ratios such as debt ratio, interest protection multiples and tangible net worth. And since the date of first use, it will be checked every half of the fiscal year. If it does not conform to the above ratio, within three months from April 1 of the following year of the audit year or August 15 of the year of the audit year, the financial ratio shall be improved by cash increase or other methods to meet the above agreement Financial ratio, ie not considered as default.

The Group does not have assets set up for bank loan guarantees.

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(11) Convertible bonds payable

	<b>2019.12.31</b>	<b>2018.12.31</b>
The total amount of convertible bonds issued	\$ 1,500,000	1,500,000
Decrease: amount of discount on issuing convertible bonds	142,650	142,650
Underwriting expenses	7,294	7,294
Compound present value of bonds converted at issuance	1,350,056	1,350,056
Amortization of convertible bonds at discount	56,172	26,579
Premium issuance cost of convertible bonds	7,500	7,500
Ending balance of convertible bonds	<b><u>\$ 1,413,728</u></b>	<b><u>1,384,135</u></b>

In accordance with Jin Guan Zheng Fa Zi No. 1060050468 issued by FSC, the Group issued the unsecured convertible bonds within R.O.C. for the first time on January 10, 2018. The maximum issuance amount was \$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 \$1,507,500 thousand. The duration 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 \$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 bonds at the time of issue	\$ 1,357,350
Embedded derivative financial product at issue (i.e., put and call)	13,650
Composition of equity at issue (i.e. conversion rights)	129,000
	<b><u>\$ 1,500,000</u></b>

A. The main terms of issuance of the above convertible bonds are as follows:

First unsecured convertible bonds

- (a) Coupon rate: 0%.
- (b) Issue period: five years (from February 12, 2018 to February 12, 2023).
- (c) Re-payment method: In addition to the pre-call by the Group 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.

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- (d) Conversion period: from the next day after the third months of 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.
- (e) Redemption of the Group on the convertible bonds: from the next day after the third months of the issuance of the convertible bonds (May 13, 2018) to the maturity date (February 12, 2023), if the closing price of the common stock of the Company exceeds 30% of the conversion 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 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.
- (f) Put provision 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 bonds to the Group in advance, and the convertible 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.
- (g) 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 \$ 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 bonds is \$175.2 per share while it was issued; from July 26, 2019, which is ex-dividend base date, the conversion price is \$171.3 per share.
- B. Financial liabilities at fair value through profit or loss-non-current, the details are as follows:

	<b>2019.12.31</b>	<b>2018.12.31</b>
Initial balance of embedded derivative financial commodity (put and call)	\$ (22,800)	13,650
Valuation gains (losses) in the current period	25,050	(9,150)
	<b><u>\$ 2,250</u></b>	<b><u>(22,800)</u></b>

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES**  
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C. Equity composition item under capital reserve-stock option, the details are as follows:

	<b>2019.12.31</b>	<b>2018.12.31</b>
Initial balance	\$ 129,000	-
Add: equity components at issuance-- conversion right	-	129,000
Closing balance	<u><b>\$ 129,000</b></u>	<u><b>129,000</b></u>

(12) Lease Liability

The Group's booking value of lease liabilities are as follows:

	<b>2019.12.31</b>
Current	<u><b>\$ 20,462</b></u>
Non-current	<u><b>\$ 31,413</b></u>

Please refer to note 6 (22) for analysis of expiration.

Amounts recognized in profit or loss are as follows:

	<b>2019.12.31</b>
Interest expense from lease liabilities	<u><b>\$ 572</b></u>
Non-current	<u><b>\$ 15,308</b></u>

Amounts recognized in cash flow statement are as follows:

	<b>2019.12.31</b>
Total cash used by operating activity	\$ 15,880
Total cash used by financing activity	9,064
Total cash used by lease	<u><b>\$ 24,944</b></u>

A. Lease of buildings and constructions

The Group leases buildings and constructions to be factories, the leasing periods are usually 3 years, and some leases include the option to extend the same period as the original contract when the lease period expires.

B. Other leases

The Group leases transportation equipment for a period of three to four years.

In addition, the lease period of the Group's leased office, employee dormitory and machinery is within one year, which are short-term leases, the Group choose to adopt exceptional recognition regulation instead of recognizing right-of-use assets.

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(13) Operating lease-- as a lessee

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

	<b>2018.12.31</b>
Within 1 year	\$ 17,448
1 to 5 years	8,222
	<b><u>\$ 25,670</u></b>

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

The operating leases costs and expenses for 2018 are \$11,429 thousand and \$6,810 thousand, respectively.

(14) 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 labor 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 2019 and 2018 have been allocated to the labor insurance bureau and the local competent authority of the consolidated foreign subsidiaries. The details of the expenses reported by the Group are as follows:

	<b>2019</b>	<b>2018</b>
Operating costs	\$ 39,185	31,927
Operating expenses	16,337	20,604
	<b><u>\$ 55,522</u></b>	<b><u>52,531</u></b>

(15) Income tax

A. Income tax expenses

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

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The Company is a tax-exempt company according to the laws of the place where the Company is located; ShunSin Zhongshan 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 ShunSin Zhongshan 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 2019 and the year of 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Current		
Current period	\$ 27,204	16,660
Underestimate (overestimate) of income tax for previous year	888	3,867
	<u>28,092</u>	<u>20,527</u>
Deferred income tax expenses (benefits)		
Occurrence and reversal of temporary differences	144,560	5,030
Previous year's loss deduction against overestimates	(13,503)	23,043
Change of income tax rate	-	(802)
	<u>131,057</u>	<u>27,271</u>
Income tax expense (benefit)	<u><b>\$ 159,149</b></u>	<u><b>47,798</b></u>

# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

The adjustment of the relationship between income tax expense (interest) and net profit before tax for the year of 2019 and the year of 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Pre-tax net profit	<u>\$ 788,434</u>	<u>338,416</u>
Income tax calculated according to the local tax rate of each company	\$ 146,791	69,041
Change of income tax rate	-	(802)
Adjustment according to tax law	(35,969)	(53,147)
Underestimates (overestimates) of income tax of previous year	888	3,867
Previous year's loss deduction against overestimates	(13,503)	23,043
Estimated (revolving) tax on the income distribution of subsidiaries	<u>60,942</u>	<u>5,796</u>
Income tax expense (benefit)	<u>\$ 159,149</u>	<u>47,798</u>

### B. Deferred tax assets and liabilities

#### (a) 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, 2019 and 2018, 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:

	<u>2019.12.31</u>	<u>2018.12.31</u>
Taxable surplus of long-term equity investment in Equity method	<u>\$ 239,168</u>	<u>239,168</u>

#### (b) Recognized deferred tax assets and liabilities

The changes of deferred tax assets and liabilities in 2019 and 2018 are as follows:

# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Deferred tax liabilities:

	Long-term equity investment	One-time expensation of equipment (Note)	Others	Total
<b>Balance as of January 1, 2019</b>	\$ 129,125	248,272	-	377,397
Income Statement	60,942	(1,319)	306	59,929
The impact of exchange rate change	(6,077)	(9,848)	(12)	(15,937)
<b>Balance as of December 31, 2019</b>	<b>\$ 183,990</b>	<b>237,105</b>	<b>294</b>	<b>421,389</b>
<b>Balance as of January 1, 2018</b>	\$ 125,097	-	-	125,097
Income Statement	5,796	252,860	-	258,656
The impact of exchange rate change	(1,768)	(4,588)	-	(6,356)
<b>Balance as of December 31, 2018</b>	<b>\$ 129,125</b>	<b>248,272</b>	<b>-</b>	<b>377,397</b>

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

Deferred tax assets:

	Unrealized exchange gains and losses	Set off gains against losses	Differences in useful life of property, plant and equipment	Others	Total
<b>Balance as of January 1, 2019</b>	\$ 6,976	257,532	75,889	9,607	350,004
Credit (Debit) Income Statement	2,208	(76,952)	862	2,754	(71,128)
The impact of exchange rate changes	-	(12,533)	(3,061)	4,844	(10,750)
<b>Balance as of December 31, 2019</b>	<b>\$ 9,184</b>	<b>168,047</b>	<b>73,690</b>	<b>17,205</b>	<b>268,126</b>
<b>Balance as of January 1, 2018</b>	\$ 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)
<b>Balance as of December 31, 2018</b>	<b>\$ 6,976</b>	<b>257,532</b>	<b>75,889</b>	<b>9,607</b>	<b>350,004</b>

### C. 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, ShunSin(Zhongshan) 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 2018. 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



# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

taxation authority to the tax application form till 2011. The Taiwan Branch of the Company has been approved by the taxation authorities until 2017.

### (16) Capital and other equities

As of December 31, 2019 and 2018, the Company issued shares worth \$1,065,248 thousand and \$1,054,468 thousand with par value of \$10 for 106,525 and 105,447 thousand ordinary shares respectively, and all outstanding shares were collected.

Reconciliation of outstanding shares is as follows:

	<b>Ordinary shares (thousands of shares)</b>	
	<b>2019</b>	<b>2018</b>
Opening balance on January 1 <sup>st</sup>	105,447	105,447
Employee stock option	1,078	-
Ending balance on December 31	<b>106,525</b>	<b>105,447</b>

#### A. Share Capital

The Company issued 1,078 thousand ordinary shares at par value with total amount to \$10,780 thousand due to the employee stock options were executed. All legal procedures have been completed and the Company has collected all the receivables of shares.

#### B. Capital surplus

The capital surplus balance of the Company is as follows:

	<b>2019.12.31</b>	<b>2018.12.31</b>
Share premium	\$ 2,581,150	2,455,727
Employee stock option	43,017	47,667
Issuance of stock option embedded in convertible bonds	129,000	129,000
	<b>\$ 2,753,167</b>	<b>2,632,394</b>

#### C. Retained earnings 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:

## SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

- (a) The Board of Directors understands that the Company operates in a mature industry with stable earnings and sound financial structure. For the decision on dividends or other allotments (if any) established with the consent of shareholders in each fiscal year, the Board of Directors shall:
- (I) 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
  - (II) It shall be included in the Company's earnings in each fiscal year: (i) the reserve for the payment of taxes in the relevant fiscal year; (ii) the amount of compensation for past losses; (iii) one-tenth of the general reserve and (iv) 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.
- (b) 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.
- (c) The distribution of shareholders' dividends and employees' remuneration may, upon the decision of the Board of Directors, be distributed to employees or shareholders in cash, or in such amount as to make full payment of the outstanding shares, or both; For the shareholders' dividend, the cash dividend shall not be less than 50% of the total dividend. The Company pays no interest on undistributed dividends and remuneration.

The Company's earnings distribution for 2018 and 2017 were decided by the shareholders' meeting on June 24, 2019 and June 19, 2018 respectively. The dividend distribution are as follows:

	<b>2018</b>	<b>2017</b>
Cash dividends	<u><u>\$ 239,364</u></u>	<u><u>99,120</u></u>

As of December 31, 2019 and 2018, all cash dividends have been paid.

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

The proposal raised by Board of Directors of the Company to distribute the earnings of 2019 to shareholders is as follows:

	<b>2019</b>
	<b>Dividend      Amount</b>
Cash dividends	<u><u>\$ 3.70      387,641</u></u>

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**D. Treasury Stock**

The changes of treasury stocks bought back by the company and the amount at the end of the period are as follows:

Unit: thousand shares

<b>2019</b>					
<b>Opening shares</b>	<b>Increase</b>	<b>Decrease</b>	<b>Change of shares</b>	<b>Ending shares</b>	<b>Ending amount</b>
<b>-</b>	<b>2,858</b>	<b>1,101</b>	<b>-</b>	<b>1,757\$</b>	<b>149,649</b>

The Company was approved by Board of directors to repurchase 2,858 thousand shares as treasury stock in order to transfer them to employee through to decision from Board of directors on January 8, 2019. The executing period is from January 9, 2019 to March 8, 2019, and the repurchasing range is from \$62 to 118 (dollars) per share. As of December 31, 2019, 2,858 thousand shares had been repurchased with the average price NTD 85.18 per share, and total repurchasing amount is \$243,432 thousand. The number of shares decreased by 1,101 thousand in this period, which was transferred to employees.

