Stock code: 6187

ALL RING TECH Co., LTD.

2018 Annual Report

This Annual Report is available at: http://mops.twse.com.tw/mops/web/index

: http://www.allring-tech.com.tw/

Information declaration website designated by the Securities and Futures Bureau: Same as above

Annual Report disclosure website: Same as above

Published on May 13, 2019

I. Spokesperson of All Ring Tech Co., Ltd.

Name: Chien-De Li
Title: Vice President
Tel: (07) 607-1828
Email: lee@allring-tech.com.tw

II. Deputy Spokesperson of All Ring Tech Co., Ltd.

Name: Hsiao-Mei Wang
Title: Associate Manager
Tel: (07) 607-1828
Email: whm@allring-tech.com.tw

III. Address and Contact of the Headquarters and Branches

Address of the Headquarters: No.1, Luke 10th Rd., Luzhu Dist., Kaohsiung City
Tel: (07) 607-1828

IV. Stock Transfer Agency

Name: president Securities Corp.
Address: 1F., No.8, Dongxing Rd., Songshan Dist., Taipei City
Website: www.pscnet.com.tw
Tel: (02) 2746-3797

V. Financial Report Certificated Public Accountants of Recent fiscal year

Name: CPA Tsi-Meng Liu, CPA Yong-Chih Lin
Firm: PricewaterhouseCoopers (PwC) Taiwan
Address: 12F, No. 395, Sec. 1, Linsen Rd., East Dist., Tainan City
Website: www.pwc.com.tw
Tel: (06) 234-3111

VI. Name and Address of Overseas Securities Trading Agencies and Inquiry Method for Overseas Securities: None.

VII. Company Website: http://www.allring-tech.com.tw/

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Chapter 1 Letter to Shareholders

Business Report

Dear shareholders,

Thank you for taking time from your busy schedule to attend the company's regular meeting of shareholders today so that we can report to you on the operating performance for the past fiscal year and our future outlook. I would like to sincerely welcome you on behalf of All Ring Tech Co., Ltd.

We now report the operating performance for the past fiscal year and the future outlook of All Ring Tech Co., Ltd. and its subsidiaries:

I. 2018 Business Report

(I) The Implementation Outcome of the Business Plan

The consolidated net operating revenue and net profit after tax in 2018 of the company and its subsidiaries total NT$1,925,869 thousand and NT$314,416 thousand, respectively. The consolidated net operating revenue increased by 3.16% compared to the 2017 net operating revenue of NT$1,866,853 thousand, while the net profit after tax increased by 3.70% compared to the 2017 net profit after tax of NT$303,196 thousand.

(II) Budget Execution: All Ring Tech Co., Ltd. and its subsidiaries did not release financial forecasts for 2018, so no budget achievement needs reporting.

(III) Financial balance and profitability analysis

Unit: NT$ thousand

Analysis Item/fiscal year		2018	2017
Financial revenue and expense	Interest income	9,234	5,510
	Interest expense	105	1,006
Profitability	Return on assets (%)	12.44	12.03
	Return on shareholders' equity (%)	16.85	16.46
	Operating profit to paid-in capital ratio (%)	38.95	48.04
	Net profit before tax to paid-in capital ratio (%)	43.90	42.78
	Net profit ratio (%)	16.33	16.24
	Basic earnings per share (NT$) (after retrospective adjustment)	3.74	3.60

(IV) Research and Development

The R&D results in 2018 are listed below: Please see pages XX and XX for details.

II. Summary of 2019 Business Plan

(I) Business Policy

1. Customer-oriented. Striving to meet the customer's needs.
2. Focus on R&D and marketing.
3. Make full use of external resources and expand the scale of operations.
4. Research, development, and innovation. Aim for excellence.

(II) Projected sales amount and its base

All Ring Tech Co., Ltd. and its subsidiaries expect the sales volume to increase over 2018 and benefit the company, after considering changes in the overall economic environment, industry trends, and the company's development.

(III) Major operation & sales policies

In addition to maintaining current customers, with our future crucial operating strategy, we will strive to seek new customers. Other vital plans include focusing on research and development, and improving customer satisfaction, to maintain the highest market share in the industrial equipment market, and achieve better operating performance.

(IV) The company's Future Development Strategy

As a leading supplier in the semiconductor and passive-device industries, we will keep upgrading our current products and offer better service to meet customers' needs. To supply process equipment to energy-saving related industries, we will continue to develop new machines at customers' request.

(V) Impacts of External Competition, Government Regulations, and Overall Business Environment

In such a competitive environment as we are in, there is no better way to maintain long-term competitive advantages than prioritizing customers' needs. Under its entrepreneurial belief, "Creation, Service, Speed, Saving, Harmony, Confidence" and the spirit of "focusing and outstanding", All Ring Tech Co., Ltd. will continue to develop core technologies, follow the market trend, and comply with government-backed domestic equipment promotion, with a goal to boost customers' competency with inexpensive production facilities and hopefully create a mutual win-win benefit.

We wish all shareholders good health and all the best! Sincerely,

Chairman: Ching-Lai Lu

June 13, 2019

Chapter 2 Company Overview

I. Date of Establishment: May 24, 1996

II. Company History:

May 1996	All Ring Tech Co., Ltd. was established with a capital of NT$10 million. Its primary businesses included engineering design for automated machinery, processing, and manufacturing, assembly, and computer software development and design.
April 1997	The company successfully developed the automatic multilayer capacitance and inductance cutting machine (RK-C40).
March 1998	The company received the Automated Engineering Services Institution Registration Certificate from the Industrial Development Bureau, Ministry of Economic Affairs.
August 1998	The company successfully developed a dry cutting machine (RK-C60).
December 1998	The company successfully developed the inductance tester (RK-T50).
May 1999	The company purchased land, building, and plants at Yenchao Township, Kaohsiung County.
August 2000	The company successfully developed the swash plate inductance tester (RK-T50). The company organized a cash capital increase of NT$80 million and converted NT$11.2 million in earnings to capital and increased its capital to NT$131.2 million. The company received ISO 9001 from SGS Taiwan (SGS).
October 2000	The company received approval from the Securities and Futures Bureau and became a public company.
December 2000	The company invested in PAI FU International Limited.
December 2000	The company invested in Zhixin Information Co., Ltd.
February 2001	The company successfully developed the automated assembly system for radiators (RK-H1000) and the glue dispenser (RK-DU01).
June 2001	The company converted a total of NT$72,970,780 in earnings and employee bonuses to capital and increased the capital to NT$204,170,780.
August 2001	The company was ranked second in the top 100 fastest-growing backbone firms by the CommonWealth magazine.
October 2001	The company was awarded in the 8th Innovation and Research Award and the 4th Rising Star Award by the Small and Medium Enterprise Administration of the Ministry of Economic Affairs for the chip capacitance tester.
November 2001	All Ring Tech entered a technical collaboration with Zhixin Information and successfully developed a digital telescopic camera.
December 2001	The company was registered as an "emerging stock" on the Gre Tai Securities Market.
May 2002	All Ring Tech's investment in the Luzhu Plant in Southern Taiwan Science Park was approved. The company successfully developed the chip implantation machine (RK-ICM2000).
June 2002	The company received approval from the Securities and Futures Bureau and was listed on the OTC market.
July 2002	The company converted a total of NT$55,829,220 in earnings and employee bonuses to capital and increased the capital to NT$260 million.
November 2002	The company successfully developed the ball mounter (RK-IB600R).
July 2003	The company converted a total of NT$69 million in earnings and employee bonuses to capital and increased the capital to NT$320 million.

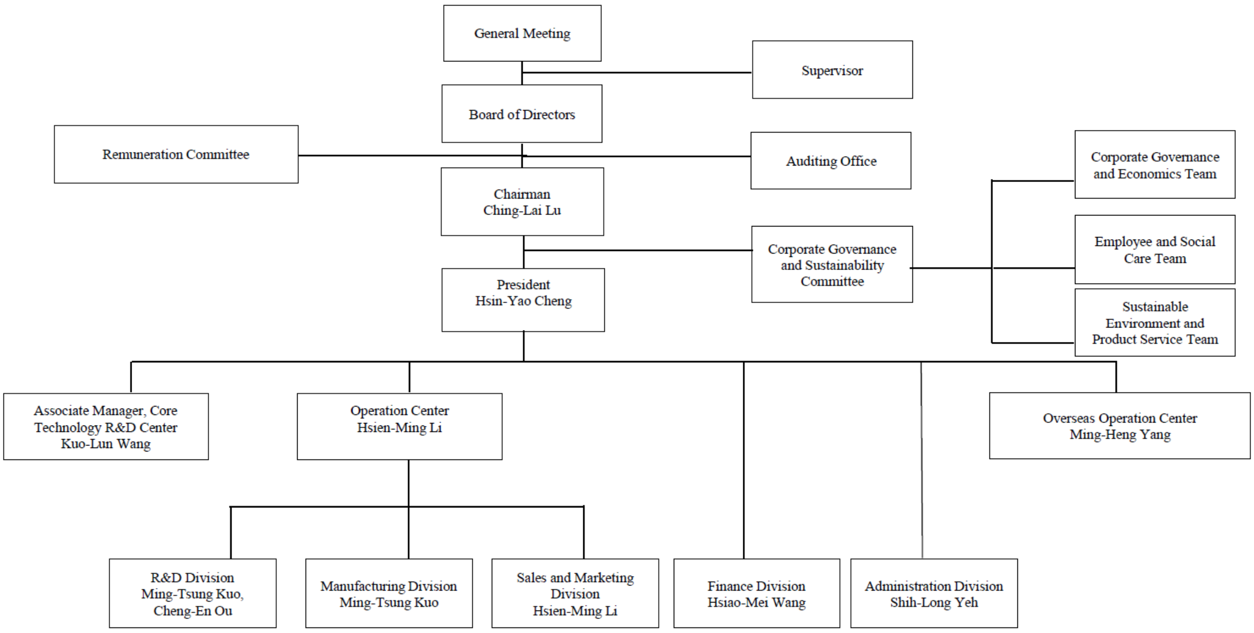
	The company received the 2003 Outstanding Photonics Product Award from the Photonics Industry & Technology Development Association.
January 2004	All Ring Tech became the first company to begin operations in Luzhu Science Park.
July 2004	The company invested in Egiga Source Technology Co., Ltd.
August 2004	The company converted a total of NT$41,333,110 in earnings and employee bonuses to capital and increased the capital to NT$437,255,580.
October 2004	The company successfully developed the PCBI IN LINE TFT manufacturing equipment.
April 2005	The company successfully developed the wafer crystallite screening machine and received subsidies from Southern Taiwan Science Park.
June 2005	The company successfully developed the glue spreader.
August 2005	The company converted a total of NT$55 million in earnings and employee bonuses to capital and increased the capital to NT$518,879,390.
November 2005	The company invested in Laser Med. Technology Co., Ltd.
October 2006	The company was awarded in the 15th edition of the National Award of Outstanding Small and Medium Enterprises by the Small and Medium Enterprise Administration of the Ministry of Economic Affairs.
October 2006	The company successfully developed the dual-track voltage dependent varistor testing machine.
May 2007	The company successfully developed the FPD laser repair machine (including lighting functions).
May 2007	The company successfully developed Inductor wiring machine
May 2007	The company introduced the Taiwan Intellectual Property Management System (TIPS).
December 2007	The company successfully developed 12-inch wafer sorter
August 2008	The company successfully developed LED testing and taping machine
August 2008	The company converted a total of NT$34,927,500 in earnings and employee bonuses to capital and increased the capital to NT$579,909,750.
September 2008	The company successfully developed a light testing machine.
November 2008	The company was awarded the Taiwan Intellectual Property Management System (TIPS) certification by the Industrial Development Bureau of the Ministry of Economic Affairs.
November 2008	The company successfully developed Slice inspection machine
February 2009	The company was ranked 66th among companies that generated the most profits for shareholders by the Global Views magazine.
February 2009	The company successfully developed LED testing and sorting machine
February 2009	The company successfully developed rotary electroplating machine
December 2009	The company established the robotic R&D center.
January 2010	The company established the All Ring Tech Charity and Welfare Foundation.
November 2010	The company invested in All Ring Tech (Kunshan) Co., Ltd. through its subsidiary company IMAGINE and purchased plants in Kunshan, China.
June 2011	The company invested and established the subsidiary company UniRing Tech.Co., Ltd.
October 2011	The company passed onsite inspections by the Kaohsiung Customs Office.
September 2012	Uni-Ring Tech successfully developed and shipped the floor sweeping machine.
December 2012	The company implemented CSR.
September 2013	The company received two stars in the Best Companies to Work for Award.
September 2013	The company was awarded the "Most Successful Machinery Equipment Technology Cooperation Award" by the ASE Group.
March 2015	The company received the Best Supplier Award from ASE Group.

July 2015	All Ring Tech organized a cash capital increase of NT$222 million and increased the capital to NT$863,679,020.
March 2016	The company received the Best Supplier Award from ASE Group.
March 2017	The company received the Best Supplier Award from ASE Group.
April 2017	The Southern Taiwan Science Park awarded the company the Excellent Workplace Award.
May 2017	The company was ranked 37th for "growth," "profitability," and "highest profitability" in the Commonwealth magazine's evaluation.
June 2017	The company was ranked among the top 50 OTC companies in average employee welfare funding in 2016.
October 2017	The company received the Authorized Economic Operator (AEO) certificate from the Customs Administration.
March 2018	The company received the Best Supplier Award from ASE Group.
April 2018	The Southern Taiwan Science Park awarded the company the Excellent Workplace Award.
June 2018	The company was ranked among the top 50 OTC companies in average employee welfare funding in 2016.

Chapter 3 Corporate Governance Report

I. Organizational System

(I) Organizational structure



(II) Functions of Major Departments

Department		Functions
Auditing Office		It is responsible for internal audits and the effective operations of the internal control system as well as strict compliance with regulations and related standards and providing improvement recommendations.
Administration Division	Information Technology Office	Responsible for general administration, human resources, and computer system software and hardware planning and management; responsible for the design and modification of software based on operation procedures and maintaining the normal functions of computers.
Finance Division		Responsible for the company's finances, accounting, and shareholder services.
Sales and Marketing Division		Responsible for evaluating and expanding the semiconductor, passive components, automated LED equipment markets, formulating plans, sales, customer credit investigation, payment collection, and after-sales services.
Manufacturing Division		Responsible for the production of semiconductors, passive components, automated LED equipment, after-sales services, quality inspections, control and management, procurement of raw materials, and warehouse management.
R&D Division		Responsible for the design and development of mechanism, electronic control, software and hardware design for semiconductors, passive components, LED automation equipment as well as the design and development of the machinery, electronic control, software and hardware for new products.

Corporate Governance and Sustainability Committee	On February 26, 2019, the Board of Directors approved Vice President Chien-De Li as the person in charge of corporate governance. Based on the work and scope of each department, he shall ensure the advancement and implementation of overall work and report the implementation status to the Board of Directors regularly.

II. Information on Directors, Supervisors, President, Vice President, Associate Managers, and the Heads of All the Divisions and Branches

(I) Information on Directors and Supervisors

1. Information on Directors and Supervisors

Unit: thousand shares; % April 14, 2019

Position	Name	Nationality or Location of Registration	Gender	Date of Initial Appointment	Date of Appointment	Term	Shares Held at Appointment		Shares Held at Present		Shares Held By Spouse and Minor Children		Shares Held in the Name of Other Persons		Major Work (Academic) Experience	Positions concurrently held at the company and other companies	Executives, Directors, or Supervisors who have a spouse or second-degree relatives within the company		
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Position	Name	Relation
Chairman of the Board	Ching-Lai Lu	Taiwan	Male	1996.05.27	2017.06.15	Three years	3,757	4.46	3,757	4.51	299	0.36	7,327	8.79	EMBA, National Cheng Kung University Philips Chien Yuan Electronics	Director of PAI FU Co., Ltd. And chairman of UniRing Tech Co., Ltd.	Representative Director	Yu-Ru Chong	Spouse
Director	Hsin-Yao Cheng	Taiwan	Male	2005.06.07	2017.06.15	Three years	504	0.60	504	0.60	1	-	-	-	Cheng Shiu Junior College of Technology E&R Engineering Corporation	(Note)	-	-	-
Director	Fengqiao Investment Co., Ltd.	Taiwan	-	2010.05.12	2017.06.15	Three fiscal years	7,226	8.58	7,327	8.79	-	-	-	-	-	-	-	-	-
Representative Director	Yu-Ru Chong	Taiwan	Female	2017.06.15	2017.06.15	Three years	299	0.35	299	0.36	3,757	4.51	7,327	8.79	National University of Tainan Representative of Fengqiao Investment Co., Ltd.	Representative of Fengqiao Investment Co., Ltd.	Chairman of the Board	Ching-Lai Lu	Spouse
Director	Hanlin Construction Co., Ltd.	Taiwan	-	2017.06.15	2017.06.15	Three years	775	0.92	775	0.93	-	-	-	-	-	-	-	-	-
Representative Director	Ching-Han Chiu Huang	Taiwan	Male	2017.06.15	2017.06.15	Three years	-	-	-	-	-	-	-	-	Linyuan Junior High School Representative of Hanlin Construction Co., Ltd.	Representative of Hanlin Construction Co., Ltd.	-	-	-
Director	Chien-Chang Chen	Taiwan	Male	2011.06.22	2017.06.15	Three fiscal years	2,732	3.24	2,732	3.28	-	-	-	-	Sanji High School Representative of Fu-Du Building & Construction Co., Ltd.	Director of Fu-Du Building & Construction Co., Ltd.	-	-	-
Independent Director	Chin-Po Wang	Taiwan	Male	2002.05.27	2017.06.15	Three years	-	-	-	-	-	-	-	-	National Chiao Tung University Representative of Shintron Enterprise	Representative of Shintron Enterprise	-	-	-
Independent Director	Huan-Ming Chou	Taiwan	Male	2010.05.12	2017.06.15	Three years	-	-	-	-	-	-	-	-	Ph.D. in Mechanical	Dean of College of Engineering,	-	-	-

Position	Name	Nationality or Location of Registration	Gender	Date of Initial Appointment	Date of Appointment	Term	Shares Held at Appointment		Shares Held at Present		Shares Held By Spouse and Minor Children		Shares Held in the Name of Other Persons		Major Work (Academic) Experience	Positions concurrently held at the company and other companies	Executives, Directors, or Supervisors who have a spouse or second-degree relatives within the company		
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Position	Name	Relation
															Engineering, National Cheng Kung University Dean of College of Engineering, Kun Shan Technology University	Kun Shan Technology University			
Supervisor	Hong-Ren Lin	Taiwan	Male	2002.05.27	2017.06.15	Three years	1,552	1.84	1,552	1.86	70	0.08	-	-	Tatung College of Engineering Representative of Jiekuen Enterprise	Representative of Jiekuen Enterprise	-	-	-
Supervisor	Kuo-Chen Wu	Taiwan	Male	2017.06.15	2017.06.15	Three years	750	0.89	696	0.84	255	0.31	-	-	Master in Electronics, National Chiao Tung University Representative of Sysnix Co., Ltd.	Representative of Sysnix Co., Ltd.	-	-	-
Supervisor	Jincheng Investment Co., Ltd.	Taiwan	-	2017.06.15	2017.06.15	Three years	2,005	2.38	2,055	2.47	-	-	-	-	-	-	-	-	-
Representative Supervisor	Ching-Hsu Tsai	Taiwan	Male	2017.06.15	2017.06.15	Three years	-	-	-	-	-	-	-	-	Institute of Electrical Engineering, Cheng Shiu University Representative of Jincheng Investment Co., Ltd.	Representative of Jincheng Investment Co., Ltd.	-	-	-

Note: President of the company and Director of IMAGINE Group Limited.

2. Major shareholders of institutional shareholders:

April 14, 2019

Name of institutional shareholders	Major shareholders of institutional shareholders
Fengqiao Investment Co., Ltd.	Yu-Ru Chong (50.65%) and Ching-Lai Lu (40.39%)
Jincheng Investment Co., Ltd.	Ching-Hsu Tsai (33.97%)
Hanlin Construction Co., Ltd.	Ching-Han Chiu Huang (8.00%)

3. Representatives of the institutional shareholders, which are the major shareholders of the company’s institutional shareholders: Not applicable.

4. Information on the independence of Directors and Supervisors:

April 14, 2019

Qualifications / Name	Has more than five fiscal years of work experience and the following professional qualifications			Status of meeting independence conditions										Number of positions as an Independent Director for other publicly-listed companies
	Serves as lecturers or above in a department of business administration, law, finance, accounting, or other discipline relevant to the company's operations in a public or private college institution	Serves as a judge, prosecutor, lawyer, accountant, or other professional practice or technician relevant to the company's operations that must undergo national examinations and be licensed by the competent authorities.	Work experience of business administration, legal affairs, finance, accounting, or business sector of the company	1	2	3	4	5	6	7	8	9	10	
Ching-Lai Lu			✓				✓		✓	✓		✓	✓	-
Hsin-Yao Cheng			✓				✓	✓	✓	✓	✓	✓	✓	-
Ching-Han Chiu Huang (Note 1)			✓	✓		✓	✓	✓	✓	✓	✓	✓		-
Chien-Chang Chen			✓	✓			✓	✓	✓	✓	✓	✓	✓	-
Yu-Ru Chong (Note 2)			✓					✓	✓	✓		✓		-
Chin-Po Wang (Note 3)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Huan-Ming Chou (Note 4)	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Hong-Ren Lin			✓	✓			✓	✓		✓	✓	✓	✓	-
Kuo-Chen Wu			✓	✓			✓	✓	✓	✓	✓	✓	✓	-
Ching-Hsu Tsai (Note 5)			✓	✓		✓	✓	✓	✓	✓	✓	✓		-

Note 1: Mr. Ching-Han Chiu Huang is the representative of the company's institutional Director, Hanlin Construction Co., Ltd.

Note 2: Ms. Yu-Ru Chong is the representative of the company's institutional Director, Fengqiao Investment Co., Ltd.

Note 3: Director Chin-Po Wang has rich experience in financial and corporate management and has an excellent international outlook, insight, and judgment, who can use his expertise to provide professional advice to the Board of Directors.

Note 4: Director Huan-Ming Chou is the Dean of the Institute of Engineering at Kunshan University of Science and

Technology. He has extensive knowledge, experience, and expertise. In considering the company's industry and needs, Director Chou can fully contribute the experience and maintain independence during the tenure. He can complement other Directors and enhance the overall talent of the Board to achieve diversity goals.

Note 5: Mr. Ching-Hsu Tsai is the representative of the company's institutional Supervisor, Jincheng Investment Co., Ltd.

Note 6: For any Director or Supervisor who fulfills the relevant condition(s) for two fiscal years before being appointed or during the term of duty, please provide the "" sign in the field next to the corresponding conditions.✓

(1) Not employed by the company or a related company.

(2) Not the Director or Supervisor of the company or a related company (The Independent Director of a subsidiary of the company, or its parent company, and companies where more than 50% of the voting shares directly and indirectly are held by the company, shall not apply).

(3) Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.

(4) Not a spouse, a second-degree relative, or a linear five-degree relative of any of the personnel listed in the three preceding conditions.

(5) Not a Director, Supervisor, or employee of an institutional shareholder that directly holds more than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity of shares held.

(6) Not a Director (member of the governing Board), Supervisor (member of the supervising Board), managerial officer, or shareholder holding more than 5% of shares of a specified company or institution that has a financial or business relationship with the company.

(7) Not a professional individual or owner, partner, Director (member of the governing Board), Supervisor (member of the supervising Board), managerial officer, or spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the company or to any affiliated business. However, this excludes members of the Remuneration Committee who have been appointed to exercise duties in accordance with Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) Not a spouse or a second-degree relative with any Director.

(9) Where none of the circumstances in the paragraphs of Article 30 of the Company Act applies.

(10) Where the person is not elected in the capacity of the government, a judicial person, or a representative thereof as provided in Article 27 of the Company Act.

(II) Information on the President, Vice President, Associate Manager, and Heads of Departments and Branches

Unit: thousand shares; % April 14, 2019

Position	Name	Nationality	Gender	Date of Joining	Number of Shares Held		Shares Held By Spouse and Minor Children		Shares Held in the Name of Other Persons		Major Work (Academic) Experience	Positions Concurrently Held in Other Companies	Managerial officers who have a spouse or second-degree relatives within the company			Employee stock options acquired by managerial officers
					Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Position	Name	Relation	
President	Hsin-Yao Cheng	Taiwan	Male	2010.10.01	504	0.60	1	-	-	-	Cheng Shiu Junior College of Technology E&R Engineering Corporation	(Note 1)	None	None	None	None
Chief Operating Officer	Hsien-Ming Li	Taiwan	Male	2013.05.09	49	0.06	4	-	-	-	EMBA, National Cheng Kung University Darfon Electronics	None	None	None	None	None
R&D Division Vice President	Ming-Heng Yang	Taiwan	Male	2011.07.01	24	0.03	3	-	-	-	EMBA, National Cheng Kung University Excelsior Technology Inc.	None	None	None	None	None
President's Office Vice President	Chien-De Li	Taiwan	Male	2017.03.16	22	0.03	125	0.15	-	-	MBA, National University, USA President Securities Corp.	None	None	None	None	None
R&D Division Vice President (Note 2)	Cheng-En Ou	Taiwan	Male	2014.08.07	9	0.01	-	-	-	-	Cheng Shiu Junior College of Technology SHT Electronics Taiwan	None	None	None	None	None
R&D Division Associate MBARBIanager	Ming-Tsung Kuo	Taiwan	Male	2012.04.05	18	0.02	-	-	-	-	Chiayi College of Agriculture Cheng Ming Machinery Co., Ltd	None	None	None	None	None
Finance Division Associate Manager	Hsiao-Mei Wang	Taiwan	Female	2010.10.01	58	0.07	3	-	-	-	Chung Yuan Christian University Chien Hsing Accounting Firm	None	None	None	None	None
Administration Division Associate Manager	Shih-Long Yeh	Taiwan	Male	2015.05.12	14	0.02	-	-	-	-	National Cheng Kung University PwC Taiwan	None	None	None	None	None
R&D Division Associate Manager	Kuo-Lun Wang	Taiwan	Male	2016.03.21	-	-	-	-	-	-	Institute of Mechanical Engineering, National Cheng Kung University Contrel Technology Co., Ltd.	None	None	None	None	None
President's Office Associate Manager (Note 3)	Ming-Chieh Tsai	Taiwan	Male	2018.02.27	-	-	-	-	-	-	United Engineering Professional School Chengxin Intellectual Property Rights	None	None	None	None	None
R&D Division	Chien-Jen	Taiwan	Male	2018.11.05	-	-	-	-	-	-	Institute of Applied	None	None	None	None	None

Associate Manager (Note 4)	Cheng										Mechanics, National Taiwan University Kunshan Isun Tek					

Note 1: President of the company and Director of IMAGINE Group Limited.

Note 2: Mr. Cheng-En Ou was promoted to Vice President on February 27, 2018

Note 3: Mr. Ming-Chieh Tsai was appointed as Associate Manager on February 27, 2018.

Note 4: Mr. Chien-Jen Cheng was appointed as Associate Manager on November 5, 2018.

(III) Compensations to Directors, Supervisors, President, and Vice Presidents in the Most Recent Fiscal Year

(I) Directors (including Independent Directors) remuneration

Unit: thousand shares/NT$ thousand; December 31, 2018

Position	Name	Directors Remuneration								Percentage of the total sums of A, B, C and D to net income after tax (Note 11)		Remuneration Paid to Concurrent Employees												Percentage of the total sums of A, B, C, D, E, F, and G to net income after tax (Note 11)		Whether or not the person receives remuneration from other non-subsidiary companies that the company has invested in (Note 12)
		Compensations (A) (Note 2)		Severance Pay and Pension (B)		Director Compensation (C) (Note 3)		Business Expenses (D) (Note 4)				Salaries, Bonuses, and Allowances (E) (Note 5)		Severance Pay and Pension (F)		Employee Compensation (G) (Note 6)				Number of shares subscribed for employee stock options (H) (Note 7)		Restricted employee shares acquired (I) (Note 13)				
		The company	All companies listed in this financial report (Note 8)	The company	All companies listed in this financial report (Note 8)	The company	All companies listed in this financial report (Note 8)	The company	All companies listed in this financial report (Note 8)	The company	All companies listed in this financial report (Note 8)	The company	All companies listed in this financial report (Note 8)	The company	All companies listed in this financial report (Note 8)	The company		All companies listed in this financial report (Note 8)		The company	All companies listed in this financial report (Note 8)	The company	All companies listed in this financial report (Note 8)	The company	All companies listed in this financial report (Note 8)	
																Cash Amount	Stock Amount	Cash Amount	Stock Amount							
Chairman of the Board	Ching-Lai Lu	-	-	-	-	717	717	48	48	0.24	0.24	1,777	1,777	-	-	173	-	173	-	-	-	-	-	0.86	0.86	None
Director	Hsin-Yao Cheng	-	-	-	-	716	716	48	48	0.24	0.24	3,580	3,580	-	-	315	-	315	-	-	-	-	-	1.48	1.48	None
Director	Chien-Chang Chen	-	-	-	-	247	247	48	48	0.09	0.09	-	-	-	-	-	-	-	-	-	-	-	-	0.09	0.09	None
Director	Fengqiao Investment Co., Ltd.	-	-	-	-	247	247	-	-	0.08	0.08	-	-	-	-	-	-	-	-	-	-	-	-	0.08	0.08	None
Representative Director	Yu-Ru Chong (Note 1)	-	-	-	-	-	-	48	48	0.02	0.02	-	-	-	-	-	-	-	-	-	-	-	-	0.02	0.02	None
Director	Hanlin Construction Co., Ltd.	-	-	-	-	247	247	-	-	0.08	0.08	-	-	-	-	-	-	-	-	-	-	-	-	0.08	0.08	None
Representative Director	Ching-Han Chiu Huang (Note 2)	-	-	-	-	-	-	48	48	0.02	0.02	-	-	-	-	-	-	-	-	-	-	-	-	0.02	0.02	None
Independent Director	Chin-Po Wang	-	-	-	-	305	305	80	80	0.12	0.12	-	-	-	-	-	-	-	-	-	-	-	-	0.12	0.12	None
Independent Director	Huan-Ming Chou	-	-	-	-	305	305	80	80	0.12	0.12	-	-	-	-	-	-	-	-	-	-	-	-	0.12	0.12	None

Note 1: Ms. Yu-Ru Chong is the representative of the company's institutional Director, Fengqiao Investment Co., Ltd.

Note 2: Mr. Ching-Han Chiu Huang is the representative of the company's institutional Director, Hanlin Construction Co., Ltd.

Table of Remuneration Ranges

Remuneration Ranges Paid to Each Director	Name of Director			
	Total of the first four items (A+B+C+D)		Total of the first seven items (A+B+C+D+E+F+G)	
	The company (Note 9)	All companies listed in this financial report (Note 10) I	The company (Note 9)	All companies listed in this financial report (Note 10) J
Less than NT$ 2,000,000	Ching-Lai Lu, Hsin-Yao Cheng, Chien-Chang Chen, Yu-Ru Chong, Ching-Han Chiu Huang, Chin-Po Wang, Huan-Ming Chou	Ching-Lai Lu, Hsin-Yao Cheng, Chien-Chang Chen, Yu-Ru Chong, Ching-Han Chiu Huang, Chin-Po Wang, Huan-Ming Chou	Chien-Chang Chen, Yu-Ru Chong, Ching-Han Chiu Huang, Chin-Po Wang, Huan-Ming Chou	Chien-Chang Chen, Yu-Ru Chong, Ching-Han Chiu Huang, Chin-Po Wang, Huan-Ming Chou
NT$ 2,000,000 (inclusive) to NT$ 5,000,000 (exclusive)	-	-	Ching-Lai Lu, Hsin-Yao Cheng	Ching-Lai Lu, Hsin-Yao Cheng
NT$ 5,000,000 (inclusive) to NT$ 10,000,000 (exclusive)	-	-	-	-
NT$ 10,000,000 (inclusive) to NT$ 15,000,000 (exclusive)	-	-	-	-
NT$ 15,000,000 (inclusive) to NT$ 30,000,000 (exclusive)	-	-	-	-
NT$ 30,000,000 (inclusive) to NT$ 50,000,000 (exclusive)	-	-	-	-
NT$ 50,000,000 (inclusive) to NT$ 100,000,000 (exclusive)	-	-	-	-
Over NT$100,000,000	-	-	-	-
Grand Total	7	7	7	7

Note 1: The name of Directors shall be listed separately (for corporate shareholders, the name of corporate shareholders and representative shall be listed separately), and the payments shall be disclosed collectively. If a Director also serves as a president or Vice President, he/she should fill this form and (3-1) or (3-2) as follows.

Note 2: Remuneration to the Director in the past year (including salary, additional pay, severance pay, bonuses and rewards).

Note 3: The amount is the proposed compensations to Directors according to the most recent earnings distribution that has been approved by the Board of Directors but has not been submitted to the Shareholders' Meeting.

Note 4: Business expenses paid out to Directors in the most recent year (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the compensation paid to such driver, which shall not be included in the remuneration.

Note 5: Remuneration for Directors concurrently holding positions in the company (for positions that include the General Manager, Vice President, other managerial officers, or employees) shall include salaries, job remuneration, severance, bonuses, performance fees, transport fees, special expenses, various subsidies, accommodation, vehicles, and provision of physical items and services. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the compensation paid to such driver, which shall not be included in the remuneration. Any compensations listed under Share-Based Payment of IFRS 2, including the issuance of employee stock options, restricted employee shares, and subscription of cash capital increase by stock shall also be included in the remuneration.

Note 6: For Directors concurrently holding positions in the company in the most recent year (including the President, Vice Presidents, other managerial officers, or employees) and receiving the remuneration (including stock and cash), the employee remuneration paid in the most recent year upon the approval of the Board of Directors before the Shareholders' Meeting shall be disclosed. If such remuneration cannot be estimated, the remuneration to be distributed in the most recent year shall be based on the proportion of the remuneration distributed last year and filled in Table 1-3.

Note 7: Shares subscribable (excluding shares already exercised) under employee stock option plan for Directors also working as an employee (including president, Vice President, other managerial officers, and employees) as of the date of the Annual Report published. Besides this table, table 15 attached shall also be filled out.

Note 8: Total remuneration paid to the company's Directors by all companies (including the company) listed in the consolidated statement shall be disclosed.

Note 9: For the total remuneration paid to the company's Directors, the name of each Director shall be disclosed in the corresponding range of the remuneration.

Note 10: Total remuneration paid to every Director of the company by all companies (including the company) listed in the consolidated statement shall be disclosed. The name of the Director shall also be disclosed in the corresponding range of the remuneration.

Note 11: The net profit after tax refers to the net profit after tax in the most recent fiscal year; for companies that have adopted IFRS, the net profit after tax refers to the net profit after tax in the parent company only or individual financial report in the most recent fiscal year.

Note 12: a. The remuneration the company's Director receives from other non-subsidiary companies that the company has invested shall be disclosed in this column.

b. If the Director receives remuneration from other non-subsidiary companies that the company has invested, the said remuneration shall be included in Column J in the remuneration range table. The name of the column shall also be changed to “All companies invested.”

c. Remuneration, in this case, shall refer to salary, compensation, employee compensation, business expenses, etc. received by Directors for being a Director, Supervisor, or managerial officer of other non-subsidiary companies that the company has invested.

Note 13: Restricted employee shares acquired by Directors also working as an employee (including President, Vice President, other managerial officers, and employees) as of the publication date of the annual. Besides this table, table 15 attached shall also be filled out.

＊ The content of remuneration disclosed in this table is derived based on a concept different from that stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information, instead of taxation.

(II) Supervisors Remuneration

Unit: NT$ thousand; December 31, 2018

<table>
<tr><th rowspan="3">Position</th><th rowspan="3">Name</th><th colspan="6">Supervisors Remuneration</th><th colspan="2" rowspan="2">Percentage of the total sums of A, B, and C to net income after tax (Note 8)</th><th rowspan="3">Whether or not the person receives remuneration from other non-subsidiary companies that the company has invested (Note 9)</th></tr>
<tr><th colspan="2">Compensations (A) (Note 2)</th><th colspan="2">Compensation (B) (Note 3)</th><th colspan="2">Business Expenses (C) (Note 4)</th></tr>
<tr><th>The company</th><th>All companies listed in this financial report (Note 5)</th><th>The company</th><th>All companies listed in this financial report (Note 5)</th><th>The company</th><th>All companies listed in this financial report (Note 5)</th><th>The company</th><th>All companies listed in this financial report (Note 5)</th></tr>
<tr><td>Supervisor</td><td>Hong-Ren Lin</td><td>-</td><td>-</td><td>247</td><td>247</td><td>32</td><td>32</td><td>0.09</td><td>0.09</td><td>None</td></tr>
<tr><td>Supervisor</td><td>Kuo-Chen Wu</td><td>-</td><td>-</td><td>247</td><td>247</td><td>40</td><td>40</td><td>0.09</td><td>0.09</td><td>None</td></tr>
<tr><td>Supervisor</td><td>Jincheng Investment Co., Ltd.</td><td>-</td><td>-</td><td>247</td><td>247</td><td>-</td><td>-</td><td>0.08</td><td>0.08</td><td>None</td></tr>
<tr><td>Supervisor Representative:</td><td>Ching-Hsu Tsai (Note 1)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>48</td><td>48</td><td>0.02</td><td>0.02</td><td>None</td></tr>
</table>

Note 1: Mr. Ching-Hsu Tsai is the representative of the company's institutional Supervisor, Jincheng Investment Co., Ltd.

Table of Remuneration Ranges

<table>
<tr><th rowspan="3">Remuneration Ranges Paid to Each Supervisor</th><th colspan="2">Name of Supervisor</th></tr>
<tr><th colspan="2">Total of the first three items (A+B+C)</th></tr>
<tr><th>The company (Note 6)</th><th>All companies listed in this financial report (Note 7) D</th></tr>
<tr><td>Less than NT$ 2,000,000</td><td>Hong-Ren Lin, Kuo-Chen Wu, Ching-Hsu Tsai</td><td>Hong-Ren Lin, Kuo-Chen Wu, Ching-Hsu Tsai</td></tr>
<tr><td>NT$ 2,000,000 (inclusive) to NT$ 5,000,000 (exclusive)</td><td>-</td><td>-</td></tr>
<tr><td>NT$ 5,000,000 (inclusive) to NT$ 10,000,000 (exclusive)</td><td>-</td><td>-</td></tr>
<tr><td>NT$ 10,000,000 (inclusive) to NT$ 15,000,000 (exclusive)</td><td>-</td><td>-</td></tr>
<tr><td>NT$ 15,000,000 (inclusive) to NT$ 30,000,000 (exclusive)</td><td>-</td><td>-</td></tr>
<tr><td>NT$ 30,000,000 (inclusive) to NT$ 50,000,000 (exclusive)</td><td>-</td><td>-</td></tr>
<tr><td>NT$ 50,000,000 (inclusive) to NT$ 100,000,000 (exclusive)</td><td>-</td><td>-</td></tr>
<tr><td>Over NT$100,000,000</td><td>-</td><td>-</td></tr>
<tr><td>Grand Total</td><td>3</td><td>3</td></tr>
</table>

Note 1: The name of Supervisors shall be listed separately (for corporate shareholders, the name of corporate shareholders and representative shall be listed separately), and the payments shall be disclosed collectively.

Note 2: Compensations to Supervisors in the past fiscal year (including salary, allowance, severance pay, bonuses, and incentives).

Note 3: The amount is the proposed compensations to Supervisors according to the most recent earnings distribution that has been approved by the Board of Directors but has not been submitted to the Shareholders' Meeting.

Note 4: Expenses paid to Supervisors in the most recent fiscal year (including transportation, special allowance, various subsidies, and physical commodity such as housing, vehicles, etc.) If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the compensation paid to such driver, which shall not be included in the remuneration.

Note 5: Total remuneration paid to the company's Supervisors by all companies (including the company) listed in the consolidated statement shall be disclosed.

Note 6: For the total remuneration paid to the company's Supervisors, the name of each Supervisor shall be disclosed in the corresponding range of the remuneration.

Note 7: Total remuneration paid to every Supervisor of the company by all companies (including the company) listed in the consolidated statement shall be disclosed. The name of the Supervisor shall also be disclosed in the corresponding range of the remuneration.

Note 8: The net profit after tax refers to the net profit after tax in the most recent fiscal year; for companies that have adopted IFRS, the net profit after tax refers to the net profit after tax in the parent company only or individual financial report in the most recent fiscal year.

Note 9: a. The remuneration the company's Supervisor receives from other non-subsidiary companies that the company has invested shall be disclosed in this column.

b. If the Supervisor receives remuneration from other non-subsidiary companies that the company has invested, the said remuneration shall be included in Column J in the remuneration range table. The name of the column shall also be changed to “All companies invested.”

c. Remuneration, in this case, shall refer to salary, compensation, employee compensation, expenses, etc. received by Supervisors for being a Director, Supervisor, or managerial officer of other non-subsidiary companies that the company has invested.

＊ The content of remuneration disclosed in this table is derived based on a concept different from that stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information, instead of taxation.

(III) Remuneration to the President and Vice Presidents (individual):

Unit: thousand shares/NT$ thousand; December 31, 2018

Position	Name	Salary (A)		Severance Pay and Pension (B) (Note 1)		Bonuses and Allowances (C) (Note 3)		Employee Compensation from Earnings Distribution (D) (Note 4)				Percentage of the total sums of A, B, C and D to net profit after tax (Note 9)		Number of employee stock options acquired (Note 5)		Restricted employee shares acquired (I) (Note 11)		Whether or not the person receives remuneration from other non-subsidiary companies that the company has invested in (Note 10)
		The company	All companies listed in this financial report (Note 6)	The company	All companies listed in this financial report (Note 6)	The company	All companies listed in this financial report (Note 6)	The company		All companies listed in this financial report (Note 6)		The company	All companies listed in this financial report (Note 6)	The company	All companies listed in this financial report (Note 6)	The company	All companies listed in this financial report (Note 6)	
								Amount of cash bonus	Amount of stock bonus	Amount of cash bonus	Amount of stock bonus							
President	Hsin-Yao Cheng	9,635	10,261	405	405	8,526	8,526	2,944	-	2,944	-	6.84	7.04	-	-	-	-	None
Chief Operating Officer	Hsien-Ming Li																	
Vice President	Ming-Heng Yang																	
Vice President	Chien-De Li																	
Vice President (Note 2)	Cheng-En Ou																	

Note 1: Severance Pay and Pension were amounts listed.

Note 2: Mr. Cheng-En Ou was promoted to Vice President on February 27, 2018

Table of Remuneration Ranges

Remuneration Ranges Paid to the President and Vice Presidents of the company	Name of President and Vice Presidents	
	The company (Note 7)	All companies listed in the financial report (Note 8) E
Less than NT$ 2,000,000	-	-
NT$ 2,000,000 (inclusive) to NT$ 5,000,000 (exclusive)	Hsin-Yao Cheng, Ming-Heng Yang, Chien-De Li, Cheng-En Ou	Hsin-Yao Cheng, Ming-Heng Yang, Chien-De Li, Cheng-En Ou
NT$ 5,000,000 (inclusive) to NT$ 10,000,000 (exclusive)	Hsien-Ming Li	Hsien-Ming Li
NT$ 10,000,000 (inclusive) to NT$ 15,000,000 (exclusive)	-	-
NT$ 15,000,000 (inclusive) to NT$ 30,000,000 (exclusive)	-	-
NT$ 30,000,000 (inclusive) to NT$ 50,000,000 (exclusive)	-	-
NT$ 50,000,000 (inclusive) to NT$ 100,000,000 (exclusive)	-	-
Over NT$100,000,000	-	-
Grand Total	5	5

Note 1: he names of President and Vice Presidents shall be listed separately, and the payments shall be disclosed collectively. If a Director also serves as a president or Vice President, he/she should fill this form and (1-1) or (1-2) mentioned above.

Note 2: President and Vice Presidents' compensations in the most recent fiscal year (including salary, responsibility allowance, and severance pay).

Note 3: Compensations of Presidents/Vice Presidents concurrently holding positions in the company shall include bonuses, incentives, transportation, special allowance, various subsidies, housing, vehicles, and physical commodity such as housing, vehicles, etc. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please note the compensation paid to such driver, which shall not be included in the remuneration.

Note 4: The amount is the employee compensations (including stock bonus and cash bonus) to the President and Vice Presidents according to the most recent earnings distribution that has been approved by the Board of Directors but has not been approved by the Shareholders' Meeting. If the proposed profit sharing and bonus cannot be estimated, the proposed distribution amount shall be calculated based on the actual amount distributed in the previous fiscal year. Table 1-3 attached shall also be filled out. The net profit after tax refers to the net profit after tax in the most recent fiscal year; for companies that have adopted IFRS, the net profit after tax refers to the net profit after tax in the parent company only or individual financial report in the most recent fiscal year.

Note 5: Shares subscribable (excluding shares already exercised) under the employee stock option plan for the President and Vice President as of the publication date of the Annual Report. Besides this table, table 15 attached shall also be filled out.

Note 6: Total remuneration paid to the President and Vice Presidents by all companies (including the company) listed in the consolidated statement shall be disclosed.

