



Stock Code: 4943

CONCRAFT HOLDING CO., LTD

2019 Annual Report

Enquiry Website:

Market Observation Post System <http://mops.twse.com.tw>

Published on May 28, 2020

I. Information of the Company's Spokesperson and Deputy Spokesperson

Name of Spokesperson: Qiao-Sheng Huang	Telephone: 02-2268-9558
Title: Chief Financial Officer	E-Mail Address: joe.huang@concraft.com.tw
Name of Deputy Spokesperson: Wei-Lun Dai	Telephone: 02-2268-9558
Title: Accounting Manager	E-Mail Address: allan.tai@concraft.com.tw
Name of Deputy Spokesperson: Ya-Jing Hu	Telephone: 02-2268-9558
Title: Assistant Manager, Finance Department	E-Mail Address: jing.hu@concraft.com.tw

II. Address and Telephone of Headquarter, Branches and Plants

(I) The Company

Name: Concraft Holding Co., Ltd.

(hereinafter referred to as "the Company" or "Concraft Holding")

Address: The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052,
Grand Cayman KY1-1208, Cayman Islands.

Telephone: 02-2268-9558

Website: <http://www.concraft.com.tw>

(II) Main Places of Operation:

1. Contact Place in Taiwan:

Name: Dragonstate International Technology Co., Ltd.

Address: 2F, No. 35, Chengtian Rd., Tucheng Dist., New Taipei City, Taiwan

Telephone: 02-2268-9558

Website: <http://www.concraft.com.tw>

Name: OBO Pro.2 Inc.

Address: No. 18 YanWu Road, Bianzhou Li, Taoyuan District, Taoyuan City

Telephone: 03-358-5399

Website: <http://www.obopro2.com/m/>

2. Subsidiaries and Second-Tier Subsidiaries:

Name: Dragonstate Technology Co., Ltd.

Address: 3rd Floor, Raffles Tower, Cybercity, Ebene, Mauritius

Telephone: (230) 464 2668

Name: Concraft Technology Co., Ltd.

Address: 31/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong

Telephone: (0852)2573-6277

Name: Concraft Precision Co., Ltd.

Address: 31/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong

Telephone: (0852)2573-6277

Name: OP (VIRGIN) INTERNATIONAL GROUP CORPORATION

Website: -

Address: Intershore Chambers, P.O.BOX 4342, Road Town, Tortola, British Virgin Islands

Telephone: (03)-358-5399

Name: OBO Pro.2 Inc.

Address: Suite No. 21, Metro Centre (II), No. 21, Lam Hing Street, 7th Floor, Kowloon Bay, Kowloon,
Hong Kong

Telephone: (852)-2758-2553

(III) Address of Plants:

Name: Kunshan Dragonstate Electronic Technology Co., Ltd.

Address: No.688 Huangpu River N. Rd., Zhoushi Town, Kunshan City, Jiangsu Province, China

Telephone: (86)-512-57646508

Name: Concraft Precision Electrical (Kunshan) Co., Ltd.

Address: Western Town, Huangpu River Rd., Zhoushi Town, Kunshan City, Jiangsu Province, China

Telephone: (86)-512-57646508

Name: Concraft Precision Electronics (Baoying) Co., Ltd.

Address: No. 28, Suzhong North Rd., Baoying County, Jiangsu Province, China

Telephone: (86)-514-8825-7778

Name: Kunshan Haojun Precision Electronics Co., Ltd.

Address: No.688 Huangpu River N. Rd., Zhoushi Town, Kunshan City, Jiangsu Province, China

Telephone: (86)-512-5764-6508

Name: OBO Pro.2 (Dongguan) Inc.

Address: 5th Industry Zone, Xie-Gang Town, Dongguan City Guang-Dong, China

Telephone: (86) 769-8776-5668

III. Institution of the Share Registration

Name: Transfer Agency Department, CTBC Bank Website: <https://ecorp.ctbcbank.com/cts/index.jsp>

Address: 5F., No. 83, Sec. 1, Chongqing S. Rd., Taipei City Telephone: 02-6636-5566

IV. Financial Reports' CPAs in the Most Recent Year:

Names of CPAs: Xian-Zheng Chen, Jin-Mu Xiao

Name of Firm: PWC Taiwan

Website: <http://www.pwc.tw>

Address: 27F., No. 333, Sec. 1, Keelung Rd., Taipei City

Telephone: 02-2729-6666

V. Domestic Agent of Litigation and Non-litigation

Name: Chao-Sheng Lu

Telephone: 02-2268-9558

Title: Representative of Director E-Mail Address: bart@concraft.com.tw

VI. List of Board of Director

<u>Title</u>	<u>Name</u>	<u>Nationality</u>	<u>Major Experiences</u>
Chairperson	Monster Holding Co., Ltd. (Representative: Chao-Sheng Lu)	British Virgin Islands	Chairperson, Concraft Holding Co., Ltd.
Director	Agi Holding Co., Ltd. (Representative: Guo-Ji Li)	British Virgin Islands	President, Concraft Holding Co., Ltd.
Director	Zhu-Qing Li	Republic of China	Director of Manufacturing Department, Concraft Holding Co., Ltd.
Independent Director	Zi-Yin Zhang	Republic of China	CPA, Weichungdelin Accounting Firm
Independent Director	Wei-Jun Chen	Republic of China	Attorney, Chenyin Attorneys-At-Law
Independent Director	Ben-Hua Zhang	Republic of China	Representative, ZBest S&T Limited

VII. Overseas Securities Exchange Traded / Enquiry Method: Not applicable.

VIII. Corporate Website: <http://www.concraft.com.tw/>

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One. Letter to Shareholders

CONCRAFT HOLDING CO., LTD

2019 Business Report

In 2019, economic activities all over the world were influenced by the trade protectionism of the USA, to the extent that industrial development turned sluggish. It was worsened by the COVID-19, which broke out at the beginning of 2020, which almost caused a standstill of economic and production activities worldwide. Under such circumstance, enterprises could just struggle to survive. The management team cannot guarantee if they could survive this game. Nevertheless, we will spare no effort to keep the operation of the Company running and wait for the turning point.

Affected by the China-US trade dispute, the operation of the Company plummeted in the first half of 2019. Yet, the management team still continued to engage in development with the customers in concerted effort. In the second half of 2019, the Company has become a qualified supplier of the original US brand customers and also joined the TWS product supply chain of the original US brands customers. In addition, the Company engaged in a joint-venture with the OBO team to develop the first 6mm and 5.4mm liquid silicon film single speaker of the world, and was introduced by other well-known US brands customers and other suppliers. In addition, chip designers also chose to engage in joint venture with OBO to enter into an agreement on module. In general, 2019 was a year of despair and year of hope. It is just like sailing a ship at the sea, which is under wave after wave of impact but still going on its course.

In 2019, the Company had consolidated revenue amounting to NT\$5,124,518 thousand, which was a decline of 11% from NT\$5,757,902 thousand in the same period of 2018. Net income after taxation in the same year amounted to NT\$391,668 thousand, which was a decline of 59.89% from NT\$976,545 thousand in the same period of 2018. The main reason of the decline in net income in 2019 was the Chin-US trade problem to the extent that the original US brand customers were unable to sell both new and old items, which in turn affected the sale of the premium item of the Company – acoustic component sale, which declined to 2014 and 2015 levels. Although the Company was included in the TWS product supply chain of this customer, the late availability of new products in market handicapped the Company in a final charge in Q3 2019, which resulted in a decline of net income as compared with 2018.

Significant operational events of the Company for 2019 are described as follows:

Important Operational Events:

- I. The Company continued to be a qualified supplier of original US brand customers and other famous international big firms.
- II. The products of the Company were officially included into the TWS product supply chain of the original US brand customers.
- III. The Company engaged in joint-venture with German customers in automotive parts and components, with mass production kicked off in December 2019.
- IV. Engaged in a joint-venture with the OBO team to develop the first 6mm and 5.4mm liquid silicon film single speaker of the world.
- V. Advance into the area of micro injection.

Concraft Holding Co., Ltd.
Chairperson: Chao-Sheng Lu
President: Guo-Ji Li
Chief Financial Officer: Qiao-Sheng Huang

Two. Company Profile

I. Brief Introduction of the Company and the Group

Concraft Holding Co., Ltd (hereinafter referred to as "Concraft Holding" or "the Company") was founded on September 1, 2009 who is a holding company in the British Cayman Islands (hereinafter referred to as "Caymans"). The founders are Chao-Sheng Lu and Guo-Ji Li. In 2002, the Company. reinvested in Kunshan Dragonstate Electronic Technology Co., Ltd. in the names of the founders and through Dragonstate Technology Co., Ltd. who was registered in Mauritius, and the restructure the framework of investment after remedy in 2009 by the consent of Investment Commission. The main business items of the investees of the Company are focused on the research/development, production and sale for the products of electrical connector with private brand of "CONCRAFT". The Company's paid-in capital is NT\$1,366,843 thousand as of December 31, 2019. The Company's operational headquarter is currently located in Taiwan, which is mainly responsible for integration of research/development, finance and information technology. Its sale is mainly run through Dragonstate Technology Co., Ltd. who is registered in Mauritius and responsible for the sale business in Europe, America and Asia (except for China and Taiwan) as well as Kunshan Dragonstate Electronic Technology Co., Ltd. who is responsible for the sale business in China. At the end of December 2010, the Company acquired Dragonstate International Technology Co., Ltd. who is mainly engaged in the sale business in Taiwan. The production is mainly based in China through Kunshan Dragonstate Electronic Technology Co., Ltd. who is mainly responsible for the production of connector and acoustic component for notebook as well as Concraft Precision Electronics (Baoying) Co., Ltd. who is mainly responsible for the production of PCMCIA, MINI PCI EXPRESS and SMART CARD for the application of network communication and consumer electronics. In the beginning of 2013, the Company reinvested in Kunshan Haojun Precision Electronics Co., Ltd., Ltd. through its second-tier subsidiary, Kunshan Dragonstate Electronic Technology Co., Ltd., to engage in stamping for hardware product. The Group completed the vertical integration. In 2014, the Company's acousto-optic components were successfully mass produced and its sales percentage has increased from 46% in 2015 to 75% in 2019, showing that the Company has expanded the application technology of silica gel from acoustics to the industries of automobiles and optics, and established the foundation for development and opportunity for growth in the future.

II. Date of Incorporation: September 1, 2009

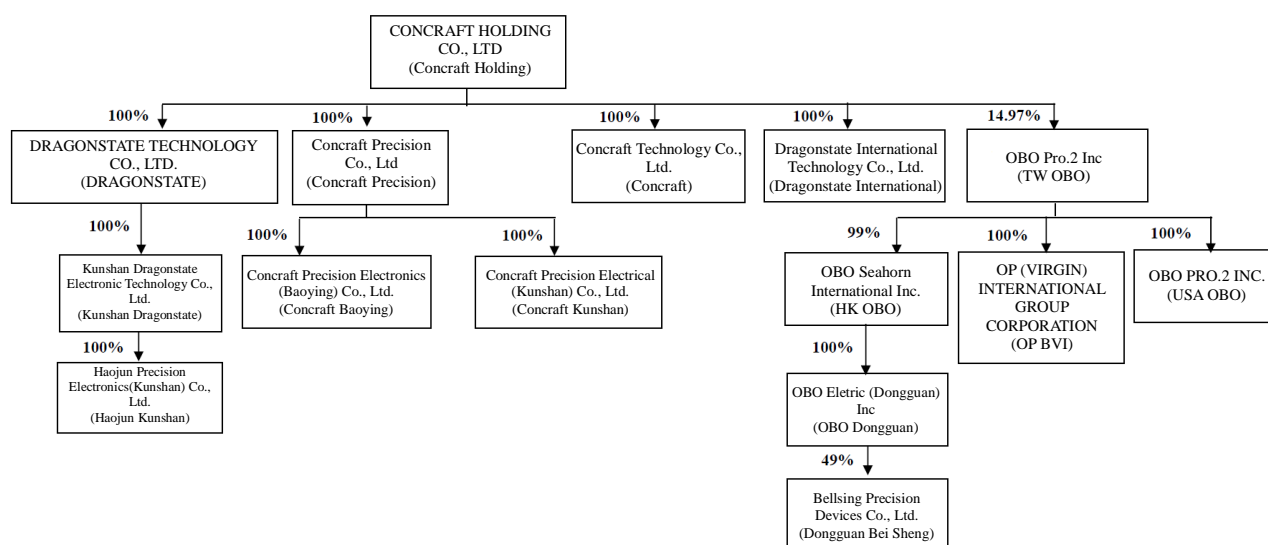
III. Company History

Year	Description of History
1992	Founded the Weijin Steel Mold Co., Ltd. in Sanchong City, Taipei County, Taiwan, engaging in the manufacture and sale of general mold in the initial stage.
1994	Started to add the OEM business for injection products.
1999	Transformed to the development, manufacture and sale of connector.
2000	Successfully developed the variable products for PCMCIA series to meet the demand of consumer products in the industries of satellite communication and wireless network communication.
2001	Successfully developed the products of Connector series to meet the demand of mobile phone consumer products.
2002	Chao-Sheng Lu and Guo-Ji Li reinvested in Kunshan Dragonstate Electronic Technology Co., Ltd. in their personal names through Dragonstate Technology Co., Ltd. who was registered in Mauritius.
2003	Successfully developed the products of MINI PCI series and completely introduced the products into automatized production.
2004	Completely introduced the RoHS Compliance for the production/manufacture for the purpose of environmental protection.
2005	Successfully develop the connector products for NOTE BOOK and started to deliver

Year	Description of History
	the samples for the certification from large NOTE BOOK manufacturers.
2006	Certified the ISO1400 and QC080000, involved into the production/manufacture of precision machinery and introduced the components of micro precision into production/manufacture and sale.
2007	Successfully developed the products of HDMI and SFP series to meet the demand of high-frequency consumer products.
2008	Successfully innovated the low-cost and high reliable products of USB series. And started to plan the new plant for Kunshan Dragonstate Electronic Technology Co., Ltd.
2009	<ol style="list-style-type: none"> 1. The Investment Commission of MOEA approved Chao-Sheng Lu and Guo-Ji Li to reinvest overseas in the Kunshan Dragonstate Electronic Technology Co., Ltd. through the Dragonstate Technology Co., Ltd. who was registered in Mauritius. 2. The Investment Commission of MOEA approved the Company to establish the Concraft Precision Electronics (Baoying) Co., Ltd. in Baoying County, Jiangsu Province, mainly engaged in the manufacture and sale of connector. 3. The Investment Commission of MOEA approved the Company to establish Concraft Holding Co., Ltd. in British Cayman Islands to proceed the restructuring the Group's organization. 4. New plant of Kunshan Dragonstate Electronic Technology Co., Ltd. began construction. The measurements of the first phase plant was 24,681.7 square meters. 5. The Investment Commission of MOEA approved the Company to establish the Concraft Precision Electrical (Kunshan) Co., Ltd. in Kunshan City, Jiangsu Province, engaged in the production/manufacture of stamping and molding.
2010	<ol style="list-style-type: none"> 1. The Investment Commission of MOEA approved the Company to reinvest in Concraft Precision Industry Co., Ltd. in Taiwan to deeply cultivate in Taiwan. 2. The first phase new plant of Kunshan Dragonstate Electronic Technology Co., Ltd. completed construction in October, 2010. The second phase new plant of Kunshan Dragonstate Electronic Technology Co., Ltd. began construction. 3. At the end of December of 2010, the Company acquired 100% of shareholding of Dragonstate Technology Co., Ltd. through its subsidiary and completed the deployment of three places across the Taiwan Straits.
2011	<ol style="list-style-type: none"> 1. The Concraft Precision Electronics (Baoying) Co., Ltd. began to mass-produce the connectors for NB series. 2. The Group's products successfully penetrated into the supply chain systems of Samsung and Hitachi. 3. Cooperated with the Industrial Technology Research Institute and Intel to successfully convene a seminar for high-frequency technique. 4. The headquarter's laboratory in Taiwan officially began to operate. 5. The IPO for Concraft Holding was approved with the stock code of 4943 and Chinese emerging code of F-康控(F-Concraft Holding).
2012	<ol style="list-style-type: none"> 1. The second-phase plant of Kunshan Dragonstate Electronic Technology Co., Ltd. was completed and began to operate. 2. The molding department began to introduce the precision grinding and measuring equipments from Germany and Switzerland to enhance the technical capability for the molding department. 3. Started to join the molding exhibitions in Germany, Japan and Shanghai to expand the business eyeshot and proceed the transformation for the Company's business and technology. 4. Began to touch the potential customers of acoustics in US, optics in Japan and automotive components in Germany.
2013	<ol style="list-style-type: none"> 1. Completed the Group's vertical integration and acquired the Kunshan Haojun Precision Electronics Co., Ltd., through the Kunshan Dragonstate Electronic

Year	Description of History
	<p>Technology Co., Ltd. who specialized in stamping.</p> <ol style="list-style-type: none"> Cooperated with large acoustic manufacturers in the US to develop the acoustic components and successfully mass-produced for smart phone. Began to cooperate with customers to develop the optical components.
2014	<ol style="list-style-type: none"> The optical components began to ship to TDK. The sales of acoustic components exceeded 30% of the sales. The Group's annual consolidated sales exceeded NT\$ 2 billion.
2015	<ol style="list-style-type: none"> The plant of the Concraft Precision Electrical (Kunshan) Co., Ltd. began construction and estimated to be completed in March 2016. The sales of the acoustic components exceeds 50% of the sales. Obtained the supplier qualification from German large manufacturers for automotive components and cooperated to develop the vehicle-use components.
2016	<ol style="list-style-type: none"> The Concraft Holding was approved to be publicly listed company in Taiwan Stock Exchange with the stock code of 4943 and Chinese code of KY-康控 (KY-Concraft Holding). Cooperated with tier 1 large manufacturers in Germany, Japan and US to develop the vehicle-use components. Began to develop the medical auxiliary components.
2017	<ol style="list-style-type: none"> Contributed to the cooperation of automotive industry from different country and accelerated the development of technology for automotive components to excel the technical plane of the competitors in Asia. Built up the moats of the patent wall and continued to develop the application technology of silica gel. The Group's consolidated sales exceeded NT\$ 5 billion.
2018	<ol style="list-style-type: none"> Build up the production base of automotive components to meet the demand of the intent of purchase from customers. Prepare to build the second generation of injection production base and plan to build the capability of fast-upgrade process. Promote the technical cooperation with investees and create the integrated value of production and design. Deepened the technical cooperation with end-customers, adjusted and strengthened the structure of the customers.
2019	<ol style="list-style-type: none"> The Company continued to be a qualified supplier of original US brand customers and other famous international big firms. The products of the Company were officially included into the TWS product supply chain of the original US brand customers. The Company engaged in joint-venture with German customers in automotive parts and components, with mass production kicked off in December 2019. Engaged in a joint-venture with the OBO to develop the first monomer with 6mm and 5.4mm liquid silicon gel diaphragm in the world. Proceed to the domain of trace injection.

IV. Group Structure



Note: The Company held the election of the new Board in a special session of the Board of Directors and Supervisors of OBO Pro.2 Inc. (hereinafter referred to as “OBO”) on April 1 2019, and acquired 3 of the 5 seats of the Board. The Board convened on April 2 2019. The Chairman of the Company was elected the Chairman of OBO. According to IFRS 10 – “Consolidated Financial Statements”, the Company has de facto control over OBO, which made OBO and its subsidiaries incorporated into the group as separate entities with effect on April 1 2019.

V. Risk Matters: Please refer to Paragraph 6, Seven in this annual report.

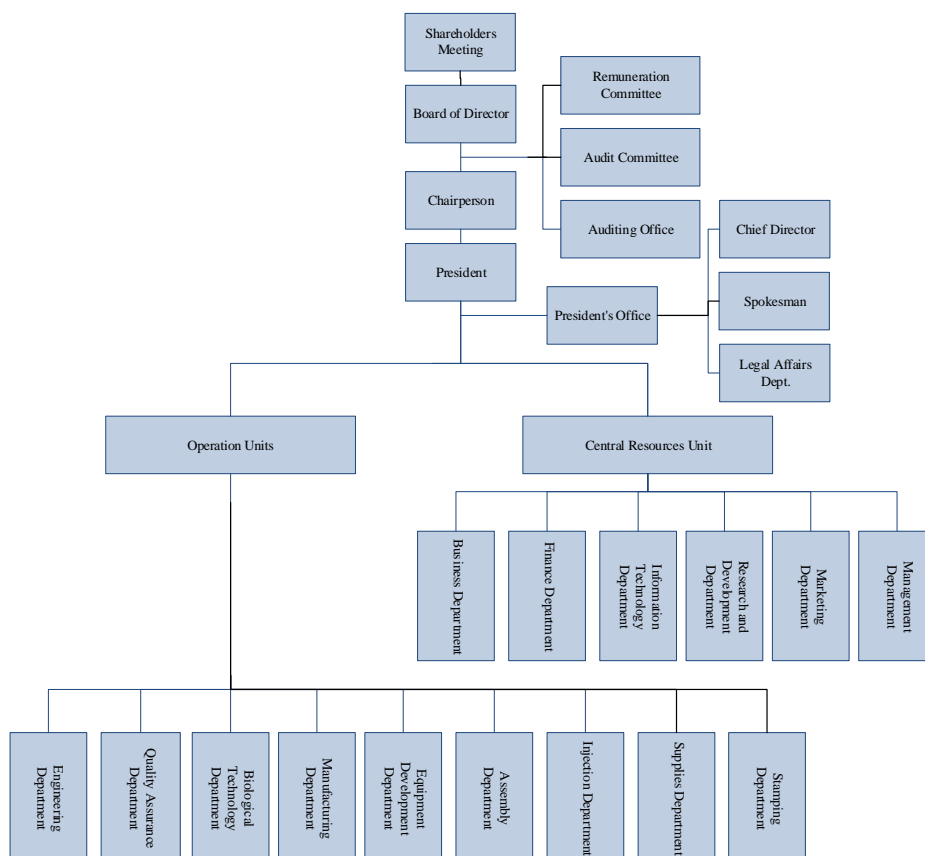
Three. Corporate Governance

I. Organization

The Company is registered in British Cayman Islands in 2009. Its major business is a holding company and investment. And the main production bases for its reinvestees are located in Kunshan City, Jiangsu Province and Yangzhou City, Baoying County. The organization structure for the Company and production base is as follows:

(I) The Company

1. Organization Structure



The operation of Company is divided into three segments: the highest authority is the shareholder's meeting; the next is the Board of Directors and lastly, the management. The organization comprises a chairperson, a president, the president office, finance department, information technology department, business department and marketing department. The president office comprises vice president, directors, legal office and spokespersons. All offices under the president office shall report to the president. The directors are the chiefs of administration stationing at every plant (or profit center) and shall directly report to the president. In addition, the audit department shall report directly to the Board of Directors and the audit committee.

2. Major Departments' Businesses

Name of Department	Business and Scope of Authority
President's Office	Vice President: Assisting the president in managing Group matters Director: Assist the president in implementing the projects of research/development. Legal Office: Handle the legal affairs and review contracts for all companies of the Group. Spokesperson: Plan the external speaking and manuscripts.
Business Department	Handle the business affair for every investee of the Group.
Finance Department	Handle accounting information summary and fund deployment for every investee of the Group.
Information Technology Department	Handle the ERP, network and other related equipments for every investee of the Group.
Research and Development Department	Handle the products' research and development for the Group.
Marketing Department	Plan the marketing affairs for the Group.
Management Department	Handle the administration, human resource, automobile projects and plants affairs.

(II) Production Base in China

- i. Organization Structure: Please refer to the headquarter's organization chart for the operational business units.
- ii. Major Departments' Businesses

Name of Department	Business and Scope of Authority
Supplies Department	Integrate purchase and price inquiry for the raw materials of the production.
Manufacturing Department	Design and manufacture the mold and the jig for the production.
Injection Department	Produce the plastic components and design the injection molding machine for production.
Assembly Department	Assemble and produce the electronic connectors and the acoustic components.
Engineering Department	Design the electronic connectors and the acoustic components for the existing customers and the research/development affairs.
Stamping Department	Stamp for hardware product.
Biological Technology Department	1. Research and manufacture the technical process of the production for the electronic connectors and the acoustic components designed by the engineering department. 2. Reconstruct the technical process of the production that is currently used by the assembly department.
Equipment Development Department	Manufacture the jig and develop/manufacture the automatic assembling machine based on the technical process of the production researched and manufactured by the Biological Technology Department.
Quality Assurance Department	1. Establish and control the product's quality standards for each link of production. 2. Deal with the quality abnormal cases from the customers. 3. Establish and amend the ISO files and procedures.

II. Information of Directors, Supervisors, Presidents, Vice Presidents, Assistant Vice Presidents and Chiefs of Departments and Branches

(I) Basic Information of Directors

Unit: share; %; April 17, 2020

Title	Nationality or Places of Registration	Name	Sex	Date Elected (Assumed)	Term of Office	Date Elected First Time	Shareholding When Elected		Shareholding at Present		Shareholding of Spouses, Minor Children At Present		Shareholding in the Name of Other Persons		Main Experiences (Educations)	Hold the Position of the Company and Other Companies at Present	Spouses or Within Second-Degree of Kinship Served as Other Managerial Positions, Directors or Supervisors			Remark
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relationship	
Chairperson	British Virgin Islands	Monster Holding Co., Ltd	Male	2017.06.23	3	2009.09.01	22,258,269	22.33	26,902,721	19.67	-	-	-	-	-	Chairperson, Concraft Holding Co., Ltd.	-	-	-	-
	Republic of China	Representative: Chao-Sheng Lu					-	-	130,373	0.10	875,486	0.64	-	-	Department of Business Administration, NCHU Weijin Steel Mold Co., Ltd.	Chairperson of Dragonstate International Technology Co., Ltd., Kunshan Dragonstate Electronic Technology Co., Ltd. and Concraft Precision Electrical (Kunshan) Co., Ltd.; as well as Executive Director of Concraft Precision Electronics (Baoying) Co., Ltd. and Kunshan Haojun Precision Electronics Co., Ltd.; Director of Dragonstate Technology Co., Ltd, Concraft technology Co., Ltd and Concraft Precision Co., Ltd	-	-	-	-
Director	British Virgin Islands	AGI Holding Co., Ltd.	Male	2017.06.23	3	2009.09.01	15,991,424	16.04	19,335,409	14.13	-	-	-	-	-	-	-	-	-	-
	Republic of China	Representative: Guo-Ji Li					-	-	941,064	0.69	543,878	0.40	-	-	Zhuyin Precision Industry Co., Ltd. Heyue Industry Co., Ltd. Zhipin Mold Co., Ltd. Weijin Steel Mold Co., Ltd.	Director and President, Dragonstate International Technology Co., Ltd. Director and President, Kunshan Dragonstate Electronic Technology Co., Ltd. Director and President, Concraft Precision Electrical (Kunshan) Co., Ltd. President, Kunshan Haojun Precision Electronics Co., Ltd. Supervisor, Concraft Precision Electronics (Baoying) Co., Ltd. Director, Concraft Precision Co., Ltd. Director, Concraft Technology Co., Ltd.	-	-	-	-
Director	Republic of China	Zhu-Qing Li	Male	2017.06.23	3	2009.09.01	784,080	0.79	1,000,363	0.73	35,005	0.03	-	-	Zhuyin Precision Industry Co., Ltd. Director of Manufacturing Department for Dragonstate International Technology Co., Ltd and Kunshan Dragonstate Electronic Technology Co., Ltd.	Director of Manufacturing Department for Dragonstate International Technology Co., Ltd and Kunshan Dragonstate Electronic Technology Co., Ltd.	-	-	-	-

Title	Nationality or Places of Registration	Name	Sex	Date Elected (Assumed)	Term of Office	Date Elected First Time	Shareholding When Elected		Shareholding at Present		Shareholding of Spouses, Minor Children At Present		Shareholding in the Name of Other Persons		Main Experiences (Educations)	Hold the Position of the Company and Other Companies at Present	Spouses or Within Second-Degree of Kinship Served as Other Managerial Positions, Directors or Supervisors			Remark
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relationship	
Independent Director	Republic of China	Zi-Yin Zhang	Female	2017.06.23	3	2011.03.25	-	-	-	-	-	-	-	-	Bachelor of Business Administration, National Central University Qualified Senior Examination of CPA Assistant Manager, PWC Taiwan	CPA, Weichungdelin Accounting Firm CPA	-	-	-	-
Independent Director	Republic of China	Wei-Jun Chen	Male	2017.06.23	3	2014.06.23	-	-	-	-	-	-	-	-	LL.M., National Taipei University Qualified Senior Examination of Lawyer Attorney, Baker & McKenzie Legal Firm Attorney, Chungtao Legal Firm Attorney, Jonesday Legal Firm Liu, Chang & Partners	Managing Attorney, Chenyin Attorneys-At-Law	-	-	-	-
Independent Director	Republic of China	Ben-Hua Zhang	Male	2017.06.23	3	2016.01.06	-	-	-	-	-	-	-	-	Doctor, Institute of NanoEngineering and MicroSystems, National Tsing Hua University Researcher, Material and Chemical Research Laboratories, Industrial Technology Research Institute	Representative, ZBest S&T Limited	-	-	-	-

2. Basic Information for Supervisor: The Company has established the audit committee, so this is not applicable.

(II) Major Shareholders of Corporate Shareholders:

1. Name of Top 10 Shareholders Who Hold the Highest Shareholding Percentage for Corporate Shareholders

April 17, 2020

Name of Corporate Shareholders	Major shareholders of Corporate Shareholders
Monster Holding Co., Ltd.	Chao-Sheng Lu 100%
AGI Holding Co., Ltd.	Guo-Ji Li 100%

2. If Major Shareholders of Corporate Shareholders are Legal Persons, the Top 10 Shareholders Who Hold the Highest shareholding Percentage for Such Legal Persons:
Not Applicable.