In accordance with the requirements under section 28(2) of the Securities and Exchange Act, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. Based on of September 3, 2018, the Company could repurchase no more than 10,545 thousand shares, with a total value of no more than \$4,172,096 thousand.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

**(17) Share-based payment**

The Company was approved by the Board of Directors on March 9, 2017 to issue stock 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 option shall be 3.5 years.

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As of December 31, 2019 and 2018, the Group have the following underlying share payment transactions:

	<b>Employee stock option certificate</b>
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 option granted to the employee in accordance with the following schedule:

<b>Period of option</b>	<b>Accumulative feasible subscription ratio</b>
Two years after expiry	60%
Three years after expiry	100%

A. 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 option. The input value of this model is as follows:

	<b>Employee stock option certificates</b>
Fair value on grant date	29.78
Share price on grant date	106.50
Exercise price	97.80
Expected volatility (%)	49.94~50.06
Option 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 option 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.

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B. The information about employee stock options is as follows:

	2019		2018	
	Weighted average performance price	Number of option	Weighted average performance price	Number of option
Outstanding option as of January 1	\$ 97.80	2,457	97.80	3,000
Grant quantity in current period	-	-	-	-
Quantity lost in current period	-	(315)	-	(543)
Quantity executed in current period	95.62	(1,078)	-	-
Overdue expiration of the current period	-	-	-	-
Outstanding option as of December 31	95.62	<u><b>1,064</b></u>	97.80	<u><b>2,457</b></u>
Executable as of December 31	95.62	<u><b>1,064</b></u>	97.80	<u><b>2,457</b></u>

Unit: 1,000

As of December 31, 2019, the weighted average expected remaining life of the employee's stock option plan is 1.04 years.

C. Relative information of Policy Governing First Share Repurchased and Transferred to Employees are as follows:

The Company was approved by Board of directors to repurchase shares as treasury stock in order to transfer them to employee through to decision from Board of directors on January 8, 2019. Repurchased shares shall be transferred within 3 years from the repurchasing day and transferred to whom formally employed by the Company or its subsidiaries more than three months, in one or several times. The Company authorized president of the Board to approve the shares distributing rules for employees base on the standards of grades, years of service, and special contribution toward the Company. The Company considers the repurchased share held by the Company and the limit for single employee to subscribe. The Company transfers treasury stock to employees in accordance with the approval by Board of Directors' decision made on May 13, 2019, which is based on the Policy Governing First Share Repurchased and Transferred to Employees. The transferring price is actual average repurchased price, amounting to \$85.18 per share. The fair value of the subscription is 10.22 per share while the stock price on May 13, which is also subscription date, is \$95.40 per share. As of December 31, 2019, 1,101 thousand shares were transferred and the Company has collected all the receivables of shares.

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES**  
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**D. Employees' expenses**

The expenses incurred by the Group in the year of 2019 and 2018 due to the share-based payment are as follows:

	<u>2019</u>	<u>2018</u>
Expense from employee stock option	\$ 17,662	25,232
Expense from treasury stock	10,812	-
Total	<u><u>\$ 28,474</u></u>	<u><u>25,232</u></u>

**(18) Earnings per share**

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

	Unit: thousand shares	
	<u>2019</u>	<u>2018</u>
<b>Basic earnings per share of the Company</b>		
Net profit for the current period	<u><u>\$ 638,315</u></u>	<u><u>298,247</u></u>
Weighted average number of outstanding shares	<u><u>103,550</u></u>	<u><u>105,447</u></u>
Basic earnings per share (New Taiwan Dollars)	<u><u>\$ 6.16</u></u>	<u><u>2.83</u></u>
<b>Diluted earnings per share of the Company</b>		
Net profit for the current period	\$ 638,315	298,247
The impact of potential common stocks with diluting effect		
Fair value assessment of embedded derivatives (such as trading rights)	(25,050)	-
Expected reduction in interest expense for convertible bonds conversion	29,593	-
Net profit for the current period (adjusted)	<u><u>\$ 642,858</u></u>	<u><u>298,247</u></u>
Weighted average number of outstanding shares	103,550	105,447
The impact of potential common stocks with diluting effect		
Employees' remuneration	618	528
The impact of employee stock options	462	496
The impact of convertible bonds	8,660	-
Weighted average number of outstanding shares	<u><u>113,290</u></u>	<u><u>106,471</u></u>
Diluted earnings per share (New Taiwan Dollars)	<u><u>\$ 5.67</u></u>	<u><u>2.80</u></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.

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**

(19) Revenues from customers' contract

A. Segmentation of income

	<b>2019</b>	<b>2018</b>
Major regional markets:		
China	\$ 2,210,532	2,099,332
US	1,556,328	612,124
Taiwan	1,191,880	667,282
Malaysia	562,607	541,847
Singapore	221,047	541,060
Other countries	2,410	4,065
Total	<u><u>\$ 5,744,804</u></u>	<u><u>4,465,710</u></u>

B. Balance of the contracts

	<b>2019.12.31</b>	<b>2018.12.31</b>	<b>2018.1.1</b>
Notes receivable	\$ 710	13,104	13,855
Accounts receivable (including related party)	1,115,908	1,300,590	583,631
Less: Loss allowance	(13,802)	-	-
Total amount	<u><u>\$ 1,102,816</u></u>	<u><u>1,313,694</u></u>	<u><u>597,486</u></u>
Contract assets	<u><u>\$ 260,384</u></u>	<u><u>350,068</u></u>	<u><u>248,627</u></u>

(20) 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 directors' profit sharing bonus. The Company may allocate no more than 0.1 % of the profits of the current year for the profit sharing bonus of directors.