Note 7: For the total remuneration paid to the President and Vice Presidents, the name of each President and Vice Presidents shall be disclosed in the corresponding range of the remuneration.

Note 8: Total remuneration paid to the President and Vice Presidents by all companies (including the company) listed in the consolidated statement shall be disclosed. The names of the President and Vice Presidents shall be disclosed in the corresponding range of the remuneration.

Note 9: The net profit after tax refers to the net profit after tax in the most recent fiscal year; for companies that have adopted IFRS, the net profit after tax refers to the net profit after tax in the parent company only or individual financial report in the most recent fiscal year.

Note 10: a. The remuneration the President and Vice Presidents receive from other non-subsidiary companies that the company has invested shall be disclosed in this column.
b. If the President and Vice Presidents receive remuneration from other non-subsidiary companies that the company has invested, the said remuneration shall be included in

Column J in the remuneration range table. The name of the column shall also be changed to “All companies invested.”

c. Remuneration, in this case, shall refer to salary, compensation, employee compensation, expenses, etc. received by the President and Vice Presidents for being a Director, Supervisor, or managerial officer of other non-subsidiary companies that the company has invested.

Note 11: Restricted employee shares acquired by Directors also working as an employee (including President, Vice President, other managerial officers, and employees) as of the publication date of the Annual Report. Besides this table, table 15 attached shall also be filled out.

＊ The content of remuneration disclosed in this table is derived based on a concept different from that stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information, instead of taxation.

(IV) Names of Managerial Officers and the Allocation of Employee Compensation:

Unit: thousand shares/NT$ thousand; December 31, 2018

	Position	Name	Stock Amount	Cash Amount (Note 1)	Grand Total	Percentage of total compensations to the net profit after tax (Note 2)
Managerial Officer	Chairman of the Board	Ching-Lai Lu	-	5,104	5,104	1.62
	President	Hsin-Yao Cheng				
	Chief Operating Officer	Hsien-Ming Li				
	Vice President	Ming-Heng Yang				
	Vice President	Chien-De Li				
	Vice President (Note 3)	Cheng-En Ou				
	Associate Manager	Ming-Tsung Kuo				
	Associate Manager	Hsiao-Mei Wang				
	Associate Manager	Shih-Long Yeh				
	Associate Manager	Kuo-Lun Wang				
	Associate Manager (Note 4)	Ming-Chieh Tsai				
	Associate Manager (Note 5)	Chien-Jen Cheng				

Note 1: The 2018 earnings distribution table has not been approved by the General Shareholders' Meeting, and the employee remuneration distribution list has not been determined. The proposed distribution amount for this fiscal year is calculated based on actual distribution amounts in previous fiscal years in accordance with calculations.

Note 2: The net profit after tax ratio is calculated based on the company's net profit after tax of NT$314,416 thousand in 2018.

Note 3: Mr. Cheng-En Ou was promoted to Vice President on February 27, 2018

Note 4: Mr. Ming-Chieh Tsai was appointed as Associate Manager on February 27, 2018.

Note 5: Mr. Chien-Jen Cheng was appointed as Associate Manager on November 5, 2018.

(V) Analyze the total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the company and by each other company included in the consolidated financial statements during the past 2 fiscal years to Directors, Supervisors, Presidents, and Vice Presidents, and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its connection to operating performance and future risk exposure:

1. Total remuneration paid to Directors, Supervisors, Presidents, and Vice Presidents in the past two fiscal years as a percentage of net profit after tax:

Item / Position	Percentage of total compensations of the net profit after tax			
	2017		2018	
	The company	All companies listed in this financial report	The company	All companies listed in this financial report
Director	2.90	2.90	2.87	2.87
Supervisor	0.27	0.27	0.28	0.28
Presidents and Vice Presidents	6.81	7.02	6.84	7.04

2. The policy, standard and package of remuneration payment, the procedure for the determination of remuneration, and its connection to operating performance and future risk exposure are as follows:
The Director and Supervisor remuneration consists mainly of Director and Supervisor bonuses from the distribution of earnings and it is processed in accordance with Article 16 and 20 of the company's Articles of Incorporation: All Directors and Supervisors shall be entitled to remuneration determined by the Board of Directors with authorization from the Shareholders' Meeting. The payment amount shall be based on prevailing rates of the industry regardless of operating profits or losses. The company shall distribute no less than 3% of the profit for the fiscal year as employee remuneration and no more than 3% as Director and Supervisor remuneration based on the profitability status of the current fiscal year which refers to the profits before tax minus the distribution of employee remuneration and Director and Supervisor remuneration. Employee, Director, and Supervisor remuneration shall be determined by the Board of Directors by a resolution adopted by a majority vote at a meeting attended by over two-thirds of the Directors. A report of such distribution must also be presented at the Shareholders' Meeting. Remuneration for the President and Vice Presidents include salary and bonuses based on their title and respective responsibilities. The amount shall be based on prevailing rates in the industry for similar positions and approved by the Remuneration Committee.
The company's policies, standards, and packages for payment of remuneration, as well as the procedures for determining remuneration, and its linkage to business performance and future risk exposure are mainly based on related provisions in the company's human resources regulations. The remuneration for Directors, Supervisors, and employees are appropriated based on the Articles of Incorporation, and the proposal is submitted to the Remuneration Committee for review and reported to the Shareholders' Meeting after approval from the Board of Directors. In addition to referencing the company's overall performance, future business risks of the industry, and development trends, the company also considers personal performance achievement rates and the level of contribution to the company's performance to provide a reasonable amount of remuneration. All Ring Tech also reviews the remuneration system based on actual business operations and related laws to maintain a balance between sustainable management and risk management.

III. Implementation of Corporate Governance.

(I) Operations of Corporate Governance

A total of 6 (A) Board meetings were held in 2018. The attendance of Directors and Supervisors is as follows:

Position	Name (Note 1)	Number of Attendance in Person (B)	Number of Attendance by Representative	Actual Attendance Rate (%) B/A (Note 2)	Remark
Chairman of the Board	Ching-Lai Lu	6	0	100.00%	None
Director	Hsin-Yao Cheng	6	0	100.00%	None
Director	Chien-Chang Chen	6	0	100.00%	None
Director	Fengqiao Investment Co., Ltd. by Yu-Ru Chong	6	0	100.00%	None
Director	Hanlin Construction Co., Ltd. by Ching-Han Chiu Huang	6	0	100.00%	None
Independent Director	Chin-Po Wang	6	0	100.00%	None
Independent Director	Huan-Ming Chou	6	0	100.00%	None

Other required disclosure:

I. The items included in Article 14-3 of the Securities and Exchange Act and other comments objected or retained by other Independent Directors on record or the resolutions of the Board of Directors in a written statement should indicate the date, session, content of the motion, opinions of all Independent Directors and how the company handles the opinions of the Independent Directors: The company's Independent Directors did not file objections or qualified opinions. Please refer to note 3.

II. In regards to the recusal of Directors from voting due to conflict of interests, the name of the Directors, the proposal, reasons for recusal due to conflict of interests and voting outcomes should be stated: No such occurrences.

III. Goals for enhancing the functions of the Board of Directors (such as establishing an Audit Committee or increasing information transparency) for the current fiscal year and most recent fiscal year as well as assessments of the actions implemented:

(I) The company has established the Remuneration Committee and amended the rules of procedures for the Board of Directors meetings.

(II) The company has assigned dedicated personnel to disclose items and announce material information in accordance with regulations to ensure that prompt and accurate information is announced on the MOPS. Materials information is also disclosed on the company's website.

Note 1: For Directors and Supervisors that are of judicial persons, the name of the Shareholders and representative of the said judicial person shall be disclosed.

Note 2: (1) Where Directors or Supervisors resign before the end of the fiscal year, the remark column shall be annotated with the date of resignation. Actual attendance rate (%) shall be calculated using the number of Board meetings convened and actual attendance during the term of service.

(2) Where Directors and Supervisors were re-elected before the end of the fiscal year, both the newly and previously appointed Directors and Supervisors shall be listed accordingly. The remark column shall be annotated to indicate whether the Director or Supervisor was previously or newly appointed, or re-elected as well as the date of re-election. Actual attendance rate (%) shall be calculated using the number of Board meetings convened and actual attendance during the term of service.

Note 3: Material resolutions of a Shareholders' Meeting or a Board of Directors meeting during the most recent fiscal year or during the current fiscal year up to the publication date of the Annual Report:

Date	Session	Major resolutions	Items listed in Article 14-3 of the Securities and Exchange Act	Dissenting or Qualified Opinion by Independent Directors
The 5th meeting of the 9th Board February 27, 2018	Board meeting	Case 1: The company's report on remuneration distribution of employees, Directors, and Supervisors for 2017 is submitted for approval. Case 2: The company's 2017 business report, individual and consolidated financial reports are submitted for approval. Case 3: The company's earnings distribution for 2017 is submitted for approval. Case 4: The date, time, place, and main content of the company's 2018 General Shareholders' Meeting are submitted for approval. Case 5. The Statement on the Internal Control System submitted by the company based on the results of the company's self-inspection and audit is submitted for approval. Case 6. The company's endorsement guarantee for the subsidiary UniRing Tech. Co., Ltd. (hereinafter referred to as UniRing Tech) is submitted for approval. Case 7: The application for financing credit line is submitted for approval. Case 8: The proposal for the replacement of the CPA in accordance with PwC's internal rotation is submitted for approval. Case 9: The evaluation of the independence and competency of appointed CPAs in 2018 is submitted for approval. Case 10: The amendment to the company's "Regulations on Self-Evaluation or Peer Evaluation of the Board of Directors" is submitted for approval. Case 11: The distribution of the incentives bonuses for employees is submitted for approval. Case 12: The promotion of Associate Manager Cheng-En Ou to Vice President is submitted for approval. Case 13: The appointment of the Associate Manager Ming-Chieh Tsai is submitted for approval.	V V V V V V V	None
		Attendance of Independent Directors: Both Directors Huan-Ming Chou and Chin-Po Wang attended the meeting. Opinions of Independent Directors: None. The company's handling of the opinions of Independent Directors: None. Resolution: Approved by all Directors present at the meeting.		
The 6th meeting of the 9th Board May 4, 2018	Board meeting	Case 1: The company's first quarter consolidated financial reports for 2018 is submitted for approval. Case 2: The application for financing credit line is submitted for approval. Case 3: The company's "Human Rights Policy" is submitted for approval. Case 4: The adjustments of employee salary and remuneration are submitted for approval. Case 5: The appointment of the company's Chief Strategy Officer is submitted for approval. Case 6: The proposal for the appointment of the company's Vice President Chien-De Li's role as a	V V V V	None

Date	Session	Major resolutions	Items listed in Article 14-3 of the Securities and Exchange Act	Dissenting or Qualified Opinion by Independent Directors
		promoter of corporate governance and corporate social responsibility is submitted for approval.		
		Attendance of Independent Directors: Both Directors Huan-Ming Chou and Chin-Po Wang attended the meeting. Opinions of Independent Directors: None. The company's handling of the opinions of Independent Directors: None. Resolution: Approved by all Directors present at the meeting.		
June 14, 2018	Shareholders' Meeting	The company's 2018 General Shareholders' Meeting was held at No. 22, Ln. 16, Minzhi Rd., Luzhu Dist., Kaohsiung City 821 (Bei-Ling Village Recreation Center) on June 14, 2018. The resolutions passed by attending Shareholders and their status of implementation are as follows: 1. Ratification of the company's 2017 Financial Statements Resolution: Approved. 2. Ratification of the company's 2017 earnings distribution table. Resolution: July 9, 2018 was established as the ex-dividend date based on the resolution of the Board of Directors meeting on February 27, 2018. Cash dividends of NT$261,140,596 were distributed on July 25, 2018, and all cash dividends have been distributed. (Cash dividend per share is NT$3.1) 3. Other proposals and extempore motions: None.	None	None
The 7th meeting of the 9th Board June 14, 2018	Board meeting	Case 1: The company's cash dividends distribution, the ex-dividend date, and stop-transfer date are submitted for approval. Case 2: The amendment to the company's "Procedure for Acquisition and Disposal of Assets" is submitted for approval. Case 3: The amendment to the company's "Rules for Long-term and Short-term Investment" is submitted for approval. Case 4: The application for financing credit line is submitted for approval. Case 5: The company's 2017 compensation distribution for employees, Directors, and Supervisors is submitted for approval.	V V V	None
		Attendance of Independent Directors: Both Directors Huan-Ming Chou and Chin-Po Wang attended the meeting. Opinions of Independent Directors: None. The company's handling of the opinions of Independent Directors: None. Resolution: Approved by all Directors present at the meeting.		
The 8th meeting of the 9th Board July 30, 2018	Board meeting	Case 1: The company's second quarter consolidated financial reports for 2018 is submitted for approval. Case 2: The sub subsidiary, Kunshan All Ring Tech Co., Ltd. (hereinafter referred to as Kunshan All Ring Electronics), intends to provide financial loans for the sub subsidiary, All Ring Tech (Kunshan) Co., Ltd. (hereinafter referred to as All Ring Tech), which is submitted for approval.	V V V	None

Date	Session	Major resolutions	Items listed in Article 14-3 of the Securities and Exchange Act	Dissenting or Qualified Opinion by Independent Directors
		Case 2: The subsidiary, PAI FU International Limited (hereinafter referred to as PAI FU), intends to provide financial loans for the sub subsidiary, All Ring Tech (Kunshan) Co., Ltd. (hereinafter referred to as All Ring Tech), which is submitted for approval.		
		Attendance of Independent Directors: Both Directors Huan-Ming Chou and Chin-Po Wang attended the meeting. Opinions of Independent Directors: None. The company's handling of the opinions of Independent Directors: None. Resolution: Approved by all Directors present at the meeting.		
The 9th meeting of the 9th Board September 12, 2018	Board meeting	Case 1: In maintaining the company's credit and Shareholders' equities, the company proposes to repurchase and cancel the company's shares in accordance with relevant regulations, which is submitted for approval. Case 2: In accordance with "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies," a statement for the Board of Directors shall be made, which is submitted for approval.	V	None
		Attendance of Independent Directors: Both Directors Huan-Ming Chou and Chin-Po Wang attended the meeting. Opinions of Independent Directors: None. The company's handling of the opinions of Independent Directors: None. Resolution: Approved by all Directors present at the meeting.		
The 10th meeting of the 9th Board November 5, 2018	Board meeting	Case 1: The company's third quarter consolidated financial reports for 2018 is submitted for approval. Case 2: The company's 2019 budget is submitted for approval. Case 3: The company's donation to All Ring Charitable Trust Fund is submitted for approval. Case 4: The application for financing credit line is submitted for approval. Case 5: The company's 2019 audit plan is submitted for approval. Case 6: The distribution of incentive bonuses for employees is submitted for approval. Case 7: The appointment of the Associate Manager Chien-Jen Cheng is submitted for approval. Case 8: The distribution of the annual bonuses for employees is submitted for approval.	V V V	None
		Attendance of Independent Directors: Both Directors Huan-Ming Chou and Chin-Po Wang attended the meeting. Opinions of Independent Directors: None. The company's actions in response to the opinions of Independent Directors: None. Resolution: Approved by all Directors present at the meeting.		
The 11th meeting of the 9th Board February 26, 2019	Board meeting	Case 1: The company's 2018 compensation distribution for employees, Directors, and Supervisors is submitted for approval. Case 2: The company's 2018 business report, individual and consolidated financial reports are submitted for approval. Case 3: The company's 2018 earnings distribution is submitted for approval.	V	

Date	Session	Major resolutions	Items listed in Article 14-3 of the Securities and Exchange Act	Dissenting or Qualified Opinion by Independent Directors
		Case 4: The date, time, place, and main content of the company's 2019 General Shareholders' Meeting are submitted for approval. Case 5. The Statement on the Internal Control System of the company based on the results of the company's self-assessment and audit is submitted for approval. Case 6. The company's endorsement guarantee for the subsidiary UniRing Tech. Co., Ltd. (hereinafter referred to as UniRing Tech) is submitted for approval. Case 7: The application for financing credit line is submitted for approval. Case 8: The evaluation of the independence and competency of CPAs appointed in 2019 is submitted for approval. Case 9: In maintaining the company's credit and Shareholders' equities, the company proposes to repurchase the company's shares in accordance with relevant regulations and cancel the repurchased shares in six months, which is submitted for approval. Case 10: The company's investment of an amount of less than US$4 million in IMAGINE Group Limited for an indirect investment of less than US$4 million in the sub subsidiary All Ring Tech (Kunshan) Co., Ltd. (hereinafter referred as All Ring Tech) is submitted for approval. Case 11: The amendment to the company's "Procedures for Buyback Treasury Stock " is submitted for approval. Case 12: The amendment to the company's "Procedure for Acquisition and Disposal of Assets" is submitted for approval. Case 13: The amendment to the company's "Articles of Incorporation" is submitted for approval. Case 14: The amendment to the company's "Ethical Management Procedures for Grievances and Reports" is submitted for approval. Case 15: The amendment to the company's "Procedure for Handling Requests from Directors" is submitted for approval. Case 16: The company's proposal of hiring "managerial officer for Corporate Governance" is submitted for approval. Case 17: The distribution of the incentive bonuses for employees is submitted for approval.	V V V V V V V V V V	None
The 11th meeting of the 9th Board February 26, 2019	Board meeting	Attendance of Independent Directors: Both Directors Huan-Ming Chou and Chin-Po Wang attended the meeting. Opinions of Independent Directors: None. The company's actions in response to the opinions of Independent Directors: None. Resolution: Approved by all Directors present at the meeting.		
The 9th Board The 12th	Board meeting	Case 1: The company's first quarter consolidated financial reports for 2019 is submitted for approval.	V	

Date	Session	Major resolutions	Items listed in Article 14-3 of the Securities and Exchange Act	Dissenting or Qualified Opinion by Independent Directors
meeting April 30, 2019		Case 2: The application for financing credit line is submitted for approval. Case 3: The amendment to the company's "Corporate Governance Best-Practice Principles" is submitted for approval. Case 4: The amendment to the company's "Procedures for Lending of Capital to Others" is submitted for approval. Case 5: The amendment to the company's "Procedures for Endorsements and Guarantees" is submitted for approval. Case 6: The company's adjustment to the agenda of the 2019 Shareholders' Meeting is filed submitted for approval. Case 7: The adjustments of employee salary and compensation are submitted for approval. Case 8: The formulation of the company's "Retirement Policies for Appointed managerial officers" is submitted for approval.	V V V V	 None
		Attendance of Independent Directors: Both Directors Huan-Ming Chou and Chin-Po Wang attended the meeting. Opinions of Independent Directors: None. The company's actions in response to the opinions of Independent Directors: None. Resolution: Approved by all Directors present at the meeting.		

(II) State of Operations of the Audit Committee: Not applicable, as the company does not have an audit committee.

(III) Supervisors' Participation in Board meetings

A total of 6 (A) Board meetings were held in 2018. The non-voting attendance is as follows:

Position	Name	Number of non-voting attendance in person (B)	Actual non-voting attendance rate (%) B/A (Note)	Remark
Supervisor	Hong-Ren Lin	4	66.67%	None
Supervisor	Kuo-Chen Wu	5	83.33%	None
Institutional Supervisor	Jincheng Investment Co., Ltd. by Ching-Hsu Tsai	6	100.00%	None

Other required disclosure:

I. Composition and Responsibilities of Supervisors

(I) Communication between Supervisors, the company's employees, and shareholders:
The Supervisors inspects the company from time to time and often attends meetings of the Board of Directors, Shareholders' Meetings, and other important company meetings, and they maintain smooth communication channels with employees and shareholders.

(II) Communication between the Supervisor and the internal audit manager or CPA:
Supervisors can communicate with the internal audit manager and CPAs regarding the company's finances, business status, etc. at any time. They can also attend meetings of the Board of Directors and listen to the business reports of the Directors and management and participate in decision-making procedures.

II. If the Supervisors stated opinions while attending the Board meetings, the date and term of the meeting, the contents of the proposals discussed and resolutions passed in the meeting and the company’s actions in response to the opinions of the Supervisors should be provided: No such occurrences.

Note : (1) Where Supervisors resign before the end of the fiscal year, the remark column shall be annotated with the date of resignation. Actual attendance rate (%) shall be calculated with the actual attendance during the term of service.

(2) Where Supervisors were re-elected before the end of the fiscal year, both the newly and previously appointed Supervisors shall be listed accordingly. The remark column shall be annotated to indicate whether the Director or Supervisor was previously or newly appointed, or re-elected as well as the date of re-election. Actual attendance rate (%) shall be calculated with the actual attendance during the term of service.

(IV) The state of the company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
I. Has the company formulated and disclosed its corporate governance Best-Practice principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		The company has passed the "Corporate Governance Practice Principles" in the meeting of the Board of Directors and uploaded them to the Market Observation Post System (MOPS) and company website.	No differences.
II. The shareholding structure of the Company and shareholders' rights (I) Does the company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure?	V		The company has established the "Rules of Procedure for Shareholders' Meetings" and "Corporate Governance Best-Practice Principles" and established a spokesperson system in accordance with regulations. The stock affairs unit and stock agency are responsible for processing related affairs, and the contact window is disclosed on the company's website.	No differences.
(II) Does the company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	V		The company maintains excellent relations with major shareholders, and we have established a stock affairs contact window and assigned professional stock affairs agencies to process related affairs with shareholders to keep abreast of all conditions at all times. The company also announces the shareholding status of insiders every month to maintain control over the list of main shareholders and ultimate owners.	No differences.
(III) Does the company establish and enforce risk control and firewall systems with its affiliated businesses?	V		The company and affiliates operate independently, and all entities have established internal control systems and management systems for control and management.	No differences.
(IV) Does the company adopt internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	V		The company has established "Procedures for Handling Material Inside Information and Preventing Insider Trading" to regulate all company employees, managerial officers, and Directors, as well as those who have learned of the company's information based on positions or controlling relations to prevent any insider trading activities. The company also established the "Ethical Management Procedures for Grievances and Reports" to require employees to uphold the ethical confidentiality principles and established related reporting channels to prevent inappropriate actions.	No differences.
III. Composition and Responsibilities of the Board of Directors (I) Has the Board of Directors drawn up policies on the diversity of its	V		1. The company established the "Corporate Governance Best-Practice Principles" in the 9th meeting of the 8th-term Board of Directors on	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
members and implemented them?			November 9, 2015. In response to the amendment to the law, the 9th Board of Directors revised the "Rules of Procedure for Shareholders Meetings" and "Corporate Governance Best Practice Principles" on April 30, 2019. The "Strengthening the Functions of the Board of Directors" section in Chapter 3 of the Principles stipulated a diversity policy. The company's Articles of Incorporation expressly stipulated a candidate nomination system for Directors and Supervisors. The company shall evaluate the academic and experience of each candidate and take the opinions of stakeholders into consideration. The company also abides by the Rules Governing the Election of Directors and Supervisors and the Corporate Governance Best-Practice Principles to ensure the diversity and independence of the Directors and Supervisors. 2. The company's 9th-term Board of Directors has met the requirements in the diversity policy. Please refer to Note 3. 3. The company's employees take up 29% of the Board of Directors. Independent Directors take up 29% of the Board, and female Directors take up 14%. Two Independent Directors have been appointed for three to nine years. Please note 3 for the age distribution of each Director. The company focuses on gender equality in the composition of the Board of Directors, and at least one of the seven Directors is a female Director.	
(II) In addition to the Remuneration Committee and Audit Committee set in accordance with the law, has the company voluntarily set up other functional committees?	V		The company's Remuneration Committee is comprised of 3 individuals, including 2 Independent Directors who account for more than half of the members. The Audit Committee is expected to be established in 2020.	No differences.
(III) Has the company established evaluation rules and methods for the performance of the Board of Directors? Are such evaluations conducted annually?	V		The company has established the "Board of Directors Performance Self-Assessment Regulations" on August 7, 2017. Starting from 2017, the company issues performance self-assessment questionnaires to all members of the Board of Directors in December to facilitate self-assessment in addition to the overall operations of the	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
	V		Board of Directors. The self-assessment of the performance of the company's Board of Directors includes the following five aspects: I. Degree of participation in the company's operations. II. Improvement in the quality of decision making by the Board of Directors. III. The composition and structure of the Board of Directors. IV. The election of the Directors and their continuing professional studies. V. Internal control. The criteria for evaluating the performance of Board members include at least the following six aspects: I. Grasp of the company's goals and missions. II. Understanding of the company and Director duties and functions III. Degree of participation in the company's operations. IV. Management of internal relationships and communication. V. Professionalism and continuing professional studies. VI. Internal controls. After the questionnaires are recovered each fiscal year, the unit responsible in the company's Board of Directors analyzes them in accordance with the aforesaid regulations and submit the results to the Board of Directors. It also provides recommendations for improvement for areas that can be improved.	
(IV) Does the company regularly have assessments on the independence of CPAs?	V		The company's Finance Division assesses the independence, competency, and professionalism of the CPA once each fiscal year. The results were submitted to the meeting of the Board of Director on February 27, 2018, for review and passage. The Finance Division has assessed and concluded that the CPAs Tsi-Meng Liu, Tsi-Yu Lin, and Yong-Chih Lin of PricewaterhouseCoopers had met the company's criteria for independence, competency, and professionalism (Note 2) and they are qualified to serve as the company's certifying CPAs.	No differences.
IV. Has the company set up a corporate governance (concurrent) unit or personnel for the matters of corporate	V		1. The Board of Directors has approved in the meeting on February 26, 2019, assigning Vice President Chien-De Li as head of corporate governance to	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
governance (including but not limited to providing the information required by Directors and Supervisors to carry out business, handling matters related to the Board of Directors and Shareholders' Meeting by the law, processing company registration and changes of registration, and composing meeting minutes for the Board of Directors and Shareholders' Meeting)?			protect shareholders' equity and enhance the functions of the Board of Directors. 2. Vice President Chien-De Li has accumulated more than three fiscal years of work experience in financial management in public companies. The duties of the corporate governance personnel are to provide the information required for business execution by Directors and Supervisors, assisting Directors and Supervisors with legal compliance, and handling matters related to Board of Directors' meetings and Shareholders' meetings. 3. Regular training will be conducted every fiscal year, mainly for courses about corporate governance and regulations set up by the competent authorities and the CPA.	
IV. Has the company set up a corporate governance (concurrent) unit or personnel for the matters of corporate governance (including but not limited to providing the information required by Directors and Supervisors to carry out business, handling matters related to the Board of Directors and Shareholders' Meeting by the law, processing company registration and changes of registration, and composing meeting minutes for the Board of Directors and Shareholders' Meeting)?	V		The status of business operations in 2018 was as follows: 1. Assist Independent Directors and general Directors in performing their duties by providing the necessary information and arranging for continuing education for Directors: (1) Regularly report the latest revisions and amendments of laws and regulations related to business areas and corporate governance in the company to the members of the Board of Directors. (2) Review the confidentiality level of relevant information and provide company information required by the Directors so as to maintain smooth communication and interaction between the Board of Directors and heads of divisions. (3) Assist Independent Directors in arranging meetings with the head of internal audit or CPAs in accordance with the Corporate Governance Best-Practice Principles when there is a need for Independent Directors to meet them in order to understand the company's financial operations. (4) Assist Independent Directors and general Directors in drawing up annual continuing education plan and making arrangements for courses in	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
			accordance with the nature of the industry to which the company belongs and the experience and background of Directors. 2. Assist in matters related to the proceedings of the Board of Directors' meetings and Shareholders' Meetings as well as legal compliance of resolutions: (1) Report the operations of corporate governance at the company to the Board of Directors, Independent Directors, and the Audit Committee, and confirm whether the convening of Shareholders' Meetings and Board of Directors' meetings comply with relevant laws and regulations, as well as the Corporate Governance Best-Practice Principles (2) Assist in and remind Directors of the regulations to be complied with when performing their duties or officially voting on resolutions by the Board of Directors, and offer suggestions when the Board of Directors is going to vote on an illegal resolution. (3) Responsible for examining matters related to the release of major messages about the important resolutions approved by the Board of Directors to ensure the legality and accuracy of the content of these major messages, so as to maintain information symmetry during investor trading. 3. Maintain investor relations: Arrange for Directors to interact and communicate with major shareholders, institutional investors or general shareholders so that investors can obtain sufficient information to evaluate and determine the company's reasonable market value, and ensure that shareholders' interests are well maintained. 4. Draw up the agendas of the Board of Directors and notify Directors of the agendas seven days before the meeting, convene meetings and provide meeting information, send out reminders regarding agendas that require recusal of Directors and complete the minutes of the Board of	

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
			Directors' meeting twenty days after the meeting. 5. Handle prior registration for Shareholders' Meetings, prepare meeting notices, agenda handbook, meeting minutes within the statutory period, as well as handle registration of changes due to the amendment to regulations and re-election of Directors.	
V. Has the company established a channel to communicate with stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), and set up a stakeholder section on the company's website, and appropriately respond to the important corporate social responsibility issues which are essential to stakeholders?	V		The company has established communication channels with stakeholders and announced their contact number and emails in the "Investors" section on the company website that is accessible to anyone.	No differences.
VI. Has the company commissioned a professional stock affair agency to manage Shareholders' Meetings and other relevant affairs?	V		The company has appointed president Securities Corp. to process affairs related to Shareholders' Meetings.	No differences.
VII. Information Disclosure (I) Has the company established a website to disclose information on financial operations and corporate governance?	V		The company has established a website in Chinese and English to disclose information regarding the company's financial, business, and corporate governance status. Information can also be found on the MOPS or the company website.	No differences.
(II) Has the company adopted other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the company website)?	V		1. The company has established an English language website and appointed a spokesperson. We also assigned designated personnel to take charge of the collection and disclosure of company information on websites. 2. The company participates in investor conferences organized by international and domestic investment institutions from time to time, and related briefing files in Chinese and English are disclosed on the MOPS and the "Investors" section on the company website.	No differences.
VIII. Has the company disclosed other information to facilitate a better understanding of its corporate governance (Including but not limited to employee's rights,	V		Other important information to facilitate better understanding of the company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
employee care, investor relations, supplier relations, stakeholders' rights, further studies of Directors and Supervisors, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the Directors and Supervisors of the company)?			of stakeholders, Directors' and Supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for Directors and Supervisors): (I) Employee Benefits: The company values the interests and future development of employees, and it has established an employee welfare committee, provided various benefits, encouraged employees to participate in various training programs, and implemented a pension system in accordance with regulations. We have also established management-labor communication channels and a communication mailbox dedicated to employees. The company has established CSR Best-Practice Principles and various policies and plans for customer services, supplier management, and social participation. (II) Caring for Employees: The company has established a welfare system that provides stability for employees' lives and a sound education and training system to build good relations with employees based on mutual trust and reliance. For example, the company subsidizes employee club activities, provides cultural entertainment, free annual employee health examinations, parking spaces, and organizes charity running events. (III) Investor relations: The company has a spokesman and deputy spokesman who are responsible for handling shareholders' suggestions.	
VIII. Has the company disclosed other information to facilitate a better understanding of its corporate governance (Including but not limited to employee's rights, employee care, investor relations, supplier relations, stakeholders' rights, further studies of Directors and Supervisors, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the Directors and	V		(IV) Supplier relations: The company has established supplier management procedures to regulate business relations between suppliers and the company. Confidentiality agreements are also signed to prevent damaging the parties' business reputation and interests and to protect the rights and obligations of both parties. (V) Stakeholder relations: Stakeholders can communicate and make recommendations to All Ring Tech to safeguard their legal rights. (VI) Directors and Supervisors' continuous	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
Supervisors of the company)?			training: The company's Directors (including Independent Directors) and Supervisors participate in continuous training programs in accordance with regulations. The training hours meet or exceed regulatory requirements, and the company shall continue to arrange appropriate continuous training courses for Directors (including Independent Directors) and Supervisors. The contents of the courses have been announced on the MOPS. (VII) Implementation of risk management policies and risk assessment standards: The company has established regulations on important managerial targets and implements them in accordance with regulations. (VIII) Customer policy implementation status: The company and its subsidiaries have received ISO 9001 quality assurance system certification, and we have assigned dedicated customer service departments to ensure the implementation results of customer policies in overall operations. (IX) The company's purchase of liability insurance for Directors and Supervisors: The company has purchased liability insurance for Directors and Supervisors from Nan Shan Life. The coverage is from January 1, 2019, to January 1, 2020, and the insurance amount is NT$200 million.	
IX. Please provide an explanation on the improvement status of corporate governance evaluation in the most recent fiscal year by the corporate governance center of the Taiwan Stock Exchange Corporation, as well as the improvement measures to be implemented: The company has formulated improvement plans for areas in the corporate governance evaluation that were not awarded points. A presentation file was formulated for review to strengthen the company's corporate governance and increase information transparency. In terms of information transparency, the company updates the Annual Reports and disclosure items on the company website and also accept invitations to investor conferences to make company information more transparent and reduce information asymmetry. With regard to the Shareholders' Meeting, the company has adopted the electronic voting system and has fully adopted a candidate nomination system for the election of Directors and Supervisors. The Audit Committee is expected to be established in 2020 by the Shareholders' Meeting. The company's information department of the administration division is responsible for information security.				

Note 1: Provide a brief description in the appropriate column, regardless of whether "yes" or "no" is selected.

Note 2: The CPA independence evaluation and performance assessment tables are provided as follows:

Item	Specific Criteria	Assessment Standards	Score	Status of Meeting Independence Conditions

Independence Indicators				
1	The CPA does not have a direct or indirect significant financial interest in the trustor.	5 points for no conflicts of interest and 0 points for the existence of such conflicts.	5	Yes
2	The CPA and the trustor do not have any inappropriate relationship.	5 points for no inappropriate relationship and 0 points for the existence of such a relationship.	5	Yes
Independence Indicators				
3	The CPA may not perform audit and assurance services on the financial statements of companies he/she has served within two (2) fiscal years before practicing.	5 points for no violations and 0 points for such violations.	5	Yes
4	The CPA may not permit others to practice under his/her name. (Statement)	5 points for no instances of permitting others to practice under his/her name and 0 points for such violations.	5	Yes
5	The CPA and all members of the audit and service team may not hold shares of the trustor.	5 points for not holding shares and 0 points for holding shares.	5	Yes
6	The CPA may not engage in lending and borrowing of money with the trustor.	5 points for no such occurrences and 0 points for violation.	5	Yes
7	The CPA may not engage in joint investments or benefit sharing with the trustor.	5 points for no such occurrences and 0 points for violation.	5	Yes
8	The CPA may not concurrently serve as a regular employee of the trustor and receive a fixed salary.	5 points for no such occurrences and 0 points for violation.	5	Yes
9	The CPA may not collect any commission related to his/her service.	5 points for no such occurrences and 0 points for violation.	5	Yes
10	Has the CPA's tenure lasted for more than seven consecutive fiscal years?	5 points for no such occurrences and 0 points for violation.	5	Yes
Performance Indicator				
1	The official financial statements of the previous three quarters have been completed within 45 days into the current quarter, or the annual financial statements have been completed within three months of the end of the fiscal year.	5 points for completing the assignment 3 days in advance; 3 points for completion in time; 0 point for failing to meet the specified time.	5	Yes
2	Accuracy in the audit and preparation of the preliminary quarterly and annual statements (excluding changes of company information). (Four major statements)	5 points for less than 2 errors in the statistics of financial statements; 3 points for less than 3 errors; 0 point for more than 3 errors.	5	Yes
3	The CPA has completed the audit of the company's financial statements for the previous three quarters and completed the preliminary draft.	5 points for less than 30 days for reviewing financial statements for the previous three quarters; 3 points for less than 40 days; 0 points for more than 40 days.	5	Yes
4	The CPA has completed the audit of the company's annual financial statements and completed the preliminary draft.	5 points for completing the audit within 60 days of the end of the fiscal year; 3 points for completion within 70 days; 0 points for completion after 70 days.	5	Yes
5	The CPA has completed the audit of the company's annual financial statements and completed the preliminary draft.	5 points for completing the audit within 55 days of the end of the fiscal year; 3 points for	5	Yes

		completion within 60 days; 0 points for completion after 60 days.		
6	The CPA interacts frequently with the company's management personnel (internal auditing personnel etc.), and records are kept.	5 points for compliance and 0 points for no interactions.	5	Yes
7	The CPA interacts appropriately with the Supervisors in the audit and planning process and before submitting the audit opinions and records are kept.	5 points for compliance and 0 points for no interactions.	5	Yes
8	The CPA has provided active recommendations on the company's institutions and internal inspections, and the records are kept.	5 points for compliance and 0 points for no interactions.	5	Yes
9	The CPA has actively updated the company on new taxation and securities Supervisory regulations and updated amended IFRS accounting standards.	5 points for compliance and 0 points for no updates.	5	Yes
10	Stability of the members and personnel of the audit service team.	5 points for compliance and 0 points for no updates.	5	Yes
11	Assistance in coordinating communication and coordination with competent authorities.	5 points for compliance and 0 points for no updates.	5	Yes
12	Whether malpractice or irregular activities by company employees have been discovered.	5 points for no discovery and 0 points for discovery.	5	Yes

Note 3: The Board diversity status is indicated in the table below:

Item / Name	Nationality	Gender	Also holds a position in the Company	Age		Term as Independent Director			Business management	Leadership and decision making	Knowledge of the industry	Finance and accounting	Crisis management	Environment Protection
				51 to 60	61 to 70	Less than 3 yrs	3 to 9 yrs	Over 9 yrs						
Ching-Lai Lu	R.O.C	Male	V		V				V	V	V		V	V
Hsin-Yao Cheng	R.O.C	Male	V	V					V	V	V		V	
Yu-Ru Chong	R.O.C	Female		V					V	V			V	V
Ching-Han Chiu Huang	R.O.C	Male		V					V	V			V	
Chien-Chang Chen	R.O.C	Male			V				V	V			V	
Chin-Po Wang	R.O.C	Male			V			V	V	V		v	V	
Huan-Ming Chou	R.O.C	Male			V		V				V		V	V

(V) If the company has set up a remuneration committee, it shall disclose its constitution, duties, and operations.

(I) Information on Members of the Remuneration Committee

Title (Note 1)	Qualifications / Name	Has more than five fiscal years of work experience and the following professional qualifications?			Compliance of independence (Note 2)								Number of other public companies where the individual concurrently serves as a member of the Remuneration Committee	Remark
		Serves as lecturers or above in a department of business administration, law, finance, accounting, or another discipline relevant to the company's operations in public or private college institutions	Serves as a judge, prosecutor, lawyer, accountant, or other professional practice or technician relevant to the company's operations that must undergo national examinations and be licensed certificates.	Possesses work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the company	1	2	3	4	5	6	7	8		
Independent Director	Huan-Ming Chou	✓			✓	✓	✓	✓	✓	✓	✓	✓	-	None
Independent Director	Chin-Po Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None
Others	Chong-Kuo Tseng			✓	✓	✓	✓	✓	✓	✓	✓	✓	-	None

Note 1: For the title, please identify whether the person is a Director, Independent Director, or other.

Note 2: For any Committee Member who fulfills the relevant conditions for two fiscal years before being appointed or during the term of duty, please provide the "" sign in the field next to the corresponding conditions.✓

(1) Not employed by the company or a related company.

(2) Not a Director or Supervisor of the company or a related company. This restriction does not apply to Independent Directors of the company or its parent company or Subsidiaries, which have been appointed in accordance with the laws or laws of the country of registration.

(3) Not a natural-person shareholder who holds more than 1% of issued shares or is ranked top 10 in terms of the total quantity of shares held, including the shares held in the name of the person's spouse, minor children, or in the name of others.
(4) Not a spouse, a three-degree relative, or a linear three-degree relative in the three preceding conditions.
(5) Not a Director, Supervisor, or employee of an institutional shareholder that directly holds more than 5% of the total number of issued shares of the company or is ranked top 5 in terms of quantity of shares held.
(6) Not a Director (a council member), Supervisor (a council Supervisor), managerial officer, or shareholder who holds more than five (5) percent of shares of companies or institutions that have financial or business dealings with the company
(7) Not a professional, sole proprietor, partner, or a company that offers business administration, legal, financing, or accounting services or consulting services to the company, and does not an owner, partner, Director, Supervisor, managerial officer, or a spouse of any of the above-mentioned roles at a company that offers these services to the company.
(8) Where none of the circumstances in the paragraphs of Article 30 of the company Act applies.

(II) Operations of the Remuneration Committee

1. The Remuneration Committee of the company consists of three members.
2. Term of the current remuneration committee: From July 23, 2017, to June 14, 2020. The Remuneration Committee has six (A) meetings in 2018. The qualifications and attendance of the members are as follows:

Position	Name	Number of Actual Attendance (B)	Number of Attendance by Representative	Actual Attendance Rate (%) (B/A) (Note)	Remark
Convener	Huan-Ming Chou	4	0	100.00%	
Member	Chin-Po Wang	4	0	100.00%	
Member	Chong-Kuo Tseng	2	0	50.00%	
Other required disclosure: I. In the event the Board of Directors does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and session of the Board meeting, agenda, resolution of the Board of Directors, and the company's response to the opinion of the Remuneration Committee (e.g., if the salaries and compensations approved by the Board was higher than the suggested levels from the Remuneration Committee, please state the differences and reasons): None, please refer to note 2. II. For the resolution made by the Remuneration Committee, if there are documented records of members who veto or withhold from expressing opinions, please state the date, session, agenda, opinions of all members, and the company's response: None, please refer to note 2.					

Note 1: (1) Where Remuneration Committee members resign before the end of the fiscal year, the remark column shall be annotated with the date of resignation. Actual attendance rate (%) shall be calculated using the number of Board meetings convened and actual attendance during the term of service.
(2) Where Remuneration Committee members were re-elected before the end of the fiscal year, both the newly and previously appointed Supervisors shall be listed accordingly. The remark column shall be annotated to indicate whether the Director or Supervisor was previously or newly appointed, or re-elected as well as the date of re-election. Actual attendance rate (%) shall be calculated using the number of Remuneration Committee meetings convened and actual attendance during the term of service.

Note 2: The topics and resolutions of the Remuneration Committee meetings and the company's handling of the members' opinions are as follows:

<table>
<tr><th>Date</th><th>Session</th><th>Major resolutions</th><th>Dissenting or Qualified Opinion by Remuneration Committee members</th></tr>
<tr><td rowspan="2">The 2nd meeting of the 3rd Remuneration Committee February 27, 2018</td><td rowspan="2">Remuneration Committee</td><td>Case 1: The distribution of the incentives bonuses for employees is submitted for approval.
Case 2: The company's 2017 compensation distribution for employees, Directors, and Supervisors is submitted for approval.
Case 3: The promotion of Associate Manager Cheng-En Ou to Vice President is submitted for approval.
Case 4: The appointment of the Associate Manager Ming-Chieh Tsai is submitted for approval.</td><td>None</td></tr>
<tr><td colspan="2">Attendance of Remuneration Committee members: Chin-Po Wang, Huan-Ming Chou, and Chong-Kuo Tseng attended.
Remuneration Committee members’ opinions: None.
The company's handling of Remuneration Committee members’ opinions: Submitted to the Board and all attending Directors approved.
Resolution: Approved by all members present at the meeting.</td></tr>
<tr><td rowspan="2">The 3rd meeting of the 3rd Remuneration Committee May 4, 2018</td><td rowspan="2">Remuneration Committee</td><td>Case 1: The adjustments of employee salary and remuneration are submitted for approval.</td><td>None</td></tr>
<tr><td colspan="2">Attendance of Remuneration Committee members: Chin-Po Wang and Huan-Ming Chou attended. Chong-Kuo Tseng on leave.
Remuneration Committee members’ opinions: None.
The company's handling of Remuneration Committee members’ opinions: Submitted to the Board and all attending Directors approved.
Resolution: Approved by all members present at the meeting.</td></tr>
<tr><td rowspan="2">The 4th meeting of the 3rd Remuneration Committee June 14, 2018</td><td rowspan="2">Remuneration Committee</td><td>Case 1: The company's 2017 compensation distribution for employees, Directors, and Supervisors is submitted for approval.</td><td>None</td></tr>
<tr><td colspan="2">Attendance of Remuneration Committee members: Chin-Po Wang and Huan-Ming Chou attended. Chong-Kuo Tseng on leave.
Remuneration Committee members’ opinions: None.
The company's handling of Remuneration Committee members’ opinions: Submitted to the Board and all attending Directors approved.
Resolution: Approved by all members present at the meeting.</td></tr>
<tr><td rowspan="2">The 5th meeting of the 3rd Remuneration Committee November 5, 2018</td><td rowspan="2">Remuneration Committee</td><td>Case 1: The distribution of the incentives bonuses for employees is submitted for approval.
Case 2: The appointment of the Associate Manager Chien-Jen Cheng is submitted for approval.
Case 3: The distribution of the annual bonuses for employees is submitted for approval.</td><td>None</td></tr>
<tr><td colspan="2">Attendance of Remuneration Committee members: Chin-Po Wang, Huan-Ming Chou, and Chong-Kuo Tseng attended.
Remuneration Committee members’ opinions: None.
The company's handling of Remuneration Committee members’ opinions: Submitted to the Board and all attending Directors approved.
Resolution: Approved by all members present at the meeting.</td></tr>
<tr><td>The 6th meeting of the 3rd Remuneration Committee</td><td>Remuneration Committee</td><td>Case 1: The distribution of the incentives bonuses for employees is submitted for approval.</td><td>None</td></tr>
</table>

February 26, 2019		Case 2: The company's 2017 compensation distribution for employees, Directors, and Supervisors is submitted for approval. Case 3: The authorization for the compensation to the company's new corporate governance executive is submitted for approval.	
		Attendance of Remuneration Committee members: Chin-Po Wang, Huan-Ming Chou, and Chong-Kuo Tseng attended. Remuneration Committee members' opinions: None. The company's handling of Remuneration Committee members' opinions: Submitted to the Board and all attending Directors approved. Resolution: Approved by all members present at the meeting.	
The 7th meeting of the 3rd Remuneration Committee April 30, 2019	Remuneration Committee	Case 1: The adjustments of employee salary and remuneration are submitted for approval. Case 2: The formulation of the company's "Retirement Policies for Appointed managerial officers," is submitted for approval.	None
		Attendance of Remuneration Committee members: Chin-Po Wang, Huan-Ming Chou, and Chong-Kuo Tseng attended. Remuneration Committee members' opinions: None. The company's handling of Remuneration Committee members' opinions: None. Resolution: Approved by all members present at the meeting.	