(III) Professional Knowledge and Independence for Directors and Supervisors:

April 17, 2020

Name	Conditions	More Than Five Years of Work Experiences and the Following Professional Qualifications			Meet the Independence (Note)												Number of Other Publicly Issued Company in Which the Person is Concurrently Serving as an Independent Director
		A Lecturer or Higher Position in a Department of Business, Legal, Finance, Accounting or the Other Relevant Department needed by the Company's Business	A Judge, Public Procurator, Attorney, CPA or Other Professional and Technical Personnel Who Has Passed the National Examination with a Certificate in a Professional Necessary for the Business of the Company.	Work Experience in Business, Legal, Finance, Accounting or Other Experiences Needed by the Company's Business	1	2	3	4	5	6	7	8	9	10	11	12	
Monster Holding Co., Ltd. Representative: Chao-Sheng Lu	-	-	✓					✓		✓	✓	✓	✓	✓	✓		None
AGI Holding Co., Ltd. Representative: Guo-Ji Li	-	-	✓					✓		✓	✓	✓	✓	✓	✓		None
Zhu-Qing Li	-	-	✓		✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Zi-Yin Zhang	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Wei-Jun Chen	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Ben-Hua Zhang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note: If any of the directors or supervisors meets the following conditions during the two year prior to being elected or during the term of office, please tick "✓" in the blank space of the corresponding condition below.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (except in cases where the person is an independent director of the company, its parent company, any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).
- (3) Not a natural-person shareholder who holds shares, together with those shares held by the person's spouse, minor children or held under the name of other persons, in an aggregate amount of 1% or more of the Company's total issued shares or ranks as one of its top ten shareholders.
- (4) Not a managerial officer mentioned in paragraph (1), or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship mentioned in paragraphs (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as its top five shareholders, or has designated representative in accordance of Article 27 Section 1 or 2 in the Company as director/supervisor (except in cases where the person is an independent director of the company, its

- parent company, any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).
- (6) Not a director, supervisor, or employee of other company with the Board seats or more than half of the voting shares under control of one person (except in cases where the person is an independent director of the company, its parent company, any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).
 - (7) Not a director, supervisor, or employee of other company whose chairman or general manager are the same person or spouse of the Company (except in cases where the person is an independent director of the company, its parent company, any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).
 - (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company (except if specified company or institution possessing shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the company, its parent company, any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).
 - (9) Not a professional individual, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that provides auditing services or for the past two years, has provided commercial, legal, financial, accounting services or consultation amounted to less than a cumulative NTD500,000 to the Company or to any affiliate of the company, or a spouse thereof. However, this does not apply to members of Compensation Committee, Public Tender Offer Review Committee or Special Merger and Acquisition Committee carrying out their duties in accordance with Securities and Exchange Act or Business Mergers and Acquisitions Act.
 - (10) Not a spouse or a relative within the second-degree of kinship with any other director of the Company.
 - (11) Not a person who has any one of the circumstances defined in Article 30 of the Company Act.
 - (12) Not a government, legal person or its representative that is elected as defined in Article 27 of the Company Act.

(IV) Basic Information of Presidents, Vice Presidents and Chiefs of Departments

Unit: Share; %; April 17, 2020

Title	Nationality	Name	Sex	Date Elected (Assumed)	Proportion of shareholding		Shareholding Held by Spouses, Minor Children		Shareholding in the Name of Other Persons		Main Experiences (Educations)	Hold the Position of Other Companies at Current	Spouses or Within Second-Degree of Kinship Served as Manager		
					Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relationship
President	Republic of China	Guo-Ji Li	Male	2009.09.01	941,064	0.69	543,878	0.40	-	-	San-Chung Commercial and Industrial Vocational High School Zhuyin Precision Industry Limited. Heyue Industry Co., Ltd. Zhipin Mold Co., Ltd. Weijin Steel Mold Co., Ltd.	Director and President, Dragonstate International Technology Co., Ltd. Director and President, Kunshan Dragonstate Electronic Technology Co., Ltd. Director and President, Concraft Precision Electrical (Kunshan) Co., Ltd. President, Kunshan Haojun Precision Electronics Co., Ltd. Supervisor, Concraft Precision Electronics (Baoying) Co., Ltd. Director, Concraft Precision Co., Ltd. Director, Concraft Technology Co., Ltd.	-	-	-
Vice President of Project	Republic of China	Jin-Xing Li	Male	2011.11.01	423,758	0.31	458,423	0.34	-	-	Department of Mold and Die Engineering, National Kaohsiung Institute of Technology Engineer, Chi Cheng Enterprise Co., Ltd. Assistant Manager, Hon Hai Precision Industry Co., Ltd.	Assistant Vice Presidents of Project, Kunshan Dragonstate Electronic Technology Co., Ltd., as well as, director, Dragonstate International Technology Co., Ltd.	-	-	-
Director of Supplier Management	Republic of China	Ya-Hui Xie	Female	2009.09.01	1,680,426	1.23	-	-	-	-	Bachelor of Industrial Management, National United University Section Manager of Quality Assurance, Aeron Precision Industrial Co., Ltd. Vice President, Concraft Precision Electronics (Baoying) Co., Ltd.	Director, Kunshan Dragonstate Electronic Technology Co., Ltd. and Director of Supplier Management Department, Kunshan Dragonstate Electronic Technology Co.	-	-	-
Director of Manufacturing Department	Republic of China	Zhu-Qing Li	Male	2014.05.09	1,000,363	0.73	35,005	0.03	-	-	Mituo Junior High School Zhuyin Precision Industry Co., Ltd.	Director of Manufacturing Department for Dragonstate International Technology Co., Ltd and Kunshan Dragonstate Electronic Technology Co., Ltd.	-	-	-
Assistant Vice Presidents of Engineering	Republic of China	Si-Qing Cai	Male	2012.12.17	253,778	0.19	-	-	-	-	Doctor, Institute of Mechanical Engineering, National Taiwan University Chief of Engineering Department, Hon Hai Precision Industry Co., Ltd.	Manager of Engineering Department, Kunshan Dragonstate Electronic Technology Co., Ltd.	-	-	-
Engineering Manager	Republic of China	Yi-Hui Xiao	Male	2011.06.01	62,737	0.05	-	-	-	-	Department of Engineering, Hsinpu Institute of Technology Engineering Manager, Chee Chen Hi-Technology Co., Ltd. PM Manager, Kunming Electronics Co., Ltd.	Manager of Engineering Department, Kunshan Dragonstate Electronic Technology Co., Ltd.	-	-	-
Assistant Vice Presidents of Project	Republic of China	Jian-Kai Peng	Male	2017.07.20	18,576	0.01	-	-	-	-	Department of Mechanical Engineering, Ching Yun Institute of Technology Vice Section Manager, G-Shank Enterprise Co. Ltd. Project Manager, Foxconn Interconnect Technology Limited	-	-	-	-
Business Assistant President	Republic of China	Zhen-Wei Jin	Male	2020.02.27	25,832	0.02	-	-	-	-	Bachelor of Industrial Management, Oriental Institute of Technology Assistant Manager of Marketing Department, Singatron Enterprise Co., Ltd. Manager, Dragonstate International Technology Co., Ltd.	-	-	-	-

Title	Nationality	Name	Sex	Date Elected (Assumed)	Proportion of shareholding		Shareholding Held by Spouses, Minor Children		Shareholding in the Name of Other Persons		Main Experiences (Educations)	Hold the Position of Other Companies at Current	Spouses or Within Second-Degree of Kinship Served as Manager		
					Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relationship
Assistant Vice Presidents of Project	Republic of China	Chun-Hsien Yang	Male	2020.02.27	7,209	0.01	-	-	-	-	Ph.D in Mechanical Engineering, National Cheng Kung University Assistant Manager, Hon Hai Precision Industry Co., Ltd.	-	-	-	-
Assistant Vice Presidents of Project	Republic of China	Hsiang-Chih Kao	Male	2020.02.27	-	-	-	-	-	-	Masters in Mechanical and Computer-Aided Engineering, Feng Chia University Director of Hebi (Suzhou) Communications Technology Co., Ltd. Director of Foxconn (Shenzhen) International Holdings Co., Ltd. Module Factory Manager of Jabil Green Point (Tianjin) Co., Ltd.	-	-	-	-
Chief Financial Officer	Republic of China	Qiao-Sheng Huang	Male	2009.09.01	1,630	-	175,314	0.13	-	-	Department of Public Finance, Feng Chia University Business Assistant Manager of Capital Market Department, President Securities Corp. Assistant Manager of Finance Department, Pou Chen Corporation	Spokesperson of the Group	-	-	-
Accounting Manager	Republic of China	Wei-Lun Dai	Male	2018.02.09	1,125	-	-	-	-	-	Department of Accounting, Soochow University Deloitte Taiwan Team Leader Assistant Manager, PWC Taiwan	-	-	-	-
Auditing Managerial Officer	Republic of China	Bi-Ning Chen	Female	2016.08.12	1,235	-	-	-	-	-	Master, Institute of Accounting, National Changhua University of Education Team Leader, PWC Taiwan	-	-	-	-

III. Remuneration of Directors, Independent Directors, Supervisors, Presidents and Vice Presidents for the Most Recent Year

(I) Remuneration Paid to Directors

Unit: NT\$ Thousand; Shares in Thousand; %, Data Period: 2019

Title	Name	Remuneration Paid to Directors								Total of A, B, C and D as a Percentage of Profit After Tax		Related Compensation for Serving as Employee Concurrently								Total of A, B, C, D, E, F and G as a Percentage of Profit After-Tax		Reinvestment or Compensation from Party Other Than Subsidiaries
		Compensation (A)		Severance Pay and Pension (B)		Compensation to Directors (C) (Note 1)		Allowances for Performing Duties (D)				Salary, Bonus and Other Special Allowances (E)		Severance Pay and Pension (F)		Compensation to Employee (G)						
		The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	Cash Amount	Stock Amount	Cash Amount	Stock Amount	The Company	All Companies in the Financial Report	
Chairperson	Monster Holding Co., Ltd. Representative: Chao-Sheng Lu	2,069	4,520	-	-	2,357	168	168	1.17	1.80	2,690	8,535	-	211	-	-	-	-	1.86	4.03	-	
Director	AGI Holding Co., Ltd. Representative: Guo-Ji Li																					
Director	Zhu-Qing Li																					
Independent Director	Zi-Yin Zhang	-	-	-	-	2,357	448	448	0.72	0.72	-	-	-	-	-	-	-	-	0.72	0.72	-	
Independent Director	Wei-Jun Chen																					
Independent Director	Ben-Hua Zhang																					

Remuneration Range Table

Range for Remuneration Paid to Directors of the Company	Name of Director			
	Total of the Preceding 4 Items (A+B+C+D)		Total of the Preceding 7 Items (A+B+C+D+E+F+G)	
	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report
Less than NT\$1,000,000	Monster Holding Co., Ltd., AGI Holding Co., Ltd., Zhu-Qing Li, Zi-Yin Zhang, Wei-Jun Chen, Ben-Hua Zhang	Monster Holding Co., Ltd., AGI Holding Co., Ltd., Zhu-Qing Li, Zi-Yin Zhang, Wei-Jun Chen, Ben-Hua Zhang	Monster Holding Co., Ltd., AGI Holding Co., Ltd., Zi-Yin Zhang, Wei-Jun Chen, Ben-Hua Zhang	Monster Holding Co., Ltd., AGI Holding Co., Ltd., Zi-Yin Zhang, Wei-Jun Chen, Ben-Hua Zhang
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	-	-	Guo-Ji Li	-
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Chao-Sheng Lu	-	Chao-Sheng Lu, Zhu-Qing Li	-
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	Chao-Sheng Lu	-	Chao-Sheng Lu, Guo-Ji Li, Zhu-Qing Li
5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	-	-	-
10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-	-	-
15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-	-	-
30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-	-	-
50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-	-	-
NT\$100,000,000 or Above	-	-	-	-
Total	7 Persons	7 Persons	8 Persons	8 Persons

Note: The remuneration paid to directors and compensation paid to employees for 2019 are approved by the Board of Directors.

(II) Remuneration Paid to Supervisor: The Company has established the audit committee to replace the function of the supervisor, so this is not applicable.

(III) Compensation Paid to President and Vice Presidents

Unit: NT\$ Thousand; %; Shares in Thousand, Data Period: 2019

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Other Special Allowances (C)		Compensation to Employee (D) (Note)				Total of A, B, C and D as a Percentage of Profit After Tax (%)		Compensation from Investees Other Than Subsidiaries
		The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company		All Companies in the Financial Report		The Company	All Companies in the Financial Report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Guo-Ji Li	-	10,146	-	417	4,592	5,808	-	-	-	-	1.17	4.18	-
Vice President of Project	Jin-Xing Li													
Director of Supplier Management	Ya-Hui Xie													
Director of Manufacturing Department	Zhu-Qing Li													

Note: The compensation paid to employees for 2019 is approved by the Board of Directors.

Remuneration Range Table

Range of Compensation Paid to President and Vice Presidents of the Company	Name of President and Vice Presidents	
	The Company	All Companies in the Financial Report
Less than NT\$1,000,000	Ya-Hui Xie	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Guo-Ji Li, Jin-Xing Li, Zhu-Qing Li	-
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	Ya-Hui Xie
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	Guo-Ji Li, Jin-Xing Li, Zhu-Qing Li
5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	-
10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-
15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-
30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-
50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-
NT\$100,000,000 or Above	-	-
Total	4 Persons	4 Persons

- (IV) Employee Compensation Paid to Managers and the Appropriation Status: The Board of Directors approved the appropriation of 2019 employees' compensation of NT\$4,714,558 by cash. Before appropriation, details were reported to the remuneration committee for a resolution passed and submitted to the board of director for approval.
- (V) Analysis of total remuneration paid to directors and supervisors and the compensation paid to president and vice presidents by the Company and all entities in the consolidated financial statement in the latest two years as a percentage of profit after-tax, and Explanation of the policies, standards and composition of the remuneration and compensation, the formulas for setting up the remuneration and compensation, as well as its correlation with the business performance and future risks:
1. Analysis of total remuneration paid to directors and supervisors and the compensation paid to presidents and vice presidents by the Company in the latest two years as a percentage of profit after-tax:

Title	Total 2019 remuneration/compensation as a percentage of profit after-tax		Total 2018 remuneration/compensation as a percentage of profit after-tax	
	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report
Director	2.63	4.75	2.37	3.18
President and Vice Presidents	1.17	4.18	1.09	1.35

2. The policies, standards and composition of the remuneration and compensation, the formulas for setting up the remuneration and compensation, as well as its correlation with the business performance and future risks:
 - (1) The director's remuneration will be determined based on its position in the Company, its involvement in the Company's operation and its contribution to the Company.
 - (2) The compensation to the president, vice presidents and other managers will be determined based their positions, their personal operational performance and their contribution to the Company as well as will refer to the standards in the same industry and the Company's scale.
 - (3) The Company is an overseas enterprise. The social welfare for Taiwanese or other overseas managerial staffs has already reflected into their compensation, so there is no other consideration.

IV. Corporate Governance Implementation

(I) Operation of the Board of Director:

In the most recent year and as of the date of the annual report published, the Board of Directors held 12 meetings. The directors' attendance is as follows:

Date: May 28, 2020

Title	Name	Number of Attendance In Person	Number of Attendance By Proxy	Attendance Rate In Person (%)	Remark
Director	Monster Holding Co., Ltd.	12	0	100	
	Representative: Chao-Sheng Lu				
Director	AGI Holding Co., Ltd.	11	1	92	
	Representative: Guo-Ji Li				
Director	Zhu-Qing Li	10	2	83	
Independent Director	Zi-Yin Zhang	11	1	92	
Independent Director	Wei-Jun Chen	11	1	92	
Independent Director	Ben-Hua Zhang	11	1	92	

Other Events That Shall be stated:

I. If the operation of the board of director has the following circumstances, the date and session of the board of director, the contents of the motion, all opinions of the independent directors and actions taken by the Company regarding to the opinions of the independent directors:

(I) The matters as prescribed by the Securities and Exchange Act article 14-3 are as follows. All independent directors have no objections and approved the matters as prescribed by the Securities and Exchange Act article 14-3.

1. Resolutions passed by the 10th meeting of the 4th Board of Directors on January 21, 2019:
 - (1) Resolution for the Company's second-tier subsidiary, Dragonstate International Technology Co., Ltd., to purchase the real estate.
 - (2) Resolution to expand the Company's internal control system.
2. Resolutions passed by the 11th meeting of the 4th Board of Directors on March 22, 2019:
 - (1) Resolution to amend the partial articles for the "Procedure for Acquisition or Disposal of Assets".
 - (2) Resolution to amend the partial articles for the "Procedure for Lending funds to Others".
 - (3) Resolution to amend the partial articles for the "Procedure of the endorsements and guarantees".
 - (4) Resolution to amend the partial articles for the internal control system and the rules for execution of internal audit.
 - (5) Resolution to lend funds to the subsidiary.
 - (6) Resolution to increase capital for the subsidiary, Dragonstate Technology Co., Ltd.
 - (7) Resolution to sign the certificate of appointment with PwC Taiwan to audit the financial statements.
3. Resolutions passed by the 12th meeting of the 4th Board of Directors on April 13, 2019:
 - (1) Resolution to cancel and process fund lending to subsidiary.
 - (2) Proposal for the Company to increase capital for subsidiary, Dragonstate International Technology Co., Ltd.
 - (3) Proposal for the Company's subsidiary, Kunshan Dragonstate Electronic Technology Co., Ltd., to purchase a batch of the machineries and equipment.
4. Resolutions passed by the 15th meeting of the 4th Board of Directors on August 12, 2019:
 - (1) Resolution for the Company to provide endorsements and guarantees for its subsidiary.
 - (2) Resolution for the Company's subsidiary, Dragonstate Technology Co., Ltd. to engage in derivatives trading with CTBC Bank with the transaction limit of USD 1 million.
 - (3) Resolution to cancel and process fund lending to subsidiary.
 - (4) Resolution to lend funds to the subsidiary.
 - (5) Resolution to establish the issuance of Employee Restricted Stock Awards allotment.
5. Resolutions passed by the 17th meeting of the 4th Board of Directors on November 13, 2019:
 - (1) Resolution for the Company to purchase the liability insurance for its directors and supervisors.
 - (2) Resolution for the Company to provide endorsements and guarantees for its subsidiary.
 - (3) Resolution for the Company to issue the second unsecured convertible corporate bond in the Republic of China.
6. Resolutions passed by the 18th meeting of the 4th Board of Directors on March 26, 2020:

	(1) Resolution for the Company's subsidiary, Kunshan Dragonstate Electronic Technology Co., Ltd., to increase capital.
	(2) Resolution to collaborate with CPA for internal adjustment. Changing of CPA since 2020 Q1.
7.	Resolutions passed by the 20th meeting of the 4th Board of Directors on May 4, 2020:
	(1) Amendment of the disbursement method of the remuneration of independent directors.
8.	Resolutions passed by the 21th meeting of the 4th Board of Directors on May 13, 2020:
	(1) Resolution to provide endorsement and guarantee for subsidiary and rescind the original endorsement and guarantee for subsidiary.
	(2) Resolution to amend the partial articles for the rules for execution of internal audit.
	(3) Proposal to reclassify prepayments for purchases and accounts receivables that are overdue from affiliated companies of the Group to funds lending.
	(4) The subsidiary of the Company prepares to make borrowings from Chang Hwa Bank.
	(5) Resolution to register for public issuance and application for listing for private-placed common stock.
	(6) Resolution to sign the certificate of appointment with PwC Taiwan to audit the financial statements.
(II)	Except for the aforesaid events, if an independent director objects or reserves opinion on records or in written statement for any of the resolutions of the Board of Directors: None.
II.	For the recusal of a director from a proposal because of a conflict of interest, the name of director, the contents of a proposal, the reasons of recusal and its participation in voting shall be stated:
(I)	The appropriation of the year-end bonus for the employees has been approved by the 10th and 19th meetings of the 4th Board of Directors of the Company. Guo-Ji Li and Zhu-Qing Li who are the representative and director respectively of corporate director, the AGI Holding Co., Ltd., recused from this proposal to avoid a conflict of interests due to their positions as managers of the Company.
III.	Objectives to strengthen the functionality of the board of director (e.g. establish the audit committee and enhance information transparency etc.) and its implementation in the current year and the recent years:
(I)	The Company has established the "Rule for Board of Directors Meetings" according to "Regulations Governing Procedure for Board of Directors Meetings of Public Companies", and the information of the directors' attendance for the board of director has been entered in the Market Observation Post System, as well as has disclosed the significant resolutions of the board of director in the Company's website.

(II) Operation Status of the Audit Committee

In the most recent year and as of the date of the annual report published, the audit committee held 9 meetings and the attendance of the independent directors is as follows:

Date: May 28, 2019

Title	Name	Number of Attendance In Person	Number of Attendance By Proxy	Attendance Rate In Person (%)	Remark
Independent Director	Zi-Yin Zhang	9	0	100	
Independent Director	Wei-Jun Chen	8	1	89	
Independent Director	Ben-Hua Zhang	9	0	100	
Other Events That Shall be stated:					
I.	If the operation of the audit committee has following circumstances, the date and session of the board of director, the contents of the motion, the resolution of the audit committee and actions taken by the Company regarding to the opinions of the audit committee shall be stated.				
(I)	The events prescribed in the Article 14-5 of the Securities and Exchange Act: Approved by the Audit Committee and reported to the Board of Directors.				
1.	Resolutions passed by the 10th meeting of the 4th Board of Directors on January 21, 2019:				
	(1) Proposal for the Company's second-tier subsidiary, Dragonstate International Technology Co., Ltd., to purchase the real estate.				
	(2) Proposal to expand the Company's internal control system.				
2.	Resolutions passed by the 11th meeting of the 4th Board of Directors on March 22, 2019:				
	(1) Resolution to amend the partial articles for the "Procedure for Acquisition or Disposal of Assets".				
	(2) Resolution to amend the partial articles for the "Procedure for Lending funds to Others".				
	(3) Resolution to amend the partial articles for the "Procedure of the endorsements and guarantees".				
	(4) Resolution to amend the partial articles for the internal control system.				
	(5) Resolution to lend funds to the subsidiary.				
	(6) Resolution to increase capital for the subsidiary, Dragonstate Technology Co., Ltd.				

	<ul style="list-style-type: none"> (7) Resolution to sign the certificate of appointment with PwC Taiwan to audit the financial statements. (8) The business report and the consolidated financial statement of the Company for 2018 were prepared.
	<ul style="list-style-type: none"> 3. Resolutions passed by the 12th meeting of the 4th Board of Directors on April 13, 2019: <ul style="list-style-type: none"> (1) Resolution to cancel and process fund lending to subsidiary. (2) Proposal for the Company to increase capital for subsidiary, Dragonstate International Technology Co., Ltd. (3) Proposal for the Company's subsidiary, Kunshan Dragonstate Electronic Technology Co., Ltd., to purchase a batch of the machineries and equipment. 4. Resolutions passed by the 13th meeting of the 4th Board of Directors on May 13, 2019: <ul style="list-style-type: none"> (1) The consolidated financial statement of the Company for 2019 Q1 was prepared. 5. Resolutions passed by the 15th meeting of the 4th Board of Directors on August 12, 2019: <ul style="list-style-type: none"> (1) The consolidated financial statement of the Company for the first half of 2019 were prepared. (2) Proposal to provide endorsements and guarantees for subsidiary, Dragonstate Technology Co., Ltd. (3) Resolution for the Company's subsidiary, Dragonstate Technology Co., Ltd. to engage in derivatives trading with CTBC Bank with the transaction limit of USD 1 million. (4) Resolution to cancel and process fund lending to subsidiary. (5) Resolution to lend funds to the subsidiary. (6) Resolution to establish the issuance of Employee Restricted Stock Awards allotment. 6. Resolutions passed by the 17th meeting of the 4th Board of Directors on November 13, 2019: <ul style="list-style-type: none"> (1) The consolidated financial statement of the Company for 2019 Q3 was prepared. (2) Resolution for the Company to provide endorsements and guarantees for its subsidiary. (3) Resolution for the Company to issue the second unsecured convertible corporate bond in the Republic of China. 7. Resolutions passed by the 18th meeting of the 4th Board of Directors on March 26, 2020: <ul style="list-style-type: none"> (1) The business report and the consolidated financial statement of the Company for 2019 were prepared. (2) The Company's subsidiary, Kunshan Dragonstate Electronic Technology Co., Ltd., to increase capital. (3) Resolution to collaborate with CPA for internal adjustment. Changing of CPA since 2020 Q1. 8. Resolutions passed by the 19th meeting of the 4th Board of Directors on May 13, 2020: <ul style="list-style-type: none"> (1) The consolidated financial statement of the Company for 2020 Q1 were prepared. (2) Resolution to provide endorsement and guarantee for subsidiary and rescind the original endorsement and guarantee for subsidiary. (3) Resolution to amend the partial articles for the rules for execution of internal audit. (4) Proposal to reclassify prepayments for purchases and accounts receivables that are overdue from affiliated companies of the Group to funds lending. (5) The subsidiary of the Company prepares to make borrowings from Chang Hwa Bank. (6) Resolution to register for public issuance and application for listing for private-placed common stock. (7) Resolution to sign the certificate of appointment with PwC Taiwan to audit the financial statements.
	(II) Except for the aforesaid events, any resolution that has not been passed by the Audit Committee but passed by two-thirds or more of all directors: None.
II.	For the recusal of an independent director from a proposal because of a conflict of interest, the name of independent director, the contents of a proposal, the reasons of recusal and its participation in voting shall be stated: No such circumstance.
III.	<p>Communications between the independent directors, internal auditing managerial officer and CPAs (e.g. the communications on significant events of the Company's finance and operations, its methods and its results etc.):</p> <ul style="list-style-type: none"> (I) The Company's internal auditing managerial officer has communicated the result of the audit report with the members of the audit committee regularly and have reported the internal auditing events in the quarterly meeting of the audit committee. In case of any special circumstance, the Company's chief internal auditor will report to the members of the audit committee immediately. There is no aforesaid special circumstance in the most recent year and as of the date of the annual report published. The audit committee has communicated with the internal auditing managerial officer well. (II) The CPAs designated by the Company will report the auditing events or results of the financial statement for the year and other communication events that are required by the relevant laws in the annual meeting of the audit committee. In case of any special circumstance, the CPAs will also report to the members of the audit committee immediately. In the most recent year and as of the date of the annual report published, there is no aforesaid special circumstance. The audit committee has communicated with the CPAs well.