The Company accrued profit sharing bonus to employees for 2019 and 2018 are \$87,563 thousand and \$40,000 thousand respectively, and \$752 thousand and \$353 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's profit sharing bonus allotment stipulated in the Company's Articles of Association, and are included as operating expenses of 2019 and 2018. 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 2019 and the year of 2018. Related information is available at the MOPS.

(21) Non-operating gains and losses

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A. Other incomes

Other incomes of the Group are as follows:

	<b>2019</b>	<b>2018</b>
Interest income	\$ 126,483	154,914
Incomes from government subsidy	101,534	23,166
Other incomes	41,979	8,251
Total amount of other incomes	<b><u>\$ 269,996</u></b>	<b><u>186,331</u></b>

B. Other profits and losses

Other profits and losses of Group are as follows:

	<b>2019</b>	<b>2018</b>
Net profits (losses) of foreign currency exchange	\$ (153)	90,218
Profits (losses) from disposal of Property, plant and equipment	5,165	2,284
Profits (losses) from financial assets/liabilities at fair value through profit and loss	(44,902)	(31,078)
Other losses	(1,616)	(7,564)
	<b><u>\$ (41,506)</u></b>	<b><u>53,860</u></b>

C. Financial costs

The financial costs of Group are as follows:

	<b>2019</b>	<b>2018</b>
Interest expenses from bank loan	\$ 33,189	12,103
Interest expenses of convertible bonds	29,593	26,579
Interest expenses of lease liabilities	572	-
	<b><u>\$ 63,354</u></b>	<b><u>38,682</u></b>

(22) Financial instruments

A. Credit risks

(a) Credit exposure risk

The book value of financial assets represents the maximum amount of credit exposure risk. The maximum credit exposure risk amounts for December 31, 2019 and 2018 were \$8,369,377 thousand and \$7,104,394 thousand, respectively.



# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(b) Credit risk concentration

On December 31, 2019 and 2018, 84% and 91% of the accounts receivable balance of the Group were composed of several customers, which made the Group have a significant concentration of credit risk.

(c) Credit risks of receivables

For credit exposure risk information of notes receivable and accounts receivable, please refer to Note 6 (3) for details and Note 6 (4) 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.

### B. 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>
<b>December 31, 2019</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 3,022,229	3,022,229	3,022,229	-	-	-
Accounts payable (including related parties)	363,472	363,472	363,472	-	-	-
Other payables (including related parties)	183,979	183,980	183,980	-	-	-
Convertible bonds payable (including put rights)	1,411,478	1,500,000	-	-	1,500,000	-
	51,875	52,363	21,488	16,089	14,786	-
Refundable deposits	1,443	1,443	542	-	342	559
	<b>\$ 5,034,476</b>	<b>5,123,487</b>	<b>3,591,711</b>	<b>16,089</b>	<b>1,515,128</b>	<b>559</b>
<b>December 31, 2018</b>						
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	-	-	-
Convertible bonds payable (including put rights)	1,406,935	1,500,000	-	-	1,500,000	-
Refundable deposits	1,073	1,073	135	356	448	134
	<b>\$ 4,486,633</b>	<b>4,579,698</b>	<b>3,078,760</b>	<b>356</b>	<b>1,500,448</b>	<b>134</b>

# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### C. Exchange rate risk

#### (a) Exchange rate exposure risk

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

	2019.12.31			2018.12.31		
	Foreign currency (NT\$1,000)	Exchange rate (NT\$)	New Taiwan Dollars (NT\$1,000)	Foreign currency (NT\$1,000)	Exchange rate (NT\$)	New Taiwan Dollars (NT\$1,000)
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	49,062	29.9810	1,470,926	68,795	30.7209	2,113,446
RMB	535,677	4.3051	2,306,143	425,783	4.4728	1,904,443
Yen	1,845,818	0.2760	509,446	1,829,097	0.2769	506,417
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	43,233	29.6870	1,283,460	32,832	30.7186	1,008,550
Yen	1,861,095	0.2755	512,782	1,940,461	0.2782	539,835

#### (b) 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, 2019 and December 31, 2018, 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 2019 and 2018 will increase by approximately \$6,225 thousand and \$7,440 thousand, respectively.

#### (c) 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 2019 and 2018, including realized and unrealized ones, are \$(513) thousand and \$90,218 thousand, respectively.

### D. 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.

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F. Information on fair value- types and fair value of financial instruments

(a) Types and fair value of financial instruments

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

	2019.12.31				
	Book value	Fair value			Total amount
		Grade 1	Grade 2	Grade 3	
Financial assets at fair value through profit or loss					
Derivative financial liabilities - current	\$ 1,429	-	1,429	-	1,429
Derivative financial liabilities - non - current	2,250	-	2,250	-	2,250
Private equity fund	476,151	-	-	476,151	476,151
Subtotal	479,830	-	3,679	476,151	479,830
Financial assets measured at amortized costs					
Cash and cash equivalents	6,386,315	-	-	-	-
Contract assets	260,384	-	-	-	-
Notes receivable and accounts receivable	1,102,816	-	-	-	-
Other receivables	129,224	-	-	-	-
Refundable deposits	10,808	-	-	-	-
Subtotal	7,889,547	-	-	-	-
Total amount	<b>\$ 8,369,377</b>	<b>-</b>	<b>3,679</b>	<b>476,151</b>	<b>479,830</b>
Financial liabilities at amortized costs					
Bank loans	\$ 3,022,229	-	-	-	-
Accounts payable	363,472	-	-	-	-
Other payables	183,979	-	-	-	-
Convertible corporate bond-liability component	1,413,728	-	-	-	-
Lease liabilities	51,875	-	-	-	-
Refundable deposits	1,443	-	-	-	-
Total amounts	<b>\$ 5,036,726</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES**  
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	2018.12.31				
	Fair value				Total amount
	Book value	Grade 1	Grade 2	Grade 3	
Financial assets at fair value through profit or loss					
Non-listed company shares	\$ 11,048	-	-	11,048	11,048
Financial assets measured at amortized costs					
Cash and cash equivalents	5,293,307	-	-	-	-
Contract assets	350,068	-	-	-	-
Notes receivable and accounts receivable	1,313,694	-	-	-	-
Other receivables	126,242	-	-	-	-
Refundable deposits	10,035	-	-	-	-
Subtotal	7,093,346	-	-	-	-
Total amount	<u>\$ 7,104,394</u>	<u>-</u>	<u>-</u>	<u>11,048</u>	<u>11,048</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities - non - current	\$ 22,800	-	22,800	-	22,800
Financial liabilities at amortized 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	<u>\$ 4,486,633</u>	<u>-</u>	<u>22,800</u>	<u>-</u>	<u>22,800</u>