(VI) Fulfillment of Corporate Social Responsibilities

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary (Note 2)	
I. Exercise corporate governance (I) Has the company set out corporate social responsibility (CSR) policies and systems and reviewed the effectiveness of CSR actions?	V		I. Exercise corporate governance The company has established the Corporate Social Responsibility Best-Practice Principles with approval from the Board of Directors and we have also established management systems to review the implementation results periodically. In addition, the Company embraces corporate social responsibilities, gives back to society, and has appointed Hua Nan Commercial Bank as the trustee for the establishment of the "All Ring Tech Charity and Welfare Foundation". The Foundation aims to provide social charity and emergency relief activities and implements corporate social responsibilities for the society in accordance with related regulations. Please refer to Note 3 for details on the activities.	No differences.
(II) Does the company conduct CSR education and training on a regular basis?	V		The company has set up the "All Ring Charitable Trust Fund" to advance corporate social responsibilities. The company also educates employees on the	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary (Note 2)	
			performance of the Foundation and the CSR mission and vision. Please refer to Note 3 for details on the activities.	
(III) Has the company established a dedicated (concurrent) unit to promote CSR? Has the Board of Directors authorized senior management to handle such matters as well as to report its implementation to the Board of Directors?	V		1. The company has formed a Corporate Governance and Sustainability Committee comprised of the Administration Division, Finance Division, president's Office, Procurement, and Sales units. Vice President Chien-De Li of the president's Office serves as the convener and is responsible for proposing and implementing CSR policies and institutions. The Committee reviews implementation items and makes improvements regularly each fiscal year. 2. The company's Corporate Governance and Sustainability Committee and the "All Ring Tech Charity and Welfare Foundation" work together to advance related CSR affairs and they report implementation results to the Board of Directors in the first quarter of each fiscal year (once a fiscal year).	No differences.
(IV) Has the company established a fair compensation policy and linked employee performance evaluation with CSR policy, as well as established a precise and effective incentive and disincentive system?	V		1. The company's senior management periodically convenes meetings to discuss and understand the related implementation status of CSR activities and to review and make improvements. The company educates employees on business ethics from time to time in monthly meetings and integrates related results to employee performance evaluation. 2. The company has established the Remuneration Committee which comprises of Independent Director who help review related information on salary. The company has established different performance evaluation systems for each employee based on the nature of their work, and we use performance evaluation settings and interviews to uncover the talents and competence of each employee as the basis for performance evaluation. 3. The company regards the retention of talented individuals as an important	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary (Note 2)	
			human resources strategy. In addition to a guaranteed annual pay of 14 months' salary, the company also provides employees with performance rewards and employee bonuses based on the performance of operations and the employee's actual contribution. We also have employee incentives such as R&D bonuses and other bonuses for encouraging employees. The company adjusts employees' salaries within a 5% range each fiscal year based on personal performance and company operations. 4. The company explains the corporate culture, ethical conduct, core values, and CSR to new recruits when on Board. We also provide different education and training courses for all employees, including education seminars on corporate governance and the prevention of insider trading to strengthen employees' knowledge and awareness of such subjects. 5. In addition to bonuses, the company also provides additional benefit policies and an excellent work environment for employees. Please refer to #page31-32# and #page64-65# for details.	
II. Foster a sustainable environment. (I) Is the company committed to improving the efficient use of resources and utilize renewable resources to reduce environmental impact?	V		II. Foster a sustainable environment. The company is committed to improve the efficiency in the use of various resources, and it strengthens education on the classification of waste in hopes of reusing resources and lowering the impact on the environment. Please refer to #page62-63# for policies and goals for environmental protection and energy conservation.	No differences.
(II) Has the company established a suitable environmental management system based on the characteristics of its industry?	V		The company selects substances that do not harm the environment in accordance with the characteristics of the industry and reduces the usage volume of materials to reduce pollution of the environment. We also prevent waste of resources in assembly and maintenance and focus on safe and energy-saving designs. The company assembles machinery and does not have a production line. We do not emit air or water pollutants. We have also obtained permits from the Environmental Protection Bureau and the Southern Taiwan Science	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary (Note 2)	
			Park Bureau. In addition, the company appoints professional institutions to measure carbon dioxide emissions and other monitored items each fiscal year to maintain environmental control measures. The inspection reports and the permits from the Environmental Protection Bureau and the Southern Taiwan Science Park Bureau have been announced on the company website. Therefore, the ISO 14001 standards are not applicable to the company.	
(III) Is the company concerned with changes to the global climate and how it may affect business activities? Has the company implemented greenhouse gas (GHG) inventory checks and formulated strategies for reducing energy consumption, carbon emissions, and greenhouse gas reduction?	V		The company's internal regulations require reduced usage of air-conditioning before the temperature reaches a specific level in order to reduce energy consumption, carbon emissions, and greenhouse gas emissions. We have also set up solar power panels to generate power for our own use. Please refer to #page62-64# for policies and goals for environmental protection and energy conservation.	No differences.
III. Preserve public welfare (I) Has the company set up management policy and procedures in accordance with the relevant laws and regulations, as well as the International Human Rights Treaty?	V		To improve the company's respect and support of employees and human rights, the Board of Directors established the "Code of Ethical Conduct" on March 18, 2005, the "Ethical Corporate Management Best-Practice Principles" on November 9, 2015, the "Ethical Management Procedures for Grievances and Reports" on July 28, 2016, and the "Human Rights Policy" on May 4, 2018. They are published on the company's website to ensure compliance with related labor regulations and international human rights.	No differences.
(II) Has the company established an employee appeal system and channels, and are employee appeals handled properly?	V		The company has established the "Code of Ethical Conduct" and "Ethical Management Procedures for Grievances and Reports" that allow employees to report or appeal to the company through the employee cafeteria mailbox (anonymously) or directly through the Supervisor or the Supervisor of the Administration Department. Please see #page34-36# for related standard operating procedures and confidentiality mechanisms.	No differences.
(III) Has the company provided employees with a safe and healthy working environment, and routinely implemented safety and health education for employees?	V		The company has established the "Safety and Health Management Regulations" to maintain safety in the working environment. The company provides employees with a safe and healthy work	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary (Note 2)	
			environment and implements the following items: a. Employee health examinations; b. Employee food safety concerns: The company reviews the menu each week and discusses the content of menus with contractors to provide a healthy food environment; c. The company supports a no-smoking workplace and encourages employees to quit smoking; The company provides a gym for employees to exercise; e. We established a mobile library to cultivate reading habits of employees; f. We implement lighting and carbon dioxide concentration measurements for the workplace every six months to provide a good working environment; g. We organize fire drills each fiscal year and establish a comprehensive fire safety system and file inspection reports; h. We provide education and training programs to employees in the plant to ensure workplace safety.	
(IV) Has the company set up a periodic communications mechanism and alerts for operational changes that may pose significant impacts on its employees in a fair manner?	V		The company has established the "Labor Safety Consultancy and Communication Management Regulations." The company educates employees on their rights in the monthly meeting on subjects including the 2nd-generation National Health Insurance, gender equality at the workplace, labor rights, etc. The company also reports the company's performance in the operations from the previous month and future plans. In addition, the company has set up mailboxes at the company cafeteria for proposals on improving the system. We also assigned dedicated personnel that is ready to communicate with employees face to face. Overall, communication channels have been diverse and open.	No differences.
(V) Has the company established an effective career training program of competency development for employees?	V		The company has established the "Education and Training Management Regulations" to provide new and old employees with a comprehensive set of training methods for the effective development of professional capabilities. The training programs integrate company goals and personal performance development, and we provide a full range of talent development courses for different job types and positions: 1. OnBoard training: We adopt a mentorship system to quickly integrate new employees into the	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary (Note 2)	
			team and our corporate culture. 2. R&D engineering: We organize theoretical and practical courses on R&D technologies. 3. Leadership: We organize a series of leadership courses for the management to let Supervisors lead the growth of employees. 4. Work skills: We organize courses on management, languages, computer, and other skills to improve work efficiency. 5. Living seminars: We organize seminars on improving life quality and encourage self-growth by employees. 6. Occupational safety and health training: We organize periodic fire safety drills, earthquake evacuation, and related courses to protect employees' safety and health.	
(VI) Has the company formulated relevant consumer protection policies and grievance procedures for research and development, procurement, production, operations, and service processes?	V		The products of the company and its subsidiaries meet ISO 9001 regulations, and the company has established a customer service unit to process quality and customer complaints.	No differences.
(VII) With regard to marketing and labeling of products and services, does the company comply with relevant regulations and international standards?	V		The company's products and services are provided in accordance with international laws and regulations, and the company has established a customer service unit to process quality and customer complaints.	No differences.
(VIII) Has the company evaluated the records of its suppliers that have an impact on the environment and the society before engaging in commercial deals with the said supplier? (IX) Do contracts between the company and its major suppliers include terms where the company may terminate or rescind the contract at any time if the said supplier has violated the company's corporate social responsibility policy and caused significant impact on the environment and society?	V		The company sets ourselves as an example and participates in social welfare events. We will invite upstream and downstream supply chains to dedicate themselves to foster a stronger sense of corporate social responsibility. The "All Ring Charitable Trust Fund" set up by the company continues to support blood donation activities, events dedicated to children from low-income families, and active donation activities in the event of emergencies and disasters in society to give back to society.	No differences.
IV. Strengthening of information disclosure (I) Does the company disclose relevant and reliable CSR	V		The company has placed related information on corporate social responsibilities on the company's website and prepared its corporate social	No differences.

<table>
<tr><td rowspan="2">Evaluation Item</td><td colspan="3">State of Operations (Note 1)</td><td rowspan="2">Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure</td></tr>
<tr><td>Yes</td><td>No</td><td>Summary (Note 2)</td></tr>
<tr><td>information on its official website or the Market Observation Post System (MOPS)?</td><td></td><td></td><td>responsibility report, which was disclosed on the company's website and on the Market Observation Post System.</td><td></td></tr>
<tr><td colspan="5">V. If the company has established the corporate social responsibility principles based on "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any deviation between the principles and their implementation: The company has established the "Corporate Social Responsibility Best-Practice Principles" based on "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and there is no deviation between the two. In addition, the company also pursues the ideals of sustainable development, care for society, and environmentally-friendliness.</td></tr>
<tr><td colspan="5">VI. Other important information helpful in understanding CSR operations:
(I) To fulfill our social obligation to protect the Earth's environment, we prohibit the use of statuary hazardous materials when producing equipment. We also deliver related information to each department to ensure that the company's products meet customer demands. In addition, the company continues to make improvements on environmental pollution, energy, resources conservation, and waste reduction to lower potential environmental protection risks.
(II) In addition to making generous donations during emergencies and crises in the society, the company also encourages employees to give aid when it is needed and join the donation programs to give back to society.
(III) Please refer to Note 3 for information on major activities supported by the All Ring Charitable Trust Fund.</td></tr>
<tr><td colspan="5">VII. If the company's CSR Report has been verified by relevant certification institutions, it shall be noted: None.</td></tr>
</table>

Note 1: Provide a brief description in the appropriate column, regardless of whether "yes" or "no" is selected.

Note 2: Companies who have compiled CSR reports may specify the ways to access the CSR and the page numbers of the cited content in place of the above-requested description.

Note 3: Summary of activities supported by the All Ring Charitable Trust Fund

Thematic activity	Targets	Activities
Charity events during new fiscal year and festivals	Disadvantaged pupils	Lunar New Year: 183 shares of seasonal dishes were given out to elementary schools, junior high schools, and senior high schools. Dragon Boat Festival: 341 pieces of glutinous rice were given out to elementary schools, junior high schools, and senior high schools. Mid-autumn Festival: 426 pieces of moon cakes were given out to elementary schools, junior high schools, and senior high schools.
Donations to foundations	Tainan City Southern Area Fund for Children and Families, World Peace Foundation	World Peace Foundation: NT$26,000 Kuanyi-Line Counseling Center: NT$50,000 House of the Little Angel: NT$50,000 Charity Donation of Lions Club International: NT$100,000
Scholarship Hope Initiative and breakfast subsidies for disadvantaged schoolchildren	All employees, and community residents	Famous people in the community were invited to give a public speech. 150 individuals participated.
Blood donation drive	All employees, and community residents	Participants in blood donation were about 90 individuals.
Family camps, educational camps, and summer camps	Disadvantaged schoolchildren, all employees, and community residents	Family Camp: 100 individuals, NT$13,712 Educational Camp: 60 individuals, NT$40,000 Summer Camp: 80 individuals, NT$16,463
Care for rural areas	Social Welfare Foundations	Education subsidies for children in remote areas, totaling to NT$200,000.

Emergency relief	Community pupils	Students: 11 individuals, NT$239,053 Hualien earthquake: NT$600,000 Breakfast and dinner for the baseball team of Shou Tian Elementary School: 30 individuals, NT$150,000 Materials for low-income pupils of Yizai Elementary School: 60 individuals, NT$60,000 Charity physical examination by Hospital of Chinese Medical University: 100 individuals, NT$50,000 Tuition for disadvantaged pupils of Shu-Ren Elementary School: 30 individuals, NT$50,000
Donation for Hualian disaster	Hualien government	Donation of NT$835,000
Promotion of creativity	Kunshan Creativity Competition	Kun Shan University Creativity Contest and Thesis Contest, scholarships for pupils, 600 individuals and NT$1,100,000 in total
Dream Come True Programs	Disadvantaged pupils	Promote charity and health ideals for families, colleagues, and friends of 253 individuals, books: NT$57,227, reading guide: NT$10,400, gift coupon: NT$72,120 , Dream Come True Card: NT$61,456, Christmas Story Camp: NT$13,001

(VII) The State of Ethical Management and Measures Implemented:

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
I. Formulating policies and plans for ethical corporate management (I) (I) Has the company clearly shown its ethical operational policy and methods in its regulations and external documents, in addition, has the Board of Directors and management proactively implemented the commitment to ethical business operations in practice?	V		I. Formulating policies and plans for ethical corporate management The company has established and passed the "Ethical Corporate Management Best-Practice Principles" and announced them on MOPS. The company promotes the ideals of honesty and integrity and we use our motto of "pay attention to the people, be considerate and forgiving, place ourselves in others' shoes, act in good faith and honesty, do business with openness and candor, and abide by our promises." to require employees to compete within the legal scope in their work and lives and work with suppliers in a fair, objective, and ethical manner. The company emphasizes employees' personal ethics and does not permit fraudulent activities for personal profits.	No differences.
(II) Has the company set a plan to forestall unethical conduct with clearly prescribed procedures, Best-Practices, disciplinary actions and reporting systems for violations, and implemented the plans accordingly?	V		The company has established the "Ethical Corporate Management Best-Practice Principles" and the "Ethical Management Procedures for Grievances and Reports" for education and training programs for employees to ensure that they understand the company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct. The regulations are reiterated regularly in monthly meetings.	
(III) Has the company put in place preventive measures for the items prescribed in Paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies or business activities with a higher risk of being involved in an unethical conduct in the company's scope of business?	V		The company has established the "Ethical Corporate Management Best-Practice Principles" and the "Ethical Management Procedures for Grievances and Reports," and employees may not receive any inappropriate interests in their business activities. We also implement control points in the accounting system, internal control system, and ISO management regulations to prevent unethical conduct. We have also established the Procedures for Acquisition and Disposal of Assets, Procedures for Endorsements and Guarantees, Procedures for Loaning of Funds to Others, and Procedures for Related Party Transactions.	
II. Implementation of ethical corporate management (I) (I) Has the company assessed the integrity records of its business	V		II. Implementation of ethical corporate management The company evaluated the legality and credit of clients before doing business	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
partners, and specified ethical business policy in contracts with them?			with them in order to avoid unethical transactions and conduct.	
(II) Has the company established a dedicated (concurrent) unit under the supervision of the Board for promoting corporate integrity, in which the unit shall report to the Board its implementation regularly?	V		1. Vice President Chien-De Li of the President's Office is the convener (approved by the Board on February 26, 2019, as the person in charge of corporate governance) who has established the company's Corporate Governance and Sustainability Committee that ensures ethical corporate management based on the work of each unit, and reports in the first quarter of each year to the Board of Directors (once a year). 2. To prevent conflict of interests and provide communication channels, the company has established the "Ethical Corporate Management Best-Practice Principles" and the "Ethical Management Procedures for Grievances and Reports" to provide mechanisms for submitting complaints. 3. In addition to the policies, on top of the formulation of policies, for the company's implementation of the ethical corporate management policy in 2018, please refer to note 2.	
(III) Has the company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement such policy properly?	V		The company's Rules of Procedures for Board of Directors Meetings includes a Director interest recusal clause which requires Directors to recuse themselves from votes on resolutions when there is a conflict of interest. In addition, all Directors, Supervisors, and managers have signed Statements on Honesty and Integrity. The company maintains smooth complaint channels with employees who are able to report to the company through the employee cafeteria mailbox or directly through the Supervisor or the Supervisor of the Administration Division. We have also established a designated section for stakeholders on the company's website.	
(IV) Has the company established an effective accounting system and internal control systems to implement ethical corporate management, and regularly	V		The company has established an effective accounting system, internal control system, and ISO management regulations, which are regularly reviewed and revised to maintain the continued effectiveness of	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
conducted audits by the internal audit unit or the commissioned CPAs?			the system design and implementation. Auditors periodically provide improvement recommendations for the accounting system, internal control system, and ISO management regulations.	
(V) Does the company hold routine internal and external training for ethical corporate management?	V		The company organizes education and training programs for employees to ensure that they understand the company's resolve to implement ethical corporate management, the related policies, prevention programs, and the consequences of committing unethical conduct.	No differences.
III. Operation of the whistle-blowing channel (I) Has the company established concrete whistle-blowing and rewarding systems and accessible whistle-blowing channels? Does the company assign a suitable and dedicated individual for the case being exposed by the whistle-blower?	V		III. Operation of the whistle-blowing channel The company has established the "Ethical Corporate Management Operating Procedures" and "Code of Conduct and Grievance and Complaint System" which are announced on the company website. If the company's Director, manager, or employee discovers any violation of the operational integrity of the company, it should be reported immediately to the Board of Directors or the audit unit. The identity of the whistle-blower and the content of the report shall be kept confidential. The audit unit should conduct thorough investigations on all reported cases to determine the facts. If the violation is confirmed, the audit unit should coordinate with the Administration Division and take disciplinary actions according to relevant company policies. It shall also disclose the name and job position of the violator, the date and contents of the violation and the actions taken, etc. at an appropriate time. In addition, an employee shall be rewarded if he/she discovers and prevents forgery or identity fraud and minimizes loss for the company or its clients; an employee shall be rewarded if he/she exposes or prevents fraud or any harmful incident and minimizes loss or damage to the company; an employee shall be rewarded if he/she reports or assists in investigations on misconduct at work and prevents significant loss to the company. The company has established a mailbox on the external website to provide good communication channels to the company's employees, shareholders, and	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
			stakeholders to facilitate corporate governance. The company details specific rules for the processing unit, report channels, processing procedures, and punishment systems and that require the company to provide the reported individual with opportunities for expressing opinions or complaints to prevent wrongful accusations.	
(II) Has the company stipulated standard operating procedures (SOP) and relevant systems of confidentiality for investigating the case being exposed by the whistle-blower?	V		Standard operating procedures for investigations are as follows: 1. Quick response: After the company accepts a complaint or report, the audit manager shall assign appropriate personnel to conduct investigations. 2. Reporting procedures: a. Any report involving general employees shall be reported to the department head. Any report involving a Director or senior manager shall be reported to the Board of Directors. b. The department of the company, which received the report, and the department head or the person in charge shall immediately ascertain the facts. Assistance shall be provided by the relevant department when necessary, and the opportunity for explanations should be given to the individual being accused. c. If it is confirmed that there is a violation of relevant laws or the company's ethical management policies and rules, the individual being accused shall be immediately required to stop the behavior, and appropriate measures shall be taken, and if necessary, the company shall seek compensation through legal channels to protect the company's rights and interests. d. The acceptance of the report, the investigation process, and the results shall be kept in writing or electronic file, and the relevant information shall be kept for at least seven fiscal years. If a lawsuit related to the content of the report occurs before the expiration period, the information shall be kept until	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
			the end of the lawsuit. e. If the investigation is verified, the relevant internal control system and operating procedures shall be reviewed, and improvement measures shall be proposed to prevent the same situation from happening again. f. If the case is verified and the circumstances are severe, it shall be dealt with by law or company regulations, and the appropriate reward for the informant shall be provided. g. The company will notify the complainant or the informant by telephone, letter, or other means within one month after the completion of the investigation. 3. Reported cases not to be accepted Reported cases with any of the following circumstances shall not be accepted: a. Anonymously or with a false name, and no contact information is provided. b. No evidence is available for investigation. 4. Recusal rules a. The person in charge of the case and the informant and the person being accused are within a two-degree relative relationship or have related interests, which may affect the impartial investigation. The person in charge shall be self-recused. 5. The confidentiality mechanism is as follows: a. The safety of the informant shall be protected. If it is an employee of the company, protection shall be guaranteed from improper counteractions. b. b. The person in charge shall strictly safeguard the informant's identity and the content of the matter.	
(III) Has the company adopted protection against inappropriate disciplinary action for the whistle-blower?	V		The company takes full responsibility of keeping the confidentiality of the whistle-blowers, to prevent them from inappropriate treatment for whistle-blowing cases.	No differences.
IV. Strengthening of information	V		IV. Strengthening of information	No differences.

Evaluation Item	State of Operations (Note 1)			Any departure from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
disclosure (I) Has the company disclosed the content of its Best-Practices on ethical corporate management and the effectiveness of its activities on its official website or Market Observation Post System (MOPS)?			disclosure The company has established a website to disclose company status, basic information, financial, and the Corporate Social Responsibility Report. The company regularly discloses related information on ethical corporate management on the MOPS with promptness, openness, and transparency.	
V. If the company has established its own Best-Practice on ethical corporate management in accordance with the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancies between the prescribed Best-Practices and the actual implementation of the ethical corporate management practices: The company has established "Ethical Corporate Management Principles" in accordance with the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies". Related implementation does not deviate from principles established in the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies."				
VI. Other information helpful to understand the integrity operation of the company: (e.g., the company's amendment to its principles of integrity operation) 1. Natural persons assigned by the company to perform duties in accordance with the company Act or other individuals who obtain the company's internal material information through identity, profession, or control relationships shall exercise the due care and diligence of a good administrator and perform duties in accordance with the principles of good faith. Insiders who are aware of internal material information may not disclose such information to others. 2. The company's certified public accountant is PricewaterhouseCoopers, who does not serve as the company's Director or Supervisor. PwC conducts periodic reviews of the company and reports to the Board of Directors each fiscal year. PwC is both professional and independent. In addition, the CPAs regularly assesses major cycles and internal controls and provides recommendations on the company's internal controls and accounting.				

Note 1: Provide a brief description in the appropriate column, regardless of whether "yes" or "no" is selected.

Note 2: 2018 implementation of the ethical corporate management policy is as follows:

Events	Targets	Contents
Promoting Rules and Regulations	All employees	Rules and regulations regarding Ethical Corporate Management Best Practice Principles and internal materials information were promoted in regular monthly meetings and weekly executive meetings. Real examples were provided to the colleagues as a reminder in work to prevent the occurrence of unethical conduct.
Reporting mechanism	All employees	Employees can feedback to the management through multiple channels. The company has disclosed the communication channels for the stakeholders and Ethical Management Procedures for Grievances and Reports on the company’s website, annual reports, and CSR reports, which provides employees with a reporting pipeline related to ethical management.
Regular evaluation	All employees	Apply the policies of ethical corporate management in employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.
Reporting system and informant protection	All employees	The Company has set up a reporting system and informant protection mechanism. Please refer to #page35-37#.

(VIII) If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched:
The company has established and passed the "Corporate Governance Practice Principles" in the meeting of the Board of Directors and disclosed them on MOPS.

(IX) Other important information to facilitate better understanding of the Company's corporate governance activities may be disclosed here:
The company has established the Regulations on Prevention of Insider Trading as the basis of the company's processing of material information and disclosure

mechanisms. We also review the Regulations from time to time to comply with regulatory requirements and actual management.

(X) Implementation of the Internal Control System:

(I) Statement of Internal Control: Please refer to #page38#.

(II) Where CPAs are commissioned to audit the company's internal control systems, the audit report prepared by the CPAs should be disclosed: Not applicable

(XI) Any legal penalty imposed upon the company and its personnel, or any penalty, major deficiencies, and state of improvements imposed by the company upon its personnel for violating the rules of the internal control system during the most recent year up to the publication date of the Annual Report: No such occurrences.

(XII) Material resolutions of a Shareholders' Meeting or a Board of Directors meeting during the most recent fiscal year or during the current fiscal year up to the publication date of the Annual Report: Please refer to #page18-21#.

(XIII) Major content of any dissenting opinions on entry or stated in a written statement made by Directors or Supervisors regarding key resolutions of Board meetings during the past fiscal year up to the publication date of this report: No such occurrences.

(XIV) Any resignation or dismissal of the company's Chairman of the Board, President, accounting manager, financial executive, internal audit manager, and research and development executive in the most recent year up to the publication date of the Annual Report: No such occurrences.

ALL RING TECH Co., LTD.

Statement of the Internal Control System

Date: February 26, 2019

Based on the results of the self-assessment with the internal control system in 2018, the company now declares as follows:

I. The company acknowledges that the establishment, implementation, and maintenance of the internal control system are the responsibilities of the Board and the managerial officer of the company. The company has established such a system. Its goals are to provide reasonable assurance on the target achievement on the results and effectiveness (including profits, performance and guaranteeing the safety of assets, etc.) of the operation, reliability of the financial report, and compliance with relevant laws and regulations.

II. The internal control system has inherent constraints, and no matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the above-mentioned objectives. Moreover, the effectiveness of the internal control system may be altered from changes in the environment and under different situations. Nevertheless, the company's internal control system contains self-monitoring mechanisms, and the company takes immediate remedial actions in response to any identified deficiencies.

III. The company assesses for the effectiveness of the internal control system's design and practices through the effectiveness of internal control system, as stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as "the Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring Activities. Each constituent element includes a number of categories. Please refer to "The Regulations" for the aforementioned categories.

IV. The company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

V. Based on the findings of the evaluation, the Company believes that, on 31st December, 2018, it has maintained, in all material respects, an effective internal control system (including the supervision and management toward its subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable regulations.

VI. This Statement shall be published in the company's Annual Report and public offering prospectus. If the aforementioned content contains illegal matters such as any fraudulent or hidden information, the Company will be in question of breaching Articles 20, 32, 171, and 174 in the Securities and Exchange Act and face legal consequences.

VII. This Statement was approved by the Board on February 26, 2019 where 0 of the 6 attending Directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

ALL RING TECH Co., LTD.
Chairman: Ching-Lai Lu
President: Hsin-Yao Cheng

IV. Information on CPA Professional Fees

Table of the Range of CPA Professional Fees

Name of Accounting Firm	Name of CPA		Audit Period	Remark
PwC Taiwan	Tsi-Meng Liu	Yong-Chih Lin	January 1, 2018-December 31, 2018	None

Unit: NT$ thousand

Interval of the Amount \ Professional Fees		Audit Fees	Non-Audit Fees	Total
1	Less than NT$2,000 thousand	-	V	-
2	NT$2,000 thousand NTD (inclusive) to NT$4,000 thousand	V	-	-
3	NT$4,000 thousand NTD (inclusive) to NT$6,000 thousand	-	-	-
4	NT$6,000 thousand (inclusive) to NT$8,000 thousand	-	-	-
5	NT$8,000 thousand (inclusive) to NT$10,000 thousand	-	-	-
6	Over NT$10,000 thousand	-	-	-

Given any one of the following conditions, the company shall disclose CPA professional fees:

(I) If the non-audit fees paid to the CPAs, their accounting firm and affiliated companies of their accounting firm exceed one-fourth of the audit fees paid to them, the amount of audit and non-audit fees, and the content of non-audit services shall be disclosed:

Information on the CPA's professional fees

Unit: NT$ thousand

Name of accounting firm	Name of CPA	Audit Fees	Non-Audit Fees					Audit Period	Remark
			System Design	Business Registration	Manpower	Others	Sub-total		
PwC Taiwan	Tsi-Meng Liu Yong-Chih Lin	3,015	0	0	0	176	176	January 1, 2018-December 31, 2018	Other fees included typing, printing, binding, and postage amounting to NT$89 thousand and travel expenses of NT$87 thousand, totaling NT$176 thousand.

(II) Where accounting firm was replaced and the accounting fee paid for the year was less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed: None.

(III) Where accounting fee paid for the year was more than 15% less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed: None.

V. Information on Replacement of Certified Public Accountant: None.

VI. Where the company's Chairman, President, or any managerial officer in charge of finance or accounting matters have in the most recent fiscal year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None.

VII. Equity transfer or changes in equity pledged by the company's Directors, Supervisors, managerial officers or Shareholders with shareholding percentage exceeding ten (10) percent in the most recent fiscal year up to the publication date of the Annual Report:

(I) Changes in the equity of Directors, Supervisors, managerial officers, and major Shareholders:

Unit: Shares

Title (Note 1)	Name	2018		For the current fiscal year up to May 13, 2019	
		Change in Shares Held	Addition (Reduction) of Shares Pledged	Change in Shares Held	Addition (Reduction) of Shares Pledged
Chairman of the Board	Ching-Lai Lu	-	-	-	-
Director and president	Hsin-Yao Cheng	-	-	-	-
Director	Fengqiao Investment Co., Ltd.	15,000	-	-	-
Representative Director	Yu-Ru Chong	-	-	-	-
Director	Hanlin Construction Co., Ltd.	-	-	-	-
Representative Director	Ching-Han Chiu Huang	-	-	-	-
Director	Chien-Chang Chen	-	-	-	-
Director	Chin-Po Wang	-	-	-	-
Director	Huan-Ming Chou	-	-	-	-

Title (Note 4)	Name	2018		For the current fiscal year up to May 13, 2019	
		Change in Shares Held	Addition (reduction) of shares pledged	Change in Shares Held	Addition (reduction) of shares pledged
Supervisor	Hong-Ren Lin	-	-	-	-
Supervisor	Kuo-Chen Wu	-	-	-	-
Supervisor	Jincheng Investment Co., Ltd.	50,000	-	-	-
Representative Supervisor	Ching-Hsu Tsai	-	-	-	-
Chief Operating Officer	Hsien-Ming Li	21,000	-	-	-
Vice President	Ming-Heng Yang	9,000	-	-	-
Vice President	Chien-De Li	1,000	-	-	-
Vice President	Cheng-En Ou (Note 2)	-	-	-	-
Associate Manager	Ming-Tsung Kuo	-	-	-	-
Associate Manager	Hsiao-Mei Wang	-	-	-	-
Associate Manager	Shih-Long Yeh	702	-	-	-
Associate Manager	Kuo-Lun Wang	-	-	-	-
Associate Manager	Ming-Chieh Tsai (Note 3)	-	-	-	-
Associate Manager	Chien-Jen Cheng (Note 4)	-	-	-	-

Note 1: The company does not have shareholders who hold more than 10% of the company's total shares.
Note 2: Mr. Cheng-En Ou was promoted to Vice President on February 27, 2018

Note 3: Mr. Ming-Chieh Tsai was appointed as Associate Manager on February 27, 2018.
Note 4: Mr. Chien-Jen Cheng was appointed as Associate Manager on November 5, 2018.

(II) Information on the counterparty which is a related party in the transfer of equity interests: No such occurrences and not applicable.

(III) Information on the counterparty which is a related party in the pledge of equity interests: No such occurrences and not applicable.

VIII. Information on the top 10 holders of the company's shares who are identified as related parties, spouse or relative within second-degree of kinship:

Unit: Shares; % April 14, 2019

Name	Shares Held in Person		Shares Held By Spouse and Minor Children		Total Shares Held in the Name of Other Persons		The name and relation of the top ten shareholders who are related parties, spouses, second-degree relatives		Remark
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Company (or Name)	Relation	
Fengqiao Investment Co., Ltd. by Yu-Ru Chong	7,326,62	8.79%	-	-	-	-	Ching-Lai Lu	Ching-Lai Lu is the spouse of the representative of the said company.	-
							Shengguan Investment Co., Ltd.	The representative of Shengguan Investment Co., Ltd. is the daughter of the representative of the said company.	
Liechtenstein Royal Bank account under the custody of Standard Chartered Bank	4,060,00	4.87%	-	-	-	-	-	-	-
Ching-Lai Lu	3,757,28	4.51%	299,438	0.36%	7,326,62	8.79%	Fengqiao Investment Co., Ltd.	The representative of Fengqiao Investment Co., Ltd. is the spouse of Ching-Lai Lu.	-
							Shengguan Investment Co., Ltd.	The representative of Shengguan Investment Co., Ltd. is the daughter of Ching-Lai Lu.	
Chien-Chang Chen	2,732,43	3.28%	-	-	-	-	-	-	-
Hui-Hsuan Lu, Representative of Shengguan Investment Co., Ltd.	2,089,78	2.51%	-	-	-	-	Fengqiao Investment Co., Ltd.	The representative of Fengqiao Investment Co., Ltd. is the mother of the representative of the said company.	-
							Ching-Lai Lu	Ching-Lai Lu is the father of the representative of the said company.	
Jincheng Investment Co., Ltd. by Ching-Hsu Tsai	2,055,00	2.47%	-	-	-	-	-	-	-
Hong-Ren Lin	1,552,06	1.86%	70,304	0.08%	-	-	-	-	-

Name	Shares Held in Person		Shares Held By Spouse and Minor Children		Total Shares Held in the Name of Other Persons		The name and relation of the top ten shareholders who are related parties, spouses, second-degree relatives		Remark
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Company (or Name)	Relation	
A-Fen Chen	1,347,00	1.62%	-	-	-	-	-	-	-
Mei-Chin Hsu	1,148,49	1.38%	-	-	-	-	-	-	-
Ching-Han Chiu Huang, Representative of Hanlin Construction Co., Ltd.	775,000	0.93%	-	-	-	-	-	-	-

IX. Information on the number of shares of the company invested by the company, any of the company's Directors, Supervisors and executive officers or a company directly or indirectly controlled by the company and consolidated percentage of shareholding:

December 31, 2018. Units: thousand shares; %

Investment in other companies	Investments of the company		Investments of Directors, Supervisors, managerial officers, and directly or indirectly controlled businesses		Comprehensive Investment	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
PAI FU International Limited	1,930	100%	-	-	1,930	100%
IMAGINE Group Limited	3,720	73.81%	1,320	26.19%	5,040	100%
UniRing Tech Co., Ltd.	4,856	100%	-	-	4,856	100%
Kunshan All Ring Tech Co., Ltd. (Note 2)	-	-	-	100%	-	100%
All Ring Tech (Kunshan) Co., Ltd. (Note 3)	-	-	-	100%	-	100%

Note 1: The 26.19% shares in IMAGINE Group Limited is held by the company through the subsidiary PAI FU International Limited in an indirect investment.

Note 2: The shares in Kunshan All Ring Tech Co., Ltd. is held by the company through the subsidiary PAI FU International Limited in an indirect investment.

Note 3: The shares in All Ring Tech (Kunshan) Co., Ltd. is held by the company through the subsidiary IMAGINE Group Limited in an indirect investment.

Chapter 4 Funding Status

I. Capital and Shares

(I) Capital & Shares

Unit: Shares April 14, 2019

Type of Shares	Authorized Share Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Registered common shares (OTC market listed shares)	83,323,902	26,676,098	110,000,000	Quota for employee stock option: 8,000,000 shares

(II) Sources of capital

April 14, 2019 Unit: shares; NT$

Fiscal year/Month	Issued Price	Authorized Share Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
May 1996 (Note 1)	1,000	1,000,000	10,000,000	1,000,000	10,000,000	Capital stock at founding	None	None
July 1996 (note 2)	10	4,000,000	40,000,000	4,000,000	40,000,000	Capital increase by cash	None	None
July 2000 (Note 3)	10	36,000,000	360,000,000	13,120,000	131,200,000	Capital increase by earnings and cash	None	None
June 2001 (Note 4)	10	36,000,000	360,000,000	20,417,078	204,170,780	Capital increase by earnings and employee bonus	None	None
July 2002 (Note 5)	10	36,000,000	360,000,000	26,000,000	260,000,000	Capital increase by earnings and employee bonus	None	None
July 2003 (Note 6)	10	56,000,000	560,000,000	32,000,000	320,000,000	Capital increase by earnings and employee bonus	None	None
October 2003 (Note 7)	10	56,000,000	560,000,000	32,073,768	320,737,680	Corporate bond conversion	None	None
February 2004 (Note 8)	10	56,000,000	560,000,000	35,032,717	350,327,170	Corporate bond conversion	None	None
April 2004 (Note 9)	10	56,000,000	560,000,000	37,036,791	370,367,910	Corporate bond conversion	None	None
July 2004 (Note 10)	10	68,000,000	680,000,000	39,639,247	396,392,470	Corporate bond conversion	None	None
August 2004 (Note 11)	10	68,000,000	680,000,000	43,772,558	437,725,580	Capital increase by earnings and employee bonus	None	None
October 2004 (Note 12)	10	68,000,000	680,000,000	46,010,415	460,104,150	Corporate bond conversion and employee stock options	None	None
January 2005 (Note 13)	10	68,000,000	680,000,000	46,014,939	460,149,390	Corporate bond conversion	None	None
April 2005 (Note 14)	10	68,000,000	680,000,000	46,387,939	463,879,390	Employee stock options	None	None
August 2005 (Note 15)	10	68,000,000	680,000,000	51,887,939	518,879,390	Capital increase by earnings and employee bonus	None	None
December 2005 (Note 16)	10	68,000,000	680,000,000	51,111,939	511,119,390	Canceled treasury shares	None	None

Fiscal year/Month	Issued Price	Authorized Share Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
March 2006 (Note 17)	10	68,000,000	680,000,000	52,723,299	527,232,990	Corporate bond conversion and employee stock options	None	None
June 2006 (Note 18)	10	68,000,000	680,000,000	52,827,648	528,276,480	Corporate bond conversion and employee stock options	None	None
December 2006 (Note 19)	10	68,000,000	680,000,000	52,947,648	529,476,480	Employee stock options	None	None
August 2007 (Note 20)	10	68,000,000	680,000,000	52,405,648	524,056,480	Canceled treasury shares and exercised employee stock options	None	None
October 2007 (Note 21)	10	68,000,000	680,000,000	52,755,648	527,556,480	Employee stock options	None	None
March 2008 (Note 22)	10	68,000,000	680,000,000	52,920,648	529,206,480	Employee stock options	None	None
June 2008 (Note 23)	10	68,000,000	680,000,000	54,298,225	542,982,250	Corporate bond conversion and employee stock options	None	None
August 2008 (Note 24)	10	68,000,000	680,000,000	57,790,975	577,909,750	Capital increase by earnings and employee bonus	None	None
October 2008 (Note 25)	10	68,000,000	680,000,000	58,060,475	580,604,750	Employee stock options	None	None
December 2008 (Note 26)	10	68,000,000	680,000,000	57,074,475	570,744,750	Canceled treasury shares	None	None
March 2009 (Note 27)	10	68,000,000	680,000,000	60,064,402	600,644,020	Capital increase by earnings and employee bonuses, and employee stock options	None	None
October 2009 (Note 28)	10	68,000,000	680,000,000	60,946,402	609,464,020	Employee stock options	None	None
December 2009 (Note 29)	10	68,000,000	680,000,000	61,581,402	615,814,020	Employee stock options	None	None
March 2010 (Note 30)	10	68,000,000	680,000,000	61,876,402	618,764,020	Employee stock options	None	None
June 2010 (Note 31)	10	68,000,000	680,000,000	62,203,902	622,039,020	Employee stock options	None	None
September 2010 (Note 32)	10	68,000,000	680,000,000	62,871,902	628,719,020	Employee stock options	None	None
December 2010 (Note 33)	10	68,000,000	680,000,000	63,623,902	636,239,020	Employee stock options	None	None
March 2011 (Note 34)	10	68,000,000	680,000,000	64,102,902	641,029,020	Employee stock options	None	None
June 2011 (Note 35)	10	68,000,000	680,000,000	64,202,902	642,029,020	Employee stock options	None	None
July 2012	10	110,000,000	1,100,000,000	80,202,902	802,029,020	Capital increase by	None	None

Fiscal year/Month	Issued Price	Authorized Share Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
(Note 36)						private placement		
October 2013 (Note 37)	10	110,000,000	1,100,000,000	80,723,902	807,239,020	Employee stock options	None	None
April 2015 (Note 38)	10	110,000,000	1,100,000,000	80,367,902	803,679,020	Canceled treasury shares	None	None
August 2015 (Note 39)	10	110,000,000	1,100,000,000	86,367,902	863,679,020	Capital increase by cash	None	None
December 2015 (Note 40)	10	110,000,000	1,100,000,000	85,335,902	853,359,020	Canceled treasury shares	None	None
August 2016 (Note 41)	10	110,000,000	1,100,000,000	84,238,902	842,389,020	Canceled treasury shares	None	None
March 2019 (Note 42)	10	110,000,000	1,100,000,000	83,323,902	833,239,020	Canceled treasury shares	None	None

Note 1: In 1998, the denomination of each share is changed to NT$ 10 as approved by thE2359:E2362e Ministry of Economic Affairs.
Note 2: Approved by the Ministry of Economic Affairs, Jul. 21, 1999 MOE (088) No. 650738.
Note 3: Approved by the Ministry of Economic Affairs, Aug. 21, 2000 MOE (089) No. 089130640.
Note 4: Approved by the Ministry of Finance and Financial Supervisory Commission MOF (089) I No. 133646.
Approved by the Ministry of Economic Affairs, Aug. 27, 2001 MOE (090) No. 09001225660.
Note 5: Approved by the Ministry of Finance and Financial Supervisory Commission MOF (91) I No. 131489.
Approved by the Ministry of Economic Affairs, Jul. 24, 2002 MOE (090) No. 09101290460.
Note 6: Approved by the Ministry of Finance and Financial Supervisory Commission MOF (92) I No. 127403.
Approved by the Ministry of Economic Affairs, Jul. 31, 2003 MOE (092) No. 09232441840.
Note 7: Approved by the Ministry of Economic Affairs, Oct. 30, 2003 MOE No. 09232880610.
Note 8: Approved by the Ministry of Economic Affairs, Feb. 06, 2004 MOE No. 09331635630.
Note 9: Approved by the Ministry of Economic Affairs, Apr. 12, 2004 MOE No. 09331960710.
Note 10: Approved by the Ministry of Economic Affairs, Jul. 27, 2004 MOE No. 09332480260.
Note 11: Approved by the Securities and Futures Bureau, Financial Supervisory Commission, SFB FSC (93) No. 0930129953.
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Note 12: Approved by the Ministry of Economic Affairs, Oct. 19, 2004 MOE No. 09332867260.
Note 13: Approved by the Ministry of Economic Affairs, Jan. 17, 2005 MOE No. 09431567540.
Note 14: Approved by the Ministry of Economic Affairs, Apr. 18, 2005 MOE No. 09431982830.
Note 15: Approved by the Ministry of Economic Affairs, Aug. 29, 2005 MOE No. 09401168630.
Note 16: Approved by the Ministry of Economic Affairs, Jan. 20, 2006 MOE No. 09501010470.
Note 17: Approved by the Ministry of Economic Affairs, Apr. 18, 2006 MOE No. 09501069810.
Note 18: Approved by Southern Taiwan Science Park Bureau, Jul. 28, 2006, STSPB No. 0950015926.
Note 19: Approved by Southern Taiwan Science Park Bureau, Jan. 29, 2007, STSPB No. 0960001151.
Note 20: Approved by Southern Taiwan Science Park Bureau, Aug. 7, 2007, STSPB No. 0960018286.
Note 21: Approved by Southern Taiwan Science Park Bureau, Oct. 30, 2007, STSPB No. 0960023580.
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Note 24: Approved by Southern Taiwan Science Park Bureau, Aug. 7, 2008, STSPB No. 0970018332.
Note 25: Approved by Southern Taiwan Science Park Bureau, Oct. 22, 2008, STSPB No. 0970024976.
Note 26: Approved by Southern Taiwan Science Park Bureau, Nov. 31, 2008, STSPB No. 0970031043.
Note 27: Approved by Southern Taiwan Science Park Bureau, Aug. 17, 2009, STSPB No. 0980018683.
Note 28: Approved by Southern Taiwan Science Park Bureau, Oct. 23, 2009, STSPB No. 0980023532.
Note 29: Approved by Southern Taiwan Science Park Bureau, Jan. 20, 2010, STSPB No. 0990001076.
Note 30: Approved by Southern Taiwan Science Park Bureau, Apr. 26, 2010, STSPB No. 0990008342.
Note 31: Approved by Southern Taiwan Science Park Bureau, Jul. 21, 2010, STSPB No. 0990015405.
Note 32: Approved by Southern Taiwan Science Park Bureau, Oct. 18, 2010, STSPB No. 0990022963.
Note 33: Approved by Southern Taiwan Science Park Bureau, Jan. 21, 2011, STSPB No. 1000001416.
Note 34: Approved by Southern Taiwan Science Park Bureau, Apr. 19, 2011, STSPB No. 1000009317.
Note 35: Approved by Southern Taiwan Science Park Bureau, Jul. 20, 2011, STSPB No. 1000017682.
Note 36: Approved by Southern Taiwan Science Park Bureau, Jul. 31, 2012, STSPB No. 1010018465.
Note 37: Approved by Southern Taiwan Science Park Bureau, Oct. 316, 2013, STSPB No. 1020025715.