(III) Discrepancy between the Corporate Governance Implementation of the Company and the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and the reasons of the discrepancy.

Assessment Items	Status of Implementation			Discrepancy with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons of the discrepancy
	Yes	No	Brief Explanations	
I. Does the Company establish and disclose the corporate governance best practice principles according to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		The company has established the corporate governance best practice principles according to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and has it disclosed on the Company's website.	There is no significant discrepancy.
II. Shareholding Structure and Shareholders' Rights/Interests				
(I) Does the Company establish the internal procedures to handle the suggestions, doubts, disputes and litigation from the shareholders, and execute according to the procedures?	✓		(I) For the stock affairs, the Company has established the relevant internal control system and has designated the professional stock agency in Taiwan to handle the stock affairs. In addition, the finance department, spokesperson and deputy spokesperson have coordinated to handle the shareholders' suggestions, doubts, disputes and litigation.	There is no significant discrepancy.
(II) Does the Company possess the lists of the major shareholders who control the Company in reality and their ultimate controllers?	✓		(II) The Company has possessed the lists of the major shareholders who control the Company in reality and their ultimate controllers. According to Article 25 of the Securities and Exchange Act, the changes of the insiders' shareholding (directors, supervisors, managers and shareholders who holds more than 10% of the total shares) will be declared to the website of the Market Observation Post System designated by the Securities & Futures Institute on schedule.	There is no significant discrepancy.
(III) Does the Company establish and implement the mechanisms of risk control and firewall with the affiliates?	✓		(III) The Company has established the "Procedure of Trading with the Related Parties for the Entities of the Group and the Specific Companies". The managerial authority for assets and finance of each affiliate will be independent respectively and shall be executed according to such procedure. The mechanisms of risk control and firewall shall be implemented indeed.	There is no significant discrepancy.
(IV) Does the Company establish the internal standards to forbid its insiders to use the unpublicized information of the market to trade its securities?	✓		(IV) The Company has established the "Procedure for the Handling of Internal Material Information", "Procedure for Prevention of Insider Trading" and "Code of Ethical Conduct" that shall be applicable to all directors, supervisors, managers and employees of the Company. The Company	There is no significant discrepancy.

Assessment Items	Status of Implementation			Discrepancy with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons of the discrepancy
	Yes	No	Brief Explanations	
			will renew and promote the related messages irregularly. .	
<p>III. Composition and Duties of the Board of Director</p> <p>(I) Does the board of director draw up the policy of diversification for its composition of members and implement accordingly?</p> <p>(II) Except for the establishment of the remuneration committee and the audit committee according to laws, does the Company establish other various functional committees voluntarily?</p> <p>(III) Has the Company established performance evaluation guidelines and evaluation methodology for the Board of Directors, done the performance evaluation on a regular basis each year, reported the evaluation result to the Board of Directors and used the result as a reference for the consideration of individual directors' remuneration and nomination for re-election?</p> <p>(IV) Does the Company assess the CPA's independence regularly?</p>	<p>✓</p> <p></p> <p>✓</p> <p>✓</p> <p>✓</p>	<p></p> <p>✓</p> <p></p> <p></p>	<p>(I) Currently the Company has 6 directors, including 3 independent directors and one female. These directors have diversified professional background in business management, legal and accounting.</p> <p>(II) Except for the establishment of remuneration committee and the audit committee, the Company has not yet established other functional committees and will depend on the corporate governance and real business demand to establish in the future.</p> <p>(III) The Company has established performance evaluation guidelines and evaluation methodology, which was approved by the Board on February 4, 2016. Yearly evaluation will be conducted in accordance with the guidelines and methodology, and the results of the evaluation shall serve as one of the references for the consideration of individual directors' future nomination and remuneration.</p> <p>(IV) The board of director of the Company will assess the suitability of the CPAs to assure its independence regularly.</p>	<p>There is no significant discrepancy.</p> <p>There is no significant discrepancy.</p> <p>There is no significant discrepancy.</p> <p>There is no significant discrepancy.</p>
<p>IV. Does the TWSE/TPEX listed company dedicate competent managers or sufficient number of managers to be in charge of corporate governance, and designate supervisors thereof to oversee the corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting the Board and supervisors in legal compliance, convening board/shareholder meetings in accordance with the law, applying for/changing company registry, and producing meeting minutes of the Board/shareholder meetings)?</p>	<p>✓</p>	<p></p>	<p>The Company has yet to dedicate an exclusively (or concurrently) department or personnel to oversee the corporate governance. Currently, the matter is managed by personnel of the finance department.</p>	<p>There is no significant discrepancy.</p>
<p>V. Does the Company establish the</p>	<p>✓</p>	<p></p>	<p>1. The Company has declared the various</p>	<p>There is no</p>

Assessment Items	Status of Implementation			Discrepancy with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons of the discrepancy
	Yes	No	Brief Explanations	
communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers etc.), establish a designated section for stakeholders on its corporate website and properly respond the issues of important corporate social responsibilities cared by the stakeholders?			<p>information of business, finance and important messages on the Market Observation Post System according the relevant laws. The shareholders and stakeholders can refer to such website to inquire the various information of finance and operation of the Company.</p> <p>2. The Company has established its website in both Chinese and English (www.concraft.com.tw) to disclose the business information. On its website, the Company has also established a designated section of investor relations and put up one link to connect with the Market Observation Post System to facilitate the shareholders and stakeholders to look up.</p> <p>3. The Company always communicates with investors in the regular and irregular investor conferences.</p>	significant discrepancy.
VI. Does the Company appoint the professional stock agency to handle the affairs of the shareholders' meeting?	✓		The Company has appointed one professional stock agency in Taiwan to handle the stock affairs.	There is no significant discrepancy.
<p>VII. Information Disclosure</p> <p>(I) Does the Company establish its website to disclose the financial activities and the information of the corporate governance?</p> <p>(II) Does the Company adopt other methods to disclose its information (e.g. setup English website, designate the dedicated personnel to take charge of collecting and disclosing its corporate information, implement the spokesperson system, place the course of the investor conferences on its corporate website etc.)?</p> <p>(III) Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and monthly</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has set up its website in both Chinese and English (www.concraft.com.tw) for disclosure of business information. Further, the financial information will be disclosed on Market Observation Post System and the status of the corporate governance will be disclosed in the annual report and the prospectus.</p> <p>(II) The Company has appointed spokesperson and acting spokesperson to take charge of public relations and disclosure of information, while the relevant departments will be in charge of collecting the Company's information.</p> <p>(III) The information of the investor conferences that the Company may be held by itself or may be invited to will be disclosed on the Company's website and will enter the relevant information into the Market Observation Post System according to the relevant regulations of the Securities and Exchange Act.</p> <p>(IV) The Company submits financial reports and monthly operating status report before the stipulated deadlines.</p>	<p>There is no significant discrepancy.</p> <p>There is no significant discrepancy.</p> <p>There is no significant discrepancy.</p> <p>There is no significant discrepancy.</p>

Assessment Items	Status of Implementation			Discrepancy with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons of the discrepancy
	Yes	No	Brief Explanations	
operating status report before the stipulated deadlines?				
VIII. Does the Company has other important information that is helpful to understand the implementation of the Corporate Governance (including but not limited to rights/interests of employees, wellness of employees, investor relations, supplier relations, rights of stakeholders, training of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies and purchasing liability insurance for directors and supervisors etc.)?	✓		<ol style="list-style-type: none"> 1. The Company and its subsidiaries have established the employee welfare related systems according to the laws of their respective countries to protect the rights/interests of the employees. 2. The Company has assigned the administrative department to take charge of the employees' rights/interests and investor relations, and arranging the regular or irregular trainings for employees. 3. The Company has been continuing the training according to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies". 4. The Company purchases the liability insurance for its directors annually. 	There is no significant discrepancy.
IX. Regarding to the results of the corporate governance evaluation announced by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, please describe the improvement status, and address the prior matters that shall be strengthened and their measures for those unimproved circumstances. (This is not applicable to those companies who are not evaluated.)	✓		<ol style="list-style-type: none"> 1. The Company has completed 2019 Information Disclosure Evaluation System for TWSE/TPEX Listed Companies and a self-evaluation report on corporate governance. Every year, the Company will conduct self-evaluation and assess whether there is any reason that will impede the implementation of corporate governance from meeting the standards. According to self-evaluation, amongst the self-evaluated items relating to the current operation and implementation, the Company does not have material weakness. 2. Major Deficiencies: In case of any insufficiency for every execution, it will be strengthened to improve progressively. 3. Improvement Situation: The Company has established the "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles" and "Corporate Social Responsibility Best Practice Principles". Any insufficiency will be improved progressively. Up to now, there is no any significant deficiency that shall be improved. 	There is no significant discrepancy.

(IV) If the Company has established the remuneration committee, its composition, duties and exercise shall be disclosed:

1. Information of the Members of the Remuneration Committee

Identity	Conditions	More Than Five Years of Work Experiences and the Following Professional Qualifications			Meeting the requirement of independence (Note 1)										Number of Other Publicly Issued Company in Which the Person is Concurrently Servicing as a Member of the Remuneration Committee	Remark
		A Instructor or Higher Position in a Department of Business, Legal, Finance, Accounting or Other Academic Department Necessary for the Business of the Company in a Public or Private University, College, Junior College and Institute	A Judge, Public Procurator, Attorney, CPA or Other Professional Personnel Who Has Passed the National Examination with a Certificate in a Professional Necessary for the Business of the Company.	Has Work Experience in the Field of Business, Legal, Finance, Accounting or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Zi-Yin Zhang	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Independent Director	Wei-Jun Chen	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Independent Director	Ben-Hua Zhang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	

Note 1: If any of the members meets the following conditions during the two year prior to being elected or during the term of office, please tick “✓” in the blank space of the corresponding condition below.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates (except in cases where the person is an independent director of the company, its parent company, any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).
- (3) Not a natural-person shareholder who holds shares, together with those shares held by the person's spouse, minor children or held under the name of other persons, in an aggregate amount of 1% or more of the Company's total issued shares or ranks as one of its top ten shareholders.
- (4) Not a managerial officer mentioned in paragraph (1), or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship mentioned in paragraphs (2) and (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as its top five shareholders, or has designated representative in accordance of Article 27 Section 1 or 2 in the Company as director/supervisor (except in cases where the person is an independent director of the company, its parent company, any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).
- (6) Not a director, supervisor, or employee of other company with the Board seats or more than half of the voting shares under control of one person (except in cases where the person is an independent director of the company, its parent company, any subsidiary, or subsidiary of the same parent company as appointed in accordance with

- the laws of Taiwan or with the laws of the country of the parent company or subsidiary).
- (7) Not a director, supervisor, or employee of other company whose chairman or general manager are the same person or spouse of the Company (except in cases where the person is an independent director of the company, its parent company, any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).
 - (8) Not a director, supervisor, managerial officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company (except if specified company or institution possessing shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and in cases where the person is an independent director of the company, its parent company, any subsidiary, or subsidiary of the same parent company as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary).
 - (9) Not a professional individual, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that provides auditing services or for the past two years, has provided commercial, legal, financial, accounting services or consultation amounted to less than a cumulative NTD500,000 to the Company or to any affiliate of the company, or a spouse thereof. However, this does not apply to members of Compensation Committee, Public Tender Offer Review Committee or Special Merger and Acquisition Committee carrying out their duties in accordance with Securities and Exchange Act or Business Mergers and Acquisitions Act.
 - (10) Not a person who has any one of the circumstances defined in Article 30 of the Company Act.
2. The Duty of the Remuneration Committee: Strengthening the corporate governance, reinforcing the function of the board of director and assisting the board of director in executing and evaluating the overall policies of remuneration and welfare policies, the remuneration paid to directors and compensation paid to managers.

3. Execution of the Remuneration Committee

- (1) The Company's remuneration committee has 3 members.
- (2) Term of Office: from June 23, 2017 to June 22, 2020. In the most recent year and as of the date of the annual report published, the remuneration committee has held 7 meetings. The qualification and attendance of the members are as follows:

Date: May 28, 2020

Title	Name	Number of Attendance In Person	Number of Attendance By Proxy	Attendance Rate In Person (%)	Remark
Member	Zi-Yin Zhang	7	0	100	
Member	Wei-Jun Chen	6	1	86	
Member	Ben-Hua Zhang	7	0	100	
Other Events That Shall be stated:					
I. In case the board of director does not adopt or amend the suggestions of the remuneration committee, the date and session of the board of director, the contents of motion, the resolution of the board of director and the actions taken by the Company regarding to the opinions of the remuneration committee shall be stated: No such circumstance.					
II. For the resolutions of the remuneration committee, if any member has objection or qualified opinion and has the records or the written statement, the date and session of the meeting of the remuneration committee, the contents of the motion, the opinions of all members and the actions taken regarding to the opinions of the members shall be stated: No such circumstance.					
III. The handling of Remuneration Committee's proposal and resolutions for the most recent year, and the Company's response towards the opinions of the committee members.					
1. Resolutions passed by the 7th meeting of the 3rd Remuneration Committee on January 21, 2019:					
(1) Approval for the disbursement of the Group employee bonus for 2018.					
(2) Resolution to expand the Company's internal control system.					
2. Resolutions passed by the 8th meeting of the 3rd Remuneration Committee on March 22, 2019:					
(1) Approval for the disbursement of directors' remuneration and employees' compensation for the year of 2018.					
3. Resolutions passed by the 9th meeting of the 3rd Remuneration Committee on August 12, 2019:					
(1) Approval for the details and conferring criteria for the second Employee Restricted Stock Awards in 2018.					
(2) Resolution to determine the issuance date of the second Employee Restricted Stock Awards in 2018 to increase capital.					
4. Resolutions passed by the 10th meeting of the 3rd Remuneration Committee on November 13, 2019:					
(1) Resolution for the Company to purchase the liability insurance for its directors and supervisors.					
5. Resolutions passed by the 11th meeting of the 3rd Remuneration Committee on March 26, 2020:					
(1) Approval for the disbursement policy of the Group employee bonus for 2019.					
(2) Approval for the disbursement of directors' remuneration and employees' compensation for the year of 2019.					
6. Resolutions passed by the 12th meeting of the 3rd Remuneration Committee on April 7, 2020:					
(1) Approval for the disbursement of the Group employee bonus for 2019.					
7. Resolutions passed by the 13th meeting of the 3rd Remuneration Committee on May 4, 2020:					
(1) Resolution to amend the disbursement method of the remuneration of independent directors					

(V) Discrepancy between fulfilling social responsibility and the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and the reasons of the discrepancy.

Assessment Items	Status of Implementation			Discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons of the discrepancy
	Yes	No	Brief Explanations	
I. Has the Company performed risk assessment pertaining to the environment, community and corporate governance issues related to the operation of the Company in accordance with materiality principle?	✓		The environmental safety unit of the Company normally performs the environmental evaluation and risk assessment, and at the same time is in charge of establishing the environmental protection policy and preparing the relevant environmental protection documentation; it also collaborates with clients in environmental and social issues, and performs the relevant risk management assessment in accordance with the Corporate Governance regulations.	There is no significant discrepancy.
II. Does the Company designate an exclusive (concurrent) department to promote its corporate social responsibilities with senior management authorized by the Board of Directors to manage them? Do they submit status reports to the Board of Directors?	✓		(I) The Company has established and implemented procedures governing CSR in accordance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies". While managing a business, the Company actively seek to fulfill its CSR. (II) Although the Company has yet designated an exclusive (concurrent) department to promote corporate social responsibilities, relevant departments are taking charge of matters under their respective purview.	There is no significant discrepancy.
III. Environmental Issues (I) Does the Company establish the suitable environmental management system based on its distinctive industrial characteristics? (II) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment? (III) Has the Company made an assessment	✓ ✓	 ✓	When the Company began to plan the new plants in 2009, the first important thing for all plans was to comply with local laws, in which partly related to environmental protection such as low-e glass, heat pump system, heat recycling system and green building materials etc. Besides, the Company has passed the accreditation for ISO14001 Environmental Management System and has been awarded a certificate. The Company has been actively managing its products and processes systematically to ensure to meet the international standards.	There is no significant discrepancy.

Assessment Items	Status of Implementation			Discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons of the discrepancy
	Yes	No	Brief Explanations	
<p>on the potential risks and opportunities posed by climate changes to the present and future of the Company, and undertaken countermeasures pertaining to climate changes?</p> <p>(IV) Has the Company measured its greenhouse gas emission, water use and total weight of waste for the past two years, and established policies pertaining to energy conservation, reduction in carbon and greenhouse gas emission, reduction in water use, or management of waste disposal?</p>		✓	<p>Additionally, the Company has insisted the following principles on its production process regarding to its social responsibilities of environmental protection:</p> <p>(I) Understanding the carbon footprint of the material of its products to meet the requirement of ISO system in the future.</p> <p>(II) Innovating the process technology to save materials in the process of production such as Insert-Molding technology.</p> <p>(III) Purchasing the energy-saving equipments to replace or decrease the use of the energy-consumed equipments of the same model.</p> <p>(IV) Designing the simplified products in view of functions without over-using the raw materials.</p> <p>(V) Intensifying to recycle the scraps and waste materials in the process of production.</p>	<p>There is no significant discrepancy.</p> <p>There is no significant discrepancy.</p> <p>There is no significant discrepancy.</p>
<p>IV. Social Issues</p> <p>(I) Does the Company establishes the related management policies and procedures according to the relevant regulations and the International Bill of Human Rights?</p> <p>(II) Has the Company established and implemented reasonable employee benefit measures (including salary, leave and other benefits), reasonably tying operating results to employee salary?</p> <p>(III) Does the Company provide a safe and healthy working environment for employees, and arrange the regular</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) In pursuant of “Labor Standards Act” and the relevant rules and regulations, the Company establishes various internal procedures and “Corporate Management Best Practice Principles” to protect basic human rights of all employees, customers and stakeholders, as well as social welfare.</p> <p>(II) The Company conforms to “Labor Standards Act” and the relevant rules and regulations, providing compensations and various benefits to employees, as well as incentives to motivate employees. Further, regular performance appraisal is conducted and bonuses are disbursed so that all employees can share the result of good profit.</p> <p>(III) Creating a friendly work place is one of the main duties of the Company.</p> <p>1. The office building is protected by professional security firm, allowing employees to work in a safe environment.</p>	<p>There is no significant discrepancy.</p> <p>There is no significant discrepancy.</p> <p>There is no significant discrepancy.</p>

Assessment Items	Status of Implementation			Discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons of the discrepancy
	Yes	No	Brief Explanations	
<p>trainings of safety and health for employees?</p> <p>(IV) Has the Company implemented an effective training program that helps employees developing skills over the course of their career?</p> <p>(V) Pertaining to the health and safety of customer when using the Company's products and services, consumer privacy, marketing and labeling, does the Company comply with the relevant regulations and international standards, and establish relevant policies on consumer protection and complaint procedure?</p> <p>(VI) Has the Company established policy on supplier management, demanding suppliers to observe code of conduct pertinent to environmental protection, labor safety and health or labor rights, and monitoring their implementation?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>The workplace is equipped with the complete fire fighting equipments and has cooperated with government for the periodical examinations of safety and fire fighting that have been all passed.</p> <p>2. The office building includes a gymnasium that allows employees to work out, cultivating good exercising habit and enhancing the healthcare mindset amongst employees.</p> <p>(IV) The Company organizes staff training to develop employee skills from time to time.</p> <p>(V) In addition to visiting individual customers, the Company also provides contact details and email according to products on company website. The Company has also created a Stakeholders Section, providing an avenue for stakeholders to voice queries, complaint or suggestions so as to protect customer rights.</p> <p>(VI) The contracts between the Company and its suppliers have stipulated that the suppliers' products shall conform to international, domestic and local environmental protection laws, and rules and regulations governing occupational safety and health, and labor rights. If any incompliance is detected, the supplier is obligated pay damages. The suppliers shall provide the certification to prove that the contents of products meeting the requirements of the Company and the law, and shall accept inspection from the Company. The Company shall conduct inspection on its suppliers, requiring them to subject their suppliers to CSR inspections and requirements.</p>	<p>There is no significant discrepancy.</p> <p>There is no significant discrepancy.</p> <p>There is no significant discrepancy.</p>
V. Does the Company refer to universal standard		✓	The company has disclosed the financial information and	There is no significant

Assessment Items	Status of Implementation			Discrepancy with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons of the discrepancy
	Yes	No	Brief Explanations	
or guideline for report preparation when preparing for CSR Report and other non-financial disclosure reports? Does the Company obtain the confirmation or affirmation opinion from third party for the aforementioned reports?			publicized the significant messages on the Market Observation Post System. Its annual report and prospects have also disclosed the systems and measures adopted by the Company to implement its corporate social responsibilities and its fulfillment status.	discrepancy.
VI. If the Company has established integrity management principles in accordance with "Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies," please describe the current practices and any deviations from the Best Practice Principles In addition to the corporate social responsibilities report that has not yet been prepared by the Company, the Company has complied with such Principles to implement without significant discrepancy.				
VII. Other important information that is helpful to understand its fulfillment of the corporate social responsibilities: The Company understand the impacts of the corporate social responsibilities on the public and will continue its effort in managing the business and provide employees with a stable working environment so as to optimize the welfare of its stakeholders.				

(VI) Discrepancy between the implementation of ethical management and the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the reasons of the discrepancy.

The Company has requested all colleagues to fulfill the ethical management in accordance with the local laws when executing their duties. According to work rules, employment contract or other internal management rules that are signed between the Company and its employees, all colleagues have been requested to value the business secrets of customers and other parties, and have the obligations to protect the Company's property without being lost, damaged, improper used, read and stolen, as well as shall comply with and manage all relevant rules and systems relating to the property of the Company.

Assessment Items	Status of Implementation			Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the reasons of the discrepancy
	Yes	No	Brief Explanations	
I. Establishing the Policies and Programs of Ethical Management				
(I) Does the Company establish corporate conduct and ethics policy that are approved by the Board of Directors and document such policy and procedure, as well as the commitment of the Board and Management team in the implementation of the policy thereof, in the bylaws and publicly available documents?	✓		(I) The Company has adopted "Ethical Corporate Management Best Practice Principles" which was approved by the Board of Directors and disclosed on the website of the Market Observation Post System. Further, the Company has established "Integrity, Ethicality and Confidentiality Agreement" and held ethics awareness workshops from time to time. In order to fulfill the ethical management, the Company has set up the effective accounting system and internal control system. The internal auditor will audit the implementation for the preceding paragraph's systems regularly.	There is no significant discrepancy.
(II) Has the Company established an risk assessment mechanism for unethical conduct, analyzed and evaluated activities that contain a higher risk of unethical conduct in the operating aspect on a regular basis, and established measures for the prevention of unethical conduct, which at least covering the business activities prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓		(II) The Company has specifically set up its operating procedure, guidelines of conduct, punishment for violation and appealing system in the "Procedures for Ethical Management and Guidelines for Conduct".	There is no significant discrepancy.
(III) Does the company establish relevant policies which are duly enforced to prevent unethical conduct, provide and implement operating procedures, behavioral guidelines, penalty for violation and appeal system in such	✓		(III) To ensure the implementation of integrity management, the Company has established accounting and internal control systems, in which internal auditors will conduct audit inspections on a regular basis to examine the status of company policy compliance.	There is no significant discrepancy.

Assessment Items	Status of Implementation			Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the reasons of the discrepancy
	Yes	No	Brief Explanations	
policies, as well as evaluating and amending the aforementioned policies on a regular basis?				
II. Fulfilling Ethical Management				
(I) Does the Company assess the ethical records for its trading partners, and stipulate the articles for ethical conduct on its contract with its trading partners?	✓		(I) The Company always pays attention to its trading status with customers and suppliers. In case of any significant abnormality, it will adopt the corresponding actions immediately or stop trading.	There is no significant discrepancy.
(II) Does the Company task a unit with the promotion of ethical standards that reports directly to the Board of Directors, making periodical updates (at least once a year) to the Board on ethical management policy, as well as the supervision of measures for prevention of unethical conduct?	✓		(II) The Company has set up an internal auditor room that reports its auditing status to the board of director periodically.	There is no significant discrepancy.
(III) Does the company establish the policy to prevent the conflicts of interests, provide the appropriate channels of statement and execute it indeed?	✓		(III) The Company has established the "Code of Ethical Conduct" that stipulates the policies to prevent the conflicts of interests and provide the appropriate channels of statement, as well as implement it indeed. Besides, the Company's employees have signed the "Commitment of Ethics, Honesty and Confidentiality" when they assumed office in order to prevent the employees from befitting themselves at the expense of the Company's rights/interests.	There is no significant discrepancy.
(IV) To implement relevant policies on ethical conducts, has the Company established effective accounting and internal control systems, in which the internal auditors made audit plans according to the results of the risk assessment of unethical conduct, so as to inspect the compliance of the preventive measures, or	✓		(IV) To ensure the implementation the integrity management, the Company has established effective accounting and internal control systems. The internal auditors and the appointed CPA have audited the implementation status of the foregoing systems on a regular basis.	There is no significant discrepancy.

Assessment Items	Status of Implementation			Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the reasons of the discrepancy
	Yes	No	Brief Explanations	
<p>commissioned external CPA to conduct the audit?</p> <p>(V) Does the Company arrange the internal and external trainings relating to ethical management regularly?</p>	✓		(V) The Company's legal department has arranged for training sessions related to the professional ethics on a regular basis in order to promote awareness of ethical corporate management best practice and concepts.	There is no significant discrepancy.
<p>III. Implementation of the Company's Reporting System</p> <p>(I) Does the Company establish the specific system of reporting and rewards, and set up a convenient reporting channel, as well as designate an appropriate dedicated person to whom the accused can reach?</p> <p>(II) Has the Company established standard operating procedures for misconduct investigation, follow-up measures after investigation and confidentiality protection mechanism?</p> <p>(III) Does the Company adopt the measures to protect the reporters not to be improper treatment because of reporting?</p>	✓		<p>The Company has set up an employee suggestion mailbox to receive the employees' opinions exclusively. Such mailbox will provide its employees a channel to provide their suggestions so as to manage the communication broadly and further strengthen the relationship between labor and management. In addition, the Company has also set up the meeting between labor and management so that the employees can appeal their opinions in the meeting to obtain the fair and reasonable treatment. If the employees put forward the appealing matters orally or in writing, the chief of each department shall conduct the investigation immediately or submit a report, and its results or handling status shall notify such appealing employee. The whole process shall base on the principle of confidentiality and protecting the appealing employees. When an employee' opinion has been adopted and has effectiveness, the Company shall reward such employee according to its rules.</p>	There is no significant discrepancy.
<p>IV. Strengthening Information Disclosure</p> <p>(I) Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System?</p>	✓		The company has disclosed the financial information and publicized the significant messages on the Market Observation Post System, and the "Ethical Corporate Management Best Practice Principles" and the "Procedures for Ethical Management and Guidelines for Conduct" have been disclosed in the Market Observation Post System as well, as well as its annual report and	There is no significant discrepancy.