(b) Fair value assessment technique for measuring financial instruments at fair value

(I) Non-derivative financial instruments

The financial instrument which is equity instrument or beneficiary certificate without an active market held by the Group, of which fair value sorted by categories and attributes are as follows:

- (i) Equity instrument without active market: 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.
- (ii) Beneficiary certificate without active market: The fair value is estimated using the total value of assets and liabilities that the target covers.

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES**  
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(II) Derivative financial instruments

The right of conversion, redemption and put option of corporate bonds payable is estimated at fair value according to the appraisal report of external experts. The evaluation model is a binomial tree convertible bond, 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.

Forward exchange contract is usually evaluated based on the bank statement.

(c) Statement of changes of Grade 3 – Financial assets at fair value through profit or loss

	<b>2019</b>		<b>2018</b>
	<b>Non-listed company shares</b>	<b>Private equity fund</b>	<b>Non-listed company shares</b>
Balance on January 1	\$ 11,048	-	-
Adjustment of first adopting IFRS 9 on January 1, 2018	-	-	39,926
Adjusted balance on January 1	11,048	-	39,926
Add	-	571,513	-
Gains/ Losses			
Recognized in gains/ losses	(11,116)	(63,569)	(29,607)
Change from exchange rate	68	(31,793)	729
Balance on December 31	<u>\$ -</u>	<u>476,151</u>	<u>11,048</u>

The above mentioned profits/ losses are recognized in other profits and losses.

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

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

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

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

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES**  
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<b>Items</b>	<b>Evaluation technologies</b>	<b>Significant unobservable input value</b>	<b>The relationship between significant unobservable input values and fair value</b>
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"> <li>• Net value Ratio multiplier of stock price (1.39 on 2018.12.31)</li> <li>• Share price sales ratio multiplier (1.17 on 2018.12.31)</li> <li>• Lack of market liquidity discounts (20% on 2018.12.31)</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the multiplier, the higher the fair value.</li> <li>• The higher the discount for lack of market liquidity, the lower the fair value.</li> </ul>
Financial assets at fair value through profit or loss — private fund investment	Net asset value method	Net asset value	Not applicable

- (e) 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)

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.

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(23) Financial risk management

A. Overview

The Group has exposure the following risks arising from financial instruments:

- (a) Credit risk.
- (b) Liquidity risk.
- (c) Market risk.

This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Please see other related notes for quantitative information.

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.

B. Risk management framework

(a) Management targets

- (I) 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.
- (II) 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.
- (III) 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.

(b) Management system

- (I) 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.
- (II) 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.

C. Credit risk

- (a) 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.
- (b) 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.

## SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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.

#### D. 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.

#### E. Market risk

##### (a) Exchange rate risk

###### (I) Nature

The Group operates multinationally, thus its exchange rate risk is affected by several kinds of currencies, mainly from US dollar and RMB, generated from :

- (i) 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.
- (ii) 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.

###### (II) Management

- (i) 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.
- (ii) 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.

##### (b) 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.



# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (24) Capital management

The Group manages capital to safeguard the capacity to operate, to continue to provide a return on shareholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, issue new shares, or sell assets to settle any liabilities. The Group uses the debt-to-equity ratio to manage capital. This ratio is debt divided by equity. 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.

### (25) Non-cash investing and financing activities

For the year ended December 31, 2019 and 2018, the Group’s non-cash investing and financing activities were derived from acquisition right-of-use asset through finance leasing and the amortization of convertible bonds discount. Please refer to notes 6(7), (11) and (12) for related information.

Reconciliation of liabilities from financing activities are as follows:

	January 1, 2019	Cash flows	Non-cash changes				December 31, 2019
			Amortization of discount	Exchange rate changes	Fair value changes	Acquire	
Short-term loans	\$ 1,635,021	1,387,208	-	-	-	-	3,022,229
Non-current financial liabilities at fair value through profit or loss	22,800	-	-	-	(25,050)	-	(2,250)
Bonds payable	1,384,135	-	29,593	-	-	-	1,413,728
Lease liabilities	15,961	(9,064)	-	(275)	-	45,253	51,875
Total liabilities from financing activities	<u>\$ 3,057,917</u>	<u>1,378,144</u>	<u>29,593</u>	<u>(275)</u>	<u>(25,050)</u>	<u>45,253</u>	<u>4,485,582</u>

	January 1, 2018	Cash flows	Non-cash changes				December 31, 2018
			Amortization of discount	Exchange rate changes	Fair value changes		
Short-term loans	\$ 2,480,536	(845,515)	-	-	-	-	1,635,021
Non-current financial liabilities at fair value through profit or loss	13,650	-	-	-	-	9,150	22,800
Bonds payable	-	1,500,206	(116,071)	-	-	-	1,384,135
Total liabilities from financing activities	<u>\$ 2,494,186</u>	<u>654,691</u>	<u>(116,071)</u>	<u>-</u>	<u>-</u>	<u>9,150</u>	<u>3,041,945</u>

# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### 7. Related-party transactions:

#### (1) Parent Company and ultimate controlling party

Foxconn (Far East) Limited - Cayman is the parent company of the Group, holding 60.05% and 60.66% of the outstanding common shares of the Group as of December 31, 2019 and 2019 respectively. 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) Names and relationship with related parties