Note 38: Approved by Southern Taiwan Science Park Bureau, Apr. 14, 2015, STSPB No. 1040008703.
Note 39: Approved by Southern Taiwan Science Park Bureau, Aug. 03, 2015, STSPB No. 1040019179.
Note 40: Approved by Southern Taiwan Science Park Bureau, Dec. 14, 2015, STSPB No. 1040031579.
Note 41: Approved by Southern Taiwan Science Park Bureau, Aug. 12, 2016, STSPB No.1050020562.
Note 42: Approved by Southern Taiwan Science Park Bureau, Mar. 11, 2019, STSPB No. 1080006419.

II. Shareholder Structure

Unit: individual; share; Apr. 14, 2018

Shareholder Structure / Number	Government Agencies	Financial Institution	Other Institution	Individuals	Foreign Institution or Foreigner	Total
Number of individuals	-	-	179	17,313	42	17,534
Number of Shares Held	-	-	15,168,928	61,783,656	6,371,318	83,323,902
Shareholding ratio	-	-	18.20%	74.15%	7.65%	100.00%

Note: The first listed companies and companies listed on emerging Boards shall disclose the percentage of shares held by investors from China: Not applicable.

III. Dispersion of Equity Ownership

(I) Ownership dispersion of common stock:

Unit: individual; share; par value of each share at NT$10, Apr. 14, 2019

Range	Number of Shareholders	Number of Shares Held	Shareholding Percentage (%)
1 to 999	11,575	197,490	0.24
1,000 to 5,000	4,388	8,944,159	10.73
5,001 to 10,000	698	5,662,373	6.80
10,001 to 15,000	241	3,108,498	3.73
15,001 to 20,000	145	2,693,748	3.23
20,001 to 30,000	148	3,742,444	4.49
30,001 to 40,000	95	3,352,142	4.02
40,001 to 50,000	64	2,934,488	3.52
50,001 to 100,000	97	6,919,596	8.30
100,001 to 200,000	36	4,894,092	5.88
200,001 to 400,000	26	7,717,955	9.26
400,001 to 600,000	6	2,905,279	3.49
600,001 to 800,000	6	4,182,952	5.02
800,001 to 1,000,000	0	0	0
1,000,001 or more	9	26,068,686	31.29
Total	17,534	83,323,902	100.00

(II) Dispersion of preferred stock ownership: No preferred stock has been issued.

IV. List of Major Shareholders (5% or more or top 10 shareholders)

Unit: Shares; April 14, 2019

Shares / Shares Name of Shareholder	Number of Shares Held	Shareholding Percentage
Fengqiao Investment Co., Ltd.	7,326,625	8.79%
Liechtenstein Royal Bank account under the custody of Standard Chartered Bank	4,060,000	4.87%
Ching-Lai Lu	3,757,283	4.51%
Chien-Chang Chen	2,732,431	3.28%
Shengguan Investment Co., Ltd.	2,089,789	2.51%
Jincheng Investment Co., Ltd.	2,055,000	2.47%
Hong-Ren Lin	1,552,066	1.86%
A-Fen Chen	1,347,000	1.62%
Mei-Chin Hsu	1,148,492	1.38%
Hanlin Construction Co., Ltd.	775,000	0.93%

V. Market Price, Net Value, Earnings, Dividends, and Related Information over the Past Two fiscal years

Unit: NT$; Thousand shares

Item			Fiscal year 2017	2018	The current fiscal year as of March 31, 2019 (Note 9)
Market price per share (Note 1)	Highest		80.10	77.70	49.80
	Lowest		50.40	41.00	41.25
	Average		66.77	66.10	46.06
Net worth per share (Note 2)	Before distribution		22.10	22.19	22.92
	After distribution (note 1)		19.00	(Note 8)	Not applicable
Earnings per share	Weighted average shares		84,239	84,239	83,324
	Earnings per share (Note 3)	Before adjustment	3.60	3.74	0.34
		After adjustment	3.60	3.74	0.34
Dividends per share	Cash dividends		3.10	(Note 8)	Not applicable
	Stock dividends	Stock dividends by earnings	-	(Note 8)	Not applicable
		Stock dividends by capital reserved	-	(Note 8)	Not applicable
	Accumulated unpaid dividends (note 4)		-	-	Not applicable
Return on investment (ROI) analysis	Price-to-earnings ratio (Note 5)		18.54	17.67	Not applicable
	Price-to-dividend ratio (Note 6)		21.54	(Note 8)	Not applicable
	Cash dividend yield (note 7)		4.64	(Note 8)	Not applicable

* If any revenue or capital surplus is transferred to capital increase or common stock, the company shall further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: List the highest and lowest market price of the common shares for each fiscal year, and refer to the transaction value and transaction volume to calculate the average market price for each fiscal year.

Note 2: This should be filled by using the shares already issued by fiscal year-end as a basis, and also by referencing the allocation that the Shareholders' Meeting has decided on for the subsequent fiscal year.

Note 3: If there are any retroactive adjustments needed due to the issuance of bonus shares, earnings per share before and after the adjustment should be listed.

Note 4: If the conditions of equity securities issuance allow unpaid dividends to be accumulated to the subsequent fiscal years in which there is profit, the company shall disclose the accumulated unpaid dividends respectively up to that fiscal year.

Note 5: P/E Ratio = Average closing price for each share for the fiscal year/earnings per share

Note 6: P/D Ratio = Average closing price for each share for the fiscal year/cash dividend per share

Note 7: Cash dividend yield = cash dividend per share/average closing price per share for the fiscal year

Note 8: The surplus distribution proposal has not been approved by the Shareholders' Meeting.

Note 9: For net worth per share and net earnings per share, data from the latest quarter that has been verified by a CPA up until the date of publication of the Annual Report shall be filled. For all other columns, the company shall fill the information of the fiscal year up to the date of publication of the Annual Report.

VI. Company Dividend Policy and Implementation Thereof

(I) Dividend policy:

As the company faces an ever-changing industrial environment and the business is at a steady growth stage, the Board of Director shall take into consideration the budget for future capital expenditure and funds needed and weigh the necessity of allocating earnings to support capital needs when deciding on the amount of surplus to be retained or distributed and the amount of dividend to be paid in cash. Each fiscal year, the company shall, after paying taxes and making up for losses, set aside 10 percent of its earnings if any for a legal reserve in accordance with relevant laws or regulations. A special reserve shall also be set aside. The rest of the earnings, plus the accumulated undistributed earnings of the previous fiscal year, shall make for the distributable earnings. At least 30 percent of the distributable earnings shall be allocated to shareholders as bonuses. Among which, cash dividends shall not be less than 10 percent of the total dividends allocated. The Board of Directors shall, based on relevant factors such as future business or re-investment, propose the distribution of earnings, and submit the proposal to the Shareholders' Meeting for approval.

(II) Dividend distribution to be proposed to the Shareholders' Meeting:

1. The Board of Directors made a resolution on surplus distribution for the fiscal year of 2018 on February 26, 2019, which proposes a cash dividend of NT$3.10 per share. The ex-dividend date shall be set by the Board of Directors upon authorization by the Shareholders' Meeting.
2. The Board of Directors shall set the ex-dividend date upon authorization by the Shareholders' Meeting. Any dividend less than NT$1 shall be rounded down. The Chairman is authorized to trade the remaining balance with certain parties.

VII. The effect upon business performance, and earnings per share of any stock dividend distribution proposed or adopted at this Shareholders' Meeting: Not applicable as the Board of Directors proposed to allocate cash dividends in full.

VIII. Compensation for Employees, Directors and Supervisors

(I) The percentages or ranges concerning an employee, Director, and Supervisor compensation, as outlined in the company's articles of incorporation:

Article 20-1 of the company’s Articles of Incorporation stipulates that the company shall allocate no more than 3 percent of its annual profits for compensations to the Directors and no less than 3 percent for compensations to the employees.

(II) The basis for estimating the amount of employee, Director, and Supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

When there is a discrepancy between the actual amount to be distributed as determined at the shareholders' meeting and the estimated amount, the difference shall be treated as a change in accounting estimate and shall be listed as a profit or loss in the following fiscal year.

(III) Information on allocation of compensations approved by the Board of Directors:

1. The amount of any employee compensation distributed in cash or stocks and Director/Supervisor compensation. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: On February 26, 2019, the Board of Directors made a resolution to distribute NT$26,560 thousand for employee compensation and NT$3,525 thousand for compensations of Directors and Supervisors in cash. There was no difference between this and the amount estimated for 2018.
2. The amount of any employee compensation distributed in stocks as a percentage of the sum of the current after-tax net income and total employee compensation: The employees' compensation for the fiscal year 2018 was determined by the Board of Directors to be fully allocated in cash, and therefore this does not apply.

(IV) The actual distribution of employee, Director, and Supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, Director, or Supervisor compensation, additionally the discrepancy, cause, and how it is treated:

On February 27, 2018, the company's Board of Directors resolved 2017 distribution of compensations for employees and Directors/Supervisors in the amount of NT$25,260 thousand and NT$3,353 thousand respectively in cash. There was no difference between these amounts and the amounts estimated for 2017.

IX. Share Repurchase:

May 13, 2019

Numbering of repurchase	The 8th
Purpose of repurchase	Maintain corporate credit and shareholders' equity
Buyback period	From September 13 to November 9, 2018
Price range of buyback	NT$40-80
Repurchased share type and amount	Common stock of 915,000 shares
Repurchased share value	NT$45,932,399
Canceled and transferred share amount	915,000 shares
Accumulated number of share held	915,000 shares
Accumulated number of share held to total number of share issued (%)	1.09%

X. Issuance of Corporate Bonds: Not applicable.

XI. Issuance of Preferred Shares: Not applicable.

XII. Issuance of Global Depository Receipts: Not applicable.

XIII. Issuance of Employee Stock Options: Not applicable.

XIV. Issuance of Restricted Employee Shares: None.

XV. Issuance of New Shares in Connection with the Merger or Acquisition of Other Companies:

(I) Issue of new shares in connection with any acquisition of shares of another company in the most recent fiscal year up to the publication date of the Annual Report:

(I) The stock agent's opinion on the issue of new shares for the acquisition of shares of another company in the most recent quarter:

(II) The status of implementation in the most recent quarter. If the implementation has not achieved the expected target, a statement on the impact on shareholders' equity and improvement plan shall be provided: Not applicable.

(II) Any issuance of new shares in connection with the acquisition of shares of another company approved by the Board of Directors in the most recent fiscal year up to the date of publishing of this Annual Report: None.

XVI. Implementation of Capital Allocation Plans:

Status of any issuance or private placement of securities in progress or during the three most recent fiscal years up to the date of publishing of this Annual Report; of which the benefits of this plan has not been realized. Please provide the details on the content of the above-stated issuance or private placement of securities and the status of implementation: None.

Chapter 5 Operations Overview

I. Business Content

(I) Scope of Business:

(I) The main business of the company:

1. Design, manufacturing, and assembly of and software development for automated machinery
2. Manufacturing, processing, and trading of mechanical equipment and parts
3. Distribution, import, and export of electronics, machinery equipment, and components
4. Assembly of computers and electronic equipment and assembly and trade of computer peripherals
5. Trading of chemical raw materials (except controlled substances)
6. CE01030 Optical Instrument Manufacturing Industry
7. CC01050 data storage and processing equipment manufacturing
8. I301010 data software services
9. CB01990 Other machinery manufacturing
10. CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing
11. F401010 International trade
12. JE01010 leasing industry (limited to proprietary IC BGC and automated machinery)
13. Business items not prohibited or restricted by law, besides those requiring special approval

(II) Any business not prohibited or restricted by laws or regulations, in addition to those permitted. Main Products (2018)

Main products	Ratio to total revenue
Passive component equipment	44.07%
Semiconductor equipment	43.94%
LED equipment	3.98%
Others	8.01%
Total	100.00%

(III) Current Product Lines:

Type	Product Name	Function
Passive component equipment	Winding machine	Equipment used to wind enameled wire on ferrite or ceramic hollow core products to create an inductor effect
	NR four-axial wiring and soldering machine	The machine is a power inductor winding device, which is divided into two turntable stations, a winding station and a soldering station, and a turntable divider completes a six-step process. Winding, crimping, reloading, fluxing, soldering, and retrieving.
	Soldering machine	This equipment is a soldering machine. Products are sent out in rows by the vibration plate to the receiving mechanism and then sucked in by the feeding mechanism. After fluxing, preheating, and soldering, the products are then placed into the storage box.

Type	Product Name	Function
	Assembly machine	This equipment is a double winding induction assembly machine. Products are sent to a specific position by the vibration plate and then sucked onto the turret holding fixture. The turret is divided into eight parts with four workstations to complete the tasks of feeding, coating, calibration, and receiving. After the process is completed, the retrieving module puts the products onto the conveyor belt for delivery into the oven.
	Laminating machine	This machine performs an adhesive dispensing operation on-chip inductors after winding is completed. First, the adhesive is dispensed on the chamber of the tape, the chip inductor is fed into the track through the vibration plate, coiled products are put into the backing tape by the suction nozzle, and then products are rolled out after the adhesive is cured by UV light. The entire dispensing and coating process is completed.
	Table-top double-head spot welding machine	Place the coiled FPC product fixture plate on the device, let the spot welding head press precisely on the spot to be welded by sliding the welding head along the fixture platform, and weld the enameled wire on the tin plate by temperature-controlled heating.
Passive component equipment	Cutting machine	New type automatic capacitor & inductor cutting machine. This machine is designed with automatic feeding, retrieving, preheating, freezing, X-axis CCD alignment, and X-axis servomechanism.
	Electroplating machine	This machine is used for electroplating of wafers. Wafers are placed in a rotating cylinder manually, and then the anode robot arm exchanges and cleans the wafers to achieve the purpose of electroplating.
	Inductive testing and packaging machine	This will be key equipment for passive component manufacturing.
LED equipment	Test sorting machine	This equipment is a testing and sorting machine used to achieve sorting and collecting after the LED is used for light and electrical measurement.
	Packing machine	The primary function of this equipment is to test, and QC LED products for photoelectric range. Nonconforming LED products are blown into the waste box, and qualified LED products are aligned to the direction of the carrier best for packaging through visual recognition. Final packing is then monitored by the real-time visual recognition system to ensure that the appearance of the LED projects and the alignment to the carrier belt meet the needs of customers.
Semiconductor equipment	Substrate loader	The Substrate in the cartridge is delivered one by one to the next workstation. Empty cartridge is automatically unmounted, and new cartridge mounted again.
	Substrate unloader	The substrate (PC Board) is taken into the grid from the oven surface and then automatically pushed into the cartridge through connecting the distributor. The cartridge is automatically replaced and mounted.
	Lane changer	After receiving the substrate from the preceding workstation, the substrate is automatically sent to the oven for drying.
	Boat to tray/tray to boat	This carrier exchange equipment mounts the products to different carriers for different manufacturing processes. The primary function is to shuffle the substrate back and forth between boat and tray.
	Single/double trackball mounter	BGA automatic ball mounter comes with single/double runners, single/double ball mounting heads. Coupled with CCD visual inspection, precision up to 0.2 mm in tin-ball diameter can be achieved. This mounter can be used for IC deep submicron process and development of 12-inch or larger wafers.

Type	Product Name	Function
	Under filler	This PC-controlled machine calibrates the amount of glue in the micro-precision crane and, aided with the CCD vision, searches and positions the location to fill all gaps between the IC and the PC Boards without leaving any holes. This action completes the binding of the IC and PC Boards, replacing the fill chip package process done by the wire bonding machine.
	Testing Equipment	This device quickly and automatically determines the geometrical dimensions, such as points, lines, frames, circles, arcs, and angles, of molds and other products.
	Silver paste under filler	This PC-controlled machine calibrates the amount of paste in the micro-precision crane and, aided with the CCD vision, searches and positions the location to spread paste between the die and cooling fin.
	BGA inspection machine	This equipment uses a JEDEC Tray as the standard carrier to carry the products through a series of inspection stations. After inspections are completed, the products are automatically sorted into conforming and nonconforming products and sent to the corresponding piles. The Tray can be flipped to achieve inspection on both sides.
	AOI inspection machine	This machine detects missing dies and dies color markings through image recognition. It records the overall substrate die markings, creates a substrate map and then uploads the map for determination of subsequent process.
	SIP surface mounting machine	This equipment is used for surface mounting of SIP products. It is key equipment for the SIP process.
	Wafer form AOI inspection equipment	The device inspects defects during the manufacturing process. It is key equipment for the high-level packaging process.
	Wafer form dispensing equipment	This device is used for high-level packaging processes. It is key equipment for high-level packaging processes.

(IV) New products under development

The company plans to develop the following new products:

Type	Product Name	Function
Semiconductor equipment	Plate heat sink mounting system	A key process for mounting plate heat sinks in IC packages.

(II) Industry Overview

(1) Current status and development of the industry

The company was founded in 1996 as a professional automated machinery equipment manufacturer, specializing in research, development, manufacture and selling of automated machinery equipment for semiconductors, passive components, LEDs and inspections. The company has long maintained a close relationship with the major electronics manufacturers. With extensive professional knowledge and technical experience, we have provided the downstream industries machinery and technical consultation services for automated processes. Over the years, we have established a good reputation in the semiconductor, passive components, and LED industries. An overview of the industries we operate in is provided in the section below:

① Semiconductor Packaging Equipment Industry

In recent years, 3D IC has gradually emerged as the mainstream technology. The whole-new architecture of 3D IC meets the market trend. For example, smartphones have high requirements for IC functions and bandwidth, and 3D IC achieves broader bandwidth in reduced component size. It has the advantages of miniaturization, high performance, and ease of integration with highly heterogeneous applications. That is why it has become the dominant technology under development in the semiconductor packaging industry at the current stage. As new opportunities arise from new generation packaging and testing technology for 3D IC, many countries, including Japan, South Korea, the United States, and China, raced to invest in relevant research and development. The global 3D IC industry is coming into a stage of heightened competition. With competitive advantages, Taiwan's semiconductor packaging and testing companies shall be able to seize the business opportunities for outsourced 3D IC manufacturing, as well as the logic and memory stacking technology applications. TSMC announced that the company would extend its wafer capabilities into the packaging field. TSMC focuses on the development of TSV technology and plans to add packaging capabilities to its wafer fabrication. With its existing wafer-class packaging technology and as the trend of electronic products moves toward high-performance, high-integration, and low-power consumption component specifications, the semiconductor manufacturers will develop beyond the Moore's Law. 2.5D IC and 3D IC will become the primary trend in the future development of advanced packaging and testing technology. TSMC actively promotes CoWoS integrated production technology and combines logic system single-chip and dynamic random access memory into a single module. Since a wafer fabrication plant has higher integration capability than a semiconductor packaging and testing plant, TSMC's recent CoWoS operating model has indeed brought a certain level of pressure to the first-tier semiconductor packaging and testing plants. In addition to the CoWoS technology, TSMC has already launched into production, InFO WLP packaging technology tailored to the middle and low-end processor market has also begun production. The primary domestic semiconductor packaging and testing plants have taken a neutral and decisive stance on the outlook of the industry's development. In the short term, there is no need to worry about the competition. The main reason is that TSMC's advanced process packaging and testing is not offered to all customers. The "one-stop" service is only available to a certain few customers. To meet the advanced process trend of miniaturization and heterogeneous wafer integration, the company continues to plan for the advanced packaging process. The company expects to build a complete 3D IC process solution to further capture the demand for 3D ICs in future mobile and cloud devices. With TSMC's exclusive contract for Apple A10 and A11 processors, TSMC's packaging plant in Longtan has been fully loaded. Therefore, TSMC decided to expand the high-end packaging and testing capacity of InFO in the back-end facility at the Central Taiwan Science Park. At the same time, TSMC's Zhunan Advanced packaging and testing facility have planned to start the EIA. It is to improve international competitiveness and provide customers with better process technology and packaging testing services.

ASE has also continued to strengthen the development of high-end packaging and testing, such as the Fan-Out Panel Level Packaging (FOPLP) which will be in production soon. ASE has already worked on both the packaging and testing side. Also, PTI is expected to invest NT$50 billion in the third plant at the Hsinchu Science Park for advanced packaging and testing, especially for the fan-out panel level packaging. The key to the new architecture of 3D ICs is how wafer foundries, IDMs, and packaging plants can create new vertical partnerships. In the future, the foundry and packaging and testing industries will further strengthen the differentiation of their values. Predictably 3D IC will bring the semiconductor supply chain to a reshuffle. Cross-industry integration will be inevitable. TSMC will use its integration capabilities of wafer fabrication to extend its reach into the packaging industry, expecting to build a complete 3D IC process solution and tap into the ardent demand for 3D ICs for future mobile devices and cloud equipment.

② Passive component industry

Passive components are divided into four categories: resistors, capacitors, inductors, and filters. Although the role of passive components is not as important as active components in electronic products, they are still indispensable, as they are used across the fields of IT, telecommunication and consumer electronics for applications, such as voltage regulation, energy storage and protection of other electronic components.

Benefited from upgrades in smartphone specifications and the improved performance of Intel and Nvidia graphics chips, as passive components manufacturers in Japan gradually broke away from the mainstream passive component standard MLCCs, the trend has driven the market demand for passive components, including capacitors, 0201 high-frequency inductors, and integrated molding choke, to grow. Furthermore, slow down of the demands for personal computers and smartphones drove the domestic passive component manufacturers to actively upgrade their product mix and accelerate product diversification by expanding into the markets of network equipment, automotive electronics, industrial equipment, and power supply, seeking to create new momentum for growth. Therefore, as the manufacturers successively stepped into the market of mid- to high-end components and began to benefit from product diversification, the domestic passive electronic component manufacturing industry had seen steady growth in both production and sales in 2018.

Passive components are indispensable in electronic products. Therefore, the demand for passive components increases drastically when the downstream consumer electronics market is heating up. In recent years, passive components have benefited from the growth of electronic products, such as smartphones and tablet PCs. And coupled with the increased number of components used in each smartphone, the demand for passive components has been growing. In addition, new applications for netcom products and automotive electronics have also driven the demand for passive components.

③ LED Industry

The light-emitting diode (LED) is a semiconductor electronic components that, when driven by current, converts electrical power into the output of light. It is a cold-emitting light with a long component life, and its small size, shock-resistance, high durability and ease of mass-production make it a product of increase output value worldwide. The LED lighting is widely used, and the applications can be roughly divided into backlight sources, automotive lamps, traffic signs, lighting, and mobile devices. It is expected that LED will replace traditional light sources and become a new generation of lighting. As the order of the global LED market continues to improve, China's Sanan Optoelectronics took the lead to raise prices, and the lighting market continues to expand, the positive development is expected contribute to the growth in the scale of the global LED market. Chinese companies continue to improve their technological capabilities, the market scale continues to grow on a steady pace, optimization of product mix continues to roll out, and then the scale of the niche markets, such as automotive, quaternary LED and RGB continues to expand. The pressure on Taiwan’s LED industry is expected to heighten continuously. As we face fierce competition in the global LED industry, the domestic companies responded with strategic transformation and upgrade. Although the market order has gradually improved, the pressure from races with Chinese manufacturers remains strong. This pressure has prompted all manufacturers to pursue profit maximization continuously.

(2) Correlation between upstream, midstream, and downstream sections of the industry

The company's main products are passive component devices, such as cutting and wiring machines, semiconductor equipment, such as dual-track ball mounters, automatic dispensers, and AOI inspection and testing equipment, LED and testing equipment, such test sorters and test packaging machines. Most of the components required for production are purchased from third-party suppliers. After obtaining the above components, the company carries out R&D, design, assembly, and testing and sells the products to manufacturers in downstream industries, including semiconductors, passive components, LED and mobile phone manufacturers for production and testing.

(3) Product development trends

① Product miniaturization

In recent years, consumers' demands for information, communication and household electronic products continue to rise, and such demand has gone from the basic functions to compact size and portability. Therefore, the density of circuit design becomes higher and higher. Therefore, the density of the circuit design becomes higher and higher. More complex and future products are developing towards space saving, miniaturization, and complex functions, the sizes of components will also shrink. This means that the manufacturing equipment for surface mounting, packaging, cutting, and packing will also move into the next generation. Semiconductors and passive component equipment manufacturers will also develop into miniaturization, waferization, and high integration manufacturing processes, taking into account the performance and efficiency of machinery and equipment.

② Customized equipment for small-quantity and high-variety

Automated equipment has a close connection with the manufacturing processes of downstream customers. Once the customer's process changes, the products must change along to accommodate the customer's new method. Since the speed of process upgrade and the equipment costs have a significant impact on the profitability of the manufacturers, how to collaborate with the manufacturers during the product development process and provide stable products, have become a vital subject to manufacturers of automated equipment.

③ Developing into the global market

In recent years, consumers' demands for information, communication and household electronic products continue to rise, and such demand has gone from the basic functions to compact size and portability. Therefore, the density of circuit design becomes higher and higher. Therefore, manufacturers automated equipment must also expand into the neighboring regions, such as Hong Kong, Southeast Asia, and mainland China, to serve customers and adapt to the changes in the overall market. In recent years, consumers' demands for information, communication and household electronic products continue to rise, and such demand has gone from the basic functions to compact size and portability. Therefore, the density of circuit design becomes higher and higher.

(4) Competition

The company is a manufacturer of automated equipment for semiconductor, passive components, LED and testing. Up to now, no equipment manufacturers in Taiwan offers completely identical products and services. We are competing with foreign manufacturers.] Currently, the company's primary goal is to reinforce the R&D of equipment to meet customers' manufacturing needs. We strive to enhance competitiveness and gain market leadership.

(III) Technologies and Recent R&D Efforts

1. Technology level

The company mainly supplies high-speed precision automated equipment to high-tech industries for manufacturing of semiconductors, passive components, and LEDs, as well as inspection, not automated equipment for general production. The highly complex automated processes require many high-precision components, such as photoelectric sensors and special screws, and are controlled by a computer or microprocessor. The equipment operation requires not only speed and stability, but also the precision that reaches under 0.01mm. At the same time, to achieve the required quality for electrical measurement, the company must develop proprietary circuit control cards with unique functions. Therefore, compared with the domestic equipment manufacturers, the company's R&D capabilities are already leading the industry.

2. Research and development

The company's future development is planned in the following direction:

Research and Development	Expected Benefits
1. Develop high-precision component testing application technology	Capability upgrade for testing of unique specification components, which is expected to boost product competitiveness.
2. Develop new generation image recognition processing system application technology	The image recognition system has a wide range of applications, such as alignment, calibration, and appearance inspection of mechanical moving parts. Wide application to automated equipment will improve the accuracy and reliability of the products.
3. Develop or improve the special equipment needed for customers' manufacturing processes	Expand and extend the product lines to other manufacturing processes based on the information of customers' manufacturing processes currently available to us. This will reduce uncertainties and improve the timeliness and success rate of product development.
4. Develop equipment for unique processes of the critical components of 3C products.	The entry threshold for special process equipment is higher, and therefore, there are few competitors and high profits.

3. Education and experiences of research and development personnel

Year		As of December 31, 2018	
		Number of individuals	%
Level of education	Master degree or above	95	61
	Bachelor degree	50	32
	Associate degree or less	10	7
	Total	155	100

4. R&D expenses invested each fiscal year for the last five years

Unit: NT$ thousand

	2014	2015	2016	2017	2018
R&D expenses	231,236	234,699	295,946	263,895	285,166
Net revenue	1,519,806	1,507,082	2,112,459	1,866,853	1,925,869
Percentage	15.21%	15.57%	14.01%	14.14%	14.81%

5. Successfully developed technologies or products

The domestic equipment industry relies heavily on imports, which not only hinders the development of industrial technology but also increases production costs. In result, the international competitiveness of the industry is weakened. Given which, the company commits itself to research and development, expecting to provide customers right machinery and equipment or services with full function at reasonable prices. Technologies or products successfully developed by the Company's R&D team in most recent year are as follows:

Date	Successfully developed technologies or products
95.07	Laminator
95.10	Dual-track varistor testing machine
96.05	Laser repair machine (including lighting function)
96.05	Inductor wiring machine
96.12	12-inch wafer sorter
96.12	Laser marking machine
97.08	LED testing and taping machine
97.11	Slice inspection machine
98.02	LED testing and sorting machine
98.02	Rotary electroplating machine
99.10	Single-head laser platemaker
99.12	Power inductor wiring machine
100.04	Power inductor dispenser
100.09	Testing Equipment
100.12	Soldering machine
101.05	Silver paste dispenser
101.09	Sweeper
101.10	Turret double wiring machine
102.07	NR four-axial wiring and soldering machine
103.05	AOI inspection machine
104.01	SIP surface mounting machine
105.01	Wafer form AOI inspection equipment
106.01	Wafer form dispensing equipment
107.01	Inductive testing and packaging machine

(IV) The company's long- and short-term business development plans.

1. Short-term development plan

① Marketing

A. We provide our customers with comprehensive after-sale services, maximizing customer satisfaction with full professional technical consultation.

B. In response to customers' shifting overseas, we will set up factories abroad to service our customers at proximity, aiming to enhance competitiveness and increase market share.

② Production

A. The main focus will be placed on order-based flexible production, supplemented by planned production, to meet customers' demand for each product in the shortest time possible.

B. We will implement the ISO 9001 Quality System and continue to pursue quality improvement and excellence through scientific methods.

C. We will increase the speed and efficiency of production and reinforce the accuracy and quality of delivery.

③ Product development

A. Product development Continue to invest in R&D and recruiting R&D talents, actively develop new niche products and diversify products to create market opportunities.

B. Continuously reinforce professional training of R&D personnel, develop top-notch talents, and closely collaborate with research or academic institutions to actively develop high-end products.

④ Operating at scale

A. Develop various products and expand into the various industry-based the company's existing scale.

B. Work with MIS to achieve full computerization, speed up streamlining of work processes, and improve management performance.

C. Effectively implement the company's operating policies and guidelines through annual budget preparation and implementation.

2. Long-term development plan

① Marketing Strategy

A. Continuously provide high-end products and promote the company's high-tech image through corporate identity system to increase brand awareness and create higher added value.

B. Maintain the cooperative relationship with existing customers and build a community of permanent business partnership with customers through strategic alliances with upstream and downstream industries.

② Production strategy

A. Develop towards an international division of labor by setting up the appropriate scale of production and service bases, aiming to increase production capacity, reduce production costs, and service customers on-location.

B. Actively seek for excellent suppliers for long-term cooperation, help them improve their production technology and increase production volume and reduce costs through modularization.

③ Product development

A. Position the company as a customers' equipment development center to meet the industry's needs for high-level automation and help customers implement unmanned production.

B. In addition, to further develop our leading core products and drive the development of the same series, the company has also geared towards diversification and expanded into other high-tech industries, such as semiconductors.

④ Operating at scale

A. Increase the company's production capacity and operation scale through an international division of labor or strategic alliances, aiming to become one of the leading manufacturers of passive components, semiconductors, LED and testing equipment in the world.

B. We uphold the philosophy of sustainable development, establish an excellent corporate culture, and recognize the importance of corporate social responsibility.

II. Market, Production, and Sales

(I) Market analysis

1. Main product sales area

The company's sales in the most recent two years by area

Unit: NT$ thousand

Year / Region	2017		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Taiwan	1,647,152	88.23	1,658,604	86.12
Mainland China	219,701	11.77	267,265	13.88
Total	1,866,853	100.00	1,925,869	100.00

2. Future market supply, demand, and growth

① Semiconductor industry

As applications of semiconductors in everyday living scenarios increase, it is estimated that the semiconductor equipment industry will grow along with the semiconductor industry. According to Gartner's (July 2014) report on the capital expenditure of the global semiconductor industry, continuous expansion of investment of global semiconductor manufacturers is expected to drive the stake in semiconductor equipment to a new high.

As a global semiconductor production center, Taiwan has a complete supply chain from IC design to foundry, packaging, and testing, the annual demand for equipment updates and follow-up technical services is up to a considerable scale. Besides, as telecommunication and consumer electronic products are now focused on convenience and portability and products are moving towards slim and light designs, semiconductor manufacturers and packaging and testing service providers require new equipment for process improvement in response to the latest products. In recent years, many domestic equipment manufacturers teamed up with large semiconductor manufacturers for product development, which effectively drive forward a trend of collaborative development for local equipment manufacturers and raised the acceptance of domestic equipment in the industry. Therefore, in the next few years, as the semiconductor market continues to grow, the substantial annual equipment expenditure in Taiwan is expected to benefit the domestic equipment manufacturers.

As the significant international manufactures quickly dived into the development of driver assistance systems, it is expected to be the critical period for the semiconductor packaging industry to position themselves in the automotive market. Many companies with niche technology and patents are expected to benefit from the new generation of smart cars. As for the competition caused by the evolution of packaging technology, TSMC will extend its reach into the packaging field through the integration capabilities of a wafer fabrication plant, looking to build a complete 3D IC process solution and further tap into the demand for mobile devices and cloud equipment.

② Passive component industry

As passive components develop toward the direction of light and slim design with high frequency and high-current resistance along with the development of consumer electronics, such as smartphones, tablet PCs and wearable devices, miniaturization, waferization, high frequency, circuit integration, and high complexity will couple with shortening supply and marketing cycle. Therefore, targeting the needs of the passive component industry, equipment manufacturers will develop in the direction of improving the technology, automated mass-production, and cost control. Passive component process equipment can be divided into cutting, electroplating, testing, appearance inspection, and packaging. Taiwan's passive component equipment manufacturers have been involved in long-term R & D of production technology and established a complete service customization system; with the cost control, the future supply will gradually replace imported equipment.

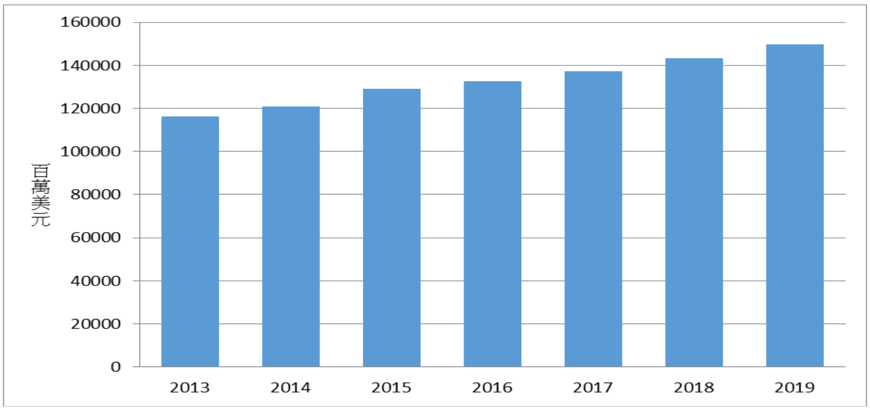
Apple and Samsung continue to launch flagship models, leading to further upgrades in product specifications and driving continued growth in the demand for high-frequency and miniature inductors. As the penetration rate of one-piece inductors continues to increase in automotive electronics, the Internet of Things, Netcom and e-sports NB applications, this trend is expected to drive another wave of growth in the overall inductor market. As the overall market demand continues to grow, passive components manufacturers in Taiwan will benefit from the continuous increase in the orders for mobile devices. Automotive passive components developed by companies, such as Chilisin Electronics, Mag-Layers, Yageo and Cyntec, have been certified by automotive manufacturers and are entering the output stage. Moreover, as the demand for data center, NetCom and e-sport NB begin to emerge, the composite effect of the trends will drive the shipments to grow further. The domestic manufacturers continue to expand into the markets of diverse applications, and the benefits of automotive electronic applications will gradually emerge. Both are expected to heat up sales continuously. Also, as product portfolio continues to improve and manufacturers accelerate the introduction of automated manufacturing, the company's gross margin is expected to increase steadily.

Observing that the growth rate of global traditional telecom products shipments will be suppressed in 2019, as the market is mature and saturated. Besides, the demand for new models is not apparent. After all, the functions of the latest models released by international brand manufacturers in recent years have not been favored by the market. While the end user purchases have not seen up-turned, downstream manufacturers have turned cautious and conservative on output planning. The demand for component procurement is also dropped according to actual market conditions. Faced with changes in the market environment, the domestic passive component manufacturers can't stay out of the way. In facing the strength of customers pulling goods is also mildly down, the order visibility is not as strong as in 2018. However, the domestic passive component manufacturers still have other countermeasures. As the recent new capacity has been set in place one by one, it has just given the domestic manufacturers a comprehensive view for an opportunity to re-adjust capacity allocation. Although there are some doubts on the demand side in the short term, the industry will help shape the atmosphere of tight supply with the control over production capacity. Moreover, domestic passive component manufacturers are also actively expanding for other market applications. As the group's M&A synergies emerge, it will be even more helpful to open niche product channels.

③ LED Industry

Governments worldwide have begun to pay attention to the problem of energy consumption in lighting. This trend brought about global eliminate low-efficiency lights and encourages the use of high-efficiency light sources. The most notable feature is LED lighting, as the industry claims it as the third revolution in the lighting industry. Governments worldwide have launched researches and policy subsidies to expand the use of LED lights. The global lighting market is gradually changing, and LED lighting applications will become the most significant driving force for the growth of light-emitting diodes. According to IEK report, the global LED industry will benefit from the support of government policy and the drop in the prices of LED products. These trends are expected to drive growth in market demand.

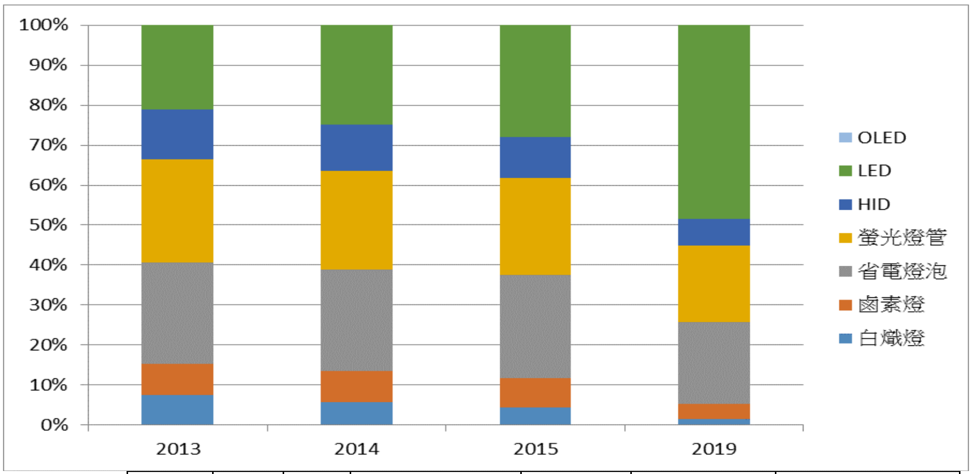
Global LED market scale



US$ million

Source: IHS (February 2014); IEK of ITRI (January 2015)

Analysis of the global use of light sources



OLED	LED	HID	Fluorescent tube	CFL bulb	Halogen bulb	Incandescent bulb

Source: IHS (2014); IEK of ITRI (January 2015)

The global LED lighting market has grown rapidly. In the fight to gain a foothold in the future LED lighting market, some manufacturers launched vertical integration of the supply chain through mergers and acquisitions and strategic alliances. LED manufacturers looked to expand their production capacity and therefore increased their capital expenditures as they purchase new equipment for LED production. This trend benefited domestic LED equipment manufacturers.

3. Positive and negative factors affecting competitive niches and long-term development, and response strategies

① Competitive Niches

A. An R&D team with extensive experience and professional competency.

The automated equipment manufacturing industry must be able to continuously advance in technology and development of new products along with customers' advancement in product quality in order to maintain the competitiveness. The Company sees product research and development as a significant part of the operations. Therefore, in addition to evaluating the existing market for new product development, we maintain active interaction with the academic and research institutions in related fields. With extensive production technologies, the Company has successfully developed many products and received patents for numerous technical developments over the years. Compared with other domestic equipment manufacturers, the Company has better capabilities to compete with foreign equipment manufacturers.

B. Rapid and high-quality after-sale services

The company's customers belong to the high-tech precision industry. Their demand for product yield and precision is very high. Their production processes are highly complex and operate with various equipment, so the level of equipment integration has a significant impact on product quality. The company's after-sales service personnel have extensive experience and carry out in-depth research on the production processes of customers' products to assist customers to solve problems on the manufacturing process and equipment and improve the precision and product yield.

C. Emphasis on R&D and production quality brings recognition of the brand

The company is committed to the advancement of product quality and technology and has been certified for ISO-9001 quality standards in 2000. We have strictly implemented internal management for product precision and stability and the ISO-9001 quality system, continuously, as we pursue continuous quality improvement and excellence. Our products have been widely recognized by customers for high quality with a good brand reputation in the industry.

D. Diversified product development

In 2002, we successfully developed the wafer mounter and, In 1992, the dual-track dispensing machine. Successively, our products were recognized by semiconductor manufacturers, taking a successful step into the field of semiconductor equipment manufacturing. Besides, the company successfully launched production of LED and testing equipment in 2008 and 2011 and will continue to move towards the goal of automation and diversified product development.

② Favorable factors affecting the company’s development prospects

A. The Company has many years of experience in automated equipment production and a stable team of R&D personnel. We have our own research and development of key technologies and developed high-end niche products with high diversity. We also provide customized products with the capabilities for fast product development.

B. The company's product sales have achieved ISO-9001 international quality certification. With an emphasis on quality assurance and ethical brand and product image, our product quality is recognized by well-known domestic and foreign manufacturers, which fortifies the competitive advantage of products for export.

C. We have a complete system structure of pats and components and work well with suppliers. Except for a few critical components from foreign manufacturers, most of the components are supplied by domestic manufacturers. The processing components for assembly are also produced and provided by local manufacturers. The manufacturing system is complete, and the production cost can be easily driven down.

③ Unfavorable factors in the prospect of future development and countermeasures Price competition

A. Peer competition in price

Responsive measures:

Continue to maintain research and development advantages by bringing in new talents and increasing the investment. Maintain continuous innovation and improvement and develop towards high added-values, winning right product image with leading strategies and quality assurance and raising the technical threshold for other competitors in the industry.

B. Shortage of technical talents

Responsive measures:

In addition to improving the work environment and establishing a good salary structure, bonus system, and employee benefits, we will continue to implement education and training to enhance the quality of our employees, or collaborate with renowned research institutes or engage in the transfer of technology to attract top-notch technical talents.

C. Rapid changes in the technology industry

Responsive measures:

In addition to continued strengthening our research and development capabilities, we will actively develop new equipment and products. Beyond reinforcing our business health and competitiveness, we will request the relevant departments to collect information on the customers industries on regular basis to understand the development of the industries, so that we have better knowledge on how to tailor equipment to meet customers' needs, solve problems for customers and establish long-term relationships with our customers by providing better services.

(II) Applications and manufacturing processes for the company's main products.

1. Major product application

Major product	Important application or function
Passive component equipment	Used for the latter part of the manufacturing process, including passive component cutting, electroplating, testing, and packaging. Used in the full manufacturing process along with the actions of wiring, assembly, testing, and packaging of passive components.
Semiconductor equipment	Air-tight sealing equipment applies adhesive at the junctions of the die and the substrate and then heat the unit to harden. The wafer sorter carries out a visual inspection to pick out nonconforming products, acting as a pre-inspection function before die bonding. The carrier switching equipment switches the substrate between the Boat and Tray since different processes require different carriers.
LED equipment	This is used mainly for SMD-type LED measurement and analysis and high-speed loading applications.
Testing Equipment	Quickly and automatically determine the geometrical dimensions such as points, lines, frames, circles, arcs, and angles of molds, PC Boards, and other products.

(III) Supplying status of the company's primary raw materials.