Assessment Items	Status of Implementation			Discrepancy with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and the reasons of the discrepancy
	Yes	No	Brief Explanations	
			prospects have also disclosed its fulfillment of ethical management and actions taken.	
V. If the Company has established integrity management principles in accordance with "Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: None.				
VI. Other important information that is helpful to understand the implementation of the Company's ethical management:(e.g. the circumstances of the amendment to the Company's ethical corporate management best practice principles)				
(I) The Company's "Rules of Procedure for Board of Director" stipulates the recusal system for directors' conflicts of interests. If a director has a stake in himself/herself or its represented legal person for the proposals listed by the board of director and may result in being harmful to the benefit of the Company, such director may state its opinion and answer, but shall not involve in discussing and voting. And further, such director shall recuse from the discussion and voting of such proposal and shall not represent other director to execute their voting rights.				
(II) The Company has established the "Insider Trading Prevention Policy" to stipulate that the directors, managers and employees shall not disclose its known internal significant information to others and shall not query or collect the Company's unpublicized internal significant information that is irrelevant to its personal duties from the persons who know the Company's internal significant information. The Company's unpublicized internal significant information that is known other than performing the duties shall not also be disclosed to others as well.				

(VII) Methods to query the Company's governance best practice principles: The Company has disclosed various relevant principles relating to corporate governance best practice on its website (www.concraft.com.tw) and the Market Observation Post System. The relevant information can be searched from the Company's website and the section of "Establishing Corporate Governance Relevant Rules" on the Market Observation Post System.

(VIII) Other important information that is sufficient to enhance the understanding for the implementation of the corporate governance: None.

(IX) Implementation of Internal Control:

1. Statement of internal control system

CONCRAFT HOLDING CO., LTD
Statement of Internal Control System

Date: March 26, 2020

The Company has stated its internal control system for the year of 2019 as follows according to self-evaluation:

- I. The Company acknowledges that the establishment, implementation and maintenance of internal control system are the responsibilities of the Board of Directors and Managers of the Company. As such, the Company has established the aforementioned system. Its objectives are to provide reasonable assurance for effectiveness and efficiency of its operations (including profitability, performance and guarantee of assets safety etc.), reporting that is reliable, timely and transparent and conformity to applicable rules, regulations and laws.
- II. The internal control system has its inherent limitations. Regardless of how exhaustive the design is, an effective internal control system can only provide reasonable assurance for the achievement of the aforementioned three objectives. Further, due to changes in the environment or circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Company's internal control system has set up a self-supervision mechanism. Once a deficiency has been identified, the Company will take the remedial actions immediately.
- III. In accordance with the determining criteria for the effectiveness of the internal control system prescribed in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter "the Regulations"), the Company evaluated the effectiveness of the design and execution for its internal control system. The determining criteria of the internal control system prescribed in the "Regulations" are based on the process of management control, dividing the internal control system into five composite factors: 1. control of environment, 2. risk evaluation, 3. control of operations, 4. information and communication, and 5. supervision. The composition of each element also includes several items. Please refer to the "Regulations" for the aforesaid items
- IV. The Company has adopted the aforementioned determining criteria of the internal control system to evaluate the effectiveness of design and execution for its own internal control system.
- V. Based on the evaluation result of the preceding paragraph, the Company believes that its internal control system (including the supervision and management of its subsidiaries) as of December 31, 2019, including understanding the achievement for the objectives of effectiveness and efficiency of its operations, reliability, timeliness and transparency of its reporting and compliance with the applicable regulations and laws, was effective in design and execution, and can be reasonably assured of the achievement of the aforementioned objectives.
- VI. This statement will serve as the main content of the Company's annual report and prospectus, and will be publicly announced. If the aforesaid public content has any illegal events including falseness or concealment etc., it shall be liable to the legal liabilities stipulated in Article 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This statement has been passed by the Company's Board of Directors on March 26, 2020 with the attendance of 6 Directors, in which 0 director held objection and all remaining directors had approved the content of this statement. This statement is hereby attached.

CONCRAFT HOLDING CO., LTD

Chairman: Chao-Sheng Lu

President: Guo-Ji Li

2. Internal Control Project's Audit Report



英屬開曼群島商康而富控股股份有限公司

內部控制制度審查報告

資會綜字第 19009793 號

後附英屬開曼群島商康而富控股股份有限公司及其子公司民國 109 年 3 月 26 日謂經評估認為其與外部財務報導及保障資產安全有關之內部控制制度，於民國 108 年 1 月 1 日至 108 年 12 月 31 日係有效設計及執行之聲明書，業經本會師審查竣事。維持有效之內部控制制度及評估其有效性係公司管理階層之責任，本會師之責任則為根據審查結果對公司內部控制制度之有效性及上開公司之內部控制制度聲明書表示意見。

本會計師係依照「公開發行公司建立內部控制制度處理準則」，及一般公認審計準則規劃並執行審查工作，以合理確信公司上述內部控制制度是否在所有重大方面維持有效性。此項審查工作包括瞭解公司內部控制制度、評估管理階層評估整體內部控制制度有效性之過程、測試及評估內部控制制度設計及執行之有效性，以及本會計師認為必要之其他審查程序。本會計師相信此項審查工作可對所表示之意見提供合理之依據。

任何內部控制制度均有其先天上之限制，故英屬開曼群島商康而富控股股份有限公司及其子公司上述內部控制制度仍可能未能預防或偵測出業已發生之錯誤或舞弊。此外，未來之環境可能變遷，遵循內部控制制度之程度亦可能降低，故在本期有效之內部控制制度，並不表示在未來亦必有效。

依本會計師意見，依照「公開發行公司建立內部控制制度處理準則」之內部控制有效性判斷項目判斷，英屬開曼群島商康而富控股股份有限公司及其子公司與外部財務報導及保障資產安全有關之內部控制制度，於民國 108 年 1 月 1 日至 108 年 12 月 31 日之設計及執行，在所有重大方面可維持有效性；英屬開曼群島商康而富控股股份有限公司於民國 109 年 3 月 26 日所出具謂經評估認為其上述與外部財務報導及保障資產安全有關之內部控制制度係有效設計及執行之聲明書，在所有重大方面則屬允當。

資誠聯合會計師事務所

會計師

陳憲正
劉金木



金融監督管理委員會

核准簽證文號：金管證審字第 1060025060 號

前財政部證券管理委員會

核准簽證文號：(81)台財證(六)第 33095 號

中華民國 109 年 5 月 28 日

資誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan
11012 臺北市信義區基隆路一段 333 號 27 樓
27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 11012, Taiwan
T: +886 (2) 2729 6666, F: + 886 (2) 2729 6686, www.pwc.tw

(X) In the most recent year and as of the date of the annual report published, the Company and its internal persons were punished according to laws, the Company punished its internal persons in violation of the regulations of its internal control system, its major deficiencies and improvement status: None.

(XI) In the most recent year and as of the date of the annual report published, the important resolutions from the shareholders' meeting and the board of director:

Items	Date	Important Resolutions Items
Board of Director	January 21, 2019	1. Resolution for the Company's second-tier subsidiary, Dragonstate International Technology Co., Ltd., to purchase the real estate.
Board of Director	March 22, 2019	<ol style="list-style-type: none"> 1. Business report and the consolidated financial statement for 2018 were approved. 2. Resolution to appropriate directors' remuneration and employees' compensation for the year of 2018. 3. Resolution to the proposal of 2018 earnings appropriation. 4. Resolutions to pass the statement of internal control system for the year of 2018. 5. Resolution to amend the partial articles for the "Procedure for Acquisition or Disposal of Assets". 6. Resolutions to amend the partial articles for the "Rule for Board of Directors Meetings". 7. Resolution to amend the partial articles for the "Procedure for Lending funds to Others". 8. Resolution to amend the partial articles for the "Procedure of the endorsements and guarantees". 9. Resolution to amend the partial articles for the "Article of Incorporation". 10. Resolution to amend the partial articles for the internal control system. 11. Resolution to lend funds to the subsidiary. 12. Resolution to increase capital for the subsidiary, Dragonstate Technology Co., Ltd.
Board of Director	April 13, 2019	<ol style="list-style-type: none"> 1. Resolution to adjust the Company's 2018 earnings appropriation. 2. Resolution to extend the credit period for the syndicated loan project and other related affairs. 3. Resolution to conduct the financing proposal with Chailease International Financial Services Co., Ltd. 4. Resolution to cancel and conduct the subsidiary's lending funds. 5. Resolution to purchase the machinery and equipment. 6. Resolution to increase the capital for the subsidiary, Dragonstate International Technology Co., Ltd.
Board of Director	May 13, 2019	1. The Board approved the motion of the financing of Kunshan Dragonstate Electronic Technology Co., Ltd
Annual Meeting of the Shareholders	June 17, 2019	<ol style="list-style-type: none"> 1. Resolution to amend the partial articles for the "Article of Incorporation". 2. Resolution to amend the partial articles for the "Procedure for Acquisition or Disposal of Assets". 3. Resolution to amend the partial articles for the "Procedure for Lending funds to Others". 4. Resolution to amend the partial articles of the "Procedure of the endorsements and guarantees". 5. Resolution to transfer the capital surplus to increase capital with issuance of new shares. 6. Resolution to issue new restricted employee shares.
Board of Director	August 12, 2019	<ol style="list-style-type: none"> 1. Resolution to provide the endorsements and guarantees for the subsidiaries. 2. Resolution to lend funds to the subsidiary. 3. Resolution to issue Employee Restricted Stock Awards allotment to employees.
Board of Director	August 23, 2019	1. Resolution to amend the disbursement date of cash dividend.
Board of Director	November 13, 2019	<ol style="list-style-type: none"> 1. Resolution to pass the internal audit plan of the Group for 2020. 2. Resolution to provide the endorsements and guarantees for the subsidiaries. 3. Resolution for the Company to issue the second unsecured convertible corporate bond in Republic of China.
Board of Director	March 26, 2020	<ol style="list-style-type: none"> 1. Resolutions to approve the business report and consolidated financial statement for 2019. 2. Resolutions to pass the statement of internal control system. 3. Resolution for the Company's subsidiary, Kunshan Dragonstate Electronic Technology Co., Ltd., to increase capital. 4. Resolution to amend the partial articles for the "Article of Incorporation". 5. Approval to collaborate with CPA for internal adjustment. Changing of CPA since 2020 Q1.

Items	Date	Important Resolutions Items
		6. Resolution of appropriation of directors' remuneration and employees' compensation for the year of 2019.
Board of Director	April 7, 2020	1. Election of a new Board of Directors (including three Independent Directors) of the Company. 2. Resolution of the distribution of cash dividend from earnings in 2019. 3. Resolution of transferring of earning to capital increase to issue new stocks in 2019.
Board of Director	May 4, 2020	1. Resolution to amend the disbursement method of the remuneration of independent directors.
Board of Director	May 13, 2020	1. The consolidated financial statement of the Company for 2020 Q1 was approved 2. Resolution to provide endorsement and guarantee for subsidiary and rescind the original endorsement and guarantee for subsidiary. 3. Resolution to amend the partial articles for the rules for execution of internal audit. 4. Proposal to reclassify prepayments for purchases and accounts receivables that are overdue from affiliated companies of the Group to funds lending. 5. The subsidiary of the Company prepares to make borrowings from Chang Hwa Bank. 6. Resolution to register for public issuance and application for listing for private-placed common stock. 7. Resolution to sign the certificate of appointment with PwC Taiwan to audit the financial statements.

(XII) In the Most Recent Year and as of the Date of Annual Report Published, a Director or Supervisor Has Different Opinions With Record or Written Statement on the Important Resolutions Passed By the Board of Director, Its Major Contents: None.

(XIII) In the Most Recent Year and as of the Date of Annual Report Published, Resignation or Relief of Duty of the Company's Chairperson, President, Accounting Managerial Manager, Financial Managerial Manager, Internal Auditing Managerial and Research/Development Managerial Manager: None.

V. Information of CPA Audit Fee:

(I) Range Table of CPA Audit Fee

Name of Accounting Firm	Name of CPA		Period Audited	Remark
PWC Taiwan	Xian-Zheng Chen	Jin-Mu Xiao	January 2019~December 2019	-

Unit: NT\$ thousand

Range of Fee		Audit Fee Items	Audit Fee	Non-Audit Fee	Total
1	Less Than NT\$2,000,000		None	None	None
2	NT\$2,000,000 (inclusive) to NT\$3,999,999		None	✓	✓
3	NT\$4,000,000 (inclusive) to NT\$5,999,999		None	None	None
4	NT\$6,000,000 (inclusive) to NT\$7,999,999		None	None	None
5	NT\$8,000,000 (inclusive) to NT\$9,999,999		None	None	None
6	NT\$10,000,000 (inclusive) or Above		✓	None	✓

(II) If non-audit fee which is paid to CPAs, such CPAs' accounting firm and its affiliates exceeds one-fourth of the audit fee, the amount of the audit fee and the non-audit fee and the contents of non-audit services shall be disclosed:

Unit: NT\$ thousand

Name of Accounting Firm	Name of CPAs	Audit Fee	Non-Audit Fee					Auditing Period Conducted by the CPAs	Remark
			Design of System	Business Registration	Human Resources	Others	Subtotal		
PWC Taiwan	Xian-Zheng Chen	11,130	735	4	-	1,929	2,668	January 2019~December 2019	Note
	Jin-Mu Xiao								

Note: Non-audit fee-others refers to the fees derived from the examination of internal control system, execution of the agreed-upon procedure, tax consultation, restricted stock services and corporate bond audit.

(III) The accounting firm is replaced and the audit fee in the year of replacement is less than previous year: No applicable.

(IV) If the audit fee is less than previous year by 15% or more, the decreased amount, percentage and reasons shall be disclosed: No application.

VI. Replacement of CPAs: Due to the internal adjustment of PWC Taiwan, the CPAs who are in charge of the Company's financial reports have been changed from Xian-Zheng Chen and Jin-Mu Xiao to Xian-Zheng Chen and I-Chang Liang since first quarter of 2020.

VII. Any of the Company's Chairperson, Presidents, Managers of Finance or Accounting Held a Position in the CPA's Firm or Its Affiliates in the Most Recent Year: None.

VIII. Changes in the Shareholding Transferred or Pledged by Directors, Supervisors, Managers and the Shareholders who holds more than 10% of the Shareholding in the Most Recent Year and as of the Date of this Annual Report Published:

(I) Changes of the shareholding transferred by the directors, supervisors, managers and the shareholders:

Unit: Shares

Title	Name	Year 2019		As of April 17 of the year	
		Increase (Decrease) of Number of Shares Held	Increase (Decrease) of Number of Shares Pledged	Increase (Decrease) of Number of Shares Held	Increase (Decrease) of Number of Shares Pledged
Chairperson and Shareholder With More Than 10% of Shareholding	Monster Holding Co., Ltd. (Representative: Chao-Sheng Lu)	1,204,421	-	(10,000)	-
Director and Shareholder With More Than 10% of Shareholding	AGI Holding Co., Ltd. (Representative: Guo-Ji Li)	865,315	-	-	-
Director of the Company and Director of Manufacturing Department	Zhu-Qing Li	5,695	700,000	(54,724)	(310,000)
Independent Director	Zi-Yin Zhang	-	-	-	-
Independent Director	Wei-Jun Chen	-	-	-	-
Independent Director	Ben-Hua Zhang	-	-	-	-
President	Guo-Ji Li	22,186	(580,000)	(27,362)	-
Vice President	Jin-Xing Li	(297,076)	-	(16,980)	-
Director of Supplier Management	Ya-Hui Xie	49,412	-	-	-
Assistant Vice Presidents of Engineering	Si-Qing Cai	30,623	-	(9,000)	-
Assistant Vice Presidents of Project	Jian-Kai Peng	18,576	-	-	-
Business Assistant President	Zhen-Wei Jin (Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Assistant Vice Presidents of Project	Chun-Hsien Yang (Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Assistant Vice Presidents of Project	Hsiang-Chih Kao (Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Engineering Manager	Yi-Hui Xiao	4,987	-	-	-
Chief Financial Officer	Qiao-Sheng Huang	(60,928)	-	-	-
Accounting Manager	Wei-Lun Dai	7,125	-	(6,000)	-
Auditing Managerial Officer	Bi-Ning Chen	1,235	-	-	-

Note 1: Newly joined on February 27, 2020.

(II) Counterparty of the shareholding transfer is the related party:

Unit: NT\$; Shares

Name	Reasons for Shareholding Transfer	Date Traded	Counterparty of Transaction	Relationship Between Transaction Counterparty, the Company, Directors, Supervisors and Shareholders with over 10% of Shareholding	Number of Shares	Price Traded
Zhu-Qing Li	Grant	February 22, 2019	○-Zhu Wu	Lineal Relative	20,370	108
Zhu-Qing Li	Grant	April 10, 2020	○-Zhu Wu	Lineal Relative	27,362	80.4
Zhu-Qing Li	Grant	February 22, 2019	○-Xuan Li	Lineal Relative	21,153	104
Zhu-Qing Li	Grant	April 10, 2020	○-Xuan Li	Lineal Relative	13,681	80.4
Zhu-Qing Li	Grant	April 10, 2020	○-Yu Li	Lineal Relative	13,681	80.4
Guo-Ji Li	Grant	February 27, 2019	○-Qi Li	Lineal Relative	21,153	104
Guo-Ji Li	Grant	April 15, 2020	○-Zheng Li	Lineal Relative	13,681	80.4
Guo-Ji Li	Grant	April 16, 2020	○- Qi Li	Lineal Relative	13,681	80.4
Jin-Xing Li	Grant	February 27, 2019	○-Jie Lu	Lineal Relative	300,000	128.5
Jin-Xing Li	Grant	February 27, 2019	○-Zhen Li	Lineal Relative	5,600	128.5
Jin-Xing Li	Grant	February 7, 2020	○-Zhen Li	Lineal Relative	5,660	129.5
Jin-Xing Li	Grant	February 27, 2019	○-Qing Li	Lineal Relative	5,600	128.5
Jin-Xing Li	Grant	February 7, 2020	○-Qing Li	Lineal Relative	5,660	129.5
Jin-Xing Li	Grant	February 27, 2019	○-Yuan Li	Lineal Relative	5,600	128.5
Jin-Xing Li	Grant	February 7, 2020	○-Yuan Li	Lineal Relative	5,660	129.5

(III) Counterparty of the Shareholding Pledged is the Related Party: None.

IX. Top 10 Shareholders Who Hold the Highest Shareholding Percentage are the Related Parties, or Spouses or Within Second-Degree of Kinship to Each Other:

Unit: Share; %; April 17, 2020

Name	Shareholding in Own Name		Shareholding Held by Spouses, Minor Children		Total shareholding in the Name of Other Persons		If top 10 shareholders are the related party, spouses, within second-degree of kinship to each other, theirs names and relationship:		Remark
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Name	Relationship	
Monster Holding Co., Ltd. Representative: Chao-Sheng Lu	26,902,721 130,373	19.67 0.10	- 875,486	- 0.64	-	-	-	-	-
AGI Holding Co., Ltd. Representative: Guo-Ji Li	19,335,409 941,064	14.13 0.69	- 543,878	- 0.40	-	-	-	-	-
Merry Electronics Co., Ltd. Representative: Lu-Li Liao	12,091,112	8.84	-	-	-	-	-	-	-
Fubon Life Insurance Co., Ltd. Representative: Richard Tsai	3,692,504	2.70	-	-	-	-	-	-	-
New labor pension fund	3,269,949	2.39	-	-	-	-	-	-	-
Xin-Ping Liu	2,086,722	1.53	-	-	-	-	-	-	-
Ya-Hui Xie	1,680,426	1.23	-	-	-	-	-	-	-
Hui-Ting Lin	1,280,632	0.94	-	-	-	-	-	-	-
JPMorgan Chase Bank Hosting Vanguard STAR Developed Markets Index Fund	1,053,979	0.77							
Old labor pension fund	1,036,747	0.76							

X. Number of Shares of the Same Investee Held by the Company, the Company's Directors, Supervisors, Managers or Enterprises Controlled Directly or Indirectly by the Company, and Its Combined Shareholding Percentage:

Unit: Share; %; December 31, 2019

Investee	The Company's Investment		Directors, Supervisors, Managers or Enterprises Controlled Directly or Indirectly		Total Investment	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
DRAGONSTATE TECHNOLOGY CO., LTD.	104,410,000	100	-	-	104,410,000	100
Concraft Technology Co., Ltd.	150,000	100	-	-	150,000	100
Concraft Precision Co., Ltd.	109,472,110	100	-	-	109,472,110	100
Kunshan Dragonstate Electronic Technology Co., Ltd.	Note	-	-	-	Note	-
Concraft Precision Electrical (Kunshan) Co., Ltd.	Note	-	-	-	Note	-
Concraft Precision Electronics (Baoying) Co., Ltd.	Note	-	-	-	Note	-
Kunshan Haojun Precision Electronics Co., Ltd.	Note	-	-	-	Note	-
Dragonstate International Technology Co., Ltd.	30,000,000	100	-	-	30,000,000	100
OBO Pro.2 Inc.	2,420,000	14.97	-	-	2,420,000	14.97
OBO PRO.2 INC	1,000,000	100	-	-	1,000,000	100
OP (VIRGIN) INTERNATIONAL GROUP CORPORATION	690,000	100	-	-	690,000	100
OBO Pro.2 Inc.	4,600,000	99.99	-	-	4,600,000	99.99
OBO Pro.2 (Dongguan) Inc.	Note	-	-	-	Note	-

Note: Such company is a limited company with no shares.

Four. Capital Raising Status

I. Source of Capital

(I) Type of Share

Unit: Share; May 28, 2020

Share Type	Capital Approved			Remark
	Shares Outstanding	Shares Un-issued	Total	
Registered Common	124,698,908	13,209,980	150,000,000(Note)	Listed Stock
Share	12,091,112			Private-Placed Common Stock

Note: The Company has passed the amendment to the Article of Incorporation in the special shareholders' meeting dated on February 10, 2017. After amendment, the approved capital is 150,000,000 shares.

(II) Forming Course of Capital

Unit: Share; NT\$

Year / Month	Issued Price	Approved Capital		Paid-In Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Shares Paid by Property Other Than Cash	Others
September 01, 2009	10	50,000,000	500,000,000	2	20	Cash	-	Note 1
October 06, 2009	17.63	50,000,000	500,000,000	24,999,998	249,999,980	Cash	-	Note 2
October 31, 2009	10	50,000,000	500,000,000	1,800,000	18,000,000	Shareholding Change	-	Note 3
December 30, 2010	10	50,000,000	500,000,000	8,040,000	80,400,000	Transfer of Capital Surplus to Increase Capital	-	Note 4
February 01, 2011	60	50,000,000	500,000,000	1,475,000	14,750,000	Cash	-	Note 5
April 28, 2011	10	50,000,000	500,000,000	7,263,000	72,630,000	Transfer of Capital Surplus to Increase Capital	-	Note 6
October 8, 2012	10	100,000,000	1,000,000,000	4,357,800	43,578,000	Transfer of Capital Surplus to Increase Capital	-	Note 7
September 18, 2013	25	100,000,000	1,000,000,000	2,000,000	20,000,000	Capital Increased by Cash	-	Note 8
December 6, 2013	10	100,000,000	1,000,000,000	2,496,790	24,967,900	Transfer of Capital Surplus to Increase Capital	-	Note 9
August 20, 2014	10	100,000,000	1,000,000,000	5,243,259	52,432,590	Transfer of Capital Surplus to Increase Capital	-	Note 10
November 6, 2014	17.5	100,000,000	1,000,000,000	10,000,000	100,000,000	Capital Increased by Cash		Note 11
September 30, 2015	10	100,000,000	1,000,000,000	3,383,793	33,837,930	Transfer of Earning to Increase Capital	-	Note 12
September 30, 2015	10	100,000,000	1,000,000,000	3,383,793	33,837,930	Transfer of Capital Surplus to Increase Capital	-	Note 13

Year / Month	Issued Price	Approved Capital		Paid-In Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Shares Paid by Property Other Than Cash	Others
March 18, 2016	35	100,000,000	1,000,000,000	5,000,000	50,000,000	Capital Increased by Cash	-	Note 14
November 11, 2016	58.8	100,000,000	1,000,000,000	10,235,000	102,350,000	Capital Increased by Cash	-	Note 15
April 05, 2017	72	150,000,000	1,500,000,000	10,000,000	100,000,000	Private-Placed Common Stock	-	Note 16
June 30, 2017	27.3	150,000,000	1,500,000,000	2,190,000	21,900,000	Employee Stock Option Certificates	-	Note 17
July 20, 2017	27.3	150,000,000	1,500,000,000	200,000	2,000,000	Employee Stock Option Certificates	-	Note 17
September 22, 2017	10	150,000,000	1,500,000,000	5,103,422	51,034,220	Transfer of Capital Surplus to Increase Capital	-	Note 18
August 24, 2018	10	150,000,000	1,500,000,000	10,717,186	107,171,860	Transfer of Capital Surplus to Increase Capital	-	Note 19
December 2018	10	150,000,000	1,500,000,000	530,000	5,300,000	Employee Restricted Stock Awards	-	Note 20
May 2019	10	150,000,000	1,500,000,000	3,000	30,000	Cancellation of New Restricted Employee Shares	-	-
July 2019	10	150,000,000	1,500,000,000	7,923,883	79,238,830	Conversion of Convertible Corporate Bond	-	-
August 2019	10	150,000,000	1,500,000,000	70,000	700,000	Employee Restricted Stock Awards	-	-
August 2019	10	150,000,000	1,500,000,000	5,889,403	58,894,030	Transfer of Capital Surplus to Increase Capital	-	Note 21
August 2019	10	150,000,000	1,500,000,000	619,415	6,194,150	Conversion of Convertible Corporate Bond	-	-
August 2019	10	150,000,000	1,500,000,000	2,000	20,000	Cancellation of New Restricted Employee Shares	-	-
September 2019	10	150,000,000	1,500,000,000	2,455,382	24,553,820	Conversion of Convertible Corporate Bond	-	-
October 2019	10	150,000,000	1,500,000,000	609,606	6,096,060	Conversion of Convertible Corporate Bond	-	-

Year / Month	Issued Price	Approved Capital		Paid-In Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Shares Paid by Property Other Than Cash	Others
November 2019	10	150,000,000	1,500,000,000	611,398	6,113,980	Conversion of Convertible Corporate Bond	-	-
November 2019	10	150,000,000	1,500,000,000	6,000	60,000	Cancellation of New Restricted Employee Shares	-	-
December 2019	10	150,000,000	1,500,000,000	97,139	971,390	Conversion of Convertible Corporate Bond	-	-
January 2020	10	150,000,000	1,500,000,000	100,711	1,007,110	Conversion of Convertible Corporate Bond	-	-
February 2020	10	150,000,000	1,500,000,000	14,258	142,580	Conversion of Convertible Corporate Bond	-	-
March 2020	10	150,000,000	1,500,000,000	1,782	17,820	Conversion of Convertible Corporate Bond	-	-
April 2020	10	150,000,000	1,500,000,000	2,000	20,000	Cancellation of New Restricted Employee Shares	-	-
May 2020	10	150,000,000	1,500,000,000	9,000	90,000	Cancellation of New Restricted Employee Shares	-	-

Note 1: Initial capital.