The folowings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the 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 Technology Holding Limited	Its ultimate controller is the same as that of Group
Hong Fujin Precision Industry (Shenzhen) Limited Company	Its ultimate controller is the same as that of Group
Foxconn (Nanjing) Software Company	Its ultimate controller is the same as that of Group
Anpinda Precision Industry (Huizhou) Co., Ltd.	Its ultimate controller is the same as that of Group
Shenzhen Fu Neng New Energy Technology Co., Ltd.	Its ultimate controller is the same as that of Group
Zhengzhou Fulianwang Electronic Technology Co., Ltd	Its ultimate controller is the same as that of Group
Futaihua Industry (Shenzhen) Co., Ltd.	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
Zhengyi longhua Special Material (ShenZhen) Co., Ltd.	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
Name of related party	Relationship with the Group

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### Notes to Consolidated Financial Statements

FuShiRui Precision Industry (JinCheng) 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
Champ Tech Optical (Foshan) Corporation	Its ultimate controller is the same as that of Group
Foxcavity Precision Industry (ShenZhen) Co., Ltd.	Its ultimate controller is the same as that of Group
Shenzhen Fertile Plan 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
ZEITEC Semiconductor 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
Shenzhen Fugui Precision Industry Co.,Ltd	Its ultimate controller is the same as that of Group

#### (3) Significant transactions with related parties

##### A. Sales

The significant sales amount of the Group to the related parties are as follows:

	<b>2019</b>	<b>2018</b>
Ultimate controller	\$ -	164,183
Other related parties		
Foxconn Optical Interconnect Technologies Singapore Pte. Ltd	858,231	1,588,389
Foxconn Interconnect Technology Limited	613,129	361,368
Triple Win Technology (ShenZhen) Co., Ltd.	1,231,101	445,914
Other related parties	2,650	5,997
	<b><u>\$ 2,705,111</u></b>	<b><u>2,565,851</u></b>

There were no significant differences in the selling prices and trading terms between related parties and other customers. The collection conditions are within four months, which were not significant difference with to other customers.

##### B. Purchase

The purchase amount of the Group from the related party is as follows:

	<b>2019</b>	<b>2018</b>
Other related parties	<b><u>\$ 28,667</u></b>	<b><u>24,469</u></b>

There were no significant differences in the purchasing prices and trading terms between related parties and other customers. The payment terms are with four months, which were not significant difference with to other vendors.

##### C. Expenses for professional services

# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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

	<b>2019</b>	<b>2018</b>
Ultimate controller	\$ 7,035	7,081
Triple Win Technology (ShenZhen) Co., Ltd.	56,874	-
	<b><u>\$ 63,909</u></b>	<b><u>7,081</u></b>

### D. Receivables due from related parties

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

<b>Account</b>	<b>Related-party categories</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Accounts receivables — related parties	Other related parties		
	Foxconn Optical Interconnect Technologies Singapore Pte. Ltd.	\$ -	215,103
	Foxconn Interconnect Technology Limited	128,766	131,518
	Triple Win Technology (ShenZhen) Co., Ltd.	442,640	440,032
	Others	86	3,044
		<b><u>\$ 571,492</u></b>	<b><u>789,697</u></b>

As of December 31, 2019 and 2018, no allowance for loss is required for the above-mentioned interested parties.

### E. Contract assets

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

<b>Account</b>	<b>Related-party categories</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Current contract assets	Other related parties		
	Foxconn Optical Interconnect Technologies Singapore Pte. Ltd.	\$ -	238,260
	Triple Win Technology (ShenZhen) Co., Ltd.	32,763	-
	Others	97	1,218
		<b><u>\$ 32,860</u></b>	<b><u>239,478</u></b>

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F. Property trading - acquisition of property, plant and equipment

(a) Property, plant and equipment acquired

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

	<b>2019</b>	<b>2018</b>
Sharp Corporation	\$ -	690,841
Foxcavity Precision Industry (ShenZhen) Co., Ltd.	4,864	108,774
FuShiRui Precision Industry (JinCheng) Co., Ltd.	16,368	-
Others	-	80,323
	<b>\$ 21,232</b>	<b>879,938</b>

(b) Property, plant and equipment disposed

Details of the Group's disposal of property, plant and equipment are as follows:

	<b>2019</b>		<b>2018</b>	
	<b>Proceeds</b>	<b>Gain (loss) on disposal</b>	<b>Proceeds</b>	<b>Gain (loss) on disposal</b>
<b>Related-party categories</b>				
Other related parties	\$ 727	187	-	-

The money for the disposal of property, plant and equipment to other related parties has been fully received as of December 31, 2019.

G. Payables to related parties

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

<b>Account</b>	<b>Related-party categories</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Accounts payable to related parties	Other related parties	\$ 1	366
Other payables to related parties	Ultimate controller	11,742	5,616
	Other related parties		
	Sharp Corporation	-	541,326
	Foxcavity Precision Industry (ShenZhen) Co., Ltd.	1,528	79,869
	Others	21,479	29,445
		<b>34,749</b>	<b>656,256</b>
		<b>\$ 34,750</b>	<b>656,622</b>

# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### (4) Remuneration of major management personnel

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefit	\$ 58,569	31,818
Post-employment benefit	336	233
	<b>\$ 58,905</b>	<b>32,051</b>

8. Pledged assets: None.

9. Significant commitments and contingencies: None.

10. Losses due to major disasters: None.

11. Subsequent events: None.

12. Other:

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

Account	Function	2019			2018		
		Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit expenses							
Salary expenses		439,647	353,562	793,209	380,458	349,579	730,037
Health insurance expenses		6,106	6,183	12,289	7,180	7,371	14,551
Pension expenses		39,185	16,337	55,522	31,927	20,604	52,531
Other employee benefit expenses		41,645	16,368	58,013	35,774	19,258	55,032
Depreciation expenses		527,289	61,211	588,500	273,167	49,037	322,204
Amortization expenses		855	3,178	4,033	583	4,003	4,586