Main Product	Main Raw Material	Main supplier
Automated semiconductor, passive component, LED, and testing equipment.	Processed parts	Qi Rui, Yuan Zhou, Feng Yun, Song Li, and Yu Feng
	Industrial computer	ADLINK, Advantech
	Pneumatic cylinder	SMC, NOK, Festool, Mindman, and CKD
	Electric motor	ASKe, Oriental Motor, Shihlin Electric, Yaskawa and Delta
	Testing equipment	Agilent, Keithley

(IV) Changes in the company's gross profit margin in the most recent two years

Significant changes in gross margin in the last two years by products or department

Item	2017	2018	Changes	Proportion of the changes (%)
Sales revenue	1,866,853	1,925,869	59,016	3.16
Sales margin	846,758	799,933	(46,825)	(5.53)
Gross margin (%)	45.36	41.54	(3.82)	(8.42)

Changes in gross profit margin by 20 percent: None.

(V) List of Major Customers

1. Information on major suppliers in the most recent two years

The changes in the major suppliers of the company in the most recent two years were mainly due to changes in the product structure. The product structure is altered due to the orders placed by different industrial customers, resulting in the changes of major suppliers in the two years. Other than the above phenomenon, no one-single supplier supplies more than 10 percent of the company's total procurement.

2. List of customers in the most recent two years

Unit: NT$ thousand; %

Item	2017				2018				For the current year up to April 10, 2019			
	Company	Amount	Ratio of Sales to Net Sales throughout the Year (%)	Relationships with the issuer	Company	Amount	Ratio of Sales to Net Sales throughout the Year (%)	Relationships with the issuer	Company	Amount	Ratio of Sales to Net Sales in the Year up to the Previous Quarter (%)	Relationships with the issuer
1	B customer	429,669	23.02	None	A customer	406,119	21.09	None	C customer	72,067	28.51	None
2	C customer	373,067	19.98	None	B customer	67,058	3.48	None	D customer	34,351	13.59	None
3	Others	1,064,117	57.00	-	C customer	42,923	2.23	-	Others	146,317	57.90	None
4	-	-	-	-	Others	1,409,769	73.20	-	-	-	-	-
	Net Sales	1,866,853	100.00	-	Net Sales	1,925,869	100.00	-	Net Sales	252,735	100.00	-

Reasons for Changes:

A customer: Mainly due to the expansion of the passive component customer and the increase in capital expenditure.

B customers: Mainly due to reduced demand.

C customer: Mainly due to reduced demand.

(VI) Table of production volume in the two most recent years

In units/NT$ thousand

Year / Production Value / Major products (Note 1)	2017			2018		
	Production capacity (Note 3)	Production volume	Production value	Production capacity (Note 3)	Production volume	Production value
Automated semiconductor equipment	-	648	515,478	-	667	420,467
Automated passive component equipment	-	597	312,287	-	1,073	508,532
LED equipment	-	242	64,787	-	138	30,823
Others	-	379,180	127,543	-	34,972	166,114
Total (Note 2)	-	380,667	1,020,095	-	36,850	1,125,936

Note 1: Only significant machines are listed in this table; other components and products are not listed here due to inconsistent measurement units.

Note 2: Due to the differences in the quantity units used to calculate the significant products, the totals are not consistent, and the numbers cannot be compared.

Note 3: No production capacity analysis is performed since the company's production is order-based.

(VII) Sales volume in the two most recent years

In units/NT$ thousand

Year / Sales amount / Major products (Note 1)	2017				2018			
	Domestic		Export		Domestic		Export	
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Automated semiconductor equipment	336	249,936	312	838,825	492	514,404	175	331,792
Automated passive component equipment	501	358,608	96	104,932	932	622,374	141	217,283
LED equipment	236	108,243	6	3,208	129	69,731	9	1,866
Others (Note 2)	309,378	166,191	69,802	36,910	33,004	148,591	1,968	19,828
Total (Note 2)	310,451	882,978	70,216	983,875	34,557	1,355,100	2,293	570,769

Note 1: Only significant machines are listed in this table; other components and products are not listed here due to inconsistent measurement units.

Note 2: Due to the differences in the quantity units used to calculate the significant products, the totals are not consistent, and the numbers cannot be compared.

III. Number of Employees, Average years of Services, Average Age and Education in the Two Most Recent Years up to the Publication Date of This Annual Report

Year		2017	2018	For the current year up to May 13, 2019
Number of employees	Direct	31	33	33
	Indirect	285	276	263
	Total	316	309	296
Average Age		36.01	36.76	36.83
Average length of service (years)		5.53	5.96	6.37
Education distribution ratio (%)	PhD	3.49	3.69	3.77
	Master	26.24	28.85	29.59
	Bachelor degree	53.02	52.47	53.70
Senior High School		15.82	13.64	11.86
Less than Senior High School		1.43	1.35	1.08

IV. Information Regarding Environmental Protection Expenditure

(I) Environmental Protection Expenditures According to regulations, the company has to apply and receive permits for the establishment of anti-pollution facilities and pollution effluent, pay pollution prevention fees, or designate environmental personnel. The status of the measures mentioned above is as follows:

The company actively invests in the prevention of environmental pollution, sets up solar energy facilities, actively promotes recycle and reuse of resources, and actively implements environmental safety management measures. Full-plant inspection is also performed regularly as required by law, along with reinforcement in hazard identification, safety education, hazard prevention, emergency response, and employees health checkup, aiming to achieve the goal of zero pollution and zero workplace accident. For the impact of climate change, we make efforts to cut down greenhouse gas emissions and improve energy efficiency. We strive to meet compliance with domestic laws and regulations, as well as international standards. Beyond our pursuit of business growth, we are committed to environmental protection and work safety. The following are our energy saving plans:

A. Carbon reduction and energy saving goals:

Climate change has caused drastic changes in the global environment. Therefore, the company takes on the responsibility to mitigate the greenhouse effect. Our continuous actions include reducing greenhouse gas emission and linking our annual target to the company’s revenue to reduce carbon emissions by 5 percent. The source of greenhouse gas emissions is the use of electricity. Therefore, we continue to promote energy management based energy-saving practices, aiming to achieve the target set along with the increase and decrease of revenue and the goal of reducing electricity consumption by 5 percent.

B. Waste reduction and water saving goals:

To ensure effective use of resources, we continue to implement waste reduction management practices. The company’s operation is mainly equipment assembly, so we have no production lines and consequently no emissions of air pollution and wastewater. As approved by Kaohsiung City Bureau of Environmental Protection No. 10540721200, the company does not produce wastewater and is not a business designated by the EPA for air pollution control. The company agrees to properly dispose of wastes in accordance with the provisions of

Article 36 of the Waste Disposal Act. Moreover, approved by Tainan City Bureau of Environmental Protection No. 1050002048, the company's maximum effluent volume is 45 CMD (including 3 CMD for process wastewater and 42 CMD for domestic wastewater), and maximum sludge production volume is 0. Although the company has no air pollution and wastewater discharge issues, we still set an annual target for waste reduction, which varies along with the increase and decrease of revenue and the goal of reducing everyday garbage, waste and water consumption by 5 percent.

C. Energy-saving practices:

1. Organize employee training courses to promote energy saving and carbon reduction in the company.

   The company holds a monthly meeting to promote the lights-off project and the concept and awareness of environmental protection and energy conservation to employees. The following are specific practices enforced:

   A. Set air conditioning to 26 to 27 degrees Celsius.

   B. Implement the lights-off project.

   C. Save water.

   D. Bring your chopsticks, cups, and handkerchiefs.

   E. Turn off the computer and pull the plug after work, walk for exercise, and reduce the use of the elevator.

2. Energy saving practices are enforced at the plant and offices.

   A. Replaced all lights with LED fluorescent lamps at the plant.

   B. Zone the plant and office into areas for varied air conditioning control.

   C. Change the air-conditioning facility from water-cooling to storage-type.

   D. Energy-saving bulbs are replaced with LED lamp after the product life ends.

   E. Use e-invoicing and online signing to promote environmental sustainability.

3. Adopt electronic invoices and online e-authorization to implement environmental sustainability

   The company is committed to promoting sustainability of the environment and the earth, taking actions in response to the global energy-saving and carbon reduction initiative. The company also adopted the electronic invoicing system promoted by the Ministry of Finance and set up an electronic system for inquiries. Also, submission of requisition, procurement, and expense reimbursement forms has been updated from manual sign-offs to electronic sign-offs, and efforts have been made to promote e-documents to reduce the use of paper.

4. Use of solar panels to generate electricity Every six months

   The company appoints an operating environment audit agency approved by the Ministry of Labor to audit the company's work environment.

Related reports are available on the company's website. List the company’s investment in environmental pollution prevention equipment, use, and expected benefits:

The solar panels set up by the company is guaranteed to generate 207 KW of parallel electricity wattage per month for Taiwan Power. The table below shows the guaranteed power volume.

Year	Guaranteed solar power generation (KW)
1	338,878
2	335,400
3	332,022
4	328,655
5	325,298
6	321,951
7	318,614
8	315,288
9	311,970
10	308,663
11	305,365
12	302,076
13	298,797
14	295,527
15	292,266
16	289,015
17	285,772
18	282,538
19	279,314
20	276,098

(II) The process of pollution-related environment improvement over the two most recent years until the date of publication of this report. Please describe the process of handling pollution-related disputes, if any: None

(III) The total losses (including indemnity paid) and penalties paid by the company for environmental pollution, as well as future response measures (including improvement measures) and possible expenditure (including losses incurred by not implementing response measures, penalties, and an estimated amount of indemnity; if a reasonable estimation cannot be made, explain why): None

(IV) Current pollution and improvement status, and its effects on the company's competitive position and capital spending, as well as estimated major capital expenditures for environmental protection in the next two years: None.

V. Labor Relations:

1. List the company’s employee benefits, continuing education, training, retirement syste, and implementation status, as well as agreements between the employer and

employees and measures for protecting employees' rights and interests:

(1) Employee welfare policy

A. Insurance: In addition to the statutory labor and health insurance, the company ensures all employees with group insurance (accident and medical).

B. The company takes our employees' health checkups very seriously. With consent of our employees, the company actively follows up on employees who are found to have health issues and special conditions. Every year, our employees are given one free health checkup, which covers the basic labor health checks, as well as the more advanced items, including rheumatoid, Thyroid function, digestive function and arteriosclerosis.

C. The company provides employees beyond statutory protection. We offered comprehensive and additional protection and embarked on the mission to build a complete welfare system, covering food, clothing, housing, transportation, education, and recreation:

Welfare type	Welfare item	Description
Food	A fine and healthy diet	The company provides lunch, afternoon tea, and dinner to our employees for free.
	Department party	A department party is held once every two months.
Clothing	Work attire	Employee's uniform, jacket and casual wear day
Housing	Temporary dormitory	The company offers dormitory rooms to employees from other areas, commuting employees and those who cannot return home due to work assignments.
Travel	Subsidies for using private vehicles to conduct company business	The company provides company cars for receiving guests, and those who drive private vehicles for company business are eligible to apply for expense reimbursement.
Education	Library	The company set up a library on-the-go and magazine lounge, providing employees various books and magazines for a loan, aiming to help employees develop reading habits.
Entertainment	Workout Room	We remind our employees to care for their health while keeping themselves busy at work. We set up an employees workout room, which is open to all employees for free use.
	Sports courts	We have also set up courts for table tennis, basketball, and billiards, which are open to all employees.
	Welfare facility	The break room provides coffee, beverages, hot food, and more to refresh our employees anytime.
	Company parties	The company hosts parties on the major holidays and the year-end dinner. The parties are filled with fun games to draw the employees closer to each other.
	Recreational activities	Subsidies for domestic and overseas trips.

D. It is our responsibility to take good care of our employees' lives and settle their families. Therefore, in addition to funding the employee welfare committee, the company offers birthday gift-money, bonuses on the three major festivals and gift-money for childbirth and wedding.

E. The company has implemented a flexible working hours system in 2019. In considering the family life, after discussion with the Supervisor, each colleague can apply for flexible working hours.

(2) Retirement system:

A. Old system:

Since May 20, 2000, the company formally established the Labor Pension Reserve Supervisory Committee in accordance with the Rules Governing Organization of Supervisory Committee of Business Entities'

Labor Retirement Reserve. The company contributes 4 percent of each employee's total monthly salary to the retirement reserve into the exclusive account of the Labor Pension Reserve Supervisory Committee. Pension payments are made in compliance with the Labor Standards Act.

B. New system:

Since July 1, 2005, the company has established a retirement plan based on the Labor Pension Act, which applies all employees who are citizens of R.O.C. For employees who chose to adopt the retirement system provided by the Labor Pension Act, the company contributes an amount no less than six percent of the worker’s monthly wage to the personal retirement pension account set up by the Bureau of Labor Insurance. The retirement pension shall be calculated based on the principal and accrued dividends from an employee’s account of labor pension and paid on a monthly or lump-sum basis. The subsidiary in China contributes 18% of each employee’s total monthly salary for retirement insurance in accordance with the pension insurance system set forth by the government of the People's Republic of China. The pension fund is collectively managed by the government. The company has no further obligation other than making a monthly contribution.

(3) Employer/employee agreements

Achievement of the company’s goals depends on the commitment and dedication of employees, while employees also need employers’ support for them to be able to extend their talent. Therefore, the relationship between employers and employees has always been the focus the company and its subsidiaries. Since the founding of the company and its subsidiaries, the relationship between employees and employers has been harmonious.

2. Losses arising as a result of labor disputes in the most recent year up to the publication date of the Annual Report and disclosure of potential losses in the current and future terms and countermeasures: None

VI. Important Contracts:

Nature of Contract	Parties	Contract Beginning and Ending Dates	Major contents	Restrictive Provision
Land Lease	Southern Taiwan Science Park Administration	January 1, 2009 to December 31, 2023 and November 1, 2014 to October 31, 2034	Land lease for the Southern Taiwan Science Park in Luchu	None

Chapter 6 Financial Summary

I. Condensed Balance Sheet and Comprehensive Income Statements in the Most Recent Five Fiscal Years:

(I) Condensed balance sheet and income statements

1. Condensed balance sheet and comprehensive income statements - IFRS

Unit: NT$ thousand

Item \ Year		Financial information for the most recent five years (Note 1)					For the financial data up to March 31, 2019 (note 3)
		2014	2015	2016	2017	2018	
Current assets		1,515,887	1,560,225	1,828,962	1,888,126	1,871,275	1,769,701
Property, plant and equipment		252,264	395,288	448,984	422,161	403,255	398,999
Intangible assets		729	2,729	6,348	4,541	6,187	5,399
Other assets		233,233	233,254	234,843	220,508	239,089	276,344
Total assets		2,002,113	2,191,496	2,519,137	2,535,336	2,519,806	2,450,443
Current liabilities	Before distribution	506,196	433,562	660,421	632,445	598,595	454,319
	After distribution	646,840	604,234	913,138	893,586	Note 2	Not applicable
Non-current liabilities		37,990	37,430	36,633	41,072	52,063	86,339
Total liabilities	Before distribution	544,186	470,992	697,054	673,517	650,658	540,658
	After distribution	644,646	641,664	949,771	934,658	Note 2	Not applicable
Equity attributable to owners of the parent company		1,457,927	1,720,504	1,822,083	1,861,819	1,869,148	1,909,785
Capital		807,239	853,359	842,389	842,389	842,389	833,239
Capital surplus	Before distribution	290,673	380,987	378,920	378,920	378,920	377,196
	After distribution	250,489	380,987	378,920	378,920	Note 2	Not applicable
Retained earnings	Before distribution	347,395	474,492	611,136	657,930	712,420	705,302
	After distribution	246,935	303,820	358,419	396,789	Note 2	Not applicable
Other equity		23,758	11,666	(10,362)	(17,420)	(18,649)	(5,952)
Treasury stocks		(11,138)	-	-	-	(45,932)	-
Total equity	Before distribution	1,457,927	1,720,504	1,822,083	1,861,819	1,869,148	1,909,785
	After distribution	1,317,283	1,549,832	1,569,366	1,600,678	Note 2	Not applicable

Note 1: Financial information for 2014 to 2018 was audited and attested or reviewed by a CPA.
Note 2: 2018 earnings distribution has not yet approved by the Shareholders' Meeting.
Note 3: Financial information has been audited and attested or reviewed by a CPA.

Unit: NT$ thousand, except NT$ for earnings per share

Year / Item	Financial information for the most recent five years (Note 1)					For the financial data up to March 31, 2019 (note 2)
	2014	2015	2016	2017	2018	
Revenue	1,519,806	1,507,082	2,112,459	1,866,853	1,925,869	252,735
Gross profit	592,847	624,429	935,443	846,758	799,933	122,337
Operating profit	202,727	225,485	440,699	404,694	328,132	29,294
Non-operating items	31,548	36,002	(14,487)	(44,332)	41,686	5,325
Net profit before tax	234,275	261,487	426,212	360,362	369,818	34,619
Net profit from continuing operations	202,009	228,506	357,016	303,196	314,416	27,940
Net profit (loss)	202,009	228,506	357,016	303,196	314,416	27,940
Other comprehensive income (after tax)	19,351	(12,450)	(20,100)	(10,743)	(14)	12,697
Total comprehensive income	221,360	216,056	336,916	292,453	314,402	40,637
Net income attributable to owners of the parent company	202,009	228,506	357,016	303,196	314,416	27,940
Total comprehensive income attributable to owners of the parent company	221,360	216,056	336,916	292,453	314,402	40,637
Earnings per share	2.50	2.76	4.21	3.60	3.74	0.34

* If the company has a parent-company-only financial report, it should prepare condensed balance sheet and comprehensive income Statements in the most recent five years:

Note 1: Financial information for 2014 to 2018 was audited and attested or reviewed by a CPA.

Note 2: Financial information has been audited and attested or reviewed by a CPA.

2. Parent-company-only condensed balance sheet and comprehensive income statements - IFRS

Unit: NT$ thousand

Item		Financial information for the most recent five years (Note 1) 2014	2015	2016	2017	2018	For the financial data up to March 31, 2019 (Note 3)
Current assets		1,100,421	1,212,474	1,513,953	1,616,683	1,615,432	Not applicable
Property, plant and equipment		118,361	274,663	344,018	326,784	314,244	
Intangible assets		382	2,586	6,282	4,541	4,961	
Other assets		634,350	604,708	551,152	530,637	535,326	
Total assets		1,853,514	2,094,431	2,415,405	2,478,645	2,469,963	
Current liabilities	Before distribution	357,667	336,506	556,689	575,760	548,752	
	After distribution	498,311	507,178	809,406	836,901	Note 2	
Non-current liabilities		37,920	37,421	36,633	41,066	52,063	
Total liabilities	Before distribution	395,587	373,927	593,322	616,826	600,815	
	After distribution	536,231	544,599	846,039	877.967	Note 2	
Capital		807,239	853,359	842,389	842,389	842,389	
Capital surplus	Before distribution	290,673	380,987	378,920	378,920	378,920	
	After distribution	250,489	380,987	378,920	378,920	Note 2	
Retained earnings	Before distribution	347,395	474,492	611,136	657,930	712,420	
	After distribution	246,935	303,820	358,419	396,789	Note 2	
Other equity		23,758	11,666	(10,362)	(17,420)	(18,649)	
Treasury stocks		(11,138)	-	-	-	(45,932)	
Total equity	Before distribution	1,457,927	1,720,504	1,822,083	1,861,819	1,869,148	
	After distribution	1,317,283	1,549,832	1,569,366	1,600,678	Note 2	

* If the company has a parent-company-only financial report, it should prepare condensed balance sheet and comprehensive income Statements in the most recent five years:

Note 1: Financial information for 2014 to 2018 was audited and attested or reviewed by a CPA.

Note 2: 2018 earnings distribution has not yet approved by the Shareholders' Meeting.

Note 3: Parent-company-only financial statements for the first quarter of 2019 were not available; therefore it is not applicable.

Unit: NT$ thousand, except NT$ for earnings per share

Item \ Year	Financial information for the most recent five years (Note 1)					For the financial data up to March 31, 2019 (Note 2)
	2014	2015	2016	2017	2018	
Revenue	1,159,162	1,296,254	1,871,297	1,614,505	1,684,162	Not applicable
Gross profit	511,066	575,914	896,150	792,721	733,938	
Operating profit	219,105	265,005	478,093	425,993	339,871	
Non-operating items	13,520	(5,982)	(51,483)	(67,075)	29,010	
Net profit before tax	232,625	259,023	426,610	358,918	368,881	
Net profit from continuing operations	202,009	228,506	357,016	303,196	314,416	
Net profit (loss)	202,009	228,506	357,016	303,196	314,416	
Other comprehensive income (after tax)	19,351	(12,450)	(20,100)	(10,743)	(14)	
Total comprehensive income	221,360	216,056	336,916	292,453	314,402	
Earnings per share	2.50	2.76	4.21	3.60	3.74	

＊ If the company has a parent-company-only financial report, it should prepare condensed balance sheet and comprehensive income Statements in the most recent five years:

Note 1: Financial information for 2014 to 2018 was audited and attested or reviewed by a CPA.

Note 2: Parent-company-only financial statements for the first quarter of 2019 were not available; therefore it is not applicable.

(II) Names and auditing opinions of CPAs in the most recent five years

1. The CPAs' names and auditing opinions for the most recent five years. Except for the unqualified opinion auditing report, the auditing opinions shall be described in details.

Year	Accounting firm	CPA	Auditor’s opinion
2014	PwC Taiwan	Ming-Xian Li, Tsi-Yu Lin	Modified unqualified opinion (Note 1)
2015	PwC Taiwan	Ming-Xian Li, Tsi-Yu Lin	Modified unqualified opinion (Note 2)
2016	PwC Taiwan	Tsi-Yu Lin, Tsi-Meng Liu	Unqualified opinion with remarks referred to the explanations in the audit report of other CPA's audit (Note 2)
2017	PwC Taiwan	Tsi-Yu Lin, Tsi-Meng Liu	Unqualified opinion with remarks referred to the explanations in the audit report of other CPA's audit (Note 2)
2018	PwC Taiwan	Tsi-Meng Liu, Yong-Chih Lin	An audit report of unqualified opinion

Note 1: The investment of the company in UniRing Tech Co., Ltd. and XinYang Tech Co. Ltd. under equity method has been evaluated and disclosed in the financial report audited by the CPAs appointed by the invested company.

Note 2: The investment of the company in UniRing Tech Co., Ltd. under equity method has been evaluated and disclosed in the financial report audited by the CPAs appointed by the invested company.

2. Former CPAs and their successors should state the reasons for the replacement of CPAs in the most recent five years if there is any: Internal job adjustment has been conducted in accordance with the “Procedures for Reviewing Financial Reports of Listed Companies”.

II. Financial Analysis of the Most Recent Five Years

1. Financial analysis of consolidated financial statements - IFRS

Item (note 4) \ Year		Financial analysis for the most 5 recent fiscal years					For the financial data up to March 31, 2019 (Note 3)
		2014	2015	2016	2017	2018	
Financial structure (%)	Liabilities to assets ratio	27.18	21.49	27.67	26.57	25.82	22.06
	Long-term fund to property, plant and equipment ratio	577.94	435.25	405.82	441.02	463.52	478.64
Liquidity analysis (%)	Current ratio	299.47	359.86	276.94	298.54	312.61	389.53
	Quick ratio	239.07	291.40	222.39	243.97	268.93	330.97
	Interest coverage ratio	919.73	683.73	276.69	359.21	3,523.08	225.80
Operating ability	Receivables turnover ratio (times)	2.40	2.61	4.32	3.23	2.78	0.36
	Average receivable turnover days	152.08	139.85	84.49	113.00	131.29	250.00
	Inventory turnover ratio (times)	3.61	2.91	3.54	2.80	3.45	0.44
	Payables turnover ratio (times)	3.96	3.41	4.44	3.08	3.45	0.48
	Inventory turnover days	101.11	125.43	103.11	130.36	105.80	204.55
	Property, plant and equipment turnover ratio (times)	6.15	4.65	5.00	4.29	4.67	0.63
	Total assets turnover ratio (times)	0.83	0.72	0.90	0.74	0.76	0.10
Profitability	Return on assets (%)	11.01	10.91	15.21	12.03	12.44	1.13
	Return on equity (%)	14.42	14.38	20.16	16.46	16.85	1.48
	Net profit before tax to paid-in capital ratio (%)	29.02	30.64	50.60	42.78	44.38	4.15
	Net income ratio (%)	13.29	15.16	16.90	16.24	16.33	11.06
	Earnings per share (NT$)	2.50	2.76	4.21	3.60	3.74	0.34

Item (note 4)	Year	Financial analysis for the most 5 recent fiscal years 2014	2015	2016	2017	2018	For the financial data up to March 31, 2019 (note 3)
Cash flow	Cash flow ratio (%)	42.42	52.32	108.87	27.38	55.18	(14.05)
	Cash flow adequacy ratio (%)	Note 1	22.70	96.48	119.11	146.46	Not applicable
	Cash reinvestment ratio (%)	7.96	7.16	29.23	Note 1	3.48	Note 1
Leverage	Operating leverage	2.92	2.77	2.12	2.09	2.44	4.18
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.01

Reasons for changes in various financial ratios in the most recent two years (Analysis is not be required if such changes are within 20%.)

1. Increase in interest coverage ratio: Mainly due to the reduced interest expense.
2. Increase in inventory turnover ratio: Mainly due to the decrease in the receivable days of supplier payment for the current purchase.
3. Increase in cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: Mainly due to the increase in cash inflows from profit.

* If the company has a parent-company-only financial report, it should prepare a parent-company-only financial ratio analysis.

Note 1: Negative numbers are not shown.

Note 2: Calculated with the share capital at the end of the period.

Note 3: Financial information has been audited and attested or reviewed by a CPA.

Note 4: At the end of the Annual Report, the following formula should be listed:

1. Financial structure

(1) Financial structure Liabilities to assets ratio = Total liabilities / Total assets.

(2) Long-term fund to property, plant and equipment ratio = (Total equity + Non-current liabilities) / Net value of property, plant and equipment.

2. Liquidity analysis

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

(2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities.

(3) Interest coverage ratio = Net profit before income tax and interest expenses / Interest expenses.

3. Operating ability

(1) Receivables (including accounts receivable and notes receivable) turnover ratio = Net sales / Average receivables (including accounts receivable and notes receivable)

(3) Average receivable turnover days = 365/ Receivables turnover ratio.

Inventory turnover ratio = Costs of goods sold / Average inventory.

(4) Payables (including accounts payables and notes payables) turnover ratio = Costs of goods sold / Average payables (including accounts payables and notes payables).

(5) Inventory turnover days = 365/ Inventory turnover ratio.

(6) Property, plant and equipment turnover ratio = Net sales / Net value of property, plant and equipment.

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

4. Profitability analysis

(1) Return on assets = [Net income + Interest expenses × (1-Tax rate)] / Average total assets.

(2) Return on equity = Net income / Average total equity.

(3) Net profit ratio = Net income / Net sales.

(4) Earnings per share = (Net income attributable to owners of the parent company - Preferred stock dividend) /

Weighted average number of issued shares. (Note 6)

5. Cash flow

(1) Cash flow ratio = Cash flows from operating activities / Current Liabilities.

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for most recent five years / (Capital expenditures + Inventory additions + Cash dividends) of most recent five years.

(3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross value of property, plant and equipment + Long-term Investment + Other non-current assets + Working capital) (Note 7)

6. Leverage

(1) Operating leverage = (Net sales - Variable operating costs and expenses) / Operating profit

(2) Financial leverage = Operating profit/ (Operating profit - Interest expenses)

Note 5: In calculating earnings per share with the formula mentioned above, special attention should be paid to the following matters:

1. It is based on the weighted average common shares, rather than the issued shares at the end of the year.
2. In the event of cash capital increase or treasury stock, the weighted average number of shares shall be calculated with an outstanding period.
3. In the case of capital increase out of earnings or capital surplus, the annual and semi-annual earnings per share shall be adjusted retrospectively to the ratio of capital increase, without considering its issuance duration.
4. If the preferred stock is a non-convertible accumulative preferred stock, its annual dividend (whether or not it is paid) shall be deducted from the net profit after tax, or added to the net loss after tax. If the preferred stock is non-cumulative and when there is a net profit after tax, the preferred stock dividend shall be deducted from the net profit after tax; if it is a loss, no adjustment shall be made.

Note 6: In calculating cash flow, special attention should be paid to the following matters:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflows from capital investments.
3. The increase in inventory is taken into account when the balance at the end of period is higher than the balance at the beginning of period. Otherwise, it is taken as zero.
4. Cash dividends include cash dividends for common shares and preferred shares.
5. Gross value property, plant, and equipment is the total amount of property, plant, and equipment before deducting accumulated depreciation.

Note 7: The issuer should classify various operating costs and operating expenses into fixed and variable properties. If there is an estimate or subjective judgment, attention should be paid to its rationality and consistency.

Note 8: If the company's stock is not denominated or the denomination is not NT$10, the calculation of the paid-in capital ratios shall be based on the equity attributable to owners of the parent company in the balance sheet.

2. Parent-company-only financial analysis of consolidated financial statements - IFRS

Year / Item (note 4)		Financial analysis for the most 5 recent fiscal years					For the financial data up to March 31, 2019 (note 2)
		2014	2015	2016	2017	2018	
Financial structure (%)	Liabilities to assets ratio	21.34	17.85	24.56	24.89	24.32	Not applicable
	Long-term fund to property, plant and equipment ratio	1,231.76	626.41	529.65	569.74	594.81	
Liquidity analysis (%)	Current ratio	307.67	360.31	271.96	280.79	294.38	
	Quick ratio	252.07	294.49	221.95	231.28	256.46	
	Interest coverage ratio	2,059.63	2,644.09	324.68	414.02	3,514.15	
Operating ability	Receivables turnover ratio (times)	2.42	2.95	4.78	3.42	2.96	
	Average receivable turnover days	150.83	123.73	76.36	106.73	123.31	
	Inventory turnover ratio (times)	3.55	3.13	3.62	2.71	3.53	
	Payables turnover ratio (times)	4.07	3.82	4.71	2.89	3.19	
	Inventory turnover days	102.82	116.61	100.83	134.69	103.40	
	Property, plant and equipment turnover ratio (times)	9.94	6.60	6.05	4.81	5.25	
	Total assets turnover ratio (times)	0.67	0.66	0.83	0.66	0.68	
Profit ability	Return on assets (%)	11.76	11.58	15.88	12.42	12.71	
	Return on equity (%)	14.42	14.38	20.16	16.46	16.85	
	Net profit before tax to paid-in capital ratio (%)	28.82	30.35	50.64	42.61	43.79	
	Net income ratio (%)	17.43	17.63	19.08	18.78	18.67	
	Earnings per share (NT$)	2.50	2.76	4.21	3.60	3.74	
Cash flow	Cash flow ratio (%)	71.04	59.67	130.48	42.79	60.60	
	Cash flow adequacy ratio (%)	Note 1	28.66	104.73	128.96	141.56	
	Cash reinvestment ratio (%)	16.12	5.78	30.14	Note 1	3.68	
Leverage	Operating leverage	2.33	2.17	1.87	1.86	2.16	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	

<table>
<tr><td rowspan="2">Year / Item (note 4)</td><td colspan="5">Financial analysis for the most 5 recent fiscal years</td><td rowspan="2">For the financial data up to March 31, 2019 (note 2)</td></tr>
<tr><td>2014</td><td>2015</td><td>2016</td><td>2017</td><td>2018</td></tr>
<tr><td colspan="7">Reasons for changes in various financial ratios in the most recent two years (Analysis is not be required if such changes are within 20%.)
1. Increase in interest coverage ratio: Mainly due to the reduced interest expense.
2. Increase in inventory turnover ratio and average inventory turnover days: Mainly due to the decrease in the receivable days of supplier payment for the current purchase.
3. A decrease in inventory turnover ratio and payables turnover ratio: Mainly due to the decline in orders received during the period.
4. Increase in cash flow ratio and cash reinvestment ratio: Mainly due to the increase in cash inflows from profit.</td></tr>
</table>

＊ If the company has a parent-company-only financial report, it should prepare a parent-company-only financial ratio analysis.

Note 1: Negative numbers are not shown.

Note 2: Parent-company-only financial statements for the first quarter of 2018 were not available. Therefore it is not applicable.

Note 3: Calculated with the share capital at the end of the period.

Note 4: At the end of the Annual Report, the following formula should be listed:

1. Financial structure

(1) Financial structure Liabilities to assets ratio = Total liabilities / Total assets.

(2) Long-term fund to property, plant and equipment ratio = (Total equity + Non-current liabilities) / Net value of property, plant and equipment

2. Liquidity analysis

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

(2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities.

(3) Interest coverage ratio = Net profit before income tax and interest expenses / Interest expenses.

3. Operating ability

(1) Receivables (including accounts receivable and notes receivable) turnover ratio = Net sales / Average receivables (including accounts receivable and notes receivable)

(3) Average receivable turnover days = 365/ Receivables turnover ratio.

Inventory turnover ratio = Costs of goods sold / Average inventory.

(4) Payables (including accounts payables and notes payables) turnover ratio = Costs of goods sold / Average payables (including accounts payables and notes payables).

(5) Inventory turnover days = 365/ Inventory turnover ratio.

(6) Property, plant and equipment turnover ratio = Net sales / Net value of property, plant and equipment.

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

4. Profitability analysis

(1) Return on assets = [Net income + Interest expenses × (1-Tax rate)] / Average total assets.

(2) Return on equity = Net income / Average total equity.

(3) Net profit ratio = Net income / Net sales.

(4) Earnings per share = (Net income attributable to owners of the parent company - Preferred stock dividend) / Weighted average number of issued shares. (Note 6)

5. Cash flow

(1) Cash flow ratio = Cash flows from operating activities / Current Liabilities.

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for most recent five years / (Capital expenditures + Inventory additions + Cash dividends) of most recent five years.

(3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross value of property, plant and equipment + Long-term Investment + Other non-current assets + Working capital) (Note 7)

6. Leverage

(1) Operating leverage = (Net sales - Variable operating costs and expenses) / Operating profit

(2) Financial leverage = Operating profit/ (Operating profit - Interest expenses)

Note 5: In calculating earnings per share with the formula mentioned above, special attention should be paid to the following matters:

1. 1. It is based on the weighted average common shares, rather than the issued shares at the end of the year.
2. In the event of cash capital increase or treasury stock, the weighted average number of shares shall be calculated with an outstanding period.
3. In the case of capital increase out of earnings or capital surplus, the annual and semi-annual earnings per share shall be adjusted retrospectively to the ratio of capital increase, without considering its issuance duration.
4. If the preferred stock is a non-convertible accumulative preferred stock, its annual dividend (whether or not it is paid) shall be deducted from the net profit after tax, or added to the net loss after tax. If the preferred stock is non-cumulative and when there is a net profit after tax, the preferred stock dividend shall be deducted from the net profit after tax; if it is a loss, no adjustment shall be made.

Note 6: In calculating cash flow, special attention should be paid to the following matters:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflows from capital investments.
3. The increase in inventory is taken into account when the balance at the end of period is higher than the balance at the beginning of period. Otherwise, it is taken as zero.
4. Cash dividends include cash dividends for common shares and preferred shares.
5. Gross value property, plant, and equipment is the total amount of property, plant, and equipment before deducting accumulated depreciation.

Note 7: The issuer should classify various operating costs and operating expenses into fixed and variable properties. If there is an estimate or subjective judgment, attention should be paid to its rationality and consistency.

Note 8: If the company's stock is not denominated or the denomination is not NT$10, the calculation of the paid-in capital ratios shall be based on the equity attributable to owners of the parent company in the balance sheet.

III. Supervisors’ Report for the Most Recent Fiscal Year's Financial Statements: Please refer to #Page72#.

IV. Financial Statements in the Most Recent Fiscal Year: Please refer to #Page83-137#.

V. Parent-Company-Only Financial Statements for the Most Recent Fiscal Year, Certified by a CPA: Please refer to #Page142-197#.

VI. Impact of financial difficulties of the company and affiliated companies on the financial status of the company in the most recent year, up to the publication date the Annual Report: None.

III. Supervisors' Report for the Most Recent Year's Financial Statements

ALL RING TECH Co., LTD.

Supervisors' Review Report

Approval for

The Board of Directors has prepared the company's 2018 Annual Business Report, Financial Statements, Consolidated Financial Statements, and profits distribution proposal, etc., which were reviewed and confirmed by the Supervisors that there was no discrepancy. According to Article 219 of the company Act, we hereby submit this report and kindly request for approval.

To

2019 Annual General meeting

ALL RING TECH Co., LTD.

Supervisor: Hong-Ren Lin

Kuo-Chen Wu

Ching-Hsu Tsai

February 26, 2019

Chapter 7 Review and Analysis of Financial Position and Financial Performance, and Listing of Risks

I. Financial Position

Unit: NT$ thousand

Item \ Year	2018	2017	Difference	
			Increase (decrease) amount	Percentage of the changes (%)
Current assets	1,871,275	1,888,126	(16,851)	(0.89)
Property, plant and equipment	403,255	422,161	(18,906)	(4.48)
Intangible assets	6,187	4,541	1,646	36.25
Other assets	239,089	220,508	18,581	8.43
Total Liabilities	2,519,806	2,535,336	(15,530)	(0.61)
Current liabilities	598,595	632,445	(33,850)	(5.35)
Non-current liabilities	52,063	41,072	10,991	26.76
Total Assets	650,658	673,517	(22,859)	(3.39)
Capital	842,389	842,389	-	-
Capital surplus	378,920	378,920	-	-
Retained earnings	712,420	657,930	54,490	8.28
Other equity	(18,649)	(17,420)	(1,229)	(7.06)
Treasury stocks	(45,932)	-	(45,932)	-
Total Shareholders' Equity	1,869,148	1,861,819	7,329	0.39

Reasons for increased or decreased ratios: (except for changes less than 20%)
1. Increase in intangible assets: Mainly caused by the purchase of computer software.
2. Increase in non-current liabilities: Due to temporary differences in deferred income tax liabilities arising from changes in the exchange rate.
3. Increase in treasury stocks: Mainly caused by the purchase of treasury shares.

II. Financial Performance

(I) Comparison and analysis of financial performance

Unit: NT$ thousand

Item/year	2018	2017	Increase (decrease) amount	Percentage of the changes (%)
Revenue	1,925,869	1,866,853	59,016	3.16
Operating cost	1,125,936	1,020,095	105,841	10.38
Gross profit	799,933	846,758	(46,825)	(5.53)
Operating expenses	471,801	442,064	29,737	6.73
Net operating profit	328,132	404,694	(76,562)	(18.92)
Non-operating items	41,686	(44,332)	86,018	194.03
Pre-tax profit from continuing operation	369,818	360,362	9,456	2.62
Income tax expense	55,402	57,166	(1,764)	(3.09)
Net income	314,416	303,196	11,220	3.70
Other comprehensive income	(14)	(10,743)	10,729	99.87
Total comprehensive income	314,402	292,453	21,949	7.51

Explanation of increased or decreased percentage: (except for difference less than 20%)
1. Increase in non-operating items: Mainly due to exchange rate fluctuations.
2. Increase in other comprehensive income: Mainly due to exchange rate fluctuations.

Expected sales in the upcoming year and its basis, its potential Impact on the company's future financial business, and the countermeasures thereof: The company expects the sale to increase over 2018 and benefit the company, after considering changes in the overall economic environment, industrial trends, and the company's development.

III. Review and Analysis of Cash Flow

(I) Analysis of cash flow changes of the most recent year

Unit: NT$ thousand

Item \ Year	2018	2017	Increased or decreased	
			Amount	%
Net cash inflows from operating activities (outflows)	330,292	173,155	157,137	90.75
Net cash inflows from investing activities (outflows)	(32,545)	13,959	(46,504)	(333.15)
Net cash inflows from financing activities (outflows)	(307,073)	(267,717)	(39,356)	(14.70)

Main reasons for cash flow changes of the most recent year:

(1) The net cash inflow from operating activities in 2018 is higher than in 2017: Mainly due to the profit in 2018.

(2) The net cash flow from investing activities in 2018 has changed from inflow to outflow: Mainly due to the acquisition of securities in 2018.

(3) The net cash inflow from financing activities in 2018 is higher than in 2017: Mainly caused by the purchase of treasury shares in 2018

(II) Corrective measures to be taken in response to illiquidity: Not applicable.

(III) Analysis on cash flow liquidity in upcoming year (2019)

Unit: NT$ thousand

Cash and cash equivalents – beginning balance	Net cash flows from operating activities	Net cash flows from investing and financing activities	Cash surplus (Deficit)	Remedial measures for insufficient cash	
				Investment plan	Financing plan
880,090	191,105	(407,309)	663,886	-	-

(1) 2019 Cash Flow Analysis

①Operating activities: The company expects to continue to grow in business. This shall increase the revenue and profits, including net cash inflows from operating activities.

②Investment activities: The company expects to continue to grow in business and expand its business scale, creating cash inflows from investment activities.

③Financing activities: Cash outflows due to expected earnings distribution.

(2) Remedy plans for the negative balance of cash and cash equivalents: None.

IV. Impact of Major Capital Expenditures on Corporate Finances and Business of Most Recent Year

1. The use of major expenditures and funding sources: None.
2. Expected benefits: None.

V. Reinvestment Policy and the Main Reasons for Profits/Losses thereof, the Improvement Plan, and the One-Year Investing Plan

Unit: NT$ thousand

Explanation / Item	Investment amount	Policy	Main reasons for profits/losses	Improvement plans	Other investment plans in the future
UniRing Tech Co., Ltd.	NT$170,000 thousand	To disperse business risks and expand the business over consumer electronics	Recognized as investment loss because the invested company has largely invested in R&D, and the product gross was still low.	To improve product development.	In consideration of the operation scale to evaluate the need for increasing investment.
PAI FU International Limited	NT$65,263 thousand	Invested in Kunshan All Ring Tech Co., Ltd., and All Ring Tech (Kunshan) Co., Ltd.	Recognized as investment loss because the demand for sweepers in 2018 was weak for the invested company, resulting in a decrease in orders.	Not applicable	Not applicable
IMAGINE Group Limited	NT$176,650 thousand	Invested in All Ring Tech (Kunshan) Co., Ltd.	Recognized as investment loss because the invested company had sales increase in 2018 due to the recovery of the overall business environment for passive components.	Not applicable	Not applicable

VI. Risk Items

(I) Risk factors

1. Impacts of fluctuations of interest rates, foreign exchange rates and inflation on the company's profitability and future countermeasures

(1) Impact from Interest Rate Changes

Item	2018 (NT$ thousand; %)
Net interest gain/loss	9,129
Net exchange gain/loss	22,104
Ratio of net interest income/expense to net revenue	0.0047
Ratio of net interest income/expense to net income before tax	0.0247
Ratio of currency exchange gain/loss to net revenue	0.0115
Ratio of currency exchange gain/loss to net income before tax	0.0598

The small ratios listed in the table above show that interest rate fluctuations have a minor impact on the overall profitability. Based on sound and conservative financial management principles, the company will keep in close touch with the banks to keep up to date the relevant information on interest rate changes, to lessen the impact of interest rate fluctuations.

(2) Impact from Exchange Rate Changes

The exported sales quotation and oversea raw materials purchases of the company are both traded in U.S. dollars. Because the recurring offset of sales and purchases has the effect of a hedge against exchange rate changes, the revenue and profit should not be greatly affected. To strengthen the risk management of exchange rate fluctuations, the following countermeasures have been taken:

A. By the nature hedging, the foreign currency receivables from the sales are used to pay for the foreign currency payables for the purchases. Accordingly, the assessment shall focus only on foreign currency. The forecast of the exchange rate trend shall allow settling or paying off foreign currency purchases and operating financial instruments promptly, reducing exchange rate risks.

B. The financial staffs shall keep track of exchange rate fluctuations by monitoring international financial situations, maintaining close contact with bank exchange personnel, and collecting financial information provided by banks and investment institutions.

C. When the business staff offers price and bargains, he shall also weigh the exchange rate fluctuations and adjust the product price accordingly.

(3) Impact from Inflation

The prices of raw materials required by the company are stable. The easing inflation nowadays shall not affect much the future profit and loss of the company.

2. The policies, main reasons for gain or loss, and future countermeasures with respect to high-risk, high-leverage investments, lending funds to other parties, endorsements/guarantees and derivative product trades

(1) Engagement in any high risk and high-leverage investments: None.

(2) Policies, main reasons and future countermeasures for capital lending to others

A. Policy

Lending capital to others shall be handled in accordance with the company's “Procedures for Lending of Capital to Others.”

B. Main reasons

To keep in operation the company's sub-subsidiary, Wanrun Technology Precision Machinery (Kunshan) Co., Ltd. (hereinafter referred to as Wanrun Precision Machinery), the company's sub-subsidiary, Kunshan Wanrun Electronic Technology Co., Ltd. (hereinafter referred to as Kunshan Wanrun) and Pai Fu International Limited shall, under the approval of the Board of Directors, lend a capital of, respectively, CNY¥10 million or less, and US$150 million or less to Wanrun Precision Machinery, the loan period being one year. Up to the publication date the Annual Report, Wanrun Precision Machinery has borrowed CNY¥5.5 million from Kunshan Wanrun.

C. Future countermeasures: None.

(3) Policies, main reasons, and future countermeasures for capital lending to others:

A. Policy

The endorsements for others shall be handled in accordance with the company's "Procedures for Endorsements and Guarantees.”