Note 2: Capital increased by cash.

Note 3: Personal shareholders, Chao-Sheng Lu and Guo-Ji Li, of the Dragonstate Technology Co., Ltd., proceeded the stock exchanges with the Concraft Holding Co., Ltd. According to the expert's opinion on the stock exchange ratio issued by CPA, one share of the Dragonstate Technology Co., Ltd. could exchange 2.374390 shares of the Concraft Holding Co., Ltd. (Actual stock exchange ratio was 2.354859 shares). So, the Concraft Holding Co., Ltd. issued 1,800,000 shares to proceed the stock exchange with personal shareholders, Chao-Sheng Lu and Guo-Ji Li, of the Dragonstate Technology Co., Ltd. After stock exchange, the Dragonstate Technology Co., Ltd has become the 100% of subsidiary reinvested by the Concraft Holding Co., Ltd.

Note 4: For 2009 stock dividend from capital surplus, each share was distributed NT\$3 of stock.

Note 5: Capital increased by cash.

Note 6: For 2010 stock dividend from capital surplus, each share was distributed NT\$2 of stock.

Note 7: For 2011 stock dividend from capital surplus, each share was distributed NT\$1 of stock. Listed in the emerging market on October 8, 2012 with approval number of 10100227602.

Note 8: 2013 capital increased by cash.

Note 9: For 2012 stock dividend from capital surplus, each share was distributed NT\$0.5 of stock.

Note 10: For 2013 stock dividend from capital surplus, each share was distributed NT\$1 of stock.

Note 11: 2014 capital increased by cash.

Note 12: For 2014 stock dividend from retained earnings, each share was distributed NT\$0.5 of stock.

Note 13: For 2014 stock dividend from capital surplus, each share was distributed NT\$0.5 of stock.

Note 14: 2015 capital increased by cash.

Note 15: 2016 capital increased by cash. Listed in TWSE market on November 11, 2016 with approval number of 1050021356.

Note 16: 2017 private-placed common stock.

Note 17: Exercised the employee stock option certificates with issuance of new shares.

Note 18: For 2017 stock dividend from capital surplus, each share was distributed NT\$0.5 of stock.

Note 19: For 2018 stock dividend from capital surplus, each share was distributed NT\$1.0 of stock.

Note 20: Issuance of new Employee Restricted Stock Awards in 2018. Declaration No. 1070332358 took effect on August 27, 2018.

Note 21: For 2019 stock dividend from capital surplus, each share was distributed NT\$0.46849521 of stock.

II. Shareholders Structure

Unit: Person; Share; April 17, 2020

Shareholders' Structure Volume	Government Institution	Financial Institution	Chinese Investor	Other Corporate Shareholders	Individual	Foreign Institution and Foreigner	Treasury Share	Total
Number of Persons	-	5	-	58	16,966	89	1	17,119
Hold a number of shares	-	5,060,720	-	17,359,346	61,469,514	52,271,440	638,000	136,799,020
Shareholding Percentage	-	3.70%	-	12.69%	44.93%	38.21%	0.47%	100.00%

III. Shareholding Dispersion Status

Unit: Person; Share; April 17, 2020

Shareholding Scale	Number of Shareholders	Number of Shares Held	Shareholding Percentage (%)
1 to 999	3,377	463,216	0.34%
1,000 to 5,000	11,641	21,524,098	15.73%
5,001 to 10,000	1,232	9,025,996	6.60%
10,001 to 15,000	334	4,169,329	3.05%
15,001 to 20,000	176	3,202,366	2.34%
20,001 to 30,000	149	3,703,440	2.71%
30,001 to 40,000	70	2,435,739	1.78%
40,001 to 50,000	33	1,493,777	1.09%
50,001 to 100,000	46	3,238,752	2.37%
100,001 to 200,000	25	3,490,416	2.55%
200,001 to 400,000	14	4,262,000	3.12%
400,001 to 600,000	8	4,040,442	2.95%
600,001 to 800,000	2	1,377,821	1.01%
800,001 to 1,000,000	1	941,064	0.69%
1,000,001 Above	11	73,430,564	53.67%
Total	17,119	136,799,020	100.00%

IV. Major Shareholders List

Unit: Share; %; April 17, 2020

Name of Major Shareholders	Shares	Hold a number of shares	Shareholding Percentage
Monster Holding Co., Ltd.		26,902,721	19.67
AGI Holding Co., Ltd.		19,335,409	14.13
Merry Electronics Co., Ltd.		12,091,112	8.84
Fubon Life Insurance Co., Ltd.		3,692,504	2.70
New labor pension fund		3,269,949	2.39
Xin-Ping Liu		2,086,722	1.53
Ya-Hui Xie		1,680,426	1.23
Hui-Ting Lin		1,280,632	0.94
JPMorgan Chase Bank Hosting Vanguard STAR Developed Markets Index Fund		1,053,979	0.77
Old labor pension fund		1,036,747	0.76

V. Each Share's Market Price, Net Worth, Earnings, Dividends and Relevant Information in the Latest Two Years:

Unit: NT\$; Thousand Shares

Item \ Year			Year 2018	2019	As of March 31, 2020
Market Price Per Share	Highest		364.00	204.00	178.00
	Lowest		97.50	90.40	78.20
	Average		244.06	150.63	133.24
Net Worth Per Share	Before Appropriation		33.62	38.78	37.69
	After Appropriation (Note 1)		28.15	38.28	37.19 (Note 3)
Earnings Per Share (Note 2)	Weighted Average Number of Shares		123,818	128,006	136,124
	Earnings Per Share	Before Adjustment	7.89	3.28	(0.64)
		After Adjustment	7.85	3.09	(0.64)
Dividend Per Share	Cash Dividend		5.5	0.50	Undistributed
	Stock Dividend	Stock Dividend From Retained Earnings	-	-	Undistributed
	From Paid-In Capitals	Stock Dividend From Capital Surplus	0.5	1.5 (Note 3)	Undistributed
	Accumulated Undistributed Dividend		-	-	-
Return On Investment Analysis	Price Earnings Ratio (Note 4)		29.62	45.92	-
	Price Dividend Ratio (Note 5)		44.37	301.26	-
	Cash Dividend Yield (Note 6)		2.25%	0.33%	-

Note 1: Net Worth Per Share = (Net Worth - Cash Dividend)/ Number of Common Shares for the the Year.

Note 2: Refers to the number of retroactively adjusted weighted average number of shares and earnings per share.

Note 3: 2019 earning appropriation has yet been resolved by the shareholder's meeting.

Note 4: Price Earnings Ratio = Average Closing Price Per Share for the Year /Earnings Per Share

Note 5: Price Dividend Ratio = Average Closing Price Per Share for the Year /Dividend Per Share

Note 6: Cash Dividend Yield = Cash Dividend Per Share / Average Closing Price Per Share for the Year

VI. The Company's Dividend Policy and Its Implementation:

(I) Dividend Policy Established in the Article of Incorporation

The Company's dividend appropriation policy shall base on the regulations stipulated in the Article of Incorporation that is approved by the shareholders' meeting, and shall refer to the Company's capital structure, financial structure, operation condition, earnings and its industry's nature and cycle, and may be paid by the way of either stock dividend or cash dividend. The appropriation of dividend is stipulated as follows:

- (1) Without conflict with the regulations from the Company Act, any share with additional rights or restrictions at the time or the Article of Incorporation, the Company may, with ordinary resolution, announce the dividends or other appropriation for the shares issued. Such dividend or other appropriation shall be paid with the Company's usable funds authorized legally.
- (2) Without conflict with the regulations stipulated in Article 129 of the Article of Incorporation, before suggesting any dividend's appropriation, the board of director may retain an appropriate amount as reserved fund from the appropriable funds legally.

Such reserved fund shall, at the discretion of the board of director, be used to prevent emergency, balance dividend or other purposes that such reserved fund can be used appropriately. And before execution, the aforesaid uses shall, at the absolute discretion of the board of director, apply for the business of the Company or the investment that the board of director will consider appropriately at any time.

- (3) Any dividend may be paid by check which will be mailed to the registered address or the appointed address of the shareholders or the authorized receivers or the joint holders' representative. Each check's payee shall be such check's receiver or its appointed person.
- (4) Except for any share with additional rights or restrictions at the time, all dividends shall be appropriated based on the shareholding of the shareholders.
- (5) The Company currently is at the stage of the growth. In view of the demand of capital expenditure, business expansion and strengthening the financial plan to seek the sustainable development, the Company's dividend policy shall consider its future funds' expenditure budget and fund demand, and may be paid by cash dividend and/or stock dividend to its shareholders.

Unless otherwise provided by the laws of TWSE/TPEX, the Company's annual profit before-tax shall, if any, appropriate (1) the highest of ten percent (10%) and the lowest of one percent (1%) for employees' compensation (including the employees of the Company and/or its affiliates)(hereinafter refers to "employees' compensation"; and (2) the highest of three percent (3%) for directors' remuneration (hereinafter refers to "directors' remuneration). No matter what the aforesaid content is, if the Company still has the accumulated deficits from the previously years in the year, the Company shall appropriate the amount of offset before allocating the employees' compensation and the directors' remuneration. According to the regulations of the British Cayman laws and TWEX/TPEX laws and regardless of the regulations of the Article 139, the board of director shall make a resolution with the attendance of two-thirds or more of directors and the approval of more than half of present directors for the employees' compensation and directors' remuneration which may be paid by the way of cash and/or stock. The aforesaid resolution of the board of director regarding to the appropriation of the employees' compensation and directors' remuneration shall report to the shareholders at the shareholders' meeting after the resolution of the board of director is passed.

Unless otherwise provided by the laws of TWSE/TPEX, if the Company's annual final accounts has profits, the board of director shall base on the following methods and sequence to propose the earnings appropriation and submit to the shareholders' meeting for resolution:

- (a) appropriate the payable tax according to laws;
- (b) offset previously years' accumulated deficits (if any);
- (c) appropriate ten percent (10%) of legal capital reserve stipulated by the laws of TWSE/TPEX; however if the amount of legal capital reserve has reached the Company's paid-in capital, this shall not be applicable;
- (d) appropriate special capital reserve stipulated by the laws of TWSE/TPEX or requested by the competent authority; and
- (e) the aforesaid amount from (a) to (d) shall be deducted from the earnings in the year; the remaining earning will be added by the previous period's accumulated

unappropriated earning as appropriable earnings; the board of director shall propose the dividend appropriation from the appropriable earning and submit to the general shareholders' meeting for resolution and approval stipulated by the laws of TWSE/TPEX, then executing afterward. The appropriation of the dividend may be distributed by the way of cash dividend and/or stock dividend. Without conflict with the laws of the British Cayman Islands, the amount of dividend shall be at least fifty percent (50%) of the remaining earnings that the aforesaid (a) to (d) are deducted from the earnings in the year, and the percentage of cash dividend shall not be less than ten percent (10%) of total shareholders' dividend and shall be limited to hundred percent (100%).

- (6) If a share is registered by several persons held jointly, the valid receipts for dividend or other payables relating to such share shall be issued to anyone among the joint-holders. Any dividend shall not be added up interest.
- (7) Unless otherwise provided by the laws of the TWSE/TPEX or the Company Act, the Company may, with special resolution, transfer any balance listed in the Company's provision account or other capital reserves (including capital premium, capital redemption provision, earnings, profit and loss account, capital surplus, legal capital reserve and special capital reserve) to increase capital, whether or not it is appropriable.
- (8) The company shall distribute the amount that is resolved to be transferred to increase capital to all shareholders based on the percentage of the shareholding, and shall represent its shareholders to make up such amount into unissued shares, bonds or the related share amount of such composition for the company distributed, and such company's shares or bonds or its composition shall be distributed to all shareholders (or its designated person) based on the aforesaid percentage.
- (9) The Company shall conduct the arrangement that it deems appropriate to resolve the difficulties derived from distributing reserves to increase capital. Particularly, but not limited to, when the distribution of the shares or corporate bonds is odd, the board of director has an authority to dispose such odd shares or corporate bonds in a way which it deems proper, and shall proceed all necessary actions to perform the matters stipulated in the Article of Incorporation.

(II) Report to Shareholders' Meeting and Proposal to Discuss the Status of Dividend Distribution

- (1) According to Article 125 A of the Memorandum and Articles of Association, the Board is authorized to make decision to disburse the payable stock dividend and bonus in whole or in part in cash and reports to the Shareholders' Meeting. On April 7, 2020, the Board of Directors of the Company passed the proposal to disburse cash dividend from 2019 earnings of NT\$0.5 per share, totaling NT\$68,080,510.
- (2) On April 7, 2020, the Board of Directors of the Company passed the proposal to transfer the capital surplus from 2019 earnings to capital increase of NT\$1.5 per share. The aforesaid appropriation of 2019 earnings has yet been resolved by the shareholders' meeting as of the publication date of the annual report.

VII. Discussion on the influence of issuance of bonus shares on operational performance and earnings per share at the Shareholders' Meeting:

On April 7, 2020, the Board of Directors of the Company passed the proposal to transfer the capital surplus from 2019 earnings to capital increase of NT\$1.5 per share, totaling

NT\$204,241,530. After transferring the capital surplus to capital increase, the capital amounts to NT\$1,565,851,730(including private placement). The issuance of bonus shares will dilute the Company's 2019 earning per share by 13.04%. Due to the expectation of a flat profit growth in 2020, the impact of the issuance of bonus shares on operational performance and earnings per share should be limited.

VIII. The Compensation of Employees and the Remuneration of Directors and Supervisors

(I) Percentage or Range of the Employees' Compensation and the Directors' and Supervisors' Remuneration Stated in Article of Incorporation:

1. Unless otherwise provided by the Article of Incorporation or the laws of TWSE/TPEX, regarding to the remuneration of the directors (if any), the board of director shall resolve by referring to the standards in the same industry. Regarding to the attendance of the board of director or the shareholders' meeting or other individual meeting for any type of shares or corporate bond, or executing the director's related duties, each director's reasonable expenses or to-be occurred expenses of travel, accommodation and other accompanying expenses shall have authority to be compensated or pre-paid.
2. Except for compliance with Article 85, when any director needs to visit or move to overseas because of the demand of the Company, or its work exceeds the general directors' duties with the recognition of the board of director, such director's extra remuneration shall be determined by the board of director and shall be extra added from or replace of any general remuneration provided by other articles.
3. The Company currently is at the stage of the growth. In view of the demand of capital expenditure, business expansion and strengthening the financial plan to seek the sustainable development, the Company's dividend policy shall consider its future funds' expenditure budget and fund demand, and may be paid by cash dividend and/or stock dividend to its shareholders.

Unless otherwise provided by the laws of TWSE/TPEX, the Company's annual profit before-tax shall, if any, appropriate (1) the highest of ten percent (10%) and the lowest of one percent (1%) for employees' compensation (including the employees of the Company and/or its affiliates) (hereinafter refers to "employees' compensation"; and (2) the highest of three percent (3%) for directors' remuneration (hereinafter refers to "directors' remuneration). No matter what the aforesaid content is, if the Company still has the accumulated deficits from the previously years in the year, the Company shall appropriate the amount of offset before allocating the employees' compensation and the directors' remuneration. According to the regulations of the British Cayman laws and TWEX/TPEX laws and regardless of the regulations of the Article 139, the board of director shall make a resolution with the attendance of two-thirds or more of directors and the approval of more than half of present directors for the employees' compensation and directors' remuneration which may be paid by the way of cash and/or stock. The aforesaid resolution of the board of director regarding to the appropriation of the employees' compensation and directors' remuneration shall report to the shareholders at the shareholders' meeting after the resolution of the board of director is passed.

Unless otherwise provided by the laws of TWSE/TPEX, if the Company's annual final accounts has profits, the board of director shall base on the following methods and sequence to propose the earnings appropriation and submit to the shareholders' meeting for resolution:

- (a) appropriate the payable tax according to laws;
 - (b) offset previously years' accumulated deficits (if any);
 - (c) appropriate ten percent (10%) of legal capital reserve stipulated by the laws of TWSE/TPEX; however if the amount of legal capital reserve has reached the Company's paid-in capital, this shall not be applicable;
 - (d) appropriate special capital reserve stipulated by the laws of TWSE/TPEX or requested by the competent authority; and
 - (e) the aforesaid amount from (a) to (d) shall be deducted from the earnings in the year; the remaining earning will be added by the previous period's accumulated unappropriated earning as appropriable earnings; the board of director shall propose the dividend appropriation from the appropriable earning and submit to the general shareholders' meeting for resolution and approval stipulated by the laws of TWSE/TPEX, then executing afterward. The appropriation of the dividend may be distributed by the way of cash dividend and/or stock dividend. Without conflict with the laws of the British Cayman Islands, the amount of dividend shall be at least fifty percent (50%) of the remaining earnings that the aforesaid (a) to (d) are deducted from the earnings in the year, and the percentage of cash dividend shall not be less than ten percent (10%) of total shareholders' dividend and shall be limited to hundred percent (100%).
- (II) The estimate basis for the compensation paid to employees and the remuneration paid to directors and supervisors, the calculated basis for the number of share for the employee's compensation distributed by stock as well as its accounting treatment in case of any discrepancy between actual distributed amount and the estimated amount for current period:
1. The estimate basis for the compensation paid to employees and the remuneration paid to directors and supervisors for current period:
According to Ji-Mi-Zi No. 052 "Accounting Treatment for Bonus Paid to Employees and Remuneration Paid to Directors and Supervisors" announced by the Accounting Research and Development Foundation on March 16, 2007, when the compensation of employees and the remuneration of the directors and the supervisors for the Company and the consolidated subsidiaries have legal obligation or constructive obligation and their amount can be reasonable estimated, such compensation and remuneration shall be recognized as expenses and liability. Afterwards, any discrepancy between the actual distributed amount resolved by the board of director and the estimated amount shall be recorded into the profit/loss of the following year.
 2. The calculated basis of the number of share for the employee's compensation distributed by stock for current period: Not applicable.
 3. Accounting treatment in case of any discrepancy between actual distributed amount and the estimated amount: Not applicable.
- (III) The Board of Director's Resolution for Distribution of Compensation/Remuneration:
1. The compensation of employees and remuneration of directors and supervisors disbursed by way of cash or stock: the Board of Director has passed 2019 employees' compensation of NT\$4,714,558, as well as the directors' and the supervisors' remuneration of NT\$4,714,559 disbursed by way of cash is identical to the estimated amount recognized for the year.
 2. The percentage of the employees' compensation disbursed by way of stock to the profit after-tax in the parent only or individual financial report, and to the total employees' compensation: The Board did not proposed employees' compensation disbursed by way of stock for 2019.

(IV) Actual Distribution of Employees' Compensation and Directors' and Supervisors' Remuneration in the Previous Year:

1. Actual Distribution in the Previous Year:

Items Distributed	Original Amount Passed by the Board of Director	Actual Amount Resolved by the Shareholders' Meeting	Variance
Employee Cash Bonus	NT\$15,255 thousand	NT\$15,255 thousand	-
Remuneration of Directors and Supervisors	NT\$15,255 thousand	NT\$15,255 thousand	-

2. In case of any discrepancy between actual distributed amount and the recognized amount, the discrepancy amount, reasons and treatment shall be stated:

The actual distributed amount and the recognized amount of directors' and supervisors' remuneration, and employees' compensation for 2018 has no discrepancy.

IX. Status of shares bought back by the Company

Date: May 28, 2020

Buy-Back Phase	First Buy-Back
Purpose of Buy-Back	Transfer Share to Employees
Buy-Back Period	November 13, 2018 to December 17, 2018
Price Range Bought Back	NT\$89 to NT\$234 per share
Type of Share and Quantity Bought Back	Common Stock: 629,000 shares
Amount of Shares Bought Back	NT\$74,143,679
Number of Shares Cancelled and Transferred	-
Accumulated Number of the Company's Shares Held	629,000 shares
Accumulated Number of the Company's Shares Held as a Percentage of Total Shares Issued (%)	0.53

X. Status of corporate bond:

(I) Status of corporate bond

Date: May 28, 2020

Type of Corporate Bond	Issuance of the first unsecured convertible corporate bond in the territory of ROC.
Date Issued (Executed)	April 2, 2019
Par Value	NT\$100,000
Place Issued and Traded	Taipei Exchange
Price Issued	Issued by 102.07% of par value
Total Amount	NT\$1,531,013 thousand
Interest Rate	0%
Term	Three-Year Due Date: April 2, 2022
Guarantee Institution	Not Applicable
Trustee	Trust Department, Taipei Fubon Bank Co., Ltd.
Underwriting Institution	CTBD Securities Co., Ltd.
Certified Lawyer	Baker & McKenzie Legal Firm Lawyer: Zhi-Lu Liang, Meng-Wei Lin
CPA	PWC Taiwan CPA: Xian-Zheng Chen, Jin-Mu Xiao
Method of Repayment	In addition to complying with the Article 14 for Converting to the Company's Common Stock, Article

		22 for Execution of Redemption Rights and Article 21 for Retrieved Ahead of Due Date or Buying Back From OTC and Cancellation, of the Rule for the Issuance of Corporate Bond and Conversion, the bondholders shall repay the par value once by cash at due date.
Un-repaid Principal		NT\$34,400 thousand
Article for Redemption or Repayment Ahead of Due Date		Executing according to Article 22 for Retrieved Ahead of Due Date in the Rule for the First Issuance of Unsecured Convertible Corporate Bond and Conversion in the Territory of ROC of the Company.
Limitation Article		None
Name of Credit Rating Institution, Date Rated, Rating Result		Not Applicable
Supplementary Rights	Amount that has been converted (exchanged or subscribed) into common stock, oversea depositary receipts or other securities as of the date of the annual report published	12,433,574 shares
	Rule for issuance and conversion (exchange or subscription)	Please refer to the Rule for the First Issuance of Unsecured Convertible Corporate Bond and Conversion in the Territory of ROC.
Rule for issuance, conversion, exchange or subscription, as well as influences of issuance's conditions on the probable dilution of the shareholding and the rights/interests of the shareholders		Please refer to the Rule for the First Issuance of Unsecured Convertible Corporate Bond and Conversion in the Territory of ROC.
Name of Custodial Institution to Whom the Exchange Object is trusted		Not Applicable

(II) Information on Convertible Corporate Bond

Unit: NTD

Corporate Bond Type		Issuance of the first unsecured convertible corporate bond in the territory of ROC.	
Item	Year	2019	As of May 28, 2020
Market Price of Corporate Bond	Highest	180.0	142.3
	Lowest	102.6	97.3
	Average	120.47	116.09
Conversion Price		NT\$112.2	
Issued (Executed) Date and Conversion Price at Issued Date		April 2, 2019 NT\$121.1	
Conversion Obligations		Issuance of New Stock	

XI. Status of Preferred Stock: None.

XII. Status of Oversea Depositary Receipt: None.

XIII. Status of Employee Stock Option Certificates: None.

XIV. Status of Employee Restricted Stock Awards:

(I) Status of Processing Employee Restricted Stock Awards

Date: May 28, 2020

Type of New Restricted Employee Shares	2018 First New Restricted Employee Shares	2018 Second New Restricted Employee Shares
Effective Date Declared	August 27, 2018	
Date Issued	November 16, 2018	August 27, 2019

Number of New Restricted Employee Shares Issued	530,000 shares	70,000 shares
Price Issued	Stock Dividend From Paid-In Capitals	Stock Dividend From Paid-In Capitals
Number of New Restricted Employee Shares Issued As a Percentage of Total Shares Issued	0.39%	0.05%
Vesting Conditions for Employee Restricted Stock Awards	<p>The employees shall be evaluated annually based on personal performance indicators from the date subscribed the new restricted employee shares. If such employee is on the job for full one year, 30% will be vested; if such employee is on the job for full two years and the evaluation of personal performance reaches 70 points, 30% will be vested; if such employee is on the job for full three years and the evaluation of performance reaches 75 points, 40% will be vested.</p>	
Restricted Rights for Restricted Stock Awards	<ol style="list-style-type: none"> 1. After an employee subscribes new shares, except for inheritance, such new restricted employee shares shall not be sold, pledged, transferred, given to others, set up or other ways of disposal prior to achieving the vested conditions. After an employee meets the vested conditions, such shares will be appropriated from trust account to such employee's personal securities central custody and book-entry account according to trust custodial agreement. 2. The shareholders' meeting's attendance, proposal, speaking, voting and rights of election shall be executed according to custodial agreement. 3. Except for the trust appointment stipulated in the preceding subparagraph, before an employee achieves the vested conditions for the new restricted employee shares subscribed according to this rule, other rights shall, including but not limited to: the appropriation rights of dividend, bonus and capital surplus as well as subscription rights of capital increased by cash etc., have the same as the common shares issued by the Company. 4. From the Company's book closure date for bonus shares, book closure for cash dividends, book closure date for subscription shares upon capital increased by cash, book closure period for shareholders' meeting defined in Paragraph 3 of Article 165 of the Company Act, or other statutory book closure period upon the occurrence of the facts, to the record date for the appropriation of the rights, in case an employee achieves the vested conditions during aforesaid period, the time and procedure to release the restriction of its vested 	

	<p>stock shall be executed according to the trust custodial agreement.</p> <p>5. After issuing the new restricted employee shares, such shares shall be directly consigned in the custody of trust immediately. Before an employee achieves the vested conditions, such employee shall not ask the trustee to return the new restricted employee shares with any reasons or methods.</p>
Custody Status of New Restricted Employee Shares	<p>While new restricted employee shares are consigned in the custody of trust, the Company shall be fully authorized to represent such employee to proceed (including but not limited to) the agreement's negotiation, signature, amendment, extension, dissolution, termination with the stock trust institutions and the Company, as well as the trusted property's consignment, use and instruction of disposal. Besides, such employee shall make a promise in writing that the Company is able to act as an interest party, a beneficiary and such employee's proxy for such trust agreement simultaneously in accordance with the Article 106 of the Civil Code.</p>
Treatment When an Employee Have Been Awarded or Subscribed the New Shares But Not Achieving the Vested Conditions	<p>1. Resignation:</p> <p>Where an employee, with causes, proceed the resignation, temporary leave without salary, retirement, being laid off or transfer, in case the vested conditions of the employees restricted stock awards have been achieved, such employee shall draw the shares within one month from the effective date of resignation; in case the vested conditions of the employees restricted stock awards have not yet been achieved, the rights of receiving shall be void from effective date of resignation and the Company shall buy back such shares with the issued price deducting the amount borne by the Company and execute the cancellation.</p> <p>2. Normal Death:</p> <p>Where an employee died, in case the vested conditions of the employees restricted stock awards have been achieved, the statutory heir of such employee shall draw the shares within one year from the died date; in case the vested conditions of the employees restricted stock awards have not yet been achieved, its vested rights shall be void from the died date and the Company shall buy back such shares with the issued price deducting the amount borne by the Company and execute the cancellation.</p> <p>3. Disability or Died Due to Occupational Disaster:</p> <p>(1) Where an occupational disaster resulting in an employee's disability, in that event such</p>

	<p>employee is unable to continue his or/her jobs and proceeds the resignation, whether the vested conditions have been achieved or not, such employee shall draw the shares within one month from the effective date of resignation.</p> <p>(2) Where an employee died as a result of occupational disaster, whether the vested conditions have been achieved or not, the statutory heir of such employee shall draw the shares within one year from the died date.</p> <p>4. Where other circumstances other than aforesaid causes or where real execution upon the regulations of the foregoing subparagraphs and has a necessity of the adjustment, the chairperson shall be authorized to establish or adjust individually according to real circumstances or personal contributions.</p> <p>5. In case an employee waives the rights of subscription, such new restricted employee shares shall be retrieved by the Company without re-issuance.</p>	
Number of New Restricted Employee Shares Retrieved or Bought Back Number of Shares	35,000 shares	-
Number of Restricted Shares Released	189,000 shares	
Number of Restricted Shares Unreleased	411,000 shares	
Number of Restricted Shares Unreleased As a Percentage of Total Shares Issued (%)	0.30%	
Influence on Shareholders' Rights/Interests	<p>According to the number of outstanding shares at the time of issuance, the dilution on the Company's earnings per share in the coming years is still limited without significant influences on the shareholders' rights/interests.</p>	

(II) Name of Manager and Top 10 Employees Who Are Awarded the New Restricted Employee Shares and Their Status of Acquisition:

	Title	Name	Number of New Restricted Employee Shares Acquired	Number of New Restricted Employee Shares Acquired As a Percentage of Total Shares Issued	Restriction Released				Restriction Unreleased			
					Number of Restricted Shares Released	Issued Price	Amount of Issuance	Number of Restricted Shares Released As a Percentage of Total Shares Issued	Number of Restricted Shares Unreleased	Issued Price	Amount of Issuance	Number of Restricted Shares Unreleased As a Percentage of Total Shares Issued
Manger	Assistant Vice Presidents of Engineering	Si-Qing Cai	260,000	0.19	79,000	Issuance of Bonus Shares	-	0.06	181,000	Issuance of Bonus Shares	-	0.13
	Assistant Vice Presidents of Project	Jian-Kai Peng										
	Assistant Vice Presidents of Project	Chun-Hsien Yang										
	Business Assistant President	Zhen-Wei Jin										
	Accounting Manager	Wei-Lun Dai										
	Engineering Manager	Yi-Hui Xiao										
	Auditing Managerial Officer	Bi-Ning Chen										
Employee	Manager	Hong Wen Li	201,000	0.15	64,000	Issuance of Bonus Shares	-	0.05	137,000	Issuance of Bonus Shares	-	0.10
	Manager	Si-Yuan Chen										
	Manager	Quan-Zhao Xie										
	Assistant Manager	Zhi-Ming Shen										
	Assistant Manager	Hui-Zhen Chen										
	Assistant Manager	Zong Han Yuan										
	Assistant Manager	Feng-De Wu										
	Section Manager	Jie-Ru Chen										
	Engineer	Zhe-Yu Li										

XV. Status of Mergers or Issuance of New Shares for Acquisition of Shares of Another Company:
None.

XVI. Implementation of Capital Application Programs:

(I) Content of Plans:

As of previous quarter of the publication date of the annual report, the content of plans and implementation status for previous issuances or private placements of securities that have yet been completed, or have been completed in the last three years, in which the benefits of the plans have yet emerged: All plans have been completed, and the benefits of the plans have emerged.