### 13. Disclosure of Note :

#### (1) Information on major transactions:

In 2019, the Group shall disclose the information on the major transactions subject to Regulations Governing the Preparation of Financial Reports by Securities Issuers:

#### A. Loans to other parties:

Unit: NT\$1,000

NO	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down (Note 2)	Interest rate (%)	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans
													Item	Value		
1	ShunSin (Samoa)	ShunSin (Hongkong)	Other receivables	Y	489,955 (USD 15,500)	-	-	-	2	-	Business operation	-	-	-	3,388,870 (Note 2)	3,388,870 (Note 2)
2	ShunSin (Samoa)	TalenteK	Other receivables	Y	75,948 (RMB 17,500)	32,275	23,668	3.45	2	-	Business operation	-	-	-	78,687 (Note 3)	314,749 (Note 3)
3	ShunSin (Hongkong)	The Company	Other receivables	Y	489,955 (USD 15,500)	-	-	-	2	-	Business operation	-	-	-	3,388,870 (Note 2)	3,388,870 (Note 2)

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.

# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Note 2: The policy for loans mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares, or the policy for loans granted by subsidiaries to the Company whose voting shares are not directly or indirectly wholly-owned, the loan shall not be restricted to the regulation of individual subsidiary, though total loans shall not exceed 60% of the Company's net value.

Note 3: The total amount for a short-term financing shall not exceed 40% of ShunSin (Samoa)'s net value. The limited on loans to single party is 10% of ShunSin (Samoa)'s net value which is based on the latest financial statement. ShunSin (Samoa)'s net value is NTD 786,872 thousand on December 31, 2019.

Note 4: The aforementioned transactions between consolidated individuals have been offset at the time of preparing consolidated financial statements.

### B. Endorsement/Guarantee provided:

No	Guarantor/ Endorser	Party being guaranteed/ endorsed		Limited on guarantees/ endorsements provided for a single party	Maximum outstanding guarantee/ endorsement amount as of December 31, 2019	Outstanding guarantee/ endorsement amount as of December 31, 2019	Actual amount drawn down	Amount of guarantees/ endorsements secured with collateral	Ratio of accumulated guarantee/ endorsement amount to net asset value of the guarantor/ endorser company (%)	Ceiling on total amount of guarantees/ endorsements period	Provision of guarantees/ endorsements by parent company to subsidiary	Provision of guarantees/ endorsements by subsidiary to parent company	Provision of guarantees/ endorsements to the party in Mainland China
		Company name	Relationship with the guarantor/ endorser										
0	ShunSin (Zhongshan)	ShunSin (Zhongshan)	1	4,196,644	21,488 (RMB 5,000)	21,488 (RMB 5,000)	21,488 (RMB 5,000)	-	0.38%	8,393,288	N	N	Y

Note 1: Relationship between guarantor and guarantee :

1. Business transaction
2. The Company directly or indirectly holds more than 50% of their voting shares.
3. The party directly or indirectly holds more than 50% of the Company's voting shares.

Note 2: ShunSin (Zhongshan)'s policy for guarantees and endorsements is as follow:

The total guarantees and endorsements of ShunSin (Zhongshan) to others should not be in excess of ShunSin (Zhongshan)'s net value, and for a single party should not be in excess of 50% of ShunSin (Zhongshan)'s net value.

Note 3: ShunSin (Zhongshan) guarantees itself

### C. Marketable securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Hold company name	Marketable Securities Type and Name	Relationship with the Company	General ledger account	December 31, 2019				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Fair Value	
ShunSin (Samoa)	Stocks: Dyna Image Corp.	—	Financial assets measured at fair value through profit or loss — non-current	4,500,000	-	14.53 %	-	-
ShunSin (Zhongshan)	Privately Offered Fund: Ji Nan Fu Jie industrial investing joint venture	—	Financial assets measured at fair value through profit or loss — non-current	-	476,151	9.09 %	476,151	-

### D. Individual marketable securities acquired or disposed of with accumulated amount exceeding the lower of NTD 300 million or 20% of the capital stock:

Company name	Marketable securities type and name	General ledger account	Counter- party	Relationship with the Company	Beginning balance		Acquisition		Disposal				Ending balance	
					Shares/ Units	Amount	Shares/ Units	Amount	Shares/ Units	Amount	Carrying value	Gain/ Loss on disposal	Shares/ Units	Amount (Note 3)
ShunSin (Zhongshan)	Ji Nan Fu Jie industrial investing joint venture	Financial assets measured at fair value through profit or loss — non-current	-	-	-	-	-	571,513	-	-	-	-	-	476,151

Note 1: The amount contains the evaluation of financial assets at fair value through profit or loss and the exchange adjustment.

### E. Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.

### F. Disposal of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.

# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### G. Related-party transactions for purchases and sales with amounts exceeding the lower of NTD100 million or 20% of capital stock:

Companies purchasing and selling goods	Counter party	relation	Transaction situation				Reason of trading terms differs from normal transaction		Notes receivable (payable), accounts receivable (payable)		Note
			Purchase/(sale)	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	Sale	(1,875,728)	(58.28)%	4 months	-	-	609,015	57.84%	Note 2
ShunSin (Zhongshan)	Triple Win Technology (ShenZhen) Co., Ltd.	Other related party	Sale	(1,231,101)	(38.25)%	4 months	-	-	442,640	42.04%	
The Company	Foxconn Optical Interconnect	Other related party	Sale	(858,231)	(19.35)%	4 months	-	-	-	- %	
The Company	Foxconn Interconnect Technology Limited	Other related party	Sale	(613,129)	(13.82)%	4 months	-	-	128,766	19.25%	

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.