B. Main reasons

The subsidiary, Uniring Tech Co., Ltd., intended to apply to a financial institution for a loan required for its working capital turnover. The company has offered an endorsement of NT$50,000 with an one-year period, in accordance with the Board's resolution on February 26, 2019.

C. Future countermeasures: None.

3. Research and development work to be carried out in the future, and further expenditures expected for research and development work

(1) Products and Items under R&D:

To maintain the long-term advantages in R&D capabilities, the company has filed the patents for key core technologies to the Intellectual Property Bureau. In addition, the company has continued to invest largely in R&D, recruit outstanding R&D engineers, and make sure that training programs have been implemented as planed. These policies shall advance the R&D capabilities of the company to a technical advantage over industrial competitors. To this end, the company has set up the goal to develop five new types of automatic machines every year. The R&D strategies are listed as follows:

A. To grasp the market and the needs of customers fully. With the satisfaction of customers in mind, the R&D professionals that the company has trained shall continue to cultivate mainstream technologies.

B. The development of successful R&D technical processes is regulated by the standard of the quality assurance system, to ensure that the technology-developing experience is being passed on.

C. To cultivate ample interaction with research institutes and academic units. With the aid and guide by the leading experts and scholars, the R&D capabilities can be strengthened step by step.

D. To build a strategic alliance with technical developers, to guide the R&D direction or develop new technologies, and reduce R&D costs and risks.

E. To collaborate with foreign professional equipment manufacturers on developing new products. The gradual transfer of technologies shall make possible the independence of the company in the long term.

(2) The company has upheld the belief that core technologies must be developed by its R&D personnel. To this end, NT$325,030 thousand has been allocated for R&D development in 2019.

4. Effect on the company's financial operations of relevant policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.

The company has paid great attention to changes in major domestic/overseas policies and regulations and has taken necessary actions in response to these changes. Present changes in major domestic/overseas policies and regulations have no significant impact on the company's financial business.

5. Impact of changes in technologies and industries on the company's finance and business, and the countermeasures thereof:

   Continuous advancement and rapid daily change of technology have brought competitors to the company today. Being aware of the market demands, the company has constantly strengthened R&D for quality improvement. Therefore there has been no risk caused by changes in technology and industry in recent years. Our countermeasures are as below:

   (1) To keep updated with commercial, scientific, and industrial literature by way of extensive journals and online information. The company sends staffs regularly to participate in research programs, scientific and technological seminars, workshops, trade conferences, exhibitions, and training for expatriates.

   (2) To ensure that managers and competent personnel, with the help of Information exchange through unscheduled meetings, are acquainted with current technology development.

6. Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response.

   The company commits to maintaining a high degree of professional ethics and management operations. No unethical behavior will be allowed under the established integrity standards. In the event of a crisis, the relevant analysis shall be conducted, and countermeasures shall be taken to minimize the impact and smooth the operation.

7. Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken.

   In the most recent year up to the publication date of the Annual Report, the company has had no plans for mergers and acquisitions. The benefits of any future merger and acquisition plans will be evaluated carefully to ensure the shareholders' interests.

8. Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken

   The construction of the second-phase new plant has been completed. This new plant is set to meet the growth of downstream industries and demands on new products. The company's revenue and customer satisfaction are expected to increase, while its competitiveness in the market is strengthened. No relevant risks are to be concerned with.

9. Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken

   (1) Purchase:

   The company maintains a steady long-term collaboration with suppliers. Once a certain supplier fails to be a stable supplier or fails to deliver on time, the company will first seek other suppliers or suitable alternative materials. All suppliers have no market monopoly over the main raw materials provided to the company. Instead, a long-term, stable partnership of good quality has been established between the company and the suppliers. Meanwhile, the company also reviews the quality of supplied raw materials from time to time and inquires about other good suppliers to disperse the risk of concentrated purchase.

(2) Sales:

To avoid the impact from the environmental fluctuations in specific industries, the company has, in addition to developing manufacturing equipment for passive components (resistance, capacitance, and inductance) and semiconductor equipment, succeeded to expand its business on LEDs and testing equipment. Furthermore, judging from the fact that the top ten sale customers of the company for the past three years are mostly well-known manufacturers, and from the fact that the capital expenses of large semiconductor package companies have gone up to meet the current trend toward thin and light electronic products, there is no risk of concentrated sales at the present moment.

10. The effect upon and risk to the company in the event a significant quantity of shares belonging to a Director, Supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken

There is no such concern in the most recent year up to the publication date of the Annual Report is published.

11. Impact and risk of change in management right, and the countermeasures thereof

There is no such concern in the most recent fiscal year up to the date this report is published.

12. Other significant risks, and mitigation measures being or to be taken

There is no such concern in the most recent year up to the publication date the Annual Report.

(II) Litigations and Non-Litigations:

1. For litigations that have been settled or are still ongoing, and non-litigations or administrative disputes, which occurred during the most recent two years up to the publication date of the Annual Report, the company shall disclose the disputed facts, monetary amount involved, proceeding starting date, main involved parties, and the current handling status if these matters have a significant impact on the shareholders' interests or securities prices: None.
2. If the company Director, Supervisor, President, and Shareholders who own 10% or more of the company's stock have, in the most recent two years up to the publication date of the Annual Report, been involved in litigations that have been settled or are still ongoing, and non-litigations or administrative disputes, their possible impacts on the shareholders' interests or securities prices: None.
3. If the company Director, Supervisor, managerial officers, and Shareholders who own 10% or more of the company's stock have, in the most recent two years up to the publication date of the Annual Report, been involved in the affairs concerning Article 157 of the Securities Exchange Act, how the company handles the matter at the present moment: None.

(III) If the company Director, Supervisor, managerial officers, and Shareholders who own 10% or more of the company's stock have, in the most recent two years up to the publication date of the Annual Report, has any financial turnover difficulties or loss of credit standing, the details of their impact on the Company's financial position shall be stated: None.

VII. Other Important Matters:

The company is led by the Chairman, President, Chief Operating Officer, and senior executives, and continues to achieve success in R&D, business, management, manufacturing, and finance. As for the successor to the chairman and president, it is necessary to have a deeper understanding of the personality traits, professional learning ability, and the degree of fit with the company. It is also essential to evaluate the willingness of the successor to take over the company, and then decide the appropriate successor. Also, according to their professional ability and qualifications, appropriate experience and cultivation will be given, and proper guidance will be provided in the process. In this process, the target successor will be given greater operational flexibility and latitude to improve its performance and credibility inside and outside the organization, helped to establish a team that can cooperate and proposes future development directions for the company, for a successful transition.

In the planning succession plan, in addition to the excellent workability, successors must conform to the company's values. Personality traits must include integrity, commitment, innovation, and customer trust. The company's demand for its all-level personnel has been increasing, and the company has paid more and more attention to management and interpersonal skills. The company has the following three things in planning the entire successor team:

1. Determine the continuation of leadership style. Understand the wishes, motivations, ideas, and values of successors through careful observation and performance appraisal reports daily. In the hope that when taking over a plan in the future, there can be a consistent view on the tasks to be implemented.

2. Confirm that the ability and skills of the candidate for succession are sufficient. Give appropriate training. Appropriate training courses should be arranged for different personality traits, together with a review of the learning progress. Through professional ability training, it is hoped that its integration can apply for the establishment of judgment ability in decision-making.

3. Maximize the talent database. In choosing successor candidates, efforts shall be made to expand the source of candidates as much as possible. Do not simply pick people who are in the same field, personality, or thinking mode.

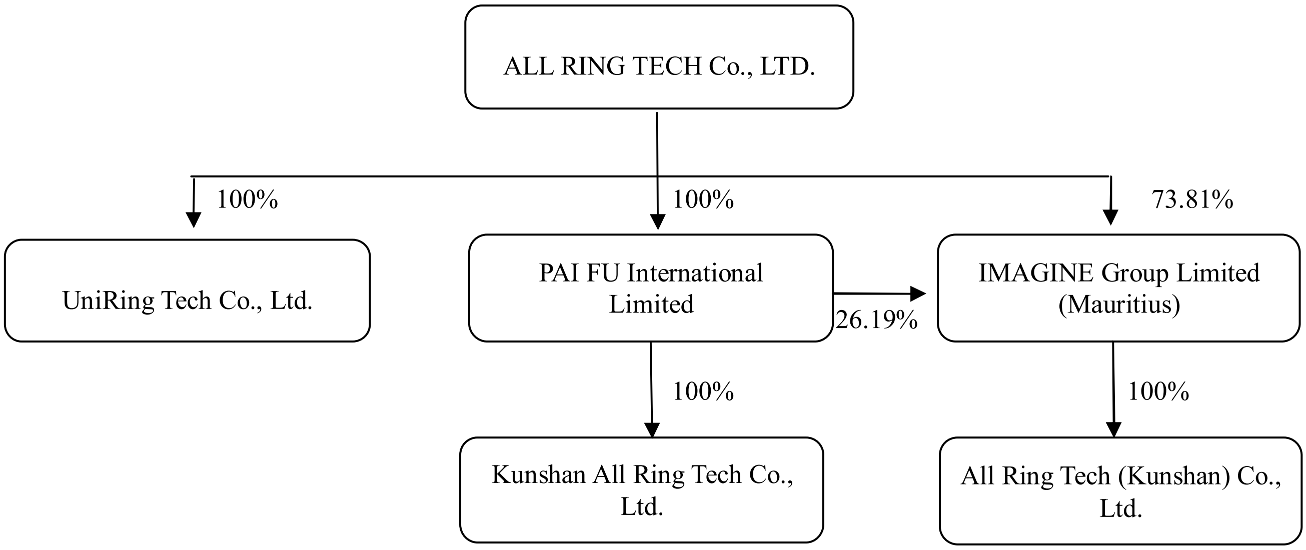
Chapter 8 Special Notes

I. Information Regarding Affiliated Companies

(I) Consolidated business report of affiliated companies

1. Organizational chart of the affiliates:

The company's organizational chart as of December 31, 2018, is as follows:



2. Information of subsidiaries and affiliates

December 31, 2018

Affiliates	Relations with the company	Reciprocal shareholding ratio	Actual investment amount of the company
PAI FU International Limited（BVI）	A 100% subsidiary of the company	Does not hold any shares of the company	NT$65,263 thousand
IMAGINE Group Limited (Mauritius) (Note 1)	A 100% subsidiary of the company	Does not hold any shares of the company	NT$176,650 thousand
UniRing Tech Co., Ltd.	A 100% subsidiary of the company	Does not hold any shares of the company	NT$170,000 thousand
Kunshan All Ring Tech Co., Ltd.	A 100% sub subsidiary	Does not hold any shares of the company	US$1,500 thousand
All Ring Tech (Kunshan) Co., Ltd.	A 100% subsubsidiary	Does not hold any shares of the company	US$5,000 thousand

Note 1: The company also invested in IMAGINE Group Limited US$1,320 thousand via its subsidiary PAI FU International Limited, holding 26.19% of the shares.

3. Shareholders presumed to have a relationship of control and subordination: None.

4. The business scope of the overall affiliated companies: The business of the company and its affiliates includes design, manufacturing, and sale of machinery and equipment, optical equipment manufacturing, data storage

media units manufacturing, and software design services, etc.

5. The names of the Directors, Supervisors, and president of each affiliate:

Company name	Position	Name or representative	Number of shares held	
			Number of shares	Shareholding Percentage
PAI FU International Limited	Director	Ching-Lai Lu	-	-
Kunshan All Ring Tech Co., Ltd.	Director	Ching-Lai Lu	-	-
IMAGINE Group Limited	Director	Hsin-Yao Cheng	-	-
All Ring Tech (Kunshan) Co., Ltd.	Director	Ching-Lai Lu	-	-
UniRing Tech Co., Ltd.	Director	Ching-Lai Lu	-	-

6. The overview of the operations of the affiliates:

2018

Company name	Paid-in capital	Total assets	Total liabilities	Net Value	Revenue	Operating profit	Profit after tax	Earnings per share (NT$) (after tax)
PAI FU International Limited (Note 1)	1,930	4,727	0	4,727	0	(112)	(283)	Not applicable
IMAGINE Group Limited	5,040	7,844	1	7,843	0	(2)	441	Not applicable
All Ring Tech (Kunshan) Co., Ltd. (Note 2)	35,669	77,674	23,889	53,785	59,138	2,047	2,925	Not applicable
Kunshan All Ring Tech Co., Ltd. (Note 2)	12,406	11,344	297	11,047	260	(2,076)	(1,984)	Not applicable
UniRing Tech Co., Ltd.	48,559	21,411	5,233	16,178	3,810	(14,167)	(13,875)	(2.86)

Note 1: Units in thousand USD

Note 2: Units in thousand CNY

Note 3: Units in thousand NTD

(II) Consolidated Financial Statements of Affiliated Companies: Please refer to #pageXX#

(III) Declaration of Consolidated Financial Statements of Affiliated Companies: Please refer to #pageXX#

II. Private placement of securities in the most recent fiscal year up to the publication date of the Annual Report: None.

III. Holding or disposal of company shares in the most recent fiscal year up to the publication date of this Annual Report: None.

IV. Other matters that require additional description: None.

V. Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities during the most recent fiscal year or the current fiscal year up to the publication date of the Annual Report: None.

All Ring Tech Co., Ltd.
Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2018, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the Company that is required to be included in the consolidated financial statements of affiliates, is the same as the Company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standards 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

All Ring Tech Co., Ltd.

February 26, 2019

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of All Ring Tech Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of All Ring Tech Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Cutoff of revenue

Description

Refer to Note 4(26) for accounting policies on revenue recognition.

The sales revenue of the Group is primarily from the assembly and sale of equipment. Based on the terms of the sale agreement, sales revenue is recognised when the control of the goods sold are transferred to the customer after the installation of the goods or the acceptance of the goods by the customer, being when the goods are delivered to the client, the client has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the client's acceptance of the goods. As the transfer of control of the goods to the customer in a sale transaction involves manual process and judgement, there exists a risk of material misstatement that may arise from improper revenue recognition for transactions that occur near the balance sheet date and the transaction amounts are usually material. Thus, we consider the cutoff of revenue a key audit matter.

How our audit addressed the matter

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

1. Obtained an understanding and assessed the accounting policy on revenue recognition.
2. Understood and assessed internal control over revenue recognition, and tested the effectiveness of the internal controls over the shipment of goods and the verification of the timing of revenue recognition.
3. Tested the cutoff of transactions that occurred a certain time before or after the balance sheet date in order to verify whether the control of the goods for which revenue has been recognised were transferred, and whether the revenue was recorded in the appropriate period.

Evaluation of inventories

Description

Refer to Note 4(9) to the consolidated financial statements for the accounting policy on inventory valuation, Note 5(2) for information on the uncertainty of accounting estimates and assumptions on inventory valuation, and Note 6(4) for information on allowance for inventory valuation losses. As of December 31, 2018, inventory and allowance for inventory valuation losses were NT$286,684 thousand and NT$33,306 thousand, respectively.

The Group develops, manufactures, and assembles production equipment of semiconductors and passive components. Due to rapid changes in technology, the risk of the materials inventory of related equipment incurring valuation losses or becoming obsolete is high. Inventories are stated at the lower of cost and net realizable value. The net realizable value of inventory that is over a certain age or individually identified as obsolete is determined by historical information on inventory turnover obtained by management from periodic inspections.

The technology related to the Group's products is rapidly changing, and determining the net realizable value of inventory identified as obsolete involves subjective judgement. Thus, we consider the evaluation of inventories a key audit matter.

How our audit addressed the matter

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

1. Assessed the reasonableness of the Group's policies and procedures on setting allowance for inventory valuation losses according to applicable accounting principles and the auditor's understanding of the nature of the Group's industry. This included assessing the reasonableness of the source of the historical information on inventory turnover used in determining net realizable value and assessing the reasonableness of judgments of obsolete inventory items.

2. Obtained an understanding of the Group's warehousing control procedures. Reviewed annual physical inventory count plan and participated in the annual inventory count in order to assess the classification of obsolete inventory and effectiveness of internal control over obsolete inventory.

3. Tested the appropriateness of the logic used in evaluating the net realizable value of inventory and inventory aging report to verify the reasonableness of the allowance for inventory valuation losses.

Other matter – Reference to the audits of other independent accountants

We did not audit the financial statements of a subsidiary, Uni-Ring Tech Co., Ltd., with total assets of NT$34,571 thousand, constituting 1% of consolidated total assets, as at December 31, 2017, and operating income of NT$61,688 thousand, constituting 3% of consolidated operating revenue for the year ended December 31, 2017. The financial statements of the subsidiary were audited by other independent accountants whose report thereon has been furnished to us, and our opinion expressed herein is based solely on the audit report of the other independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of All Ring Tech Co., Ltd. as at and for the years ended December 31, 2018 and 2017.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the board of directors (including independent directors) and the supervisors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional 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 control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

4. Conclude on the appropriateness of management’ s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’ s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’ s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’ s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’ s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Liu Tzu-Meng

Independent Accountants

Lin Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

February 26, 2019

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

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 880,090	35	$ 889,708	35
1150	Notes receivable, net	6(3) and 12	73,977	3	44,817	2
1170	Accounts receivable, net	6(3) and 12	655,099	26	604,863	24
1200	Other receivables		649	-	3,567	-
130X	Inventory	5(2) and 6(4)	253,378	10	332,993	13
1410	Prepayments		7,510	-	12,137	-
1479	Other current assets		572	-	41	-
11XX	**Total Current Assets**		1,871,275	74	1,888,126	74
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income-non-current	6(5) and 12	78,656	3	-	-
1523	Available-for-sale financial assets - non-current	12	-	-	54,895	2
1600	Property, plant and equipment	6(6) and 8	403,255	16	422,161	17
1780	Intangible assets		6,187	-	4,541	-
1840	Deferred income tax assets	6(20)	89,918	4	92,259	4
1920	Guarantee deposits paid		5,716	-	4,606	-
1985	Long-term prepaid rents	6(7)	32,316	1	32,955	1
1990	Other non-current assets	8	32,483	2	35,793	2
15XX	**Total non-current assets**		648,531	26	647,210	26
1XXX	**Total assets**		$ 2,519,806	100	$ 2,535,336	100

(Continued)

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2130	Current contract liabilities	12	$ 19,174	1	$ -	-
2150	Notes payable		1,360	-	869	-
2170	Accounts payable	7	290,474	12	359,148	14
2200	Other payables	6(8) and 7	249,940	10	240,857	10
2230	Current income tax liabilities	6(20)	24,491	1	16,105	1
2250	Provisions for liabilities - current	6(9)	12,793	-	8,873	-
2310	Advance receipts	12	363	-	6,593	-
21XX	**Total current Liabilities**		598,595	24	632,445	25
	Non-current liabilities					
2570	Deferred income tax liabilities	6(20)	32,264	1	21,857	1
2640	Net defined benefit liabilities - non-current	6(10)	19,799	1	19,215	1
25XX	**Total non-current liabilities**		52,063	2	41,072	2
2XXX	**Total Liabilities**		650,658	26	673,517	27
	Equity Share capital					
3110	Share capital - common stock	6(11)	842,389	33	842,389	33
3200	**Capital surplus**	6(12)	378,920	15	378,920	15
	Retained earnings	6(13)				
3310	Legal reserve		216,754	9	186,434	7
3320	Special reserve		22,672	1	22,672	1
3350	Unappropriated retained earnings		472,994	19	448,824	18
3400	**Other equity interest**	6(5)	(18,649)	(1)	(17,420)	(1)
3500	**Treasury stocks**	6(11)	(45,932)	(2)	-	-
3XXX	**Total equity**		1,869,148	74	1,861,819	73
	Contingent liabilities and commitments	6(22) and 9				
3X2X	**Total liabilities and equity**		$ 2,519,806	100	$ 2,535,336	100

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	For the years ended December 31, 2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
4000	**Operating revenue**	6(14)	$ 1,925,869	100	$ 1,866,853	100
5000	**Operating costs**	6(4)(10)(18)(19)(22) and 7	(1,125,936)	(58)	(1,020,095)	(54)
5900	**Net operating margin**		799,933	42	846,758	46
	Operating expenses	6(7)(10)(18)(19)(22), 7 and 12				
6100	Selling expenses		(81,135)	(4)	(79,678)	(4)
6200	General and administrative expenses		(103,413)	(6)	(98,491)	(6)
6300	Research and development expenses		(285,166)	(15)	(263,895)	(14)
6450	Impairment loss determined in accordance with IFRS 9		(2,087)	-	-	-
6000	**Total operating expenses**		(471,801)	(25)	(442,064)	(24)
6900	**Operating profit**		328,132	17	404,694	22
	Non-operating income and expenses					
7010	Other income	6(5)(15)	19,920	1	34,046	1
7020	Other gains and losses	6(2)(16) and 12	21,871	1	(77,372)	(4)
7050	Finance costs	6(17)	(105)	-	(1,006)	-
7000	**Total non-operating income and expenses**		41,686	2	(44,332)	(3)
7900	**Profit before income tax**		369,818	19	360,362	19
7950	Income tax expense	6(20)	(55,402)	(3)	(57,166)	(3)
8200	**Profit for the year**		$ 314,416	16	$ 303,196	16
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Remeasurement of defined benefit obligations	6(10)	($ 68)	-	($ 4,440)	-
8316	Unrealised gains on valuation of financial assets at fair value through other comprehensive income	6(5)	3,364	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)	57	-	755	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(3,367)	-	(12,768)	-
8362	Unrealized gain on valuation of available-for-sale financial assets	12	-	-	5,710	-
8300	**Total other comprehensive loss for the year**		($ 14)	-	($ 10,743)	-
8500	**Total comprehensive income for the year**		$ 314,402	16	$ 292,453	16
	Profit attributable to:					
8610	Owners of the parent		$ 314,416	16	$ 303,196	16
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 314,402	16	$ 292,453	16
	Earnings per share(in dollars)	6(21)				
9750	**Basic**			$ 3.74		$ 3.60
9850	**Diluted**			$ 3.71		$ 3.58

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

			Capital Reserves		Retained Earnings			Other Equity Interest				
	Notes	Share capital - common stock	Additional paid-in capital	Stock options	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gain (loss) on valuation of financial assets at fair value through other comprehensive income	Unrealised gain (loss) on valuation of available-for-sale financial assets	Treasury stocks	Total equity
For the year ended December 31, 2017												
Balance at January 1, 2017		$ 842,389	$ 378,812	$ 108	$ 150,732	$ 22,672	$ 437,732	($ 2,739)	$ -	($ 7,623)	$ -	$ 1,822,083
Net income for the year ended December 31, 2017		-	-	-	-	-	303,196	-	-	-	-	303,196
Other comprehensive income(loss) for the year ended December 31, 2017		-	-	-	-	-	(3,685)	(12,768)	-	5,710	-	(10,743)
Total comprehensive income(loss) for the year ended December 31, 2017		-	-	-	-	-	299,511	(12,768)	-	5,710	-	292,453
Distribution of 2016 net income												
Legal reserve		-	-	-	35,702	-	(35,702)	-	-	-	-	-
Cash dividends	6(13)	-	-	-	-	-	(252,717)	-	-	-	-	(252,717)
Balance at December 31, 2017		$ 842,389	$ 378,812	$ 108	$ 186,434	$ 22,672	$ 448,824	($ 15,507)	$ -	($ 1,913)	$ -	$ 1,861,819
For the year ended December 31, 2018												
Balance at January 1, 2018		$ 842,389	$ 378,812	$ 108	$ 186,434	$ 22,672	$ 448,824	($ 15,507)	$ -	($ 1,913)	$ -	$ 1,861,819
Effects of retrospective application	12	-	-	-	-	-	1,318	-	(3,231)	1,913	-	-
Adjusted balance at January 1, 2018		842,389	378,812	108	186,434	22,672	450,142	(15,507)	(3,231)	-	-	1,861,819
Net income for the year ended December 31, 2018		-	-	-	-	-	314,416	-	-	-	-	314,416
Other comprehensive income(loss) for the year ended December 31, 2018	6(5)	-	-	-	-	-	(11)	(3,367)	3,364	-	-	(14)
Total comprehensive income(loss) for the year ended December 31, 2018		-	-	-	-	-	314,405	(3,367)	3,364	-	-	314,402
Loss on disposal of financial assets at fair value through other comprehensive income	6(5)	-	-	-	-	-	(92)	-	92	-	-	-
Distribution of 2017 net income												
Legal reserve		-	-	-	30,320	-	(30,320)	-	-	-	-	-
Cash dividends	6(13)	-	-	-	-	-	(261,141)	-	-	-	-	(261,141)
Treasury stocks reacquired	6(11)	-	-	-	-	-	-	-	-	-	(45,932)	(45,932)
Balance at December 31, 2018		$ 842,389	$ 378,812	$ 108	$ 216,754	$ 22,672	$ 472,994	($ 18,874)	$ 225	$ -	($ 45,932)	$ 1,869,148

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 369,818	$ 360,362
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit losses	12	2,087	-
Reversal of allowance for doubtful accounts	6(15)	-	(16,668)
Provision for inventory market price decline	6(4)	568	9,472
Depreciation	6(6)(18)	25,870	26,017
Property, plant and equipment recognised as expense	6(6)	-	16
(Loss) gain on disposal of property, plant and equipment	6(16)	75	(94)
Amortisation	6(18)	3,893	3,644
Amortisation of long-term prepaid rents	6(7)	351	347
Dividend income	6(5)(15)	(4,506)	(3,081)
Interest income	6(15)	(9,234)	(5,510)
Interest expense	6(17)	105	1,006
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(29,160)	606
Accounts receivable		(52,323)	(149,484)
Other receivables		2,918	(818)
Inventories		79,047	(1,914)
Prepayments		4,627	7,546
Other current assets		(531)	684
Changes in operating liabilities			
Current contract liabilities		12,581	-
Notes payable		491	(157)
Accounts payable		(68,674)	57,366
Other payables		8,975	(14,934)
Provisions for liabilities - current		3,920	1,050
Advance receipts		363	(10,104)
Net defined benefit liabilities - non-current		516	500
Cash inflow generated from operations		351,777	265,852
Dividends received		4,506	3,081
Interest received		9,234	5,510
Interest paid		(105)	(1,006)
Income taxes received		931	-
Income taxes paid		(36,051)	(100,282)
Net cash flows from operating activities		330,292	173,155

(Continued)

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income		($ 21,028)	$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(5)	631	-
Cash paid for acquisition of property, plant and equipment	6(23)	(8,851)	(2,918)
Proceeds from disposal of property, plant and equipment		37	1,046
Acquisition of intangible assets		(5,534)	(1,839)
(Increase) decrease in guarantee deposits paid		(1,110)	510
Decrease in other non-current assets		3,310	17,160
Net cash flows (used in) from investing activities		(32,545)	13,959
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings		-	(15,000)
Cash dividends paid	6(13)	(261,141)	(252,717)
Acquisition of treasury stocks	6(11)	(45,932)	-
Net cash flows used in financing activities		(307,073)	(267,717)
Effect of exchange rate changes		(292)	(10,809)
Net decrease in cash and cash equivalents		(9,618)	(91,412)
Cash and cash equivalents at beginning of year	6(1)	889,708	981,120
Cash and cash equivalents at end of year	6(1)	$ 880,090	$ 889,708

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

一、HISTORY AND ORGANISATION

(1) All Ring Tech Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on May 24, 1996. Its primary business includes the design, manufacturing, and assembly of automation machines, the research, development, and design of computer software, and the manufacturing of optical instruments.

(2) The common shares of the Company have been listed on the Taipei Exchange since September 2002.

二、THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 26, 2019.

三、APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

IFRS 9, 'Financial instruments'

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

B. The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that right-of-use asset and lease liability will both be increased by $52,493 , and reclassify the long-term prepaid rent of $32,316 to the right-of-use assets.

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

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

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

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

四、SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by FSC (collectively refered herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

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

(b) Financial assets at fair value through other comprehensive income/ Available-for-sale financial assets measured at fair value.

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

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

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

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

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

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

B. The consolidated subsidiaries and changes of the current period are as follows:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2018	December 31, 2017	
All Ring Tech Co., Ltd.	PAI FU INTERNATIONAL LIMITED	Mechanical engineering automation, and research, development and design of software	100.00	100.00	—
All Ring Tech Co., Ltd.	Uni-Ring Tech Co., Ltd.	Other machine manufacture industry, electrical appliances, audio visual electronics and international trading industry	100.00	100.00	—
All Ring Tech Co., Ltd.	IMAGINE GROUP LIMITED	Investment business	73.81	73.81	Note

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
PAI FU INTERNATIONAL LIMITED	Kunshan All Ring Tech Co., Ltd.	Research, development, and manufacture of specialized electronic equipment used for cutting capacitance and inductance; sales of self-manufactured products and provision of corresponding technology testing services	100.00	100.00	—
PAI FU INTERNATIONAL LIMITED	IMAGINE GROUP LIMITED	Investment business	26.19	26.19	Note
IMAGINE GROUP LIMITED	All Ring Tech (Kunshan) Co., Ltd.	Research, development, and manufacture of specialized electronic equipment, testing of instruments and accessories; sales of self-manufactured products and provision of corresponding technology testing services	100.00	100.00	—

Note : The Company and its subsidiaries own, directly or indirectly, more than 50% of the shares of these companies.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

Items included in the consolidated financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in

New Taiwan Dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

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

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

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

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

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

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

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
(b) Assets held mainly for trading purposes;
(c) Assets that are expected to be realized within twelve months from the balance sheet date;
(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
(a) Liabilities that are expected to be paid off within the normal operating cycle;
(b) Liabilities arising mainly from trading activities;
(c) Liabilities that are to be paid off within twelve months from the balance sheet date;
(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) <u>Cash equivalents</u>

A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) <u>Financial assets at fair value through profit or loss</u>

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

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

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

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) <u>Accounts and notes receivable</u>

Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9)Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventories exceeds the net realizable value, the amount of any write-down of inventories recognised as cost of sales during the period; and the amount of any reversal of inventory write-down is recognised as a reduction in cost of sales during the period.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
   (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
   (b) The assets' contractual cash flows represent solely payments of principal and interest.
B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
   (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(11)Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12)Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13)Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment apply the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Asset	Estimated useful lives
Buildings and structures	15～35 years
Machinery and equipment	3～13 years
Transportation equipment	5 years
Office equipment	2～7 years
Other facilities	2～10 years

(14)Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 year to 5 years.

(15)Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(16)Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset' s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset' s fair value less costs of disposal or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17)Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(18)Accounts and notes payable

Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19)Derecognition of financial liabilities

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

(20)Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realized the asset and settle the liability simultaneously.

(21)Provisions

Provisions (including warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(22)Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

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

C. Employees' compensation and directors' and supervisors' remuneration

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

(23) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings of the company and domestic subsidiary and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(24)Share capital

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

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

(25)Dividends

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

(26)Revenue recognition

Sales of goods

(a) Sales are recognised when control of the products has transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products.

(b) Revenue from these sales is recognised based on the price specified in the contract, net of the estimated output tax, sales returns, and sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. Collection terms of sale are as follows: the first payment is collected 30 to 130 days after delivering machineries, and the second payment is collected 30 to 190 days after acceptance of machineries. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of momey.

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

(27)Government grants

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

(28)Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group’s chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

五、CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group’s accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, and the related information is addressed below:

(1) Critical judgments in applying the Group’s accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

B. As of December 31, 2018, the carrying amount of inventories was $253,378.

六、DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash:		
Cash on hand	$ 1,619	$ 1,351
Checking accounts and demand deposits	407,281	257,228
	408,900	258,579
Cash equivalents:		
Time deposits	471,190	631,129
	$ 880,090	$ 889,708

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

B. Please refer to Note 8 'Pledged Assets' for information on the Group's cash and cash equivalents that were pledged as collateral (included in 'Other non-current assets') as of December 31, 2018 and 2017.

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

	December 31, 2018
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Unlisted stocks	$ 21,184
Valuation adjustment	(21,184)
	$ -

A. The Group recognised net gain (Shown as "Other gains and losses") on financial assets at fair value through profit or loss amounting to $150 for the year ended December 31 2018.

B. The Group has no financial assets at fair value through profit or loss pledged to others as collateral of December 31, 2018.

C. Information relating to credit risk is provided in Note 12(2).

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

(3) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 73,977	$ 44,817
Accounts receivable	$ 659,997	$ 607,674
Less: Allowance for uncollectible accounts	(4,898)	(2,811)
	$ 655,099	$ 604,863

A. The ageing analysis of notes receivable and accounts receivable that were past due is as follows:

	December 31, 2018		December 31, 2017	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Less than 30 days	$ 86,445	$ 73,977	$ 76,666	$ 44,817
31～90 days	233,801	-	246,955	-
91～180 days	237,803	-	108,628	-
181～360 days	65,711	-	99,154	-
Over 360 days	36,237	-	76,271	-
	$ 659,997	$ 73,977	$ 607,674	$ 44,817

The above ageing analysis was based on invoice date.

B. The Group has no notes and accounts receivable pledged to others as collateral as of December 31, 2018 and 2017.

C. As of December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were the book value.

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

(4) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 34,683	($ 9,699)	$ 24,984
Work in process	208,016	(10,922)	197,094
Finished goods	43,985	(12,685)	31,300
	$ 286,684	($ 33,306)	$ 253,378

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 27,669	($ 8,366)	$ 19,303
Work in process	230,030	(18,250)	211,780
Finished goods	108,032	(6,122)	101,910
	$ 365,731	($ 32,738)	$ 332,993

The cost of inventories recognised as expense for the period:

	For the years ended December 31,	
	2018	2017
Cost of goods sold	$ 1,125,368	$ 1,010,625
Provision for inventory market price decline	568	9,472
Gain on physical inventory	-	(2)
	$ 1,125,936	$ 1,020,095

(5) Financial assets at fair value through other comprehensive income - non-current

Items	December 31, 2018
Equity instruments	
Unlisted stocks	$ 78,431
Valuation adjustment	225
	$ 78,656

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $78,656 at December 31, 2018.

B. Aiming to satisfy the capital expenditure needs, the Group sold $631 of equity instruments investments at fair value and resulted in cumulative losses of $92 on disposal during the year ended December 31, 2018, which was reclassified to retained earnings.

C. Amounts recognised in profit or loss and other comprehensive in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the year ended December 31, 2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	$ 3,364
Cumulative losses reclassified to retained earnings due to derecognition	($ 92)
Dividend income recognised in profit or loss	$ 4,506

D. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was $78,656.

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

F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

G. Information on available-for-sale financial assets as of December 31, 2017 is provided in Note 12(4).

(6) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other facilities	Total
January 1, 2018						
Cost	$ 468, 917	$ 19, 951	$ 12, 103	$ 16, 385	$ 42, 498	$ 559, 854
Accumulated depreciation	(93, 936)	(7, 669)	(8, 284)	(10, 748)	(17, 056)	(137, 693)
	$ 374, 981	$ 12, 282	$ 3, 819	$ 5, 637	$ 25, 442	$ 422, 161
For the year ended December 31, 2018						
At January 1	$ 374, 981	$ 12, 282	$ 3, 819	$ 5, 637	$ 25, 442	$ 422, 161
Additions	-	2, 499	4, 574	1, 849	37	8, 959
Depreciation	(15, 163)	(2, 056)	(1, 605)	(2, 394)	(4, 652)	(25, 870)
Disposals－Cost	-	-	-	(1, 263)	(65)	(1, 328)
－Accumulated depreciation	-	-	-	1, 163	53	1, 216
Net exchange differences	(1, 672)	(173)	(13)	(17)	(8)	(1, 883)
At December 31	$ 358, 146	$ 12, 552	$ 6, 775	$ 4, 975	$ 20, 807	$ 403, 255
December 31, 2018						
Cost	$ 466, 435	$ 22, 102	$ 16, 543	$ 16, 866	$ 42, 416	$ 564, 362
Accumulated depreciation	(108, 289)	(9, 550)	(9, 768)	(11, 891)	(21, 609)	(161, 107)
	$ 358, 146	$ 12, 552	$ 6, 775	$ 4, 975	$ 20, 807	$ 403, 255

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other facilities	Total
January 1, 2017						
Cost	$ 470,675	$ 20,198	$ 15,338	$ 16,749	$ 42,474	$ 565,434
Accumulated depreciation	(79,185)	(5,786)	(8,957)	(9,788)	(12,734)	(116,450)
	$ 391,490	$ 14,412	$ 6,381	$ 6,961	$ 29,740	$ 448,984
For the year ended December 31, 2017						
At January 1	$ 391,490	$ 14,412	$ 6,381	$ 6,961	$ 29,740	$ 448,984
Additions	-	-	-	1,340	506	1,846
Transferred as expenses	-	-	-	(16)	-	(16)
Depreciation	(15,093)	(1,941)	(1,619)	(2,592)	(4,772)	(26,017)
Disposals－Cost	-	-	(3,140)	(1,612)	(442)	(5,194)
－Accumulated depreciation	-	-	2,220	1,591	431	4,242
Net exchange differences	(1,416)	(189)	(23)	(35)	(21)	(1,684)
At December 31	$ 374,981	$ 12,282	$ 3,819	$ 5,637	$ 25,442	$ 422,161
December 31, 2017						
Cost	$ 468,917	$ 19,951	$ 12,103	$ 16,385	$ 42,498	$ 559,854
Accumulated depreciation	(93,936)	(7,669)	(8,284)	(10,748)	(17,056)	(137,693)
	$ 374,981	$ 12,282	$ 3,819	$ 5,637	$ 25,442	$ 422,161

A. The Group has not capitalised any interest for years ended December 31, 2018 and 2017.

B. Please refer to Note 8, ‘Pledged assets’ for information on the Group’s property, plant and equipment that were pledged as collateral as of December 31, 2018 and 2017.

(7) Long-term prepaid rents

	December 31, 2018	December 31, 2017
Land use right	$ 32,316	$ 32,955

On July 25, 2011, the Group signed a contract with the government of the People's Republic of China to lease a designated parcel of land in Kunshan City of Jiangsu Province for 45 years. The lease was paid in full at the time the contract was signed. For the years ended December 31, 2018 and 2017, the rent expense (shown as part of 'operation expenses') was $351 and $347, respectively.

(8) Other payables

	December 31, 2018	December 31, 2017
Accrued salaries and bonuses	$ 100,311	$ 94,372
Compensation payable to employees, directors and supervisors	30,085	28,613
Provisions for employee benefits	7,652	7,786
Others	111,892	110,086
	$ 249,940	$ 240,857

(9) Provisions for liabilities

	For the years ended December 31,	
	2018	2017
Balance at beginning of period	$ 8,873	$ 7,823
Additional provisions	11,143	10,488
Used during the period	(7,223)	(9,438)
Balance at end of period	$ 12,793	$ 8,873

The Group's warranty provision is primarily related to the sale of semiconductor equipment, passive component equipment, and light-emitting diode equipment. The amount of the provision is estimated according to historical warranty data. The Group expects the costs related to the provision to be realised in the next two years.

(10) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 4% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. Related information on the defined benefit pension plan disclosed above is as follows:

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	($ 29,497)	($ 28,970)
Fair value of plan assets	9,698	9,755
Net defined benefit liability	($ 19,799)	($ 19,215)

(b) Movements in net defined benefit liabilities are as follows:

	For the year ended December 31, 2018		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	($ 28,970)	$ 9,755	($ 19,215)
Current service cost	(329)	-	(329)
Interest (expense) income	(318)	107	(211)
	(29,617)	9,862	(19,755)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	295	295
Change in financial assumptions	(558)	-	(558)
Experience adjustments	195	-	195
	(363)	295	(68)
Pension fund contribution	-	24	24
Paid pension	483	(483)	-
Balance at December 31	($ 29,497)	$ 9,698	($ 19,799)

	For the year ended December 31, 2017		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	($ 25,657)	$ 11,382	($ 14,275)
Current service cost	(324)	-	(324)
Interest (expense) income	(359)	159	(200)
	(26,340)	11,541	(14,799)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(40)	(40)
Change in financial assumptions	(851)	-	(851)
Experience adjustments	(3,549)	-	(3,549)
	(4,400)	(40)	(4,440)
Pension fund contribution	-	24	24
Paid pension	1,770	(1,770)	-
Balance at December 31	($ 28,970)	$ 9,755	($ 19,215)

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	For the years ended December 31,	
	2018	2017
Discount rate	0.90%	1.10%
Future salary increases	3.50%	3.50%

For the years ended December 31, 2018 and 2017, assumptions regarding future mortality experience are set based on actuarial advice in accordance with Taiwan Life Insurance Industry 5th Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 694)	$ 719	$ 627	($ 609)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 712)	$ 738	$ 647	($ 629)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once.

The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(e) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2019 amount to $24.

(f) As of December 31, 2018, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 1,196
2 － 5 years	5,948
6 years and above	12,381
	$ 19,525

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company and its domestic subsidiaries for the years ended December 31, 2018 and 2017 were $9,686 and $9,114, respectively.

C. In accordance with the pension and insurance laws of the People's Republic of China, Kunshan All Ring Tech Co., Ltd. and All Ring Tech (Kunshan) Co., Ltd. contribute 19% of each employee's salary every month to a pension account managed by the government. Aside from the monthly contributions, the companies have no further obligations. The pension costs under the defined contribution pension plans of the Group for years ended December 31, 2018 and 2017 were $2,006 and $1,784, respectively.

(11)Share capital

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

	For the years ended December 31,	
	2018	2017
At January 1	84, 239	84, 239
Treasury stock reacquired	(915)	-
At December 31	83, 324	84, 239

B. As of December 31, 2018, the Company's authorised capital was $1,100,000 (including $80,000 reserved for employee stock options), and the paid-in capital was $842,389 with a par value of $10 per share. The 84,239 thousand shares were issued over several installments. All proceeds from shares issued have been collected.

C. Treasury shares

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

	For the year ended December 31,2018		
Reason for reacquisition	Opening Balance	Additions	Ending Balance
To enhance the Company's credit rating and the stockholders' equity	-	915	915

For the year ended December 31, 2017, there was no such issue.

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

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

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(e) As of December 31, 2018, the balance of the Company's treasury shares was $45,932.

(12) Capital surplus

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

(13) Retained earnings

A. Pursuant to the R.O.C. Company Act, the Company shall set aside 10% of its after-tax profits as legal reserve until the balance is equal to the paid-in capital. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Under the Company's Articles of Incorporation, considering the Company is operating in a volatile environment and in the stable growth stage of its life cycle, the Board of Directors shall determine earnings appropriation based on the Company's future capital expenditures and demand for capital, as well as the necessity of using retained earnings to meet capital needs, and set the amount of dividends to be distributed to stockholders and the portion of dividends to be paid in cash. The Company's current year earnings shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Then, either a portion of the remaining amount is set aside as special reserve or an amount is reversed from the special reserve account and added to the remaining amount in accordance with applicable laws and regulations. The final leftover amount of current year earnings is added to the unappropriated earnings from the prior year and the total is the accumulated distributable earnings. At least 30% of the accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of total dividends distributed. The Board of Directors drafts a proposal on earnings appropriation according to future operational and investment needs and sends it to the stockholders during their meeting for approval.

C. Special reserve

(a)In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings.

When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b)The amounts previously set aside by the Company as special reserve in the amount of $22,672 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognised dividends distributed to owners amounting to $261,141 ($3.1 (in dollars) per share) and $252,717 ($3 (in dollars) per share) for the years ended December 31, 2018 and 2017, respectively. On February 26, 2019, the Board of Directors proposed for the distribution of dividends from 2018 earnings in the amount of $258,304 at $3.1 (in dollars) per share.

(14)Operating revenue

	For the year ended December 31,2018
Revenue from contracts with customers	$ 1, 925, 869

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time. Revenue is primarily from sales of automation machinery and equipment. Related disclosures for operating revenue are provided in Note 14.

B. Contract liabilities

Revenue recognised that was included in the contract liabilities balance at the beginning of the period amounted to $5,102.