(II) Implementation Status:

Analysis of each plan's purpose stated in the preceding subparagraph item by item as of previous quarter of the date of the annual report published, their implementation status and their benefits compared with original estimation, for instance, implementation progress or benefits have not achieved the estimated targets, the reasons, the influences on the shareholders' rights/interests and improvement plans shall be explained specifically: No such circumstances.

Five. Overview of Operation

I. Contents of Business

(I) Scope of Business

1. Main Business Contents for the Company and Subsidiaries:

Name of Company	Main Business Contents
Concraft Holding Co., Ltd. (registered in Cayman Islands)	Holding Company
Dragonstate Technology Co., Ltd. (registered in Mauritius)	Sales of Connectors
Concraft Technology Co., Ltd. (Registered in Hong Kong)	Sales of Connectors
Concraft Precision Co., Ltd. (Registered in Hong Kong)	Holding Company
Dragonstate International Technology Co., Ltd. (Registered in Taiwan)	Sales of Connectors
Kunshan Dragonstate Electronic Technology Co., Ltd. (Registered in China)	Research/development of technology, manufacture, processing and trade of connectors, acoustic components, automotive components and optical components
Concraft Precision Electrical (Kunshan) Co., Ltd. (Registered in China)	Manufacture, processing and trade of the mold and the jig.
Concraft Precision Electronics (Baoying) Co., Ltd. (Registered in China)	manufacture, processing and trade of connectors, acoustic components and optical components
Kunshan Haojun Precision Electronics Co., Ltd. (Registered in China)	Stamping, processing, trade of connectors, acoustic components and automotive components
OBO Pro.2 Inc. and its subsidiaries	The production and sale of acoustic products

2. The proportion of business

Unit: NT\$ thousand

Category \ Year	2018		Year 2019		2020 Q1	
	Amount	%	Amount	%	Amount	%
Acoustic products and parts	3,124,631	54.27	3,877,964	75.67	515,567	55.91
Connector series	334,381	5.80	206,607	4.03	29,406	3.19
Mold and jig and automation equipment	2,026,077	35.19	720,219	14.05	320,734	34.78
Optical parts	98	-	30,690	0.60	4,791	0.52
Parts of automotive series and others	272,715	4.74	289,038	5.65	51,643	5.60
Net operating income	5,757,902	100.00	5,124,518	100.00	922,141	100.00

3. The products of the Company and subsidiaries

The principal business of the Company is the research and development and processing of optoelectronic products and electronic connectors with focus on the application to consumer electronics such as NB, set top box, LCD TV and portable devices. Major terminal devices fitting into the product categories of the Company are shown below:

- (1) Portable devices: acoustic-optics components, mold and Jig.
- (2) NOTE-BOOK and business machines: connectors (DDR, NGFF, HDMI, DC Jack)
- (3) Server and network communication products: SFP, MINPCI and MINPCI EXPRESS
- (4) TFT-LCD (LED) and SET TOP BOX: PCMCIA, SMART CARD and HDMI.
- (5) Other series: automotive parts

4. New products planned for development

- (1) The development of automotive related parts and components
- (2) The development of acoustic-optics parts and components
- (3) The development of optical products
- (4) The development of medical auxiliary material parts and component

(II) Industry Outlook

The Company started as a designer of mold and jig. The core technology of mold is insert molding process. This process entails the placement of the insert (including non-metallic materials) inside the mold cavity before the plastic injection to fill the mold, and the injection of plastic into the mold cavity so that the insert and the envelop part will be combined before the injection to form a single item. This process helps to save the manual labor of lamination and assemblies, reduce the use of materials and shorten the work hours, and successfully emerged as the technical barrier for the Company. The Company made ceaseless effort in the improvement of the insert molding technology with its know-how in mold and jig over the years, and has applied for patent protection in China, Taiwan, USA, and Japan for meeting the needs of slim and light weight of products in the future. In addition, the Company also combined the design of insert molding and the silica gel injection technology for applying to the development of acoustics, optical and automotive parts and components for broadening the horizon of new applications.

1. The Electroacoustic Industry

With the intelligence and informatization in 5G era being the current economic and social development trend, technologies such as IoT, big data, cloud computing, and AI will be used to facilitate the intelligence upgrade for electronic products alongside the continuous development of digital products including smart phones, portable media players, and virtual reality equipment, allowing rapid development of the high-end micro electroacoustic components and consumer electroacoustic products. As earphones are independent electroacoustic products, it is estimated that the penetrate rate of wireless earphones are going to increase and the global true wireless stereo (TWS) earphones will grow by a wide margin.

In recent years, wearable devices have been the focus development in the industry, among these, smart watches and ear-worn devices account for a large proportion. In the ear-worn device market that is extremely competitive, mini sized, improved sound quality, durable & long lasting and stable connected true wireless stereo products have become the development focus of all manufacturers.

Using smart speakers is a new way of life nowadays which contains unlimited business opportunities. In 2019, global smart speakers shipments exceeded 100 million units, and in the future, with the enhanced accuracy of voice recognition, the use of smart speakers will be even wider. As of now, the voice assistant technology of smart speakers are gradually being applied to the automotive market, and it is possible it can be integrated into newly launched cars in the future. Smart speakers in the 5G era will be the most crucial core equipment in smart households, and although the world has been affected by the coronavirus, the long-term growth remains unchanged.

In recent years, the global smartphone sales growth has slowed down, and in light of the recent events surrounding Coronavirus (COVID-19), many 5G mobile phones that were due to launch have all been postponed. Despite the fact that the shipment of the domestic demand for 5G mobile phones still hit a

record high, the smart phone sales around the world are still likely to decline. 5G mobile phone shipment will depend highly on 5G construction development and the restoration of consumers' confidence to replace their old mobile phone to a 5G mobile phone.

2. The Connector Industry

Connectors are a crucial electronic component for electrical connection or signal transmission between system or the entire circuit unit. Connectors are mainly applied in industries such as automotive (23.6%), communications (22%), consumer electronics (13.5%), industrial (12.3%), and rail transit (7%). The iteration speed for connectors in the downstream applications such as smartphones and computers is quicker. With emerging industries including new energy vehicles, IoT, and drones currently thriving, the overall development of downstream market is looking to promote the speedy growth of connectors.

As the fast growth of downstream industries including military, communications, new energy and automotive as well as the full support by national industrial policies, China has the world's largest connector market. Due to the fact that the communication connectors have potentially higher market values; they are also deemed as the crucial component of the 5G development, and the future construction application of internet data center (IDC) is also substantial in terms of market scales. As a result of the development of automotive new energy and smartization, market scales for automotive connectors is estimated to reach NT\$10 billion. Overall, the new development trends for connectors are high frequency and high speed, wireless transmission, mini sized and smart.

In terms of PC market, it has shown its first increase sign in 2019, according to the Gartner analysis report. In 2019, PC shipments around the world totaled 261.2 million units, up 0.6% compared to 2018. Looking ahead to 2020, Gartner has estimated that for the next 5 years, consumer PC market will continue to decline. Product innovation is one of the key factors for the PC market to remain its continuous growth.

Even though the COVID-19 lockdown has brought demand for servers, TWS, laptops and cloud data centers, it is considered as short-term emergency demand. With the expected decline for PC demand, the PC industry must enhance its supply chain management and precisely control production for the global economic depression that follows. In the short term, the demand for PCs is still likely to grow due to people working from home and e-learning.

3. The Development of the Product Application Market

(1) Electroacoustic Components

The application of acoustics application is boundary free, and has extended to international communication, mass communication, traffic safety, environment quality, music, entertainment, inspection and testing, biomedical imaging, hearing aid, anti-noise, petroleum exploratory drilling, defense, rescue, and counterterrorism. Yet, all the above applications rely on the "electroacoustic" converter (microphone and loudspeaker) to achieve. Traditionally, speaker is used in radio, sound system, and mass communication. Piezoelectric loudspeaker is used as the sound source and receiver in ultrasound and sonar. Micro loudspeaker is used in cell phone, earphone, VoIP, 4C products, and hearing aids. Currently, portable device and high quality 4C products have become an integral part of our daily lives. The demand volume of micro loudspeaker grew in line with the growth in demand for tablet PC, smart phone, and wearables. Likewise, the demand for smart

sound box, translation devices-simultaneous interpreter and related smart products also grew over the years.

Yet, the produce life cycle of smart products is short that the firms must adjust their production lines perpetually. Products fitting the needs of the customers and markets and remained competitive dictated for the strong capacity in research and development. New products must be designed to the needs of the customers. In addition, the slim, light, short and compact design development of cell phone with waterproof function required electroacoustic parts and components at stricter standard. Other than the basic design capability, the firms must have solid background in the development and application of new materials in order to pass the test of the market.

The shipment of consumer or professional sound and communication products will be enhanced, echoed with the continued development of ultrathin loudspeaker, wireless sound system, Sound Bars, automotive loudspeaker, smart sound box and related products. These will help to boost up the shipment volume of acoustic products and related parts and components. The development of related products for the smart wearables will be promising.

In terms of earphones, as the bluetooth technology continues to improve and the evolution of AI and sensing technology, as well as the change of mobile phone structure and the support of software system, the sales of true wireless stereo (TWS) remain optimistic with their wireless, smart, small size, excellent sound quality, high-efficient connection and stability. In face of the fierce and competitive consumer acoustics market for professionally tuned sound effects and dual dynamic speakers, enhancing the performance of treble and bass is one of the development trends as a means to achieve the goal of product differentiation.

(2) Electronic Connectors

Connectors can be applied onto many fields of products including automotive, computer, communications, industrial, military, aerospace, transportation and medical. At the moment, automotive products account for the highest proportion followed by communication and consumer electronics. Not only do the connectors in current light and slim equipment have high-speed transmission rate, they are also equipped with multi-pins to integrate data, audio and video, and power signals to satisfy the dual requirements of both thickness and performance for the new generation of electronic devices.

The impact from the US-China trade war has on connector industry will facilitate various developments of new technologies including evolution of cannon transmission interfaces, new trends in connector/sensor integration, connectors leading towards soft electronics. Connector manufacturers are also moving towards to developing new application product lines as the demand of emerging application market is diverse and innovative. Future connectors are likely to be smaller, highly reliable with strong wireless while accompanied smart function. With the upcoming era of 5G and IoT, high-speed function has become a new demand. Wireless transmission connection of wireless technology will also be a guarantee in industrial and automotive industries.

With respect to communication moving toward 5G commercialization, it is promising there will be a wave of people replacing their original mobile phones to 5G mobile phones. With the 5G mobile phones being more sophisticated, connectors are likely to be developed into micro-direction while

at the same time the demand for fast charging on the current and power carrying capacity of the connector is also likely to be higher. As the AIoT trend gradually taking shape, it is safe to say that there are more new development opportunities for connectors in terms of applications.

(3) Automotive Parts and Components

The rapid development of the technologies for electric cars, unmanned vehicles, and IoT over the years led to the new era of smart cars. Smart, light weight and electric car will be the main trend of development in market. The continued development of IoT and unmanned driving technology dictated for higher standard of sensors and communication technologies. The telecommunication service providers accelerated to commit their resources to the 5G environment and the rapid introduction of advanced auxiliary supporting system of foreign automobile firms will stimulate for higher demand of vehicle-mounted data communication and vehicle-mounted sensing system, which in turn stimulated for a much larger consumption volume of passive components. In sum, under the fermentation of electric cars, unmanned driving, and IoT, it is estimated that the passive components used in each car will increase significantly. The entrance barrier for the technology of passive components is not high and the price is not sensitive that the purchase order will be stable. This advantage attracts many major manufacturers to the market that help to effectively improve the product structure and enhance profitability.

4. The association of upstream, midstream and downstream industries

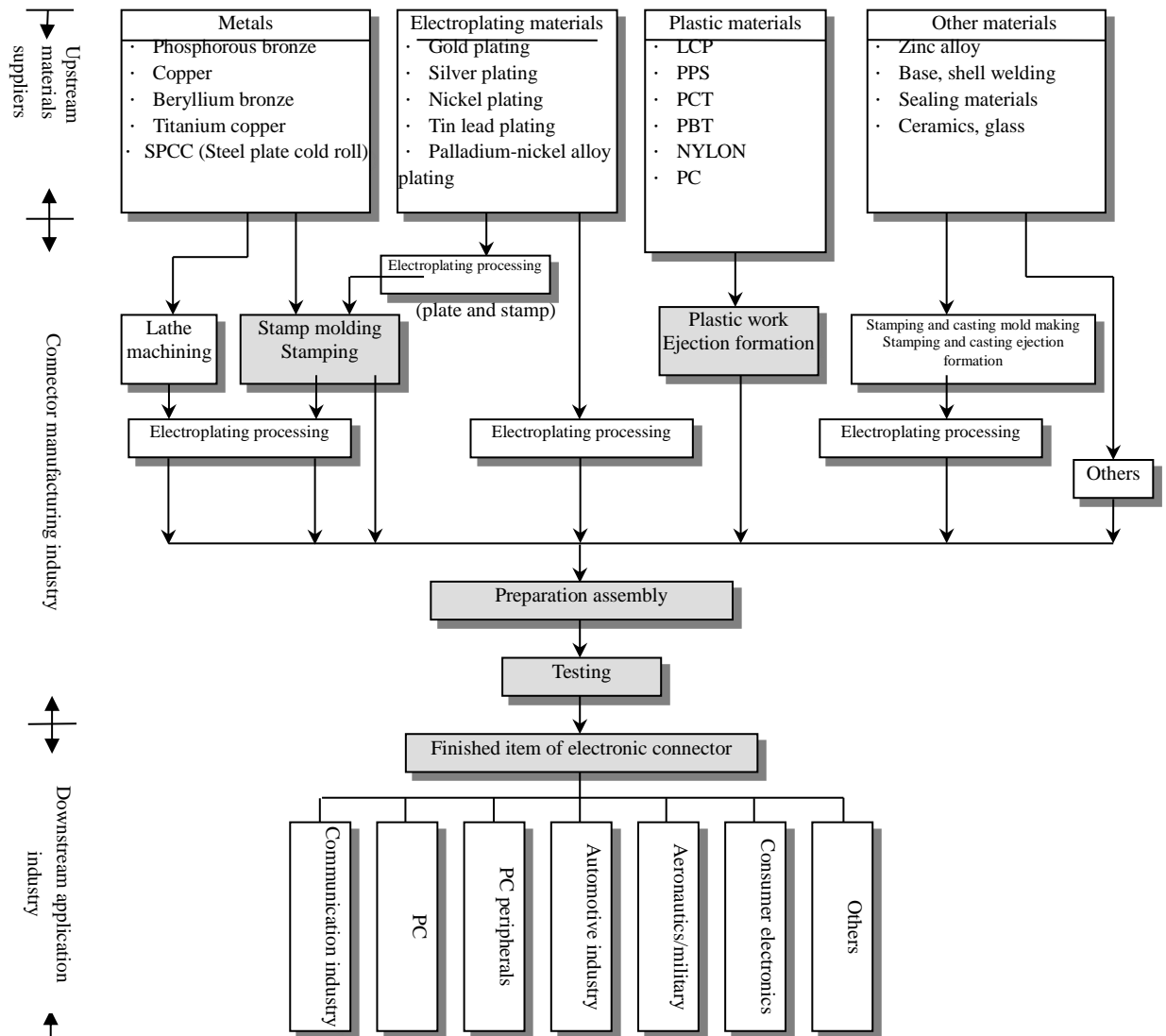
(1) Electroacoustic Industry

The electroacoustic industry is composed by the terminal brand proprietor firms, acoustic parts and components outsourced manufacturers at downstream and the chips, plastic, metal, wires firms at midstream and upstream.

(2) The Connector Industry

Structure of electronic connector industry

(source: ITRI's Industrial Technology Intelligence Services (ITIS) Project)



5. Different trends of development of products and competition

Product items	Development trend	Competition	Responding strategy of the Company
Consumer electronic connectors	<ol style="list-style-type: none"> In responding to the need of slim and light design, related connectors are undergoing integration. Formation of the idea of slim and light in design The external connectors should feature high frequency transmission. 	<ol style="list-style-type: none"> High frequency transmission and slim and light connector technology have emerged as the items for special research and development of the connector manufacturers. Price competition. 	<ol style="list-style-type: none"> With the tooling technology, the Company made ceaseless improvement of its insert molding production technology. Application for patent registration in China, Taiwan, USA and Japan for setting up barrier with patents to meet the needs of slim and light in the future. Selective use of price competition strategy with ceaseless upgrade of product technology and

Product items	Development trend	Competition	Responding strategy of the Company
			quality.
Acoustic-optics components	Slim and light design and flexible automated production.	<ol style="list-style-type: none"> 1. The acoustic customers increase their ratio of self-manufacturing 2. Possession of the know-how in combination of silica gel and metal and plastics that enabled the Company to emerge as the world market leader in the production of silica gel vibration membrane. 	Make use of the tooling technology of the Company for ceaseless improvement of the insert molding production technology to build up entrance barrier in technology.
Automotive parts and components	Slim and light design and flexible automated production.	Technical barrier of the industry peers in Europe.	<ol style="list-style-type: none"> 1. Make improvement of the products and production technology of the industry peers in Europe, engage in joint development with the customers in Germany for new products to set up cost and technical barrier. 2. Challenge the full line automation of the automotive industry and products with high entrance barrier.

6. Competition

External connector has been gradually given up in the design of consumer electronics. It was coupled with the cut-throat competition of the industry peers. This halted the connector enterprises from making investment in business that may hamper their competitive power. The Company continues to make great effort in investing in the tooling equipment of its own to upgrade tooling technology and bolster the output of automation. The carrying items of the Company have been changed from connectors of consumer electronics to customized acoustic-optics components and automotive parts and components. This product line is highly customized that only the customers could produce a specific proportion. It is difficult for outsiders to compete in production. Further, design and full production capacity will be the gravity of this product line that it is difficult for the outsiders to imitate. The Company masters the know-how in combining silica gel, metals and plastics, which enabled the organization to emerge as a leader in the field of silica vibration membrane in the world market.

The Company has teamed up with the new M&A company and developed the world's first monomer with 6mm and 5.4mm liquid silicon gel diaphragm in the world which has also been introduced and launched in new products of other well-known American brand customers and their suppliers. The Company's products will be utilized onto new customers' wearable devices while cooperating with the Company's team in chip design in order to reach co-promotion module contract agreement. Automotive customers also continue to promote the mass production plan and the expansion of the Company's operation scales will make Company more competitive in the industry.

(III) Technology and R&D

1. The technical level of the business and R&D

The major technological know-how of the Company rested with the following 3 levels:

- (1) Product design: The Company has a strong team of engineering R&D personnel in Taiwan and Mainland China. They proceed to product design and development to the orders of the customers. The R&D function in Taiwan is focused on the design of customized product specification of the end customers in Europe and the USA while its counterpart in Mainland China is engaged in the improvement of the current product line for the customers of acoustic-optics components and customers receiving the services of the Company. In addition, this team is also responsible for the update of product specification to the needs of the customers. As such, the Company has the capacity and experience at the product design stage accumulated for years as compared with other industry peers.
- (2) Tooling technology: the internal key technology of the Company is in tooling. The key management team of the Company has more than 20 years of experience in mold design and production. The designers and the technicians of the team were trained internally by the Company. As such, many patents of production technologies are derived from the tooling technology. Indeed, tooling technology is the core value of the Company.
- (3) Automation technology: At the beginning period of product R&D, the Company demands 4 development crucial keys in the development stage: 1. Whether there is any contradiction between the product and other patent; 2. Market demand for such product; 3. Whether the production cost is lower than the similar products that are already developed in the market by 20%-30%; and 4. Whether the new products be produced under automation system? This element is vital for the Company in making profit. For this reason, the Company has set up an Equipment Development Dept charged with the duties of the research, development, and improvement of automaton technology. As such, 80%-90% or even more of the products of the Company are assembled by the automated production equipment by the Company.

As such, we could see that the technological level of business of the Company is oriented to ceaseless refinement and ongoing breakthrough. The resources of the Company after years of investment fortified the production capacity of the Company, which made it emerged as an industry leader even though incomparable to the international big enterprises. The R&D items of the Company in the future are specified below:

Product categories	Products and Plans planned for development	Sphere of application
The development of automotive related parts and components	Joint venture with the customers in the development of the parts and components necessary for the driving of new energy cars.	The automotive industry
Design and development of the mass production technology of parts and	Parts and components of microwave acoustics (loudspeaker) and	Different industries

components for acoustic products.	Mass production of the parts and components of moving-coil loudspeaker.	
The composite use of silica gel material and other materials	The application of silica gel material to different levels of production technologies. The application of silica gel to the technology development of semiconductor production process.	Acoustics industry, optical industry. Automotive industry, semiconductor industry.
Optical products	Mass production technology of optical products and optical grade tooling capacity	Optics industry Automotive industry, semiconductor industry.
Metal stamping technology	Upgrade of metal stamping technology	

2. R&D expenses in the last 5 years

Unit: NT\$ thousand

Items	2015	2016	2017	2018	Year 2019	2020 Q1
R&D expense	113,884	102,520	377,916	452,805	589,218	151,186
Net income	2,422,162	2,492,724	5,274,434	5,757,902	5,124,518	922,141
Ratio to net income	4.70%	4.11%	7.17%	7.86%	11.50%	16.40%

Note: The above consolidated financial information has been audited or reviewed by CPAs.

(IV) Long and short-term business development plans

1. Short-term business plan:

- (1) Continued development of the domestic sale market in Mainland China targeting at network communication industry:

The Company is focused on the network communication industry. Most of the customers are Taiwan business or foreign business. In recent years, network equipment companies in Mainland China such as Huawei and FiberHome have emerged as world-class network equipment firms through mergers and acquisition. Connectors in this market segment are mostly supplied to world-class big firms such as Tyco, Molex, and Foxconn. Most network equipment companies in Mainland China have gradually appealed to other suppliers so far as the cost is concerned. As such, this market could be the target for the Company to enter and develop.

- (2) Penetration of the products made by the Company into the product lines of the OEM customers through diversified mode of promotion as an integral part of end products:

The Company has developed long-term cooperative relations with the NB OEM makers. Since these OEM makers have started to diversify their OEM production lines, the Company could cut in several industries such as LCD TV and tablet PC. As such, the Company could promote the products being developed into their supply chain of parts and components for OEM products for developing market depth.

- (3) Improvement of the production capacity for acoustic-optics and continuation of

optimizing the yield rate of acoustics and optoelectronic manufacturing to satisfy the increase in purchase orders after the upgrade of technologies:

The core competence of the Company in know-how is tooling and automation design and production. This core competence may also be applied to the development of acoustic-optics components. As such, the Company started its joint ventures with big US acoustics firms since 2013, and engaged in mass production since the second half of 2013. In 2017, acoustics components accounted for approximately 60% of the consolidated revenues of the Company. The Company has laid down its foundation of acoustics components in the period of 2013-2014 with its strength in tooling and automation development, which is very helpful for its development in 2015 and 2016. In 2015, purchase orders from the big acoustics firms contributed to the significant growth of revenue and profit of the Company. With this experience, the Company has a clear concept for its product Road-Map for development in the future and oriented towards multiple-materials and multiple-dimension insert-molding technology in research and development. The revenue from acoustics components in 2020 was an extension of stable growth from 2019. Optics components will continue to apply to production technologies at optical level with silica gel materials in 2020.

- (4) The production of the well-developed vibration membrane and the advanced mixed covered injection technology:

We master the know-how of combining silica gel, metals, and plastics, which enable us to emerge as a leader in the market of silica gel vibration model. Currently, our R&D team has spared no effort in the development of the materials with f0 error at the level of ± 5 Hz for waterproof and air permeable new material. This material features the integrated function of waterproof to replace the original sound web, adding new function to old parts, and condense the production process and cost of production at back-end. This is not only a matter of mixed covered injection with a diversity of materials; it also makes the quick availability of substitution plan for the customers to their needs further to the well-developed production process.

2. Long-term development plan

- (1) Active participation in cross-industry exhibitions such as precision production shows, automobile show, and medical machinery shows to enhance the exposure of the Company in frontier manufacturing capacity.
- (2) Establishment of stable business relation with top-notch manufacturers of the world with less manpower and high reproducibility manufacturing capacity.
- (3) Challenge the full-line automation of the automobile firms and development products with high entrance barrier.
- (4) Further effort in the development of silica gel ejection LSR production process.

II. Market, production and sale

(I) Market Analysis

1. Main regional markets for the products

Main regional markets for the products in the last 2 years, the amount and proportion of sales

Unit: NT\$ thousand

Regions of sales in the year		Year 2019		2018	
		Amount	%	Amount	%
Domestic sale		-	-	-	-
Export sale (Note)	Mainland China	4,698,241	91.68	5,538,424	96.19
	Taiwan	103,701	2.02	71,392	1.24
	Others	322,576	6.30	148,086	2.57
	Subtotal	5,124,518	100.00	5,757,902	100.00
Total		5,124,518	100.00	5,757,902	100.00

Note: The regions of sales beyond Cayman Islands. The consolidated financial information provided above has been audited by CPAs.