### H. Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of the capital stock:

Companies that account for receivables	Name of counter-party	Nature of relationship	Balance of related party receivables	Turnover rate %	Overdue receivables of Related parties		Amount Received in Subsequent Period (Note 2)	Allowance recognized
					Amount	Treatment		
ShunSin (Zhongshan)	The Company	Parent company	Accounts receivable (Note 1): 609,015	3.97	-	-	479,644	-
ShunSin (Zhongshan)	Triple Win Technology (ShenZhen) Co., Ltd.	Other related party	Accounts receivable: 442,640	2.79	-	-	213,969	-
ShunSin (Zhongshan)	The Company	Parent company	Other receivables (Note 1): 664,125	-	-	-	-	-
ShunSin (Zhongshan)	ShunSin (Samoa)	affiliate	Other receivable (Note 1): 752,003	-	-	-	-	-
The Company	Foxconn Interconnect Technology Limited	Other related party	Accounts receivable: 128,766	4.71	-	-	80,179	-

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

Note 2: As of February 28, 2020.

### I. Engaging in derivatives trading: Please refer to Note 6 (2) and (11) for details.

### J. Business relations and important transactions between parent and subsidiary companies:

No (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	ShunSin (Zhongshan)	1	Purchases	1,875,728	The price is based on the price agreed by both parties	32.42
0	"	"	1	Accounts payable	609,015	Within 4 months	5.32
0	"	"	1	Contract liability	234,147	Recognition by completion ratio	2.04
0	"	"	1	Other payables	664,125	Pay/receive on behalf, no general customers for comparison	5.80
1	ShunSin (Samoa)	ShunSin (Zhongshan)	3	Other payables	752,003	Pay/receive on behalf, no general customers for comparison	6.57

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:



# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

1. Parent company to subsidiary company.
2. Subsidiary company to parent company.
3. Subsidiary company to subsidiary company.

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

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

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

### (2) Information on re-investment business:

The information of the reinvested business of the Group in 2019 is as follows (excluding the invested company in mainland China) :

Name of investor	Name of investee	Location	Main business and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of investee (Note 1)	Share of profits/ losses of investee (Note 1 and 2)	Note
				December 31, 2019	December 31, 2018	Shares	Percentage of ownership	Carrying value (Note 1 and 2)			
The Company	ShunSin (Hongkong)	Hongkong	Holding Company	2,589,284	2,589,284	678,808,240	90.15%	7,402,275	711,955	641,827	subsidiary
The Company	ShunSin (Samoa)	Samoa	Overseas material and equipment procurement	287,928	287,928	9,510,000	100.00%	786,872	79,097	79,097	subsidiary
The Company	Ha Noi, Vietnam	Vietnam	Produce high speed optical transceiver	180,234 (Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	subsidiary
ShunSin (Samoa)	ShunSin (Hongkong)	Hongkong	Holding Company	287,622	287,622	74,183,976	9.85%	808,790	711,955	70,128	affiliate

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.

Note 4: ShunSin (Ha Noi) was registered on December 26, 2019 in Ha Noi, Vietnam. The authorized capital is USD 6,000 thousand. The Company invested USD 6,000 thousand on January 14, 2020, shareholding is 100%. ShunSin (Ha Noi) does not issue shares due to it is limited corporation thus it has no shares.

### (3) Information on investment in Mainland China:

#### A. Name of mainland invested company, main business contents and other related information

Unit: NT\$ 1,000

Name of investee	Main business and products	Paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of investee	Percentage of ownership	Share of profits/ losses of investee (Note 2 and 3)	Carrying value as of December 31, 2019 (Note 2 and 3)	Accumulated inward remittance of earnings as of December 31, 2019
					Outflow	Inflow						
ShunSin (Zhongshan)	Assembly, testing and sales of SiP products and other types of integrated circuits	3,030,692 (RMB 722,637)	(2)	Note 4	Note 4	Note 4	Note 4	766,673 (RMB 171,293)	100.00%	766,673 (RMB 171,293)	8,393,288 (RMB 1,953,063)	Note 4
Talentek	Design, R&D, testing and sales of electrical equipment, communication equipment and automation equipment	90,485 (RMB 20,000)	(3)	Note 4	Note 4	Note 4	Note 4	(20,061) (RMB (4,482))	55.00%	(11,034) (RMB (2,465))	23,168 (RMB 5,391)	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 ShunSin Zhong 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, 2019 (exchange rate at closing period RMB: NTD = 1:4.2975), and the remainder is calculated at the average exchange rate (RMB: NTD = 1:4.4758).

#### B. Investment limits in mainland China: Not applicable.

#### C. Major transactions with mainland invested companies:

For the major direct or indirect transactions between the Group and the mainland invested

# SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

company in 2019 (which were written off at the time of compiling the consolidated financial report). Please refer to “Information on Major Transactions” .

### 14. Segment information:

#### (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 operates in a single industry. Hence, the disclosure of business segment information is not required.

#### (3) Geographic financial information

Export sales revenue by country is based on the billing location of the customer, and non-current assets by location are based on where the assets are located. The information is as follows:

Revenues from external customers:

Region	2019	2018
Mainland China	\$ 2,210,532	2,099,332
America	1,556,328	612,124
Taiwan	1,191,880	667,282
Malaysia	562,607	541,847
Singapore	221,047	541,060
Other countries	2,410	4,065
Total	<b>\$ 5,744,804</b>	<b>4,465,710</b>

Non-current assets:

Region	December 31, 2019	December 31, 2018
Mainland China	\$ 2,322,739	2,534,874
Vietnam	45,253	-
Taiwan	38	57
Total	<b>\$ 2,368,030</b>	<b>2,534,931</b>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and prepayment for equipment, not including financial instruments, deferred tax assets and non-current assets with refundable deposit.

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(4) Information on important customers

Revenue from major customers for more than 10% of the Group's total revenue are as follows:

<b>Customer name</b>	<b>2019</b>	<b>2018</b>
A	\$ 1,546,630	547,916
B	1,231,101	445,914
C	858,231	1,588,389
D	613,129	361,368
E	205,441	541,060
Total	<u><b>\$ 4,454,532</b></u>	<u><b>3,484,647</b></u>

# **ShunSin Technology Holdings Limited**

**Chairman: Hsu, Wen-Yi**

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