(15)Other income

	For the years ended December 31,	
	2018	2017
Dividend income	$ 4, 506	$ 3, 081
Interest income from bank deposits	9, 234	5, 510
Rent income	82	649
Gains on doubtful debt recoveries	-	16, 668
Government grants	-	2, 561
Other income	6, 098	5, 577
	$ 19, 920	$ 34, 046

(16)Other gains and losses

	For the years ended December 31,	
	2018	2017
Net gains on financial assets at fair value through profit or loss	$ 150	$ -
Net foreign exchange gains (losses)	22,104	(69,634)
Net (losses) gains on disposal of property, plant and equipment	(75)	94
Miscellaneous disbursements	(308)	(7,832)
	$ 21,871	($ 77,372)

(17)Finance costs

	For the years ended December 31,	
	2018	2017
Interest expense:		
Bank borrowings	$ 51	$ 935
Other interest expense	54	71
	$ 105	$ 1,006

(18)Expenses by nature

	For the year ended December 31, 2018		
	Operating cost	Operating expense	Total
Employee benefit expenses	$ 56,388	$ 309,773	$ 366,161
Depreciation	14,341	11,529	25,870
Amortisation	475	3,418	3,893
	$ 71,204	$ 324,720	$ 395,924

	For the year ended December 31, 2017		
	Operating cost	Operating expense	Total
Employee benefit expenses	$ 61,157	$ 282,456	$ 343,613
Depreciation	14,541	11,476	26,017
Amortisation	273	3,371	3,644
	$ 75,971	$ 297,303	$ 373,274

(19)Employee benefit expense

	For the year ended December 31, 2018		
	Operating cost	Operating expense	Total
Wages and salaries	$ 47,867	$ 274,072	$ 321,939
Labour and health insurance fees	3,037	15,460	18,497
Pension costs	2,206	10,026	12,232
Other personnel expenses	3,278	10,215	13,493
	$ 56,388	$ 309,773	$ 366,161

	For the year ended December 31, 2017		
	Operating cost	Operating expense	Total
Wages and salaries	$ 53,164	$ 248,124	$ 301,288
Labour and health insurance fees	3,246	14,944	18,190
Pension costs	2,390	9,032	11,422
Other personnel expenses	2,357	10,356	12,713
	$ 61,157	$ 282,456	$ 343,613

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 3% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $26,560 and $25,260, respectively; while directors' and supervisors' remuneration was accrued at $3,525 and $3,353, respectively. The aforementioned amounts were recognised in salary expenses and estimated and accrued based on the distributable net profit for 2018 and 2017 calculated by the percentage prescribed under the Company's Articles of Incorporation. Employees' compensation and directors' and supervisors' remuneration of 2017 amounting to $28,613, as resolved by the Board of Directors were in agreement with those amounts recognised in the 2017 financial statements. The employees' compensation will be distributed in the form of cash. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20)Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2018	2017
Current tax:		
Current tax on profits for the period	$ 53,746	$ 53,105
Tax on undistributed earnings	805	7,053
Prior year income tax overestimation	(11,954)	(5,056)
Total current tax	42,597	55,102
Deferred tax:		
Origination and reversal of temporary differences	24,785	2,064
Impact of change in tax rate	(11,980)	-
Total deferred tax	12,805	2,064
Income tax expense	$ 55,402	$ 57,166

(b) The income tax charge relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2018	2017
Remeasurements of defined benefit obligations	($ 13)	($ 755)
Impact of change in tax rate	(44)	-
	($ 57)	($ 755)

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate	$ 70,870	$ 63,014
Effects from items adjusted in accordance with tax regulation	4,797	3,222
Taxable loss not recognised as deferred tax assets	4,225	-
Effects from loss carryforward	12,103	1,626
Effect from investment tax credits	(13,464)	(12,693)
Tax on undistributed earnings	805	7,053
Prior year income tax overestimation	(11,954)	(5,056)
Impact of change in tax rate	(11,980)	-
Income tax expense	$ 55,402	$ 57,166

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

	For the year ended December 31, 2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences:				
Allowance for doubtful accounts	$ 606	$ 219	$ -	$ 825
Loss on decline in market value of inventories	4,880	848	-	5,728
Unrealised cost to provide after-sale service	1,509	1,050	-	2,559
Unused compensated absences	1,323	207	-	1,530
Pension costs	3,267	636	57	3,960
Employee benefits	31	(31)	-	-
Unrealised sales discounts and allowances	12,876	2,730	-	15,606
Unrealised expenses and losses	1,122	278	-	1,400
Investment losses	1,061	188	-	1,249
Foreign currency exchange difference	7,168	(7,168)	-	-
Loss carryforward	58,416	(1,355)	-	57,061
	$ 92,259	($ 2,398)	$ 57	$ 89,918
Deferred income tax liabilities				
Temporary differences:				
Foreign currency exchange difference	($ 6)	($ 6,551)	$ -	($ 6,557)
Investment income	(21,851)	(3,856)	-	(25,707)
	($ 21,857)	($ 10,407)	$ -	($ 32,264)
	$ 70,402	($ 12,805)	$ 57	$ 57,654

	For the year ended December 31, 2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences:				
Allowance for doubtful accounts	$ 3,440	($ 2,834)	$ -	$ 606
Loss on decline in market value of inventories	3,955	925	-	4,880
Unrealised cost to provide after-sale service	1,330	179	-	1,509
Unused compensated absences	1,285	38	-	1,323
Pension costs	2,995	24	248	3,267
Employee benefits	-	31	-	31
Unrealised sales discounts and allowances	9,534	3,342	-	12,876
Unrealised expenses and losses	1,342	(220)	-	1,122
Investment losses	1,061	-	-	1,061
Foreign currency exchange difference	1,497	5,671	-	7,168
Loss carryforward	67,630	(9,214)	-	58,416
	$ 94,069	($ 2,058)	$ 248	$ 92,259
Deferred income tax liabilities				
Temporary differences:				
Foreign currency exchange difference	$ -	($ 6)	$ -	($ 6)
Pension costs	(507)	-	507	-
Investment income	(21,851)	-	-	(21,851)
	($ 22,358)	($ 6)	$ 507	($ 21,857)
	$ 71,711	($ 2,064)	$ 755	$ 70,402

D. Expiration dates of unused loss carry forward and amounts of unrecognised deferred tax assets are as follows:

December 31, 2018				
Year incurred	Amount assessed/filed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	438, 100	$ 259, 903	$ 6, 878	2022
2013	21, 180	21, 180	-	2023
2014	42, 523	42, 523	32, 896	2024
2015	53, 725	53, 725	53, 725	2025
2016	24, 427	24, 427	24, 427	2026
2017	28, 645	28, 645	28, 645	2027
2018	23, 119	23, 119	23, 119	2028
		$ 453, 522	$ 169, 690	

December 31, 2017				
Year incurred	Amount assessed/filed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	442, 071	$ 313, 069	$ -	2022
2013	21, 180	21, 180	-	2023
2014	42, 523	42, 523	32, 896	2024
2015	54, 450	54, 450	33, 220	2025
2016	24, 311	24, 311	16, 816	2026
2017	32, 635	32, 635	21, 761	2027
		$ 488, 168	$ 104, 693	

E. The Company’s income tax returns through 2016 have been assessed and approved by the Tax Authority. As of February 26, 2019, no administrative relief has occurred.

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

(21)Earnings per share

	For the year ended December 31,2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 314,416	84,046	$ 3.74
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 314,416	84,046	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	731	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 314,416	84,777	$ 3.71

	For the year ended December 31,2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 303,196	84,239	$ 3.60
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 303,196	84,239	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	498	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 303,196	84,737	$ 3.58

(22) Operating leases

In January 2009 and November 2014, the Company leased parcels of land located in the Luzhu Science Park from the Southern Taiwan Science Park Bureau. The former lease is from January 1, 2009 to December 31, 2023. The latter lease is from November 1, 2014 to October 31, 2034. The leases are both classified as operating leases and are renewable at the end of the lease period. Monthly rents per square meter will be adjusted in the following month if the government adjusts the announced land value, rental rate of national land approved by Executive Yuan is adjusted and other reasons that the monthly rents must be adjusted. The Company shall recover or refund additional rents during the payment period. For the years ended December 31, 2018 and 2017, rent expenses were $5,088 ($3,045 shown as 'operating costs' and $2,043 shown as 'operating expenses') and $4,703 ($2,979 shown as 'operating costs' and $1,724 shown as 'operating expenses'), respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 5,088	$ 4,703
Later than one year but not later than five years	20,352	18,814
Later than five years	23,772	26,678
	$ 49,212	$ 50,195

(23) Supplemental cash flow information

Investing activities with partial cash payments

	For the years ended December 31, 2018	2017
Purchase of property, plant and equipment	$ 8,959	$ 1,846
Add: Opening balance of payable on equipment (shown as 'other payables')	10	1,082
Less: Ending balance of payable on equipment (shown as 'other payables')	(118)	(10)
Cash paid for acquisition of property, plant and equipment	$ 8,851	$ 2,918

七、ELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Jie Kuen Enterprise Inc.	Other related party (Note)
Jie Kuen Precision Technologies Co., Ltd.	Other related party (Note)
Ding Ji Electrical Engineering Co., Ltd.	Other related party (Note)
Nan Feng Mechanical Electrical Co., Ltd.	Other related party (Note)

(Note) This Company's responsible person is the Company's supervisor.

(2) Significant transactions and balances with related parties

A. Purchases of goods

	For the years ended December 31,	
	2018	2017
Other related parties	$ 31,050	$ 19,808

Payment terms of purchases from other related parties are 120 days after receipt. Payment terms of purchases from normal vendors are 60 to 180 days. Except for the payment terms mentioned above, other terms of purchase are the same with third parties.

B. Payables to related parties

	December 31, 2018	December 31, 2017
Other related parties	$ 8,486	$ 12,822

The payables to related parties arise mainly from purchase transactions and are due 120 days after the date of purchase. The payables bear no interest.

(3) Key management compensation

	For the years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 43,629	$ 41,718
Post-employment benefits	951	1,052
	$ 44,580	$ 42,770

八、PLEDGED ASSETS

The Group's assets pledged as collateral were as follows:

Pledged asset	December 31, 2018	December 31, 2017	Purpose
Pledged time deposits (shown as 'other non-current assets')	$ 1,820	$ 1,820	Guarantee for land leases
Buildings and structures (shown as 'property, plant and equipment, net')	282,466	292,375	Guarantee for short-term borrowings (Note)
	$ 284,286	$ 294,195	

Note: The associated debt has been repaid but the designation of "property, plant , and equipment' as collateral has not yet been removed.

九、SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of December 31, 2018 and 2017, the Group's guarantees and endorsements were as follows:

Endorser	Endorsee	December 31, 2018	December 31, 2017	Purpose
All Ring Tech Co., Ltd.	Uni- Ring Tech Co., Ltd.	$ 50,000	$ 50,000	Pledged for borrowing facilities

As of December 31, 2018 and 2017, the actual amount of the endorsement used by the subsidiary, Uni-Ring Tech Co., Ltd., were all $－.

(2) For more information about operating lease, please refer to Note 6(22) 'Operating leases'.

十、SIGNIFICANT DISASTER LOSS

None.

十一、SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

十二、OTHERS

(一)Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, and maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(二)Financial instruments

A. Financial instruments by category

		December 31, 2018		December 31, 2017
Financial assets				
Financial assets at fair value through other comprehensive income				
Designation of equity instrument	$	78,656	$	-
Available-for-sale financial assets		-		54,895
Financial assets at amortised cost/Loans and receivables				
Cash and cash equivalents		880,090		889,708
Notes receivable		73,977		44,817
Accounts receivable		655,099		604,863
Other receivables		649		3,567
Guarantee deposits paid		5,716		4,606
	$	1,694,187	$	1,602,456
Financial liabilities				
Financial liabilities at amortised cost				
Notes payable	$	1,360	$	869
Accounts payable		290,474		359,148
Other accounts payable		249,940		240,857
	$	541,774	$	600,874

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

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

(ii.) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

(iii.) The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through liabilities denominated in the relevant foreign currencies.

(iv.) The Group's businesses involve some non-functional currency operations (The functional currency of the Company and subsidiary, Uni-Ring Tech Co., Ltd., is the NTD; the functional currency of subsidiaries PAI FU INTERNATIONAL LTD. and IMAGINE GROUP LIMITED is the USD; the functional currency of subsidiary, Kunshan All Ring Tech Co., Ltd., and All Ring Tech (Kunshan) Co., Ltd. is the RMB). Information on assets and liabilities subject to significant foreign exchange risk is as follows:

	December 31, 2018		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 17,605	30.72	$ 540,826
USD:RMB	454	6.87	13,948
Financial liabilities			
Monetary items			
USD:NTD	2,880	30.72	88,474
USD:RMB	-	-	-

	December 31, 2017		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 29,585	29.76	$ 880,450
USD:RMB	463	6.51	13,760
Financial liabilities			
Monetary items			
USD:NTD	2,740	29.76	81,542
USD:RMB	25	6.51	743

(v.) The sensitivity analysis of foreign exchange risk mainly focuses on the foreign currency monetary items at the end of the financial reporting period. If the exchange rate of NTD to all foreign currencies had appreciated/depreciated by 1%, the Group’s net income for the years ended December 31, 2018 and 2017 would have decreased/increased by $3,730 and $6,739, respectively.

(vi.) The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2018 and 2017, amounted to $22,104 and ($69,634), respectively.

ii Price risk

(i.) The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as financial assets at fair value through loss or profit, financial assets at fair value through other comprehensive income and available-for-sale financial assets. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group has set various stop loss points, to ensure not to be exposed to significant risk. Accordingly, no material market risk was expected.

(ii.) The Group's investments in equity securities comprise domestic and foreign unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2018 and 2017 would have increased/decreased by $771 and $552, respectively, as a result of gains/losses on equity securities classified as at fair value through comprehensive income and available-for-sale.

iii. Cash flow and fair value interest rate risk

If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, there is no significant effect on after-tax profit for the years ended December 31, 2018 and 2017.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is reqularly monitored.

iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 180 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 720 days.

v. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	For the year ended December 31, 2018	
	Accounts receivable	
At January 1_IAS 39	$	2,811
Adjustments under new standards		-
At January 1_IFRS 9		2,811
Provision for impairment		2,087
At December 31	$	4,898

vi. Credit risk information for the year ended December 31, 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times to ensure the sufficient financial flexibility of the Group.

ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits and beneficiary certificates, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and readily generate cash flows to manage liquidity risk.

iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the following table are undiscounted contractual cash flows.

December 31, 2018	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Notes payable	$ 1,360	$ -	$ -	$ -
Accounts payable	290,474	-	-	-
Other payables	249,940	-	-	-

December 31, 2017	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Notes payable	$ 869	$ –	$ –	$ –
Accounts payable	359, 148	–	–	–
Other payables	240, 857	–	–	–

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(三)Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group’s investment in beneficiary certificates and equity securities are included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group’s investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The Group’s financial instruments not measured at fair value which includes the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, notes payable, accounts payable and other payables are approximate to their fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ 78, 656	$ –	$ –	$ 78, 656

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$ 54,895	$ -	$ -	$ 54,895

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The following financial assets use quoted market prices as inputs for fair value measurement (level 1): for emerging stocks, the average trading price at the balance sheet date is used.

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

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

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

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

A. Summary of significant accounting policies adopted for the year ended December 31, 2017:

(a) Receivables

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

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

i. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

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

(c) Available for sale financial assets

i. Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

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

iii. Available for sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(d) Impairment of financial assets

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

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

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

(ii.) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iii.) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

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

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

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

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

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

(i.) Available-for-sale financial assets

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

(ii.) Financial assets at amortized cost

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

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

In accordance with IFRS 9, the Group reclassified available-for-sale financial assets in the amount of $54,895, by increasing financial assets at fair value through profit or loss and valuation adjustment in the amounts of $21,184 and ($21,184), respectively. Additionally, the Group made an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income and valuation adjustment in the amounts of $58,126 and ($3,231), respectively, and increasing retained earnings and decreasing other equity interest in the amounts of $1,318 and $1,318, respectively.

C. The allowance for impairment and provision was $1,318 for the year ended December 31, 2017, which was impaired under IAS 39, transferred to the adjustment for change in value of "financial assets at fair value through other comprehensive income" on January 1, 2018. There was no impairment loss under IFRS 9.

D. The significant accounts for the year ended December 31, 2017 is as follows:

Available-for-sale financial assets – non-current

	December 31, 2017
Unlisted stocks	$ 79,310
Adjustment for change in value	(1,913)
Accumulated impairment	(22,502)
	$ 54,895

i. The Group recognised $5,710 in other comprehensive income for fair value change for the year ended December 31, 2017.

ii. As of December 31, 2017, the Group did not pledge any of the available-for-sale financial assets as collateral.

E. Credit risk information for the year ended December 31, 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors and the usage of the line of credit is monitored periodically. Credit risk arises from cash and cash equivalents and credit risk from customers, including outstanding account receivables and promised transactions not yet completed.

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

(c) As of December 31, 2017, there was no past due nor impaired financial assets.

(d) Movements of the Group's provision for impairment of accounts receivable for the year ended December 31, 2017 are as follows:

	For the year ended December 31, 2017
	Group provision
At January 1	$ 19,479
Reversal of impairment	(16,668)
At December 31	$ 2,811

(e) As of December 31, 2017, the Group's accounts receivable that was neither past due nor impaired is primarily from customers with good payment history.

(f) As of December 31, 2017, the Group did not hold any collateral as a guarantee for account receivables.

(五)Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

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

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

B. The effects and description of current balance sheet and comprehensive income statement if the Group continues adopting above accounting policies are as follows:

(a) The effects and description of balance sheet:

	December 31, 2018		
Balance sheet items	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from chages in accounting policy
Contract liabilities－current	$ 19,174	$ -	$ 19,174
Advance sales receipts	-	19,174	(19,174)

Advance sales receipts (shown as other current liabilities) in relation to the contract were previously presented in accordance with previous R.O.C. GAAP. Under IFRS 15 'Revenue from contracts with customers', the advance sales receipts are recognised as contract liabilities.

(b) There is no significant effect on current comprehensive income statement if the Group continues adopting above accounting policies.

十三、SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Group is only required to disclose the information for the year ended December 31, 2018.

(1) Significant transactions information

A. Loans to others: Please refer to Table 1.

B. Provision of endorsements and guarantees to others: Please refer to Table 2.

C. Holding of marketable securities at the end of the period (not including subsidiary, associates and joint ventures): Please refer to Table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to Table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to Table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Table 7.

十四、SEGMENT INFORMATION

(六)General information

Management has determined the reportable operating segments based on the reports reviewed by the Group' s chief operating decision maker that are used to make strategic decisions. The Group' s operating decision-maker manages each entity in the organization according to its role. There is no material change in the basis for information of entities and division of segments in the Group or in the measurement basis for segment information during this period.

(七)Measurement of segment information

The Group's operational decision-maker evaluates the performance of each department based on its pre-tax income. This metric excludes nonrecurring expenses of the department and unrealized gains or losses from financial products. Interest income and expense are not allocated to operating segments, as this type of activity is driven by the Company's central treasury function, which manages the cash position of the group.

(八)Segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	For the year ended December 31, 2018				
	All Ring Tech Co., Ltd.	Kunshan All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	Others	Total
Total segment revenue	$ 1,684,162	$ 1,202	$ 269,896	$ 3,844	$ 1,959,104
Inter-segment revenue	29,267	-	3,833	135	33,235
Revenue from external customers	1,654,895	1,202	266,063	3,709	1,925,869
Interest income	8,550	623	51	10	9,234
Depreciation and amortisation	21,198	346	7,931	288	29,763
Interest expense	105	-	-	-	105
Segment income (loss) before tax	368,881	(9,056)	14,512	(17,132)	357,205
Segment assets	2,469,963	50,741	347,422	49,079	2,917,205
Segment liabilities	600,815	1,329	106,852	5,260	714,256

	For the year ended December 31, 2017				
	All Ring Tech Co., Ltd.	Kunshan All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	Others	Total
Total segment revenue	$ 1,614,505	$ 52,607	$ 197,627	$ 61,688	$ 1,926,427
Inter-segment revenue	28,913	29,387	1,146	128	59,574
Revenue from external customers	1,585,592	23,220	196,481	61,560	1,866,853
Interest income	4,825	615	61	9	5,510
Depreciation and amortisation	21,406	357	7,416	482	29,661
Interest expense	869	-	-	137	1,006
Segment income (loss) before tax	358,918	(13,783)	13,319	(29,982)	328,472
Segment assets	2,478,645	64,645	311,193	65,851	2,920,334
Segment liabilities	616,826	5,078	78,709	6,023	706,636

(九)Reconciliation about segment profit or loss, assets and liabilities

A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated statement of comprehensive income. A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations is provided as follows:

	For the years ended December 31,	
	2018	2017
Reportable segments income/(loss) before tax	$ 374,337	$ 358,454
Other segments income/(loss) before tax	(17,132)	(29,982)
Add: Inter-segment income	12,613	31,890
Profit from continuing operations before tax	$ 369,818	$ 360,362

B. The amounts provided to the chief operating decision maker with respect to total assets are measured in a manner consistent with that of the financial statements. A reconciliation of assets of reportable segment and total assets is as follows:

	December 31, 2018	December 31, 2017
Assets of reportable segments	$ 2,868,126	$ 2,854,483
Assets of other operating segments	49,079	65,851
Less: Inter-segment transaction	(397,399)	(384,998)
Total assets	$ 2,519,806	$ 2,535,336

C. The amounts provided to the chief operating decision maker with respect to total liabilities are measured in a manner consistent with that of the financial statements. A reconciliation of liabilities of reportable segment and total liabilities is as follows:

	December 31, 2018	December 31, 2017
Liabilities of reportable segments	$ 708,996	$ 700,613
Liabilities of other operating segments	5,260	6,023
Less: Inter-segment transaction	(63,598)	(33,119)
Total liabilities	$ 650,658	$ 673,517

(十)Information on products and services

Income from external customers is primarily from sales of automation machinery and equipment, therefore it is not necessary to disclose the details of this amount.

(十一)Geographical information

Geographical information for years ended December 31, 2018 and 2017 are as follows:

	Years ended December 31, 2018		Years ended December 31, 2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 1,658,604	$ 324,451	$ 1,647,152	$ 337,332
China	267,265	155,506	219,701	158,118
	$ 1,925,869	$ 479,957	$ 1,866,853	$ 495,450

All Ring Tech Co., Ltd. and subsidiaries

Loans to others

For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance	Ending balance	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)	Note
1	PAI FU INTERNATIONAL LIMITED	All Ring Tech (Kunshan) Co., Ltd.	Other receivables	Y	$ 69,120	$ 23,040	$ -	2%	Short-term financing	$ -	Operating	$ -	—	$ -	$ 290,427	$ 290,427	—
2	Kunshan All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	Other receivables	Y	89,440	58,136	24,596	2%	Short-term financing	-	Operating	-	—	-	98,804	98,804	—

(Note 1) Calculation of limit on loans granted to a single party and ceiling on total loans granted:The total loan amount cannot exceed 40% of the company's net worth. There are three possible circumstances:

1. Loan is made to company with which the Company has a business relationship. The total loan amount cannot exceed 20% of the company's net worth.
   The individual loan amount cannot exceed the total amount of business transactions between the two parties in the past year.
2. Loan is made to companies who need short-term financing. The total loan amount cannot exceed 20% of the company's net worth. The individual loan amount cannot exceed 10% of the net worth of the company.
3. The aforementioned limit does not apply if the loan is made to a company of which the parent company owns, directly or indirectly, 100% of the voting equity.
   Both the total and individual loan amounts do not exceed 200% of the net worth of the creditor based on the most recent financial statements.

(Note 2) Foreign currency amounts in the table are converted into NTD according to the exchange rates on the financial reporting date (USD: NTD = 1:30.72; RMB:NTD = 1:4.472).

All Ring Tech Co., Ltd. and subsidiaries

Provision of endorsements and guarantees to others

For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount	Outstanding endorsement/ guarantee amount	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Note
		Company name	Relationship with the endorser/ guarantor											
0	All Ring Tech Co., Ltd.	Uni-Ring Tech Co., Ltd.	(Note 1)	$ 373,830	$ 100,000	$ 50,000	$ -	$ -	2.68%	$ 747,659	Y	N	N	—

(Note 1) Companies where the Company owns more than 50% of voting shares (direct or indirect).

(Note 2) The total endorsements and guarantees of external parties by the Company cannot exceed 40% of the net worth as measured in the current period. The endorsement and guarantee of an individual business cannot exceed 20% of the net worth as measured in the current period. The total endorsements and guarantees of external parties by the Group cannot exceed 50% of the net worth as measured in the current period. The endorsement and guarantee of an individual business cannot exceed 20% of the net worth as measured in the current period. If the endorsement and guarantee are made for the purpose of conducting business, then the amount of endorsement and guarantee cannot exceed the total amount of business transactions between the guaranteed party and the Company in the past year.

All Ring Tech Co., Ltd. and subsidiaries

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

December 31, 2018

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2018 Number of shares	Book value	Ownership (%)	Fair value	Note
All Ring Tech Co., Ltd.	Stocks:							
	Egiga Source Technology Co., Ltd.	—	Financial assets at fair value through profit or loss - non -current	1, 298	—	14. 86%	-	—
	Tai-Tech Advanced Electronics Co.,Ltd	—	Financial asset measured at fair value through other comprehensive income - non -current	2, 552	75, 217	2. 80%	75, 217	—
	Tecstar Technology Co., Ltd.	—	Financial asset measured at fair value through other comprehensive income - non -current	276	3, 439	0. 79%	3, 439	—

All Ring Tech Co., Ltd. and subsidiaries

Significant inter-company transactions during the reporting period

For the year ended December 31, 2018

Table 4

Expressed in thousands of NTD

				Transaction			
Number	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	1	Sales	$ 29,267	(Note 4)	2%
				Purchases	3,807	—	—
				Accounts receivable	35,287	—	1%
				Accounts payable	1,325	—	—
		Uni-Ring Tech Co., Ltd.	1	Rental income	1,011	—	—
				Endorsements and guarantees	50,000	—	2%
1	Kunshan All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	3	Other receivables	24,800	—	1%
				Rental expenses	1,315	—	—
2	PAI FU INTERNATIONAL LIMITED	All Ring Tech (Kunshan) Co., Ltd.	3	Other expenses	3,329	—	—

(Note 1) Business and other transactions between the parent company and its subsidiaries or between subsidiaries are not separately disclosed since the circumstances and amounts of each transaction is the same on each side. In addition, the disclosure threshold for significant transactions is set at 1 million dollars.

(Note 2) Relationship between transaction company and counterparty is classified into the following three categories;

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

(Note 3) The ratio of a transaction amount to total revenue or total assets is calculated as follows: balance sheet items are calculated by dividing the ending balance by total consolidated assets; profit or loss items are calculated by dividing the accumulated ending balance by total consolidated revenue.

(Note 4) Collection terms of sale to All Ring Tech (Kunshan) Co., Ltd. are 120 days T/T; collection terms of sale to general customers are as follows: the first payment is collected 30 to 130 days after delivery of order, and the second payment is collected 30 to 190 days after order is accepted by customer. Other terms of sale are the same as general customers.

(Note 5) Foreign currency amounts in the table are converted into NTD as follows: ending balances and carrying amounts are converted using the exchange rate on the financial reporting date (USD:NTD = 1:30.72; RMB:USD = 1:0.1456); profit or loss items are converted using the average exchange rate for the year ended December 31, 2018 (USD:NTD = 1:30.15; RMB:USD = 1:0.1514).

All Ring Tech Co., Ltd. and subsidiaries

Information on investees

For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2018	Initial investment amount: Balance as at December 31, 2017 (Note 1)	Shares held as at December 31, 2018: Number of shares	Shares held as at December 31, 2018: Ownership (%)	Shares held as at December 31, 2018: Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Note
All Ring Tech Co., Ltd.	PAI FU INTERNATIONAL LIMITED	British Virgin Islands	Mechanical engineering automation, and research, development and design of software	$ 65,263	$ 65,263	1,930,000	100.00	$ 145,211	($ 8,547)	($ 8,547)	Subsidiary
All Ring Tech Co., Ltd.	Uni-Ring Tech Co., Ltd.	Taiwan	Other machine manufacture industry, electrical appliances, audio visual electronics and international trading industry	170,000	170,000	4,855,947	100.00	14,994	(13,875)	(13,567)	Subsidiary
All Ring Tech Co., Ltd.	IMAGINE GROUP LIMITED	Mauritius	Investment business	136,100	136,100	3,720,000	73.81	210,815	13,289	9,853	Subsidiary
PAI FU INTERNATIONAL LIMITED	IMAGINE GROUP LIMITED	Mauritius	Investment business	40,550	40,550	1,320,000	26.19	68,539	13,289	-	Subsidiary (Note 2)

(Note 1) This was the balance on December 31, 2017.

(Note 2) The investment gains (losses) do not need to be disclosed per the rules.

(Note 3) Foreign currency amounts in the table are converted into NTD as follows: ending balances and carrying amounts are converted using the exchange rate on the financial reporting date (USD:NTD = 1:30.72); profit or loss items are converted using the average exchange rate for the year ended December 31, 2018 (USD:NTD = 1:30.15).

All Ring Tech Co., Ltd. and subsidiaries

Information on investments in Mainland China

For the year ended December 31, 2018

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 3)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Note
					Remitted to Mainland China	Remitted back to Taiwan							
Kunshan All Ring Tech Co., Ltd.	Research, development, and manufacture of specialized electronic equipment used for cutting capacitance and inductance; sales of self-manufactured products and provision of corresponding technology testing services	$ 46,080	(Note 1)	$ 46,080	$ -	$ -	$ 46,080	($ 9,056)	100.00	($ 9,056)	$ 49,412	$ -	—
All Ring Tech (Kunshan) Co., Ltd.	Research, development, design, and manufacture of specialized electronic equipment, testing instruments and accessories; sales of self-manufactured products and provision of corresponding technology testing services	153,600	(Note 2) (Note 4)	139,798	-	-	139,798	13,354	100.00	13,354	240,570	-	—

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 5)
All Ring Tech Co., Ltd.	$ 185,878	$ 451,706	$ 1,121,489

(Note 1) Additional investment in Chinese company through a subsidiary in a third region (PAI FU INTERNATIONAL LIMITED).

(Note 2) Additional investment in Chinese company through a subsidiary in a third region (IMAGINE GROUP LIMITED).

(Note 3) Recognized according to the audited financial statements of the investee.

(Note 4) $39,936 (USD $1,300 thousand) was invested in the Chinese company through PAI FU INTERNATIONAL LIMITED, located in a third region.

(Note 5) The limit is the net worth or 60% of the consolidated net worth, whichever is greater.

(Note 6) Foreign currency amounts in the table are converted into TWD as follows: ending balances and carrying amounts are converted using the exchange rate on the financial reporting date (USD:TWD = 1:30.72; RMB:USD = 1:0.1456); profit or loss items are converted using the average exchange rate for the year ended December 31, 2018 (USD:TWD = 1:30.15; RMB:USD = 1:0.1514).

All Ring Tech Co., Ltd. and subsidiaries

Significant transactions , either directly or indirectly through a third area, with investee companies in the Mainland Area

For the year ended December 31, 2018

Table 7

Expressed in thousands of NTD

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2018	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2018	Balance at December 31, 2018 (Note)	Interest rate	Interest during the year ended December 31, 2018	Others
All Ring Tech (Kunshan) Co., Ltd.	$ 29, 267	2%	$ -	-	$ 35, 287	1%	$ -	-	$ 69, 120	$ 23, 040	2%	$ -	Other expenses $3, 329
	(3, 807)	-			(1, 325)	-							

Note: Actual drawn amount $－.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of All Ring Tech Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of All Ring Tech Co., Ltd. (the "Company") as at December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent accountants, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements of the current period are stated as follows:

Cutoff of revenue

Description

Refer to Note 4(25) for accounting policies on revenue recognition.

The sales revenue of the Company is primarily from the assembly and sale of equipment. Based on the terms of the sale agreement, sales revenue is recognized when the control of the goods sold are transferred to the customer after the installation of the goods or the acceptance of the goods by the customer, being when the goods are delivered to the client, the client has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the client's acceptance of the goods. As the transfer of control of the goods to the customer in a sale transaction involves manual process and judgement, there exists a risk of material misstatement that may arise from improper revenue recognition for transactions that occur near the balance sheet date and the transaction amounts are usually material. Thus, we consider the cutoff of revenue a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:

1. Obtained an understanding and assessed the accounting policy on revenue recognition.
2. Understood and assessed internal control over revenue recognition, and tested the effectiveness of the internal controls over the shipment of goods and the verification of the timing of revenue recognition.
3. Tested the cutoff of transactions that occurred a certain time before or after the balance sheet date in order to verify whether the control of the goods for which revenue has been recognized was transferred, and whether revenue was recorded in the appropriate period.

Evaluation of inventories

Description

Refer to Note 4(8) to the parent company only financial statements for the accounting policy on inventory valuation, Note 5(2) for information on the uncertainty of accounting estimates and assumptions on inventory valuation, and Note 6(4) for information on allowance for inventory valuation losses. As of December 31, 2018, inventory and allowance for inventory valuation losses were NT$228,728 thousand and NT$23,820 thousand, respectively.

The Company develops, manufactures, and assembles production equipment of semiconductors and passive components. Due to rapid changes in technology, the risk of the materials inventory of related equipment incurring valuation losses or becoming obsolete is high. Inventories are stated at the lower of cost and net realizable value. The net realizable value of inventory that is over a certain age or individually identified as obsolete is determined based on the historical information on inventory turnover obtained by management from periodic inspections.

The technology related to the Company's products is rapidly changing, and the determination of the net realizable value of inventory identified as obsolete involves subjective judgement. Thus, we consider the evaluation of inventories a key audit matter.

How our audit addressed the matter

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

1. Assessed the reasonableness of the Company's policies and procedures on setting allowance for inventory valuation losses according to applicable accounting principles and the auditor's understanding of the nature of the Company's industry. This included assessing the reasonableness of the source of the historical information on inventory turnover used in determining net realizable value and assessing the reasonableness of judgments of obsolete inventory items.
2. Obtained an understanding of the Company's warehousing control procedures. Reviewed annual physical inventory count plan and participated in the annual inventory count in order to assess the classification of obsolete inventory and effectiveness of internal control over obsolete inventory.
3. Tested the appropriateness of the logic used in evaluating the net realizable value of inventory and inventory aging report to verify the reasonableness of the allowance for inventory valuation losses.

Other matter – Reference to the audits of other independent accountant

We did not audit the financial statements of an investee accounted for under the equity method, Uni-Ring Tech Co., Ltd. The investment amounted to NT$28,561 thousand, constituting 1% of total assets as of December 31, 2017, and the share of loss and other comprehensive income of the subsidiary accounted for under the equity method was (NT$18,198) thousand, constituting (6%) of total comprehensive income for the year ended December 31, 2017. The financial statements of the investee company were audited by other independent accountants whose report thereon has been furnished to us, and our opinion expressed herein is based solely on the audit report of the other independent accountants.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the board of directors (including independent directors) and the supervisors, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Liu Tzu-Meng
Independent Accountants
Lin Yung-Chih

PricewaterhouseCoopers, Taiwan
Republic of China
February 26, 2019

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ALL RING TECH CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 800,497	32	$ 804,404	33
1150	Notes receivable, net	6(3) and 12	67,348	3	35,231	1
1170	Accounts receivable, net	6(3), 7 and 12	539,130	22	488,642	20
1200	Other receivables		347	-	3,363	-
130X	Inventory	5(2) and 6(4)	204,908	8	280,375	11
1410	Prepayments		3,202	-	4,668	-
11XX	**Total current assets**		1,615,432	65	1,616,683	65
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	6(5) and 12	78,656	3	-	-
1523	Available-for-sale financial assets - non-current	12	-	-	54,895	2
1550	Investments accounted for under equity method	6(6) and 7	371,020	15	386,648	16
1600	Property, plant and equipment	6(7) and 8	314,244	13	326,784	13
1780	Intangible assets		4,961	1	4,541	-
1840	Deferred income tax assets	6(20)	77,279	3	80,762	4
1920	Guarantee deposits paid		4,734	-	4,535	-
1990	Other non-current assets, others	8	3,637	-	3,797	-
15XX	**Total non-current assets**		854,531	35	861,962	35
1XXX	**Total assets**		$ 2,469,963	100	$ 2,478,645	100

(Continued)

ALL RING TECH CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2130	Current contract liabilities	12	$ 12,619	-	$ -	-
2150	Notes payable		1,360	-	869	-
2170	Accounts payable	7	267,956	11	325,634	13
2200	Other payables	6(8) and 7	230,891	9	219,175	9
2230	Current income tax liabilities	6(20)	23,133	1	14,696	1
2250	Provisions for liabilities - current	6(9)	12,793	1	8,873	-
2310	Advance receipts	12	-	-	6,513	-
21XX	**Total current liabilities**		548,752	22	575,760	23
	Non-current liabilities					
2570	Deferred income tax liabilities	6(20)	32,264	1	21,851	1
2640	Net defined benefit liabilities - non-current	6(10)	19,799	1	19,215	1
25XX	**Total non-current liabilities**		52,063	2	41,066	2
2XXX	**Total liabilities**		600,815	24	616,826	25
	Equity Share capital					
3110	Share capital - common stock	6(11)	842,389	34	842,389	34
3200	**Capital surplus**	6(12)	378,920	16	378,920	15
	Retained earnings	6(13)				
3310	Legal reserve		216,754	9	186,434	8
3320	Special reserve		22,672	1	22,672	1
3350	Unappropriated retained earnings		472,994	19	448,824	18
3400	**Other equity interest**	6(5)(6)	(18,649)	(1)	(17,420)	(1)
3500	**Treasury stocks**	6(11)	(45,932)	(2)	-	-
3XXX	**Total equity**		1,869,148	76	1,861,819	75
	Contingent liabilities and commitments	6(22), 7 and 9				
3X2X	**Total liabilities and equity**		$ 2,469,963	100	$ 2,478,645	100

The accompanying notes are an integral part of these parent company only financial statements.

ALL RING TECH CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
4000	**Operating revenue**	6(14) and 7	$ 1,684,162	100	$ 1,614,505	100
5000	**Operating costs**	6(4)(10)(18)(19)(22) and 7	(950,224)	(57)	(821,784)	(51)
5900	**Net operating margin**		733,938	43	792,721	49
	Operating expenses	6(10)(18)(19)(22), 7 and 12				
6100	Selling expenses		(60,094)	(4)	(59,554)	(4)
6200	General & administrative expenses		(72,445)	(4)	(68,563)	(4)
6300	Research and development expenses		(259,558)	(15)	(238,611)	(15)
6450	Impairment loss determined in accordance with IFRS 9		(1,970)	-	-	-
6000	**Total operating expenses**		(394,067)	(23)	(366,728)	(23)
6900	**Operating profit**		339,871	20	425,993	26
	Non-operating income and expenses					
7010	Other income	6(5)(15) and 7	17,583	1	34,588	2
7020	Other gains and losses	6(2)(16) and 12	23,793	2	(69,256)	(4)
7050	Finance costs	6(17)	(105)	-	(869)	-
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method, net	6(6)	(12,261)	(1)	(31,538)	(2)
7000	**Total non-operating income and expenses**		29,010	2	(67,075)	(4)
7900	**Profit before income tax**		368,881	22	358,918	22
7950	Income tax expense	6(20)	(54,465)	(3)	(55,722)	(3)
8200	**Profit for the year**		$ 314,416	19	$ 303,196	19
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Remeasurement of defined benefit obligations	6(10)	($ 68)	-	($ 4,440)	-
8316	Unrealised gains on valuation of financial assets at fair value through other comprehensive income	6(5)	3,364	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)	57	-	755	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(6)	(3,367)	-	(12,768)	(1)
8362	Unrealised gain on valuation of available-for-sale financial assets	12	-	-	5,710	-
8300	**Total other comprehensive loss for the year**		($ 14)	-	($ 10,743)	(1)
8500	**Total comprehensive income for the year**		$ 314,402	19	$ 292,453	18
	Earnings per share (in dollars)	6(21)				
9750	**Basic**		$	3.74	$	3.60
9850	**Diluted**		$	3.71	$	3.58

The accompanying notes are an integral part of these parent company only financial statements

ALL RING TECH CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital Reserves: Additional paid-in capital	Capital Reserves: Stock options	Retained Earnings: Legal reserve	Retained Earnings: Special reserve	Retained Earnings: Unappropriated retained earnings	Other Equity Interest: Financial statements translation differences of foreign operations	Other Equity Interest: Unrealised gain (loss) on valuation of financial assets at fair value through other comprehensive income	Other Equity Interest: Unrealised gain (loss) on valuation of available-for-sale financial assets	Treasury stocks	Total
For the year ended December 31, 2017												
Balance at January 1, 2017		$ 842,389	$ 378,812	$ 108	$ 150,732	$ 22,672	$ 437,732	($ 2,739)	$ -	($ 7,623)	$ -	$ 1,822,083
Net income for the year ended December 31, 2017		-	-	-	-	-	303,196	-	-	-	-	303,196
Other comprehensive income (loss) for the year ended December 31, 2017	6(6)	-	-	-	-	-	(3,685)	(12,768)	-	5,710	-	(10,743)
Total comprehensive income (loss) for the year ended December 31, 2017		-	-	-	-	-	299,511	(12,768)	-	5,710	-	292,453
Distribution of 2016 net income												
Legal reserve		-	-	-	35,702	-	(35,702)	-	-	-	-	-
Cash dividends	6(13)	-	-	-	-	-	(252,717)	-	-	-	-	(252,717)
Balance at December 31, 2017		$ 842,389	$ 378,812	$ 108	$ 186,434	$ 22,672	$ 448,824	($ 15,507)	$ -	($ 1,913)	$ -	$ 1,861,819
For the year ended December 31, 2018												
Balance at January 1, 2018		$ 842,389	$ 378,812	$ 108	$ 186,434	$ 22,672	$ 448,824	($ 15,507)	$ -	($ 1,913)	$ -	$ 1,861,819
Effects of retrospective application	12	-	-	-	-	-	1,318	-	(3,231)	1,913	-	-
Adjusted balance at January 1, 2018		842,389	378,812	108	186,434	22,672	450,142	(15,507)	(3,231)	-	-	1,861,819
Net income for the year ended December 31, 2018		-	-	-	-	-	314,416	-	-	-	-	314,416
Other comprehensive income (loss) for the year ended December 31, 2018	6(5)(6)	-	-	-	-	-	(11)	(3,367)	3,364	-	-	(14)
Total comprehensive income for the year ended December 31, 2018		-	-	-	-	-	314,405	(3,367)	3,364	-	-	314,402
Loss on disposal of financial assets at fair value through other comprehensive income	6(5)	-	-	-	-	-	(92)	-	92	-	-	-
Distribution of 2017 net income												
Legal reserve		-	-	-	30,320	-	(30,320)	-	-	-	-	-
Cash dividends	6(13)	-	-	-	-	-	(261,141)	-	-	-	-	(261,141)
Treasury stocks reacquired	6(11)	-	-	-	-	-	-	-	-	-	(45,932)	(45,932)
Balance at December 31, 2018		$ 842,389	$ 378,812	$ 108	$ 216,754	$ 22,672	$ 472,994	($ 18,874)	$ 225	$ -	($ 45,932)	$ 1,869,148

The accompanying notes are an integral part of these parent company only financial statements.

ALL RING TECH CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 368,881	$ 358,918
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit losses	12	1,970	-
Reversal of allowance for doubtful accounts	6(15) and 12	-	(16,668)
Provision for inventory market price decline	6(4)	-	5,441
Reversal of allowance for inventory market price decline	6(4)	(4,854)	-
Share of loss of subsidiaries, associates and joint ventures accounted for under equity method	6(6)	12,261	31,538
Depreciation	6(7)(18)	17,535	17,826
Gain on disposal of property, plant and equipment	6(16)	(4)	(103)
Amortisation	6(18)	3,663	3,580
Dividend income	6(5)(15)	(4,506)	(3,081)
Interest income	6(15)	(8,550)	(4,825)
Interest expense	6(17)	105	869
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(32,117)	5,815
Accounts receivable		(52,458)	(114,068)
Other receivables		3,016	(749)
Inventories		80,321	(12,441)
Prepayments		1,466	363
Changes in operating liabilities			
Current contract liabilities		6,106	-
Notes payable		491	(39)
Accounts payable		(57,678)	83,897
Other payables		11,608	(8,464)
Provisions for liabilities - current		3,920	1,050
Advance receipts		-	(9,767)
Net defined benefit liabilities - non-current		516	500
Cash inflow generated from operations		351,692	339,592
Cash dividends received		4,506	3,081
Interest received		8,550	4,825
Interest paid		(105)	(869)
Income taxes paid		(32,075)	(100,282)
Net cash flows from operating activities		332,568	246,347

(Continued)

ALL RING TECH CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income		($ 21,028)	$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(5)	631	-
Acquisition of investments accounted for under equity method - subsidiary	6(6)	-	(20,000)
Cash paid for acquisition of property, plant and equipment	6(23)	(4,920)	(2,587)
Proceeds from disposal of property, plant and equipment		37	1,026
Acquisition of intangible assets		(4,083)	(1,839)
(Increase) decrease in guarantee deposits paid		(199)	33
Decrease in other non-current assets		160	160
Net cash flows used in investing activities		(29,402)	(23,207)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid	6(13)	(261,141)	(252,717)
Acquisition of treasury shares	6(11)	(45,932)	-
Net cash flows used in financing activities		(307,073)	(252,717)
Net decrease in cash and cash equivalents		(3,907)	(29,577)
Cash and cash equivalents at beginning of year	6(1)	804,404	833,981
Cash and cash equivalents at end of year	6(1)	$ 800,497	$ 804,404

The accompanying notes are an integral part of these parent company only financial statements.

ALL RING TECH CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

一、HISTORY AND ORGANISATION

(1) All Ring Tech Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on May 24, 1996. Its primary business includes the design, manufacturing, and assembly of automation machines, the research, development, and design of computer software, and the manufacturing of optical instruments.

(2) The common shares of the Company have been listed on the Taipei Exchange since September 2002.

二、THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on February 26, 2019.

三、APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

IFRS 9, 'Financial instruments'

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

A. The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

B. The Company expects to recognized the lease contract of lessees in line with IFRS 16. However, the Company does not intend to restate the financial statements of prior period (referred herein as the ‘modified retrospective approach’) On January 1, 2019, it is expected that right-of-use asset and lease liability will both be increased by $52,493.

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by IASB
IFRS 17, ‘Insurance contracts’	January 1, 2021

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

四、SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance
with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” .