2. Market share

The principal business of the Company is the production and sale of acoustic components, connectors and jig. In 2019, the revenue from acoustics components accounted for 80% of the total revenue. Acoustics components are not common parts and components for consumer electronics that statistics on related research are not common and easily available. As such, it is difficult to obtain the exact figure of market share. Further, the entrance barrier is high in the technical aspect, and the end customers and international acoustics big firms have high standard in quality. The entrance barrier could further be secured with the registration of patents. In the aspect of connectors, the Company concentrates in the research and development, manufacturing, and sale of network communication and NB series of connectors. In light of the diversity in the types of connectors and the know-how is well-developed with many suppliers, it is difficult to estimate the market share of this product line. Yet, the Company is specialized in high frequency and high speed connectors. With the stable support from the downstream manufacturers, the products and technologies of the Company were highly recognized and affirmed by the customers and are competitive in the industry.

3. The supply and demand in market of the future and potential for growth

Connector is a vital component in the terminal consumer electronics market and is applicable to end products. The market size of the electronic parts and components markets is approximately tens of billions of NTD (e.g. LED, passive components, PCB, connectors and battery tooling), which stimulated business opportunities worldwide. Acoustic component is a newly emerged industry. In the wake of the increasing popularity of smart phone, the trend of growth of this industry is highly visible. This item brings in good profit. The following is the analysis of the changes in the supply and demand in market:

(1) Connectors

At the early stage of the operation, the Company was focused on the research and development, production, and sale of connectors. The Company underwent transformation in the last few years and turned its focus on tooling technology. The network communication and NB connector industry have been well-developed, and the gross margin is not as thick as the newly emerged business, but it still account for a substantial share in the terminal application

market. Connector is an integral part attached to different types of electronic components such as LED, PCB and battery tooling. According to the research findings, in 2019 indicated that the size of production and sale in the connectors market in 2018 was still on the growth. In the rapid development of downstream industries in China like, military, communication, green energy and automotive, and under the great support of the government policy, the manufacturing standard of local firms has obviously been upgraded. The Company is focused on high frequency or high speed connectors, and could maintain its operation with stable growth in the future.

(2) Acoustics components

According to research findings, the global smart phone market shipments showed a sign of decline in 2019. Although the smart phone market demand fell, there are large business opportunities when people replace their mobile phones to 5G mobile phones. In the first quarter of 2020, the 5G mobile phone sales in China continued to hit a record high and it is expected that after both the pandemic outbreak, and 5G mobile phones gradually being released, consumers' demand will slowly rebound, further driving the shipments of smart phones. The number one customer of the Company in China is among the top performers in acoustics worldwide. In addition, the end customers of smart phone demand very high quality from the international big electroacoustic firms, which in turn compelled these big firms to demand high standard in technology for screening the suppliers. This helped to place a high entrance barrier. As such, the Company could still expand its scale of operation irrespective of keen competition in the industry.

(3) Potential for growth in the future

The above analysis of supply and demand indicated that the premium products of the Company were used in consumer electronics and network communications, and have reached certain economy of scale and market share. Under the high entrance barrier of technology of the acoustic-optics, competitors cannot easily penetrate into the market and the Company will be prospective in the future.

4. Competitive Edge:

The competitive advantages of the Company are specified below:

(1) Innovative design mindset:

The original design of connectors by the Company is not affected by the homogeneity of products in the industry by using an innovative mindset to challenge the original design concept. In addition, the Company used the Insert Molding process technology extensively to reduce the use of copper and condense the time for production. The multiple-materials Insert Molding technology allows for a diversity of products and posed a technical barrier, and has been recognized by the international customers and patent registration in many countries.

(2) Capability in improvement of production technology

The Company invests in the design and development of automated assembly devices every year for product stability such as the fully automated

assembly machine, mechanical robotic arms automated assembly machine, automatic inspection and testing machine. In addition, the multiple-cavity tooling design for mold injection, the Insert Molding process technology remained the strength of the Company in production technology improvement.

(3) Automation equipment to control the production process and quality of products

The Company highly values machinery automation, and has procured fixed assets amounting to NT\$1,490,348,000, NT\$1,027,342,000, and NT\$2,011,751,000 over the last 3 years, respectively. This could indicate that the production process of the Company has gradually been transformed to automation for reducing the demand for labor force. Furthermore, the Company has also self-developed an automated system for product inspection and testing for assurance of quality further to the procurement of quality assurance equipment and production equipment for the continued upgrade of the precision of mold manufacturing, stamping and assembly and the eventual production quality yield rate.

5. Factors favorable and unfavorable for the development in the future, and the response:

(1) Favorable factors:

A. The demand in the acoustic-optics component market is stronger than the supply:

The Company turned to the acoustic-optics market with its capability in design and production of connectors, and cut in the market at the growth stage of the market of portable devices. Given the demand for precision in know-how and customization, an entrance barrier has been erected in the field of acoustic-optics components. As such, a bottle neck in supply was formed and the market is under oligarchical control. The market is promising in the future with the expansion of operation in acoustic-optics.

B. The marketing policy of in-depth development of non-mainstream industries:

The consumer electronics market will be the mainstream market for the development of the connector industry in Taiwan. The NB market is the center of the mainstream market. Yet, this market was conditioned by the cost of the NB ODM, OEM, or EMS assembly plants that the gross profit of connector products could not be improved. Under this circumstance the investment of the connector firms in research and development could not enjoy cost-efficiency. Likewise, the capacity of the connector firms in innovation and development of production technology slowed down. The Company has pursued its marketing strategy by targeting at the non-mainstream market way back through in-depth cultivation. The revenue has been marginally lower than the industry peers but has been on the growth year after year to expectation. The Company then turned to new market for further expansion, and could maintain growth in revenue under the financial crisis of the US in 2008 and the Euro debt crisis in 2011. In addition, the direction of research and development and the allocation of resources of the Company were aligned with the development trend of the Company. As such, the Company performed better than the industry peers in innovation and

improvement in production technology. The Company earned the trust of the customers with its design idea, which could be proved by the extension to acoustic-optics components.

(2) Unfavorable factors and response:

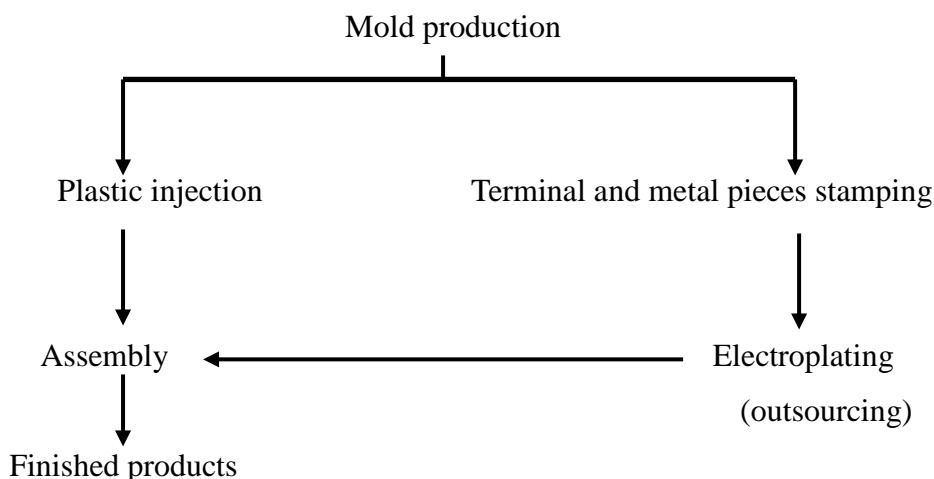
Unfavorable factors	Response
Joint venture with international big firms required more investment in research and development than the industry peers.	<ol style="list-style-type: none"> 1. Control the cost of research and development through caution in selection of projects. 2. Engage in joint venture with international big firms in research and development such as the famous US acoustics firms to set the direction of research and development and commitment of resources. 3. Application for patent registration to protect and upgrade the technical barrier and build up a higher entrance barrier with patents and technology.
The marketing strategy of in-depth cultivation of the non-mainstream market could not earn the recognition of the industry peers.	<ol style="list-style-type: none"> 1. Entrance into the capital market for upgrade of the position in the industry. 2. Determine the positioning in the industry through joint venture with the international big firms. 3. Continue to recruit good people in research and development and management to enlarge the scale of operation and improve the position among the industry peers.
The rapid change in technology shortened the life cycle of end products.	<ol style="list-style-type: none"> 1. Strengthen the capacity in precision and product yield rate through know-how and seek more opportunities for joint venture with international big firms through the upgrade of production equipment for better opportunity of product development. 2. The R&D function is engaged in the research and development of products to the specification requirement of the customers, and has also procured high precision processing equipment. These indicated that the Company has a higher level of precision technology than the industry peers. 3. The Company optimized the cost in product design for proper cost control and made improvement in automation production equipment and process to enhance the yield rate and production efficiency and reduce the cost of production. In addition, the Company seeks to upgrade the technical process with the research and development of new specifications to the demand of the customers and align with the trend of innovation of the downstream end products. 4. Continue to optimize the yield rate in the manufacturing of acoustic optoelectronic manufacturing, and improve the ROE and per capita production value.

(II) The purpose of major items and production process

1. The purpose of major items:

The major items produced by the Company are electronic connectors and acoustics components. These items are used in the end products for connection or transmission of signals to end products so as to generate power in the electronic parts, and the electronic parts for acoustic transmission for the portable devices.

2. The production process of major items:



There are 5 major stages in the production process of connectors, which are mold development, plastic injection, stamping, electroplating, and assembly. Currently, the Company outsources for electroplating after the design and the works of all other stages of the process are performed by its own technologies. The Company has accomplished the vertical integration of 5 major processes in 2012 for the realization of all-indigenous production plan.

(III) The supply of key materials

Names of key materials	Key suppliers (Note)	Status of supply
Plastics for acoustics components	Supplier H, Supplier E	Good
Plastic chips	Supplier D, Supplier I	Good
Terminal	Supplier B	Good
Sound network	Supplier C	Good

Note: Due to NDA, names of companies are not disclosed.

(IV) List of key suppliers and customers:

1. The names of the suppliers accounting for more than 10% of the total purchase of any of the last 2 years, the amount of purchase and proportion to total purchase, and explain the reasons for the changes, where applicable: The Company's net purchase targets for 2018 and 2019 both did not exceed 10% of the net purchases.
2. Name of the customers who accounted for more than 10% of total sales in one of the latest two years and its sales amount and percentage, as well as explanation of its increased (decreased) reasons of changes:

Unit: NT\$ thousand; %

Items	2018				Year 2019				2020 Q1			
	Name	Amount	As Percentage of Annual Net Sales	Relation with the issuers	Name	Amount	As Percentage of Annual Net Sales	Relation with the issuers	Name	Amount	As Percentage of Annual Net Sales	Relation with the issuers
1	A	4,235,404	73.56	None	A	2,743,919	53.54	None	A	251,417	27.26	None
2	B	824,303	14.31	None	B	290,975	5.68	None	B	17,619	1.91	None

3	C	-	-	None	C	951,575	18.57	None	C	153,087	16.60	None
Others		698,261	698,193	-	Others	1,137,861	1,138,049	-	Others	500,018	54.23	-
Total		5,757,902	100.00	-	Total	5,124,518	5,124,518	-	Total	922,141	922,141	-

In 2018 and 2019, the sales mainly came from the acoustic parts and the related molds and jigs sold to A Customer and B Customer. Because customers A and B's demand decreased in 2019, the sales percentage of these two customers therefore decreased. In 2019, parts for newly added acoustic products were sold to Customer C; affected by the boom of end products, the sales ratio in 2019 was relatively high.

(V) Production's Volume and Value Table in Latest Two Years

Unit: NT\$ Thousand/ Pieces Thousand

Production Value Main Products	Year	2018			Year 2019		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Acoustic products and parts		720,000	577,274	2,119,899	890,000	714,848	2,403,731
Connector series		350,000	276,349	346,478	338,000	270,682	177,280
Mold and jig and automation equipment		24	19	939,121	426	341	1,017,549
Optical parts		145	116	680	46,000	37,095	92,897
Parts of automotive series and others		179,000	143,267	214,394	43,000	34,831	314,191
Total		1,249,169	997,025	3,620,572	1,317,426	1,057,797	4,005,648

(VI) Sales' Volume and Value Table in Latest Two Years

Unit: NT\$ Thousand/ Pieces Thousand

Sales Value Main Products	Year		2018				Year 2019			
			Domestic sale		Export sale		Domestic sale		Export sale	
			Volume	Value	Volume	Value	Volume	Value	Volume	Value
Acoustic products and parts			-	-	499,945	3,124,631	-	-	664,020	3,877,964
Connectors			-	-	57,234	334,381	-	-	35,697	206,607
Mold and jig and automation equipment			-	-	4	2,026,077	-	-	22	720,219
Optical parts					75	98			31,144	30,690
Parts of automotive series and others			-	-	28,192	272,715	-	-	37,147	289,038
Total			-	-	585,450	5,757,902	-	-	768,030	5,124,518

III. Basic information on the employees in the last 2 years to the day this report was printed

Unit: person; %

Year		2018	Year 2019	As of March 31, 2020
Number of employees	Manger	30	51	49
	Regular staff	2,828	3,223	2,639
	Total	2,858	3,274	2,688
Average age		27.9	30.9	31.5
Average years of service		1.3	2.2	2.6
Distribution of education level	Doctors	0.10	0.09	0.11
	Masters	0.45	0.52	0.48
	Bachelors	23.16	24.65	26.53
	Senior high school and below	76.29	74.74	72.88

IV. Information on environmental protection expenditure

(I) Total loss and amount of fine due to pollution of the environment in the most recent year to the day this report was printed: Nil.

- (II) Future corresponding measures and possible expenditures: The Company has comprehensive environmental facilities and there is no plan of purchasing material equipment in recent years aside from the annual routine repair work and maintenance.

V. Labor-Management Relation

- (I) The fringe benefits, continuing education, training, retirement system of the Company and implementation, and Labor-Management Agreement, the protection of the rights and privileges of the employees.

1. Employee benefits

- A. The Company duly observes applicable laws governing labor force in relevant regions. All employees are entitled to social insurance and related reserves like the housing allowance reserve in Mainland China and the annuity of retirement for the employees in Taiwan under the new retirement system.
- B. Trips and events for employees are held on an unscheduled basis.
- C. The Company holds recreational activities like basketball games, tug of war and others from time to time to help the employees to release their pressure from work.
- D. Employees in Mainland China are offered free accommodation and meals to improve their real income.

2. Employee continuing education and training

The Company provides internal and external training for the employees. Further to the orientation of the new employees as an integral part of internal basic training, different types of on-the-job training relevant with the assigned duties of the employees are also provided. The completion and performance of the employees in the training will be tracked on record as reference for salary adjustment and promotion in the future. External training could be received at home and abroad. Training in Taiwan is mostly for licensing and certification in certain area of specialization and as required by the government. Training in other countries will be provided for the outstanding employees after screening by the Company for short-term to allow them to broaden their horizon.

3. Retirement system

The Company established the retirement system for the employees in compliance with applicable laws of the places of operations. In Mainland China, the Company appropriated payments for the 5 reserve funds to the local Human Resources and Social Security Bureau as pension reserve for the employees. In Taiwan, the Company allocates a specific percentage of the employee salaries as pension reserve under the new retirement system. The Company will proceed to the retirement procedures in accordance with applicable laws of the places of its operations for the employees who are at the age of retirements.

4. The Company and its investee companies duly respect the rights and obligations of the employees in accordance with the applicable laws in relevant host countries of operations governing labor force. Further to public education and communication with the employees, the Company also conducts interviews with individual employees at all levels to understand their needs and refine the management rules and regulations of the Company to make management

humanized. In addition, the investee companies have duly observed applicable laws of relevant host countries of operations in recruitment, employment, and remuneration. These companies also establish safe and health work environment in compliance with local laws governing occupational safety and health to protect the rights of the employees.

(II) The loss caused by labor-management dispute in the most recent year to the date this report was printed. Disclose the estimated amount of loss from this cause at present and in the future, and the response. If it is impossible to make justifiable estimation, explain with supporting evidence: The Company and its investee companies have no major labor-management disputes so far.

VI. Major contracts

Contract nature	The party	Starting date of the contract	Major content	Restriction clause
LOAN AGREEMENT	Shanghai Commercial and Savings Bank	March 2018 - March 2021	Loan Agreement	None
LOAN AGREEMENT	Chang Hua Bank	August 2018 - August 2021	Loan Agreement	None
LOAN AGREEMENT	E. Sun Bank	February 2019 - February 2021	Loan Agreement	None
LOAN AGREEMENT	CTBC Bank	August 2018 - August 2021	Loan Agreement	Yes (Note 1)
LOAN AGREEMENT	ICBC Leasing	February 2018 - December 2022	Loan Agreement	None
LOAN AGREEMENT	China Industrial and Commercial Bank	May 2019 - May 2022	Loan Agreement	None
LOAN AGREEMENT	Bank of Communications	September 2019 - September 2022	Loan Agreement	None
LOAN AGREEMENT	Bank of China	June 2019 - June 2022	Loan Agreement	None
LOAN AGREEMENT	Bank of Ningbo	August 2019 - August 2021	Loan Agreement	None
LOAN AGREEMENT	Chailease International Financial Services Co., Ltd.	May 2019 - May 2022	Loan Agreement	None
LOAN AGREEMENT	Taichung Bank Leasing Corporation Limited	September 2019 - September 2021	Loan Agreement	None
LOAN AGREEMENT	COSCO Shipping Leasing Co., Ltd.	January 2020 - December 2021	Loan Agreement	None
LOAN AGREEMENT	E. Sun Bank	April 2017 - April 2024	Loan Agreement	None
LOAN AGREEMENT	Chang Hua Bank	May 2020 - May 2023	Loan Agreement	None

Note 1: The Group should maintain the following financial ratios in its interim consolidated financial statements:

- (a) Current ratio (current assets/current liabilities): > 100% (Net of the outstanding balance under This Agreement)
- (b) Debt ratio (total liabilities/tangible assets): < 150%
- (c) Debt service coverage ration [(EBT + depreciation + amortization + interest expense)/interest expense]: > 5 times
- (d) Net value of tangible assets: > NT\$2,000,000,000

VI. Financial Position

I. Condensed Balance Sheets and Comprehensive Income Statements of the last 5 years

(I) Condensed Balance Sheet

Unit: NT\$ thousand

Item \ Year		Financial information of the last 5 years (Note 1)					As of March 31, 2020
		2015	2016	2017	2018	2019	
Current assets		1,319,196	1,865,614	4,140,781	4,817,847	5,422,672	5,225,005
Property, plant and equipment		1,356,282	1,751,732	2,624,074	2,809,741	4,139,499	3,797,313
Intangible assets		14,382	19,839	23,549	28,435	209,980	198,813
Other assets		277,757	303,852	419,494	517,148	483,074	454,383
Total assets		2,967,617	3,941,037	7,207,898	8,173,171	10,255,225	9,675,514
Current liabilities	Cum-dividend	1,153,206	1,309,693	1,887,317	3,088,649	3,116,311	2,792,495
	Ex-dividend (Note 2)	1,232,649	1,462,796	2,423,176	3,736,483	3,184,392	2,860,576
Non-current liabilities		516,006	613,771	1,587,727	1,103,163	1,838,580	1,727,625
Liabilities	Cum-dividend	1,669,212	1,923,464	3,475,044	4,191,812	4,954,891	4,520,120
	Ex-dividend (Note 2)	1,748,655	2,076,567	4,010,903	4,839,646	5,022,972	4,588,201
Shareholders equity attributable to parent company		1,298,405	2,017,573	3,732,854	3,981,359	5,034,215	4,895,912
Capital stock		744,435	896,784	1,071,719	1,184,191	1,366,843	1,367,990
Addition paid-in capital		215,220	848,977	1,459,290	1,421,813	2,676,711	2,686,975
Retained earnings	Cum-dividend	311,748	353,953	1,296,950	1,737,636	1,502,571	1,414,781
	Ex-dividend (Note 2)	232,305	200,850	761,091	1,089,802	1,434,490	1,346,700
Other equity		27,002	(82,141)	(95,105)	(288,137)	(437,877)	(499,731)
Treasury shares		-	-	-	(74,144)	(74,033)	(74,103)
Uncontrolled equity		-	-	-	-	266,119	259,482
Total liabilities	Cum-dividend	1,298,405	2,017,573	3,732,854	3,981,359	5,300,334	5,155,394
	Ex-dividend (Note 2)	1,218,962	1,864,470	3,196,995	3,333,525	5,232,253	5,087,313

Note 1: The financial information stated above has been audited or reviewed by CPAs.

Note 2: Earnings distribution of 2019 has been passed by the Board meeting; it has not yet been resolved by the shareholders meeting.

(II) Condensed Comprehensive Income Statements

Unit: NT\$ thousand

Item \ Year	Financial information of the last 5 years (Note)					Current period to March 31, 2020
	2015	2016	2017	2018	2019	
Revenue	2,422,162	2,492,724	5,274,434	5,757,902	5,124,518	922,141
Gross profit	608,174	596,346	2,275,910	2,369,249	1,651,924	167,811
Income from operation	245,402	223,140	1,497,058	1,490,187	549,531	(109,342)
Non-operating income and expenses	1,767	(45,975)	(50,234)	(6,652)	(87,504)	9,757
Earnings before taxation	247,169	177,165	1,446,824	1,483,535	462,027	(99,585)
continued operations Net income in current period	165,292	121,649	1,096,100	976,545	391,668	(95,085)
Loss of discontinued operations	-	-	-	-	-	-
Net income (loss) in current period	165,292	121,649	1,096,100	976,545	391,668	(95,085)
Other comprehensive income in current period (Net income)	(32,681)	(109,143)	(12,964)	(121,162)	(173,745)	(69,352)
Total comprehensive income in current period	132,611	12,506	1,083,136	855,383	217,923	164,437
Net income attributable to the shareholders of parent company	165,292	121,649	1,096,100	976,545	419,892	(87,790)
Net income attributable to uncontrolled equity	-	-	-	-	(28,224)	(7,295)
Comprehensive income attributable to the shareholders of parent company.	132,611	12,506	1,083,136	855,383	251,365	(157,800)
Comprehensive income attributable to uncontrolled equity	-	-	-	-	(33,442)	(6,637)
Earnings per share (NTD)	2.22	1.52	9.59	7.89	3.28	(0.64)

Note: The financial information stated above has been audited or reviewed by CPAs.

(III) Names of the external auditors and audit opinions in the last 5 years:

Year	Name of CPA office	Name of CPAs retained as external auditors	Audit opinions
2015	PWC Taiwan	Se-Kai Lin, Chin-Mu Hsiao	Unqualified opinion
2016	PWC Taiwan	Se-Kai Lin, Chuo-Cheng Chang	Unqualified opinion
2017	PWC Taiwan	Se-Kai Lin, Hsien-Cheng Chen	Unqualified opinion
2018	PWC Taiwan	Hsien-Cheng Chen, Chin-Mu Hsiao	Unqualified opinion
2019	PWC Taiwan	Hsien-Cheng Chen, Chin-Mu Hsiao	Unqualified opinion
2020 Q1	PWC Taiwan	Xian-Zheng Chen, I-Chang Liang	Qualified opinion

Note: The above consolidated financial report has been audited or reviewed by CPAs.

II. Financial analysis of the last 5 years

Items for analysis (Note 1)		Year	Financial analysis of the last 5 years					As of March 31, 2020
			2015	2016	2017	2018	2019	
Financial Structure %	Liabilities to assets ratio		56.25	48.81	48.21	51.29	48.32	46.72
	Long-term capital to property, plant and equipment ratio		133.78	150.21	202.76	180.96	172.46	181.26
Ability to repay debts	Current ratio		114.39	142.45	219.40	155.99	174.01	187.11
	Quick ratio		94.15	116.45	190.98	140.38	153.75	161.43
	Debt service coverage ratio		1,226.21	665.52	2,045.55	1,206.50	486.55	(312.58)
Utility	Account receivable turnover (time)		2.70	2.49	2.49	1.62	1.24	0.91
	Average days of collection		135	147	146	225	294	401
	Inventory turnover (time)		7.51	6.41	7.11	6.70	5.97	4.46
	Account payable turnover (time)		3.21	3.44	4.54	5.35	4.61	3.88
	Average days of sale		49	57	51	54	61	82
	Property, plant, and equipment turnover		1.75	1.60	2.41	2.12	1.47	0.93
	Total asset turnover (time)		0.81	0.72	0.95	0.75	0.56	0.37
Profitability	Return on assets (%)		6.13	4.27	20.77	14.09	5.29	(3.04)
	Return on equity (%)		13.25	7.34	38.12	25.32	8.44	(7.28)
	EBT to paid-in capital ratio (%)		33.20	19.76	135.00	125.28	40.20	(31.97)
	Net income ratio		6.82	4.88	20.78	16.96	7.64	(10.31)
	Earnings per share (NTD)		2.22	1.45	10.53	8.28	3.28	(0.64)
Cash flows	Cash flow ratio (%)		49.25	9.86	14.68	24.80	60.75	5.00
	Cash flow adequacy ratio (%)		48.09	44.44	38.27	37.61	46.05	42.31
	Cash reinvestment ratio (%)		20.92	1.51	1.96	3.60	13.93	1.55
Leverage	Operating leverage		2.48	2.67	1.52	1.59	3.01	(1.53)
	Financial leverage		1.10	1.16	1.05	1.10	1.28	0.82

Explain the reasons for the changes in the financial ratios of the last 2 years. (No analysis is necessary if the change is within the range of 20%)

- Debt service coverage ratio: Mainly due to interest expenditure is less than net profit of income tax interest expenses, resulting in a decrease of debt service coverage ratio.
- Account receivable turnover: Mainly due to the impact of the US-China trade conflict in the first half, resulting in poor sales of end products. Although receivables were able to be recovered, the account receivable turnovers for first and second quarters were only approximately 0.65 and 1.26. Benefited by the revenue growth in the second half, alongside receivables gradually recovered, the account receivable turnovers for the third and fourth quarters have improved to 1.51 and 1.7. Related turnovers have improved to the same level as the previous year. Even though the Company was affected by the coronavirus in the first quarter, receivables were able to be gradually recovered; as of March 2020, approximately NT\$1.1 billion receivables have been recovered.
- Average days of collection: Mainly due to the decrease of account receivable turnover, resulting in an increase of average days of collection.
- Property, plant, and equipment turnover (time): Mainly due to the decrease in net sales and the increase of fixed assets for the emerged company, resulting in a decrease in turnover.
- Total asset turnover: Mainly due to the decrease of net sales and the increase of fixed assets for the emerged company, resulting in a decrease in total asset turnover.
- Return on assets: Mainly due to the decrease of profit and the increase of fixed assets for the emerged company, resulting in a decrease in return on assets.
- Return on equity: Mainly due to the decrease of profit and the increase of shareholders' equity of the emerged company, resulting in a decrease in return on equity.
- EBT to paid-in capital ratio: Mainly due to the decrease of income from operation and the increase in paid-in capital for corporate bonds converted to common shares, resulting in a decrease in the ratio.
- Net income ratio: Mainly due to the impact of the US-China trade conflict that led to a decrease in revenue and increase in operating costs, resulting in a decrease of net income ratio.
- Earnings per share: Mainly due to the decline of net by approximately 9% compared to the previous period, and the increase in corporate bonds converted to common shares, resulting in a decrease of EPS.
- Cash flow ratio: Mainly due to the increase of depreciation expenses, accounts payable and cash flows from operating activities, resulting in an increase of cash flow ratio.
- Cash flow adequacy ratio: Mainly due to the increase of cash flows from business activities and the decrease of capital expenditure, resulting in an increase of cash flow adequacy ratio.
- Cash reinvestment ratio: Mainly due to the increase of depreciation expenses, accounts payable and cash flows from operating activities, resulting in an increase of cash reinvestment ratio.
- Operating leverage: Mainly due to the decrease of operating revenue by 15%, resulting in an increase of operating leverage.