(2) Basis of preparation

D. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:

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

(b) Financial assets at fair value through other comprehensive income/ Available-for-sale financial assets measured at fair value.

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

E. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

F. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Foreign currency translation

Items included in the parent company only financial statements of each of the Company’ s entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains and losses'.

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

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

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

(f) Assets held mainly for trading purposes;

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

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

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

(e) Liabilities that are expected to be paid off within the normal operating cycle;

(f) Liabilities arising mainly from trading activities;

(g) Liabilities that are to be paid off within twelve months from the balance sheet date;

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

(5) Cash equivalents

C. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

D. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

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

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

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

D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventories exceeds the net realisable value, the amount of any write-down of inventories recognised as cost of sales during the period; and the amount of any reversal of inventory write-down is recognised as a reduction in cost of sales during the period.

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

D. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(c) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(d) The assets' contractual cash flows represent solely payments of principal and interest.

E. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

F. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

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

(d) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Investments accounted for using equity method/ subsidiaries and associates

A. A subsidiary is an entity where the Company has the right to dominate its finance and operating policies (including special purpose entities), normally the Company owns more than 50% of the voting rights directly or indirectly in that entity. Subsidiaries are accounted for under the equity method in the Company's parent company only financial statements.

B. Unrealised gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.

C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company’s interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.

D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

E. The Company’s share of its associates’ post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

F. When changes in an associate’s equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company’s ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in ‘capital surplus’ in proportion to its ownership.

G. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company’s ownership percentage of the associate but maintains significant influence on the associate, then “Capital surplus” and “Investments accounted for under the equity method” shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company’s ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

I. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

J. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

K. According to "Regulations Governing the Preparation of Financial Statements by Securities Issuers", "Profit for the year" and "Other comprehensive income for the year" reported in an entity's parent company only statement of comprehensive income, shall equal to "profit for the year" and "Other comprehensive income" attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's parent company only financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

(13) Property, plant and equipment

E. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

F. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

G. Property, plant and equipment apply the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.

H. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Asset	Estimated useful lives
Buildings and structures	15～35 years
Machinery and equipment	3～13 years
Transportation equipment	5 years
Office equipment	3～7 years
Other facilities	3～10 years

(14) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(15) Operating leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset' s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset' s fair value less costs of disposal or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Accounts and notes payable

Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realised the asset and settle the liability simultaneously.

(20) Provisions

Provisions (including warranties) are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(21) Employee benefits

D. Short-term employee benefits

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

E. Pensions

(c) Defined contribution plan

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

(d) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

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

F. Employees' compensation and directors' and supervisors' remuneration

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

(22) Income tax

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

H. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings of the company and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

I. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

J. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

K. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

L. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(23) Share capital

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

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

(24) Dividends

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

(25) Revenue recognition

Sales of goods

(d) Sales are recognised when control of the products has transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products.

(e) Revenue from these sales is recognised based on the price specified in the contract, net of the estimated output tax, sales returns, and sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. Collection terms of sale are as follows: the first payment is collected 30 to 130 days after delivering machineries, and the second payment is collected 30 to 190 days after acceptance of machineries. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of momey.

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

(26) Government grants

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

五、CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgments in applying the Company' s accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, and the related information is addressed below:

(1) Critical judgments in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

C. As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

D. As of December 31, 2018, the carrying amount of inventories was $204,908.

六、DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash:		
Cash on hand	$ 1,203	$ 1,006
Checking accounts and demand deposits	339,544	209,198
	340,747	210,204
Cash equivalents:		
Time deposits	459,750	594,200
	$ 800,497	$ 804,404

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

D. Please refer to Note 8 'Pledged Assets' for information on the Company's cash and cash equivalents that were pledged as collateral (included in 'Other non-current assets') as of December 31, 2018 and 2017.

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

		December 31, 2018
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	$	21, 184
Valuation adjustment	(	21, 184)
	$	-

E. The Company recognised net gain (Shown as "Other gains and losses") on financial assets at fair value through profit or loss amounting to $150 for the year ended December 31, 2018.

F. The Company has no financial assets at fair value through profit or loss pledged to others as collateral as of December 31, 2018.

G. Information relating to credit risk is provided in Note 12(2).

H. Information on financial assets at fair value through profit or loss as of December 31, 2017 are provided in Note 12(4).

(3) Notes and accounts receivable

		December 31, 2018		December 31, 2017
Notes receivable	$	67, 348	$	35, 231
Accounts receivable	$	543, 911	$	491, 453
Less: Allowance for uncollectible accounts	(	4, 781)	(	2, 811)
	$	539, 130	$	488, 642

E. The ageing analysis of notes receivable and accounts receivable that were past due is as follows:

	December 31, 2018				December 31, 2017			
	Accounts receivable		Notes receivable		Accounts receivable		Notes receivable	
Less than 30 days	$	73, 841	$	67, 348	$	52, 653	$	35, 231
31～90 days		168, 804		-		194, 704		-
91～180 days		188, 046		-		87, 769		-
181～360 days		63, 325		-		81, 097		-
Over 360 days		49, 895		-		75, 230		-
	$	543, 911	$	67, 348	$	491, 453	$	35, 231

The above ageing analysis was based on invoice date.

F. The Company has no notes and accounts receivable pledged to others as collateral as of December 31, 2018 and 2017.

G. As of December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable were the book value.

H. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 24,246	($ 5,991)	$ 18,255
Work in process	167,256	(9,432)	157,824
Finished goods	37,226	(8,397)	28,829
	$ 228,728	($ 23,820)	$ 204,908

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 16,585	($ 6,702)	$ 9,883
Work in process	189,291	(15,850)	173,441
Finished goods	103,173	(6,122)	97,051
	$ 309,049	($ 28,674)	$ 280,375

The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2018	2017
Cost of goods sold	$ 955,078	$ 816,345
Provision (reversal of allowance) for inventory market price decline (Note)	(4,854)	5,441
Gain on physical inventory	-	(2)
	$ 950,224	$ 821,784

(Note) For the year ended December 31, 2018, the Company sold inventories for which a valuation loss was recognised in the prior year, resulting in a gain on the reversal of the loss, which was recorded as a reduction in cost of sales.

(5) Financial assets at fair value through other comprehensive income - non-current

Items	December 31, 2018
Equity instruments	
Unlisted stocks	$ 78,431
Valuation adjustment	225
	$ 78,656

D. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $78,656 at December 31, 2018.

E. Aiming to satisfy the capital expenditure needs, the Company sold $631 of equity instruments investments at fair value and resulted in cumulative losses of $92 on disposal during the year ended December 31, 2018, which was reclassified to retained earnings.

F. Amounts recognised in profit or loss and other comprehensive in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the year ended December 31, 2018
Equity instruments at fair value through other comprehensive income	
Fair value change recognised in other comprehensive income	$ 3,364
Cumulative losses reclassified to retained earnings due to derecognition	($ 92)
Dividend income recognised in profit or loss	$ 4,506

D. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was $78,656.

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

F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

G. Information on available-for-sale financial assets as of December 31, 2017 is provided in Note 12(4).

(6) Investments accounted for under equity method

A. Movement of investments accounted for under equity method:

	For the years ended December 31, 2018	2017
At January 1	$ 386,648	$ 410,954
Acquisition of investments accounted for under equity method	-	20,000
Share of profit or loss of investments accounted for under equity method	(12,261)	(31,538)
Other equity—financial statements translation differences of foreign operations	(3,367)	(12,768)
At December 31	$ 371,020	$ 386,648

B. Details of investments accounted for under equity method are as follows:

	December 31, 2018	December 31, 2017
PAI FU INTERNATIONAL LIMITED	$ 145,211	$ 151,869
Uni-Ring Tech Co., Ltd.	14,994	28,561
IMAGINE GROUP LIMITED	210,815	206,218
	$ 371,020	$ 386,648

C. Information on the Company’s subsidiaries is provided in Note 4(3) of the Company’s 2018 consolidated financial report.

D. As of December 31, 2018 and 2017, no investment accounted for using equity method was pledged as collateral.

(7) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other facilities	Total
January 1, 2018						
Cost	$ 353,520	$ 4,244	$ 5,891	$ 10,937	$ 37,747	$ 412,339
Accumulated depreciation	(61,145)	(1,009)	(3,015)	(6,873)	(13,513)	(85,555)
	$ 292,375	$ 3,235	$ 2,876	$ 4,064	$ 24,234	$ 326,784
For the year ended December 31, 2018						
At January 1	$ 292,375	$ 3,235	$ 2,876	$ 4,064	$ 24,234	$ 326,784
Additions	-	860	3,050	1,118	-	5,028
Depreciation	(9,909)	(537)	(1,278)	(1,655)	(4,156)	(17,535)
Disposals－Cost	-	-	-	(601)	-	(601)
－Accumulated depreciation	-	-	-	568	-	568
At December 31	$ 282,466	$ 3,558	$ 4,648	$ 3,494	$ 20,078	$ 314,244
December 31, 2018						
Cost	$ 353,520	$ 5,104	$ 8,941	$ 11,454	$ 37,747	$ 416,766
Accumulated depreciation	(71,054)	(1,546)	(4,293)	(7,960)	(17,669)	(102,522)
	$ 282,466	$ 3,558	$ 4,648	$ 3,494	$ 20,078	$ 314,244

	Buildings and structures		Machinery and equipment		Transportation equipment		Office equipment		Other facilities		Total
January 1, 2017											
Cost	$	353,520	$	4,244	$	9,031	$	11,425	$	37,574	$ 415,794
Accumulated depreciation	(	51,237)	(	527)	(	3,885)	(	6,428)	(	9,699)	(71,776)
	$	302,283	$	3,717	$	5,146	$	4,997	$	27,875	$ 344,018
For the year ended December 31, 2017											
At January 1	$	302,283	$	3,717	$	5,146	$	4,997	$	27,875	$ 344,018
Additions		-		-		-		1,009		506	1,515
Depreciation	(	9,908)	(	482)	(	1,350)	(	1,939)	(	4,147)	(17,826)
Disposals－Cost		-		-	(	3,140)	(	1,497)	(	333)	(4,970)
－Accumulated depreciation		-		-		2,220		1,494		333	4,047
At December 31	$	292,375	$	3,235	$	2,876	$	4,064	$	24,234	$ 326,784
December 31, 2017											
Cost	$	353,520	$	4,244	$	5,891	$	10,937	$	37,747	$ 412,339
Accumulated depreciation	(	61,145)	(	1,009)	(	3,015)	(	6,873)	(	13,513)	(85,555)
	$	292,375	$	3,235	$	2,876	$	4,064	$	24,234	$ 326,784

A. The Company has not capitalised any interest for the years ended December 31, 2018 and 2017.

B. Please refer to Note 8, 'Pledged assets' for information on the Company's property, plant and equipment that were pledged as collateral as of December 31, 2018 and 2017.

(8) Other payables

	December 31, 2018	December 31, 2017
Accrued salaries and bonuses	$ 89,496	$ 82,604
Compensation payable to employees, directors and supervisors	30,085	28,613
Provision for employee benefits	7,652	7,786
Others	103,658	100,172
	$ 230,891	$ 219,175

(9) Provisions for liabilities

	For the years ended December 31,	
	2018	2017
Balance at beginning of year	$ 8,873	$ 7,823
Additional provisions	11,143	10,488
Used during the year	(7,223)	(9,438)
Balance at end of year	$ 12,793	$ 8,873

The Company's warranty provision is primarily related to the sale of semiconductor equipment, passive component equipment, and light-emitting diode equipment. The amount of the provision is estimated according to historical warranty data. The Company expects the costs related to the provision to be realised in the next two years.

(10) Pensions

D. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 4% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. Related information on the defined benefit pension plan disclosed above is as follows:

甲、 The amounts recognised in the balance sheet are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	($ 29,497)	($ 28,970)
Fair value of plan assets	9,698	9,755
Net defined benefit liability	($ 19,799)	($ 19,215)

乙、 Movements in net defined benefit liabilities are as follows:

	For the year ended December 31, 2018		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	($ 28,970)	$ 9,755	($ 19,215)
Current service cost	(329)	-	(329)
Interest (expense) income	(318)	107	(211)
	(29,617)	9,862	(19,755)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	295	295
Change in financial assumptions	(558)	-	(558)
Experience adjustments	195	-	195
	(363)	295	(68)
Pension fund contribution	-	24	24
Paid pension	483	(483)	-
Balance at December 31	($ 29,497)	$ 9,698	($ 19,799)

	For the year ended December 31, 2017		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at January 1	($ 25,657)	$ 11,382	($ 14,275)
Current service cost	(324)	-	(324)
Interest (expense) income	(359)	159	(200)
	(26,340)	11,541	(14,799)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(40)	(40)
Change in financial assumptions	(851)	-	(851)
Experience adjustments	(3,549)	-	(3,549)
	(4,400)	(40)	(4,440)
Pension fund contribution	-	24	24
Paid pension	1,770	(1,770)	-
Balance at December 31	($ 28,970)	$ 9,755	($ 19,215)

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	For the years ended December 31,	
	2018	2017
Discount rate	0.9%	1.10%
Future salary increases	3.50%	3.50%

For the years ended December 31, 2018 and 2017, assumptions regarding future mortality experience are set based on actuarial advice in accordance with Taiwan Life Insurance Industry 5th Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 694)	$ 719	$ 627	($ 609)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 712)	$ 738	$ 647	($ 629)

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

(e) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2019 amount to $24.

(f) As of December 31, 2018, the weighted average duration of the retirement plan is 10 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 1,196
2 ～ 5 years	5,948
6 years and above	12,381
	$ 19,525

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2018 and 2017 were $9,373 and $8,561, respectively.

(11) Share capital

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

	For the years ended December 31,	
	2018	2017
At January 1	84, 239	84, 239
Treasury stock reacquired	(915)	-
At December 31	83, 324	84, 239

E. As of December 31, 2018, the Company's authorised capital was $1,100,000 (including $80,000 reserved for employee stock options), and the paid-in capital was $842,389 with a par value of $10 per share. The 84,239 thousand shares were issued over several installments. All proceeds from shares issued have been collected.

F. Treasury shares

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

	For the year ended December 31, 2018		
Reason for reacquisition	Opening Balance	Additions	Ending Balance
To enhance the Company's credit rating and the stockholders' equity	-	915	915

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

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

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(e) As of December 31, 2018, the balance of the Company's treasury shares was $45,932.

(12) Capital surplus

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

(13) Retained earnings

E. Pursuant to the R.O.C. Company Act, the Company shall set aside 10% of its after-tax profits as legal reserve until the balance is equal to the paid-in capital. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

F. Under the Company's Articles of Incorporation, considering the Company is operating in a volatile environment and in the stable growth stage of its life cycle, the Board of Directors shall determine earnings appropriation based on the Company's future capital expenditures and demand for capital, as well as the necessity of using retained earnings to meet capital needs, and set the amount of dividends to be distributed to stockholders and the portion of dividends to be paid in cash. The Company's current year earnings shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Then, either a portion of the remaining amount is set aside as special reserve or an amount is reversed from the special reserve account and added to the remaining amount in accordance with applicable laws and regulations. The final leftover amount of current year earnings is added to the unappropriated earnings from the prior year and the total is the accumulated distributable earnings. At least 30% of the accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of total dividends distributed. The Board of Directors drafts a proposal on earnings appropriation according to future operational and investment needs and sends it to the stockholders during their meeting for approval.

G. Special reserve

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

(b)The amounts previously set aside by the Company as special reserve in the amount of $22,672 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

H. The Company recognised dividends distributed to owners amounting to $261,141 ($3.1 (in dollars) per share) and $252,717 ($3 (in dollars) per share) for the years ended December 31, 2018 and 2017, respectively. On February 26, 2019, the Board of Directors proposed for the distribution of dividends from 2018 earnings in the amount of $258,304 at $3.1 (in dollars) per share.

(14) Operating revenue

	For the year ended December 31, 2018
Revenue from contracts with customers	$ 1,684,162

C. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time. Revenue is primarily from sales of automation machinery and equipment.

D. Contract liabilities

Revenue recognised that was included in the contract liabilities balance at the beginning of the period amounted to $5,102.

(15) Other income

	For the years ended December 31,	
	2018	2017
Dividend income	$ 4,506	$ 3,081
Interest income from bank deposits	8,550	4,825
Rent income	1,011	2,022
Gains on doubtful debt recoveries	-	16,668
Government grants	-	2,561
Other income	3,516	5,431
	$ 17,583	$ 34,588

(16) Other gains and losses

	For the years ended December 31,	
	2018	2017
Net gains on financial assets at fair value through profit or loss	$ 150	$ -
Net foreign exchange gains (losses)	23,639	(69,359)
Net gains on disposal of property, plant and equipment	4	103
	$ 23,793	($ 69,256)

(17) Finance costs

	For the years ended December 31,	
	2018	2017
Interest expense:		
Bank borrowings	$ 51	$ 799
Other interest expense	54	70
	$ 105	$ 869

(18) Expenses by nature

	For the year ended December 31, 2018		
	Operating cost	Operating expense	Total
Employee benefit expenses	$ 37,512	$ 267,649	$ 305,161
Depreciation	9,740	7,795	17,535
Amortisation	429	3,234	3,663
	$ 47,681	$ 278,678	$ 326,359

	For the year ended December 31, 2017		
	Operating cost	Operating expense	Total
Employee benefit expenses	$ 37,378	$ 244,849	$ 282,227
Depreciation	9,801	8,025	17,826
Amortisation	273	3,307	3,580
	$ 47,452	$ 256,181	$ 303,633

(19) Employee benefit expense

	For the year ended December 31, 2018		
	Operating cost	Operating expense	Total
Wages and salaries	$ 31,891	$ 233,848	$ 265,739
Labour and health insurance fees	2,543	14,187	16,730
Pension costs	1,361	8,552	9,913
Directors' remuneration	–	3,184	3,184
Other personnel expenses	1,717	7,878	9,595
	$ 37,512	$ 267,649	$ 305,161

	For the year ended December 31, 2017		
	Operating cost	Operating expense	Total
Wages and salaries	$ 32,715	$ 212,979	$ 245,694
Labour and health insurance fees	2,560	13,555	16,115
Pension costs	1,318	7,767	9,085
Directors' remuneration	–	2,979	2,979
Other personnel expenses	785	7,569	8,354
	$ 37,378	$ 244,849	$ 282,227

As of December 31, 2018 and 2017, the Company had 213 and 206 employees, respectively. There were 5 non-employee directors for both years.

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 3% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2018 and 2017, employees' compensation were accrued at $26,560 and $25,260, respectively; while directors' and supervisor's remuneration were accrued at $3,525 and $3,353, respectively. The aforementioned amounts were recognised in salary expenses and estimated and accrued based on the distributable net profit for 2018 and 2017 calculated by the percentage prescribed under the Company's Articles of Incorporation. Employees' compensation and directors' and supervisors' remuneration for 2017 amounting to $28,613, as resolved by the Board of Directors were in agreement with those amounts recognised in the 2017 financial statements. The employees' compensation will be distributed in the form of cash. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Income tax

G. Income tax expense

(c) Components of income tax expense:

	For the years ended December 31,	
	2018	2017
Current tax:		
Current tax on profits for the period	$ 50,584	$ 51,751
Tax on undistributed earnings	805	7,053
Prior year income tax overestimation	(10,877)	(5,056)
Total current tax	40,512	53,748
Deferred tax:		
Origination and reversal of temporary differences	24,303	1,974
Impact of change in tax rate	(10,350)	-
Total deferred tax	13,953	1,974
Income tax expense	$ 54,465	$ 55,722

(d) The income tax charge relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2018	2017
Remeasurements of defined benefit obligations	($ 13)	($ 755)
Impact of change in tax rate	(44)	-
	($ 57)	($ 755)

H. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate	$ 73,776	$ 61,016
Effects from items adjusted in accordance with tax regulation	4,736	3,022
Impact of change in tax rate	(10,350)	-
Effects from loss carryforward	9,839	2,380
Effect from investment tax credits	(13,464)	(12,693)
Tax on undistributed earnings	805	7,053
Prior year income tax overestimation	(10,877)	(5,056)
Income tax expense	$ 54,465	$ 55,722

I. Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforward are as follows:

	For the year ended December 31, 2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences:				
Allowance for doubtful accounts	$ 606	$ 202	$ -	$ 808
Loss on decline in market value of inventories	4,875	(111)	-	4,764
Unrealised cost to provide after-sale service	1,509	1,050	-	2,559
Unused compensated absences	1,323	207	-	1,530
Pension costs	3,267	636	57	3,960
Unrealised sales discounts and allowances	12,876	2,730	-	15,606
Unrealised expenses and losses	1,122	278	-	1,400
Investment losses	1,061	188	-	1,249
Foreign currency exchange difference	7,168	(7,168)	-	-
Loss carryforward	46,955	(1,552)	-	45,403
	$ 80,762	($ 3,540)	$ 57	$ 77,279
Deferred income tax liabilities				
Temporary differences:				
Foreign currency exchange difference	$ -	($ 6,557)	$ -	($ 6,557)
Investment income	(21,851)	(3,856)	-	(25,707)
	($ 21,851)	($ 10,413)	$ -	($ 32,264)
	$ 58,911	($ 13,953)	$ 57	$ 45,015

	For the year ended December 31, 2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences:				
Allowance for doubtful accounts	$ 3,440	($ 2,834)	$ -	$ 606
Loss on decline in market value of inventories	3,950	925	-	4,875
Unrealised cost to provide after-sale service	1,330	179	-	1,509
Unused compensated absences	1,285	38	-	1,323
Pension costs	2,934	85	248	3,267
Unrealised sales discounts and allowances	9,534	3,342	-	12,876
Unrealised expenses and losses	1,342	(220)	-	1,122
Investment losses	1,061	-	-	1,061
Foreign currency exchange difference	1,476	5,692	-	7,168
Loss carryforward	56,136	(9,181)	-	46,955
	$ 82,488	($ 1,974)	$ 248	$ 80,762
Deferred income tax liabilities				
Temporary differences:				
Pension costs	($ 507)	$ -	$ 507	$ -
Investment income	(21,851)	-	-	(21,851)
	($ 22,358)	$ -	$ 507	($ 21,851)
	$ 60,130	($ 1,974)	$ 755	$ 58,911

J. Expiration dates of unused loss carryforward and amounts of unrecognised deferred tax assets are as follows:

December 31, 2018				
Year incurred	Amount assessed/filed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	$ 405,210	$ 227,014	$ -	2022

December 31, 2017				
Year incurred	Amount assessed/filed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	$ 405,210	$ 276,208	$ -	2022

K. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority. As of February 26, 2019, no administrative relief has occurred.

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

(21) Earnings per share

	For the year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 314,416	84,046	$ 3.74
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 314,416	84,046	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	731	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 314,416	84,777	$ 3.71

	For the year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 303,196	84,239	$ 3.60
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 303,196	84,239	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	498	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 303,196	84,737	$ 3.58

(22) Operating leases

In January 2009 and November 2014, the Company leased parcels of land located in the Luzhu Science Park from the Southern Taiwan Science Park Bureau. The former lease is from January 1, 2009 to December 31, 2023. The latter lease is from November 1, 2014 to October 31, 2034. The leases are both classified as operating leases and are renewable at the end of the lease period. Monthly rents per square meter will be adjusted in the following month if the government adjusts the announced land value, rental rate of national land approved by Executive Yuan is adjusted and other reasons that the monthly rents must be adjusted. The Company shall recover or refund additional rents during the payment period. For the year ended December 31, 2018 and 2017, rent expenses were $5,088 ($3,045 shown as 'operating costs' and $2,043 shown as 'operating expenses') and $4,703 ($2,979 shown as 'operating costs' and $1,724 shown as 'operating expenses'), respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 5,088	$ 4,703
Later than one year but not later than five years	20,352	18,814
Later than five years	23,772	26,678
	$ 49,212	$ 50,195

(23) Supplemental cash flow information

Investing activities with partial cash payments

	For the years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	$ 5,028	$ 1,515
Add: Opening balance of payable on equipment (shown as 'other payables')	10	1,082
Less: Ending balance of payable on equipment (shown as 'other payables')	(118)	(10)
Cash paid for acquisition of property, plant and equipment	$ 4,920	$ 2,587

七、RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Uni-Ring Tech Co., Ltd.	Subsidiaries
Kunshan All Ring Tech Co., Ltd.	Subsidiaries
All Ring Tech (Kunshan) Co., Ltd.	Subsidiaries
Jie Kuen Enterprise Inc.	Other related party (Note)
Jie Kuen Precision Technologies Co., Ltd.	Other related party (Note)
Ding Ji Electrical Engineering Co., Ltd.	Other related party (Note)
Nan Feng Mechanical Electrical Co., Ltd.	Other related party (Note)

(Note) This Company's responsible person is the Company's supervisor.

(2) Significant transactions and balances with related parties

A. Sales of goods

	For the years ended December 31,	
	2018	2017
Subsidiaries	$ 29,267	$ 28,913

The collection period for subsidiaries was 120 days after sales of goods. The collection period for third parties are as follows: the first payment is collected 30 to 130 days after delivering machineries, and the second payment is collected 30 to 190 days after acceptance of machineries. Except for the collection periods mentioned above, other terms of sales were the same with third parties.

B. Purchases of goods

	For the years ended December 31,	
	2018	2017
Other related parties	$ 31,050	$ 19,808
Subsidiaries	3,807	855
	$ 34,857	$ 20,663

The terms of purchases and payments to subsidiaries was 45 days after receipt and 120 days to other related parties. Payment terms of purchases to normal vendors are 60 to 180 days. Except for the payment terms mentioned above, other terms of purchases were the same with third parties.

C. Rental income

	Location of the premises	Determination of Rental	Collectio frequency	For the year ended 2018
Uni-Ring Tech Co.,Ltd.	Office in Luzhu, Kaohsiung	Negotiation	Monthly	$ 1,011

	Location of the premises	Determination of Rental	Collectio frequency	For the year ended 2018

	Object for rent	Determination of Rental	Payment	For the year ended 2018
Uni-Ring Tech Co.,Ltd.	Office in Luzhu, Kaohsiung	Negotiation	Monthly	$ 2,022

D. Equity transations

The Company participated in cash capital increase of the subsidiary, Uni-Ring Tech Co., Ltd., by investing $20,000 in June 2017. There is no such situation during 2018.

E. Receivables from related parties

	December 31, 2018	December 31, 2017
Subsidiaries	$ 35,287	$ 16,345

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

F. Payables to related parties

	December 31, 2018	December 31, 2017
Accounts payable		
Other related parties	$ 8,442	$ 12,716
Subsidiaries	1,325	45
	9,767	12,761
Other payables		
Other related parties	$ 44	$ 106
Subsidiaries	6	22
	50	128
	$ 9,817	$ 12,889

The payables to related parties arise mainly from purchase transactions and are due 120 days after the date of purchase. The payables bear no interest.

G. Endorsements and guarantees provided to related parties

Endorser/guarantor	Endorsee/guarantee	December 31, 2018	December 31, 2017	Purpose
All Ring Tech Co., Ltd.	Uni-Ring Tech Co., Ltd.	$ 50,000	$ 50,000	Loan financing secured

As of December 31, 2018 and 2017, the actual amount of the endorsement/guarantee provided by the Company for its subsidiary, Uni-Ring Tech Co., Ltd., was $－.

(3) Key management compensation

	For the years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 42,632	$ 40,480
Post-employment benefits	951	1,052
	$ 43,583	$ 41,532

八、PLEDGED ASSETS

The Company' s assets pledged as collateral were as follows:

Pledged asset	December 31, 2018	December 31, 2017	Purpose
Pledged time deposits (shown as 'other non-current assets')	$ 1,820	$ 1,820	Guarantee for land leases
Buildings and structures (shown as 'property, plant and equipment, net')	282,466	292,375	Guarantee for short-term borrowings (Note)
	$ 284,286	$ 294,195	

Note: The associated debt has been repaid but the designation of "property, plant , and equipment' as collateral has not yet been removed.

九、SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) For the details of significant contingent liabilities and unrecognized contract with related parties, please refer to Note 7 'Related party transactions.'

(2) For more information about operating lease, please refer to Note 6 (22) 'Operating leases'.

十、SIGNIFICANT DISASTER LOSS

None.

十一、SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

十二、OTHERS

(一)Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, and maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(二)Financial instruments

D. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 78,656	$ -
Available-for-sale financial assets	-	54,895
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	800,497	804,404
Notes receivable	67,348	35,231
Accounts receivable	539,130	488,642
Other receivables	347	3,363
Guarantee deposits paid	4,734	4,535
	$ 1,490,712	$ 1,391,070

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities at amortised cost		
Notes payable	$ 1,360	$ 869
Accounts payable	267,956	325,634
Other accounts payable	230,891	219,175
	$ 500,207	$ 545,678

E. Financial risk management policies

(c) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance.

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

F. Significant financial risks and degrees of financial risks

(b) Market risk

ii. Foreign exchange risk

(v.) The Company operates internationally and is exposed to foreign exchange rate risk arising from the transactions of the Company in various functional currency, primarily with respect to the USD and RMB. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities and net investments in foreign operations.

(vi.) Management has set up a policy to require company to manage their foreign exchange risk against their functional currency. The company is required to hedge their entire foreign exchange risk exposure with the Company treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Company use forward foreign exchange contracts, transacted with Company treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

(vii.) The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Company's foreign operations is managed primarily through liabilities denominated in the relevant foreign currencies.

(viii.) The Company's businesses involve some non-functional currency operations (The functional currency of the Company is the NTD). Information on assets and liabilities subject to significant foreign exchange risk is as follows:

	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 17,658	30.72	$542,454
Investment accounted for under equity method			
USD:NTD	12,570	30.72	386,150
Financial liabilities			
Monetary items			
USD:NTD	2,924	30.72	89,825

	December 31, 2017		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 29,585	29.76	$880,450
USD:RMB	483	6.95	15,578
Investment accounted for under equity method			
USD:NTD	12,930	29.76	384,797
Financial liabilities			
Monetary items			
USD:NTD	2,740	29.76	81,542

(ix.) The sensitivity analysis of foreign exchange risk mainly focuses on the foreign currency monetary items at the end of the financial reporting period. If the exchange rate of NTD to all foreign currencies had appreciated/depreciated by 1%, the Company's net income for the years ended December 31, 2018 and 2017 would have increased/decreased by $6,710 and $9,825, respectively.

(x.) The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2018 and 2017 amounted to $23,639 and ($69,359), respectively.

Price risk

(i.) The Company is exposed to equity securities price risk because of investments held by the Company and classified on the parent company only balance sheet as financial asset at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company has set various stop loss points to ensure not to be exposed to significant risks. Accordingly, no material market risk was expected.

(ii.) The Company's investments in equity securities comprise domestic and foreign unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the years ended December 31, 2018 and 2017 would have increased/decreased by $771 and $552, respectively, as a result of gains/losses on equity securities classified as at fair value through comprehensive income and available-for-sale.

Cash flow and fair value interest rate risk

If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, there is no significant effect on after-tax profit for the years ended December 31, 2018 and 2017.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Company manages its credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is reqularly monitored.

iii. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 180 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

iv. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 720 days.

v. The Company classifies customer's accounts receivable in accordance with credit risk on trade. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	For the year ended December 31, 2018	
	Accounts receivable	
At January 1_IAS 39	$	2,811
Adjustments under new standards		-
At January 1_IFRS 9		2,811
Provision for impairment		1,970
At December 31	$	4,781

vi. Credit risk information for the year ended December 31, 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times to ensure the sufficient financial flexibility of the Company.

ii. Company treasury invests surplus cash in interest bearing current accounts, time deposits and beneficiary certificates, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and readily generate cash flows to manage liquidity risk.

iii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the following table are undiscounted contractual cash flows.

December 31, 2018	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Notes payable	$ 1,360	$ -	$ -	$ -
Accounts payable	267,956	-	-	-
Other payables	230,891	-	-	-

December 31, 2017	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Notes payable	$ 869	$ -	$ -	$ -
Accounts payable	325,634	-	-	-
Other payables	219,175	-	-	-

iv. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(三)Fair value information

G. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in beneficiary certificates and equity securities are included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

H. Financial instruments not measured at fair value

The Company's financial instruments not measured at fair value which includes the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, notes payable, accounts payable and other payables are approximate to their fair values.

I. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ 78,656	$ -	$ -	$ 78,656

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Available-for-sale financial assets				
Equity securities	$ 54,895	$ -	$ -	$ 54,895

J. The methods and assumptions the Company used to measure fair value are as follows:

(a) The following financial assets use quoted market prices as inputs for fair value measurement (level 1): for emerging stocks, the average trading price at the balance sheet date is used.

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

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

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

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

F. Summary of significant accounting policies adopted for the year ended December 31, 2017:

(e) Receivables

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

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

iv. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

v. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

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

(g) Available for sale financial assets

iv. Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

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

vi. Available for sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(h) Impairment of financial assets

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

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

(vii.) Significant financial difficulty of the issuer or debtor;

(viii.) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(ix.) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

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

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

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

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

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

(iii.) Available-for-sale financial assets

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

(iv.) Financial assets at amortized cost

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

G. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:
In accordance with IFRS 9, the Company reclassified available-for-sale financial assets in the amount of $54,895, by increasing financial assets at fair value through profit or loss and valuation adjustment in the amounts of $21,184 and ($21,184), respectively. Additionally, the Company made an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income and valuation adjustment in the amounts of $58,126 and ($3,231), respectively, and increasing retained earnings and decreasing other equity interest in the amounts of $1,318 and $1,318, respectively.

H. The allowance for impairment and provision was $1,318 for the year ended December 31, 2017, which was impaired under IAS 39, transferred to the adjustment for change in value of "financial assets at fair value through other comprehensive income" on January 1, 2018. There was no impairment loss under IFRS 9.

I. The significant accounts for the year ended December 31, 2017 are as follows:
Available-for-sale financial assets – non-current

	December 31, 2017
Unlisted stocks	$ 79,310
Adjustment for change in value	(1,913)
Accumulated impairment	(22,502)
	$ 54,895

i. The Company recognised $5,710 in other comprehensive income for fair value change for the year ended December 31, 2017, respectively.

ii. As of December 31, 2017, the Company did not pledge any of the available-for-sale financial assets as collateral.

J. Credit risk information for the year ended December 31, 2017 is as follows:

(g) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors and the usage of the line of credit is monitored periodically. Credit risk arises from cash and cash equivalents and credit risk from customers, including outstanding account receivables and promised transactions not yet completed.

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

(i) As of December 31, 2017, there were no past due nor impaired financial assets.

(j) Movements of the Company's provision for impairment of accounts receivable for the year ended December 31, 2017 were as follows:

	For the year ended December 31, 2018
	Company provision
At January 1	$ 19,479
Reversal of impairment	(16,668)
At December 31	$ 2,811

(k) As of December 31, 2017, the Company's accounts receivable that was neither past due nor impaired are primarily from customers with good payment history.

(l) As of December 31, 2017, the Company did not hold any collateral as a guarantee for account receivables.

(五)Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

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

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

D. The effects and description of current balance sheet and comprehensive income statement if the Company continues adopting above accounting policies are as follows:

(c) The effects and description of balance sheet:

Balance sheet items	December 31, 2018 Balance by using IFRS 15	Balance by using previous accounting policies	Effects from chagnes in accounting policy
Contract liabilities－current	$ 12,619	$ -	$ 12,619
Advance sales receipts	-	12,619	(12,619)

Advance sales receipts (shown as other current liabilities) in relation to the contract were previously presented in accordance with previous R.O.C. GAAP. Under IFRS 15 'Revenue from contracts with customers', the advance sales receipts are recognised as contract liabilities.

(d) There is no significant effect on current comprehensive income statement if the Company continues adopting above accounting policies.

十三、SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2018.

(一)Significant transactions information

A. Loans to others: Please refer to Table 1.

B. Provision of endorsements and guarantees to others: Please refer to Table 2.

C. Holding of marketable securities at the end of the period (not including subsidiary, associates and joint ventures): Please refer to Table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to Table 4.

(二)Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 5.

(三)Information on investments in Mainland China

A. Basic information: Please refer to Table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Table 7.

十四、SEGMENT INFORMATION

Not applicable.

All Ring Tech Co., Ltd.
Loans to others
For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance	Ending balance	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)	Note
1	PAI FU INTERNATIONAL LIMITED	All Ring Tech (Kunshan) Co., Ltd.	Other receivables	Y	$ 69,120	$ 23,040	$ -	2%	Short-term financing	$ -	Operating	$ -	—	$ -	$ 290,427	$ 290,427	—
2	Kunshan All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	Other receivables	Y	89,440	58,136	24,596	2%	Short-term financing	-	Operating	-	—	-	98,804	98,804	—

(Note 1) Calculation of limit on loans granted to a single party and ceiling on total loans granted:The total loan amount cannot exceed 40% of the company's net worth. There are three possible circumstances:

1. Loan is made to company with which the Company has a business relationship. The total loan amount cannot exceed 20% of the company's net worth.
   The individual loan amount cannot exceed the total amount of business transactions between the two parties in the past year.
2. Loan is made to companies who need short-term financing. The total loan amount cannot exceed 20% of the company's net worth. The individual loan amount cannot exceed 10% of the net worth of the company.
3. The aforementioned limit does not apply if the loan is made to a company of which the parent company owns, directly or indirectly, 100% of the voting equity.
   Both the total and individual loan amounts do not exceed 200% of the net worth of the creditor based on the most recent financial statements.

(Note 2) Foreign currency amounts in the table are converted into NTD according to the exchange rates on the financial reporting date (USD: NTD = 1:30.72; RMB:NTD = 1:4.472).

All Ring Tech Co., Ltd.

Provision of endorsements and guarantees to others

For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount	Outstanding endorsement/ guarantee amount	Actual amount drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Note
0	All Ring Tech Co., Ltd.	Uni-Ring Tech Co., Ltd.	(Note 1)	$ 373,830	$ 100,000	$ 50,000	$ -	$ -	2.68%	$ 747,659	Y	N	N	—

(Note 1) Companies where the Company owns more than 50% of voting shares (direct or indirect).

(Note 2) The total endorsements and guarantees of external parties by the Company cannot exceed 40% of the net worth as measured in the current period. The endorsement and guarantee of an individual business cannot exceed 20% of the net worth as measured in the current period. The total endorsements and guarantees of external parties by the Group cannot exceed 50% of the net worth as measured in the current period. The endorsement and guarantee of an individual business cannot exceed 20% of the net worth as measured in the current period. If the endorsement and guarantee are made for the purpose of conducting business, then the amount of endorsement and guarantee cannot exceed the total amount of business transactions between the guaranteed party and the Company in the past year.

All Ring Tech Co., Ltd.

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

December 31, 2018

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2018 Number of shares	Book value	Ownership (%)	Fair value	Note
All Ring Tech Co., Ltd.	Stocks:							
	Egiga Source Technology Co., Ltd.	—	Financial assets at fair value through profit or loss - non- current	1,298	$ -	14.86%	$ -	—
	Tai-Tech Advanced Electronics Co., Ltd	—	Financial asset measured at fair value through other comprehensive income - non- current	2,552	75,217	2.80%	75,217	—
	Tecstar Technology Co., Ltd.	—	Financial asset measured at fair value through other comprehensive income - non- current	276	3,439	0.79%	3,439	—

All Ring Tech Co., Ltd.

Significant inter-company transactions during the reporting period

For the year ended December 31, 2018

Table 4

Expressed in thousands of NTD

				Transaction			
Number	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	1	Sales	$ 29,267	(Note 4)	2%
				Purchases	3,807	–	–
				Accounts receivable	35,287	–	1%
				Accounts payable	1,325	–	–
		Uni-Ring Tech Co., Ltd.	1	Rental income	1,011	–	–
				Endorsements and guarantees	50,000	–	2%
1	Kunshan All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	3	Other receivables	24,800	–	1%
				Rental expenses	1,315	–	–
2	PAI FU INTERNATIONAL LIMITED	All Ring Tech (Kunshan) Co., Ltd.	3	Other expenses	3,329	–	–

(Note 1) Business and other transactions between the parent company and its subsidiaries or between subsidiaries are not separately disclosed since the circumstances and amounts of each transaction is the same on each side. In addition, the disclosure threshold for significant transactions is set at 1 million dollars.

(Note 2) Relationship between transaction company and counterparty is classified into the following three categories;

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

(Note 3) The ratio of a transaction amount to total revenue or total assets is calculated as follows: balance sheet items are calculated by dividing the ending balance by total consolidated assets; profit or loss items are calculated by dividing the accumulated ending balance by total consolidated revenue.

(Note 4) Collection terms of sale to All Ring Tech (Kunshan) Co., Ltd. are 120 days T/T; collection terms of sale to general customers are as follows: the first payment is collected 30 to 130 days after delivery of order, and the second payment is collected 30 to 190 days after order is accepted by customer. Other terms of sale are the same as general customers.

(Note 5) Foreign currency amounts in the table are converted into NTD as follows: ending balances and carrying amounts are converted using the exchange rate on the financial reporting date (USD:NTD = 1:30.72; RMB:USD = 1:0.1456); profit or loss items are converted using the average exchange rate for the year ended December 31, 2018 (USD:NTD = 1:30.15; RMB:USD = 1:0.1514).

All Ring Tech Co., Ltd.

Information on investees

For the year ended December 31, 2018

Table 5

Expressed in thousands of NTD

				Initial investment amount		Shares held as at December 31, 2018					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2018	Balance as at December 31, 2017 (Note 1)	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Note
All Ring Tech Co., Ltd.	PAI FU INTERNATIONAL LIMITED	British Virgin Islands	Mechanical engineering automation, and research, development and design of software	$ 65,263	$ 65,263	1,930,000	100.00	$ 145,211	($ 8,547)	($ 8,547)	Subsidiary
All Ring Tech Co., Ltd.	Uni-Ring Tech Co., Ltd.	Taiwan	Other machine manufacture industry, electrical appliances, audio visual electronics and international trading industry	170,000	170,000	4,855,947	100.00	14,994	(13,875)	(13,567)	Subsidiary
All Ring Tech Co., Ltd.	IMAGINE GROUP LIMITED	Mauritius	Investment business	136,100	136,100	3,720,000	73.81	210,815	13,289	9,853	Subsidiary
PAI FU INTERNATIONAL LIMITED	IMAGINE GROUP LIMITED	Mauritius	Investment business	40,550	40,550	1,320,000	26.19	68,539	13,289	-	Subsidiary (Note 2)

(Note 1) This was the balance on December 31, 2017.

(Note 2) The investment gains (losses) do not need to be disclosed per the rules.

(Note 3) Foreign currency amounts in the table are converted into NTD as follows: ending balances and carrying amounts are converted using the exchange rate on the financial reporting date (USD:NTD = 1:30.72); profit or loss items are converted using the average exchange rate for the year ended December 31, 2018 (USD:NTD = 1:30.15).

All Ring Tech Co., Ltd.

Information on investments in Mainland China

For the year ended December 31, 2018

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 3)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Note
					Remitted to Mainland China	Remitted back to Taiwan							
Kunshan All Ring Tech Co., Ltd.	Research, development, and manufacture of specialized electronic equipment used for cutting capacitance and inductance; sales of self-manufactured products and provision of corresponding technology testing services	$ 46,080	(Note 1)	$ 46,080	$ -	$ -	$ 46,080	($ 9,056)	100.00	($ 9,056)	$ 49,412	$ -	—
All Ring Tech (Kunshan) Co., Ltd.	Research, development, design, and manufacture of specialized electronic equipment, testing instruments and accessories; sales of self-manufactured products and provision of corresponding technology testing services	153,600	(Note 2) (Note 4)	139,798	-	-	139,798	13,354	100.00	13,354	240,570	-	—

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 5)
All Ring Tech Co., Ltd.	$ 185,878	$ 451,706	$ 1,121,489

(Note 1) Additional investment in Chinese company through a subsidiary in a third region (PAI FU INTERNATIONAL LIMITED).
(Note 2) Additional investment in Chinese company through a subsidiary in a third region (IMAGINE GROUP LIMITED).
(Note 3) Recognized according to the audited financial statements of the investee.
(Note 4) $39,936 (USD $1,300 thousand) was invested in the Chinese company through PAI FU INTERNATIONAL LIMITED, located in a third region.
(Note 5) The limit is the net worth or 60% of the consolidated net worth, whichever is greater.
(Note 6) Foreign currency amounts in the table are converted into TWD as follows: ending balances and carrying amounts are converted using the exchange rate on the financial reporting date (USD:TWD = 1:30.72; RMB:USD = 1:0.1456); profit or loss items are converted using the average exchange rate for the year ended December 31, 2018 (USD:TWD = 1:30.15; RMB:USD = 1:0.1514).

All Ring Tech Co., Ltd.

Significant transactions , either directly or indirectly through a third area, with investee companies in the Mainland Area

For the year ended December 31, 2018

Table 7

Expressed in thousands of NTD

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2018	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2018	Balance at December 31, 2018 (Note)	Interest rate	Interest during the year ended December 31, 2018	Others
All Ring Tech (Kunshan) Co., Ltd.	$ 29,267	2%	$ -	-	$ 35,287	1%	$ -	-	$ 69,120	$ 23,040	2%	$ -	Other expenses $3,329
	(3,807)	-			(1,325)	-							

Note: Actual drawn amount $－.

ALL RING TECH Co., LTD.

Chairman: Ching-Lai Lu