Note 1: The financial information was consolidated and has been audited or reviewed.

Note 2: In the analysis of cash flows, net cash flow from operation refers to net cash inflow from operation. Net

cash outflow was excluded from the calculation.

Note 3: The equations for the calculation of financial analysis are shown below:

1. Financial Structure

- (1) Liabilities to assets ratio = Total liabilities/total assets
- (2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities)/net property, plant and equipment

2. Ability to repay debts

- (1) Current ratio = current assets/current liabilities
- (2) Quick ratio = (current assets – inventory – prepayment)/ current liabilities
- (3) Debt service coverage ratio = EBIT/interest expense in current period

3. Utility

- (1) Receivables (including account receivables and note receivables from business operation) turnover = net sale/balance of average receivables in each period (including account receivables and note receivables from business operation).
- (2) Average days of collection = 365/ account receivable turnover
- (3) Inventory turnover = cost of sale/ average inventory
- (4) Payables (including account payables and note payables from business operation) turnover = net sale/balance of average payables in each period (including account payables and note payables from business operation).
- (5) Average days of sale = 365/inventory turnover
- (6) Property, plant, and equipment turnover = net sale / average net property, plant, and equipment
- (7) Total asset turnover = net sale/ average total assets

4. Profitability

- (1) Return on assets = [net income + interest expense x (1-tax rate)] / average total assets
- (2) Return on equity = net income / average total equity
- (3) Net income ratio = net income/net sale
- (4) Earnings per share = (income attributable to parent company – preferred share dividend) / weighted average outstanding shares (Note 4)

5. Cash flows

- (1) Cash flow ratio = cash flow from operation /current liabilities
- (2) Net cash flow adequacy ratio = net cash flows from operation in the last 5 years / (capital expenditures + inventory increment + cash dividend) of the last 5 years
- (3) Cash reinvestment ratio = (net cash flows from operation – cash dividend) / (gross property, plant, and equipment + other non-current assets + working capital) (Note 5)

6. Leverage:

- (1) Operating leverage = (net sales – variable operating cost and expense) operating income (Note 6)
- (2) Financial leverage = operating income / (operating income – interest expense)

Note 4: Pay attention to the followings in the measurement of earnings per share:

1. The calculation shall be based on the weighted average quantity of outstanding shares, not the quantity of outstanding shares as of the last day of the year.
2. If additional capital was raised by offering new shares, or there are transactions of treasury shares, consider the outstanding period in the calculation of the weighted average quantity of outstanding shares.
3. If there is capitalization of retained earnings or additional paid-in capital into new shares, make retrospective adjustment in proportion to the amount of additional capital raised in the calculation of earnings per share of the previous period and the interim period. The duration of the offering of new shares for raising additional capital could be omitted.
4. If the preferred shares are unconvertible accumulated preferred shares, the dividend of the year (released or not) shall be subtracted from net income, or add to net income. If the preferred shares are not accumulative, the dividend of preferred shares shall be subtracted from net income where applicable. If there is loss, no adjustment is necessary.

Note 5: Pay attention to the followings in the analysis of cash flows:

1. Net cash flow from operation refers to the net cash inflows from operation as presented in the statement of cash flows.
2. Capital expenditure refers to the cash outflow for capital investment every year.
3. The increase in inventory should only be included in the calculation if only the balance at the ending of period is greater than the balance at the beginning of period. Put it zero if there is a decrease of inventory at the end of the period.
4. Cash dividend includes the cash dividends of common shares and preferred shares.
5. Gross property, plant and equipment refer to property, plant and equipment before the subtraction of accumulated depreciations.

英屬開曼群島商康而富控股股份有限公司
審計委員會審查報告書

董事會造具本公司民國108年度營業報告書、財務報表及盈餘分派議案等。上述營業報告書、財務報表及盈餘分派議案經本審計委員會查核，認為尚無不合，爰依證券交易法第十四條之四及公司法第二百一十九條之規定報告如上。

上項財務報告與資誠聯合會計師事務所所出具之查核報告，業經本審計委員審核完竣，認為尚無不合，並經全體成員同意，爰備具審查報告書。

此致

英屬開曼群島商康而富控股股份有限公司 109 年度股東常會

英屬開曼群島商康而富控股股份有限公司審計委員會

召集人 張懿吟

中 華 民 國 109 年 4 月 7 日

IV. Financial Statements of the most recent year



REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19000416

To the Board of Directors and Shareholders of CONCRAFT HOLDING CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of CONCRAFT HOLDING CO., LTD. and its subsidiaries (the “Group”) as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the “Regulations Governing the Preparation of Financial 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 audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, “Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS); and in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and ROC GAAS for our audit of the consolidated financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Independent Accountant’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, and we have fulfilled our other ethical responsibilities in accordance with this Code. Based on our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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資誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan
11012 臺北市信義區基隆路一段 333 號 27 樓
27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 11012, Taiwan
T: +886 (2) 2729 6666, F: +886 (2) 2729 6686, www.pwc.tw

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Evaluation of accounts receivableDescription

Please refer to Note 4(10)(11) to the consolidated financial statements for accounting policy on recognition and evaluation of accounts receivable; Note 5(2) for uncertainty of accounting estimates and assumptions in relation to evaluation of accounts receivable; and Note 6(5) for the details of accounts receivable. As of December 31, 2019, the accounts receivable and allowance for bad debts amounted to NT\$4,216,097 thousand and NT \$27,302 thousand, respectively.

The Group recognized accounts receivable by selling goods to customers in the ordinary course of business, and collected according to the individual credit period of each customer. Allowance for bad debts is estimated based on the unrecoverable amount by referring to the aging analysis, historical experience and present financial conditions of each customer. In addition, the Group estimates unrecoverable amount based on the loss rate calculated by aging of accounts receivable past due as well as taking into consideration the industry forward-looking assessment to estimate expected credit loss. As of December 31, 2019, past-due accounts receivable amounted to NT \$1,076,184 thousand. Since the amount was significant and subject to management's judgement associated with past-due and unrecoverable amount, the evaluation of accounts receivable was identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Based on our understanding of the Group operation and sales transaction counterparty, assessed the reasonableness of procedures and policies used to determine allowance for bad debts, including the objective evidences that the management used to prove that accounts receivable has been impaired, and the policies that were used to determine the losses on bad debts.
2. Obtained the overdue aging report used when management assessed the impairment of accounts receivable, assessed whether the logic of data source was consistently applied, and tested its accuracy with proper documents; and assessed the reasonableness of estimation that management adopted to estimate expected credit loss, including forward-looking adjustments, subsequent collections and economic conditions affecting customers.

3. Checked and tested accounts receivable aging analysis report which was classified by customers. Sampled individual customers to verify historical information of collection, considered subsequent events and discussed with management the recoverability of past-due accounts in order to evaluate the reasonableness of the losses on bad debts.

Evaluation of inventories

Description

Please refer to Note 4(14) to the consolidated financial statements for accounting policy on inventory valuation; Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation; and Note 6(7) for the details of inventory. As of December 31, 2019, inventories and allowance for inventory valuation losses amounted to NT\$663,183 thousand and NT\$109,208 thousand, respectively.

The Group is primarily engaged in manufacturing and selling of electronic connectors and related mold components. Due to the rapid changes in technology of the industry, short life cycle of products and highly fluctuation of market price, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The inventories are measured at the lower of cost and net realisable value, and the Group provides for losses based on individual net realisable value of inventories that are over a certain age and individually identified as obsolete or slow-moving inventories. Since the amount of inventories were significant with voluminous items and subject to management's judgement in relation to inventory obsolescence or slow-moving inventories, the evaluation of inventories was identified as a key audit matter.

How our audit addressed the matter

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

1. Based on our understanding of the Group's operation and the nature of the industry, assessed the reasonableness of procedures as well as policies on providing allowance for inventory valuation losses, including the classification of inventory for determining net realizable value and the reasonableness of determining the obsolescence inventory.
2. Verified the appropriateness of the system logic in inventory aging report which the Group used for inventory valuation, in order to confirm the report information was consistent with policies.
3. Sampled and tested individual inventory item to verify the accuracy of sales price and purchase price, verified the appropriateness of net realisable value estimation, and assessed the reasonableness of allowance for inventory valuation losses.

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

Management is responsible for the preparation and fair presentation of the 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 Audit Committee, are responsible for overseeing the Group’s financial reporting process.

Independent accountant’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 a report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the footnote 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 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 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.

Chen, Hsien-Cheng

Hsiao, Chin-Mu

For and on behalf of PricewaterhouseCoopers, Taiwan

March 30, 2020

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, Taiwan 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.

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2019		December 31, 2018	
			Amount	%	Amount	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 398,377	4	\$ 208,544	2
1136	Current financial assets at amortised cost	6(4) and 8	318	-	-	-
1150	Notes receivable, net	6(5)(6) and 8	39,329	-	535,693	7
1170	Accounts receivable, net	6(5) and 12(2)	4,188,795	41	3,485,600	43
1200	Other receivables		54,734	1	64,867	1
1220	Current tax assets		8,960	-	-	-
130X	Inventories, net	6(7)	553,975	5	428,508	5
1410	Prepayments		77,393	1	53,460	1
1460	Non-current assets or disposal groups classified as held for sale, net	6(13)	95,797	1	-	-
1470	Other current assets	8	4,994	-	41,175	-
11XX	Current Assets		5,422,672	53	4,817,847	59
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	310	-	-	-
1517	Financial assets at far value through other comprehensive income-non current	6(3)	793	-	66,000	1
1600	Property, plant and equipment, net	6(9) and 8	4,139,499	40	2,809,741	34
1755	Right-of-use assets	6(10) and 8	228,817	2	-	-
1780	Intangible assets, net	6(12)	209,980	2	28,435	-
1840	Deferred income tax assets	6(30)	86,509	1	26,711	-
1915	Prepayments for business facilities		59,654	1	162,309	2
1920	Guarantee deposits paid		14,054	-	18,937	-
1985	Long-term lease prepayments	8	-	-	119,470	2
1990	Other non-current assets, others	8	92,937	1	123,721	2
15XX	Non-current assets		4,832,553	47	3,355,324	41
1XXX	Total assets		\$ 10,255,225	100	\$ 8,173,171	100

(Continued)

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
Current liabilities					
2100 Short-term borrowings	6(14)	\$ 132,150	1	\$ -	-
2130 Contract liabilities-current	6(24)	3,395	-	82	-
2150 Notes payable		4,937	-	3,598	-
2170 Accounts payable		959,078	9	538,500	7
2200 Other payables	6(15)	716,789	7	521,977	6
2220 Other payables to related parties	7	211,470	2	-	-
2230 Current income tax liabilities		19,644	-	132,118	2
2260 Liabilities related to non-current assets or disposal groups classified as held for sale	6(13)	67,108	1	-	-
2280 Current lease liabilities		50,793	1	-	-
2365 Current refund liabilities		46,350	-	22,971	-
2399 Other current liabilities	6(17)	904,597	9	1,869,403	23
21XX Current Liabilities		<u>3,116,311</u>	<u>30</u>	<u>3,088,649</u>	<u>38</u>
Non-current liabilities					
2530 Bonds payable	6(16)	45,910	-	-	-
2540 Long-term borrowings	6(17)	1,234,802	12	820,668	10
2570 Deferred income tax liabilities	6(30)	481,100	5	261,625	3
2580 Non-current lease liabilities		55,308	1	-	-
2600 Other non-current liabilities		21,460	-	20,870	-
25XX Non-current liabilities		<u>1,838,580</u>	<u>18</u>	<u>1,103,163</u>	<u>13</u>
2XXX Total Liabilities		<u>4,954,891</u>	<u>48</u>	<u>4,191,812</u>	<u>51</u>
Equity					
Equity attributable to owners of parent					
Share capital	6(19)(20)				
3110 Share capital - common stock		1,366,843	13	1,184,191	15
Capital surplus	6(21)				
3200 Capital surplus		2,676,711	27	1,421,813	18
Retained earnings	6(22)				
3310 Legal reserve		259,526	3	159,312	2
3320 Special reserve		217,563	2	95,105	1
3350 Unappropriated retained earnings		1,025,482	10	1,483,219	18
Other equity interest	6(23)				
3400 Other equity interest		(437,877)	(5)	(288,137)	(4)
Treasury shares					
3500 Treasury shares		(74,033)	(1)	(74,144)	(1)
31XX Total equity attributable to owners of parent		<u>5,034,215</u>	<u>49</u>	<u>3,981,359</u>	<u>49</u>
36XX Non-controlling interests	4(3)	<u>266,119</u>	<u>3</u>	<u>-</u>	<u>-</u>
3XXX Total equity		<u>5,300,334</u>	<u>52</u>	<u>3,981,359</u>	<u>49</u>
Significant contingent liabilities and unrecognised contract commitments	9				
Significant events after the balance sheet date	11				
3X2X Total liabilities and equity		<u>\$ 10,255,225</u>	<u>100</u>	<u>\$ 8,173,171</u>	<u>100</u>

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

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Item	Notes	2019		2018	
			Amount	%	Amount	%
4000	Sales revenue	6(24)	\$ 5,124,518	100	\$ 5,757,902	100
5000	Operating costs	6(7)(28) and 7(2)	(3,472,594)	68	(3,388,653)	(59)
5950	Net operating margin		1,651,924	32	2,369,249	41
	Operating expenses	6(28)(29)				
6100	Selling expenses		(107,965)	(2)	(91,182)	1
6200	General and administrative expenses		(390,898)	(8)	(337,907)	(6)
6300	Research and development expenses		(589,218)	(11)	(452,805)	(8)
6450	Impairment loss determined in accordance with IFRS 9	12(2)	(14,312)	-	2,832	-
6000	Total operating expenses		(1,102,393)	(21)	(879,062)	(15)
6900	Operating profit		549,531	11	1,490,187	26
	Non-operating income and expenses					
7010	Other income	6(25)7(2)	53,027	1	125,482	2
7020	Other gains and losses	6(26)	(20,757)	(1)	1,940	-
7050	Finance costs	6(27)	(119,527)	(2)	(134,074)	(2)
7060	Share of loss of associates and joint ventures accounted for using equity method, net		(247)	-	-	-
7000	Total non-operating income and expenses		(87,504)	(2)	(6,652)	-
7900	Profit before income tax		462,027	9	1,483,535	26
7950	Income tax expense	6(30)	(70,359)	(1)	(506,990)	(9)
8200	Profit for the year		\$ 391,668	8	\$ 976,545	17
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Loss on remeasurements of defined benefit plans		(\$ 80)	-	-	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income		(329)	-	(643)	-
8341	Other components of other comprehensive income that will not be reclassified to profit or loss		57,466	1	-	-
8349	that will not be reclassified to profit or loss		16	-	-	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Other components of other comprehensive income that will not be reclassified to profit or loss		(228,919)	(5)	(120,519)	(2)
8365	Equity related to non-current assets or disposal groups classified as held for sale		(1,899)	-	-	-
8300	Other comprehensive loss, net		(\$ 173,745)	(4)	(\$ 121,162)	(2)
8500	Total comprehensive income for the year		\$ 217,923	4	\$ 855,383	15
	Profit, attributable to:					
8610	Owners of the parent		\$ 419,892	8	\$ 976,545	17
8620	Non-controlling interest		(28,224)	-	-	-
	Total		\$ 391,668	8	\$ 976,545	17
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 251,365	5	\$ 855,383	15
8720	Non-controlling interest		(33,442)	(1)	-	-
	Total		\$ 217,923	4	\$ 855,383	15
9750	Basic earnings per share	6(31)	\$ 3.28		\$ 7.89	
9850	Diluted earnings per share	6(31)	\$ 3.09		\$ 7.85	

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

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Notes	Equity attributable to owners of the parent											
	Retained earnings						Other equity interest					
	Share capital -common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Others	Treasury shares	Total	Non-controlling interest	Total equity
Year 2018												
Balance at January 1, 2018	\$ 1,071,719	\$ 1,459,290	\$ 49,702	\$ 82,141	\$ 1,165,107	\$ 95,105	\$ -	\$ -	\$ -	\$ 3,732,854	\$ -	\$ 3,732,854
Net income for 2018	-	-	-	-	976,545	-	-	-	-	976,545	-	976,545
Other comprehensive loss for 2018	-	-	-	-	-	(120,519)	(643)	-	-	(121,162)	-	(121,162)
Total comprehensive income	-	-	-	-	976,545	(120,519)	(643)	-	-	855,383	-	855,383
Appropriation of 2017 earnings	6(22)											
Legal reserve	-	-	109,610	-	(109,610)	-	-	-	-	-	-	-
Special reserve	-	-	-	12,964	(12,964)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(535,859)	-	-	-	-	(535,859)	-	(535,859)
Capital surplus transferred to capital	6(21)	107,172	(107,172)	-	-	-	-	-	-	-	-	-
Employees' stock options expired	6(19)	5,300	69,695	-	-	-	(71,870)	-	-	3,125	-	3,125
Exercise employee stock options	6(20)	-	-	-	-	-	-	-	(74,144)	(74,144)	-	(74,144)
Balance at December 31, 2018	\$ 1,184,191	\$ 1,421,813	\$ 159,312	\$ 95,105	\$ 1,483,219	\$ 215,624	\$ 643	\$ 71,870	\$ 74,144	\$ 3,981,359	\$ -	\$ 3,981,359
Year 2019												
Balance at January 1, 2019	\$ 1,184,191	\$ 1,421,813	\$ 159,312	\$ 95,105	\$ 1,483,219	\$ 215,624	\$ 643	\$ 71,870	\$ 74,144	\$ 3,981,359	\$ -	\$ 3,981,359
Net income (loss) for 2019	-	-	-	-	419,892	-	-	-	-	419,892	(28,224)	391,668
Other comprehensive loss for 2019	-	-	-	-	(10)	(168,184)	(49)	(284)	-	(168,527)	(5,218)	(173,745)
Total comprehensive income (loss)	-	-	-	-	419,882	(168,184)	(49)	(284)	-	(251,365)	(33,442)	(217,923)
Effect from changes in functional currency	4(4) and 6(22)	(51,523)	2,559	1,297	(10,326)	-	-	396	131	(57,466)	-	(57,466)
Appropriation of 2018 earnings	6(22)											
Legal reserve	-	-	97,655	-	(97,655)	-	-	-	-	-	-	-
Special reserve	-	-	-	121,161	(121,161)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(647,834)	-	-	-	-	(647,834)	-	(647,834)
Issuance of convertible bonds	6(16)(19) and (20)	95,015	-	-	-	-	-	-	-	95,015	-	95,015
Conversion of convertible bonds	6(20)	123,168	1,262,665	-	-	-	-	-	-	1,385,833	-	1,385,833
Capital surplus transferred to capital	6(21)	58,894	(58,894)	-	-	-	-	-	-	-	-	-
Employees' stock options expired	6(19)(20) and (21)	590	7,635	-	-	-	-	17,738	(20)	25,943	-	25,943
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	-	-	-	-	-	-	299,561	299,561
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(643)	-	643	-	-	-	-	-
Balance at December 31, 2019	\$ 1,366,843	\$ 2,676,711	\$ 259,526	\$ 217,563	\$ 1,025,482	\$ 383,808	\$ 49	\$ 54,020	\$ 74,033	\$ 5,034,215	\$ 266,119	\$ 5,300,334

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

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax for the year		\$ 462,027	\$ 1,483,535
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(28)	1,021,370	639,758
Amortization	6(28)	140,426	266,932
Expected credit gain	12(2)	14,312	(2,832)
Net gain on financial assets or liabilities at fair value through profit or loss	6(26)	(5,504)	-
Interest expense	6(27)	110,589	134,074
Interest income	6(25)	(2,126)	(4,353)
Bond discount amortization		8,938	-
Compensation cost of employee restricted shares	6(19)	25,943	3,053
Share of loss of associates and joint ventures accounted for using equity method		247	-
Gain on disposal of property, plant and equipment	6(26)	(8,693)	(897)
Changes in assets/liabilities relating to operating activities			
Net changes in liabilities relating to operating activities			
Notes receivable		489,091	(512,420)
Accounts receivable		(645,792)	(473,928)
Other receivables		(767)	(40,768)
Inventories		(114,722)	18,691
Other current assets		7,746	(21,426)
Prepayments		(17,710)	35,805
Net changes in liabilities relating to operating activities			
Notes payable		(2,913)	1,376
Contract liabilities-current		3,348	82
Accounts payable		426,686	(183,056)
Other payables		169,997	(87,454)
Current refund liabilities		23,379	22,971
Other current liabilities		(4,553)	3,259
Other non- current liabilities		(2,153)	(895)
Defined benefit liability		(393)	-
Cash generated from operations		2,098,773	1,281,507
Interest received		2,126	4,353
Interest paid		(140,503)	(113,079)
Income tax paid		(67,176)	(359,073)
Net cash provided by operating activities		<u>1,893,220</u>	<u>813,708</u>

(Continued)

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net cash inflows from business combination		\$ 115,872	\$ -
Decrease in financial liabilities at amortised cost		-	18,415
Increase in financial assets at fair value through other comprehensive income-non current		(34,001)	(66,643)
Acquisition of property, plant and equipment	6(33)	(2,011,751)	(1,027,342)
Proceeds from disposal of property, plant and equipment		30,555	86,228
Acquisition of use-of-right assets		(15,128)	-
Acquisition of intangible assets		(36,792)	(14,827)
Acquisition of land access rights		-	(28,669)
(Increase) decrease in restricted assets	8	(49,369)	29,585
Increase in refundable deposits		449	(13,342)
Increase (decrease) in other non-current assets		6,979	(181,680)
Net cash used in investing activities		(1,993,186)	(1,198,275)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans		137,058	-
Increase in other payables		(14,318)	-
Proceeds from issuance of convertible bonds (Including issuing costs)		1,528,513	-
Proceeds from long-term loans		2,880,874	1,569,546
Repayment of long-term loans		(3,381,986)	(866,297)
Increase in other payables to related parties		211,470	-
Payment of cash dividends		(647,834)	(535,859)
Repayment of principal portion of lease liabilities	6(10)	(46,978)	-
Acquisition of treasury shares		-	(74,144)
Net cash provided by financing activities		666,799	93,246
Effects of changes in foreign exchange rates		(362,267)	(24,213)
Increase (decrease) in cash and cash equivalents		204,566	(315,534)
Cash and cash equivalents at beginning of year		208,544	524,078
Cash and cash equivalents at end of year		<u>\$ 413,110</u>	<u>\$ 208,544</u>
<u>Composition of cash and cash equivalents</u>			
Cash and cash equivalents reported in the balance sheet		\$ 398,377	\$ 208,544
Disposal groups classified as held for sale, net	6(13)	14,733	-
Cash and cash equivalents at end of year		<u>\$ 413,110</u>	<u>\$ 208,544</u>

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

CONCRAFT HOLDING CO., LTD AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANIZATION

CONCRAFT HOLDING CO., LTD (the "Company") was incorporated as an investment holding company in the Cayman Islands in September 2009 after the Group's restructuring, in line with the Group's plan for the Company to register for emerging stock trading on the Taipei Exchange and apply for listing on the Taiwan Stock Exchange. The Company acquired 100% ownership of Dragonstate Technology Co., Ltd. ("Dragonstate") in October 2009 by way of share conversion ratio of 1:2.354859 and became the holding company of Dragonstate. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in marketing and manufacturing of connectors and related mold components. The Company's stocks have been listed on the Taiwan Stock Exchange from November 11, 2016.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 26, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, 'Leases':

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by FSC. Accordingly, the Group increased 'right-of-use asset' by \$204,728 increased 'lease liability' by \$78,830 and decreased long-term lease prepayments by \$119,470 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
 - i. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - ii. The use of single discount rate to a portfolio of lease with reasonably similar characteristics.
 - iii. The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$10,849 was recognized in 2019.
 - iv. The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 4.98%.
- E. The Group recognized lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 92,315
Less: Short-term leases	(1,077)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	91,238
Incremental borrowing interest rate at the date of initial application	4.98%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$ 78,830

(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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020
The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	

(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022
The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

- a) Financial assets at fair value through profit or loss.
- b) Financial assets at fair value through other comprehensive income.
- 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 compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(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 controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
The Company	Dragonstate Technology Co., Ltd. (Dragonstate)	Holding company and sale of connectors	100	100	
The Company	Concraft Technology Co., Ltd. (Concraft Technology)	Sale of connectors	100	100	

Investor	Subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
The Company	Concraft Precision Co., Ltd. (Concraft Precision)	Holding company	100	100	
The Company	Dragonstate International Technology Co., Ltd. (Dragonstate International Technology)	Sale of connectors	100	100	
The Company	OBO Pro.2 INC (TW OBO)	Research and development, manufacturing and sale of acoustic products	14.97	9.18	Note 1
Dragonstate	Kun Shan Dragonstate Electronic Technology Co., Ltd. (Kun Shan Dragonstate)	Research and development, marketing and manufacturing of electronic connectors , sound components , automobile and optical components	100	100	
Concraft Precision	Concraft Precision Mechatronics (Kun Shan) Co., Ltd. (Concraft Kun Shan)	Manufacturing and sale of molding components	100	100	
Concraft Precision	Concraft Precision Electronics (Baoying) Co., Ltd. (Concraft Baoying)	Marketing and manufacturing of electronic connectors , sound components and optical components	100	100	
Kun Shan Dragonstate	Haojun Precision Electronic (Kunshan) Co., Ltd. (Haojun Kunshan)	Marketing and manufacturing of electronic connectors, sound and automobile components	100	100	
TW OBO	OBO Seahorn International Co., Ltd (HK OBO)	Holding company	99	99	Note 1
TW OBO	OP (VIRGIN) International Group Corporation (OP BVI)	Sale of acoustic products	100	100	Note 1
TW OBO	OBO Pro.2 INC (USA OBO)	Research and development, manufacturing and sale of acoustic products	100	100	Note 1&2
HK OBO	Seahorn Electronic Co., Ltd	Research and development, manufacturing and sale of acoustic products	100	100	Note 1

Note 1: Although the Company holds 14.97% shareholding ratio of OBO Pro. 2 Inc., it was included as a subsidiary of the Company as the Company entered into an agreement with its key shareholders on April 1, 2019 and acquired three out of five seats on the Board of Directors, which grants the Company substantial control over the decision-making on activities of OBO Pro. 2 Inc. .

Note 2: The subsidiary was established and invested by OBO Pro. 2 Inc. in September 2018

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

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

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2019, the non-controlling interest amounted to \$266,119. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest	
		December 31, 2019	
		Amount	Ownership (%)
OBO Pro.2 INC (TW OBO)	Taiwan	\$ 266,119	85.03%

Summarised financial information of the subsidiaries:

Balance sheets

	TW OBO
	December 31, 2019
Current assets	\$ 289,569
Non-current assets	79,789
Current liabilities	137,061
Non-current liabilities	54,390
Total net assets	\$ 177,097

Statements of comprehensive income

	TW OBO
	Year ended
	December 31, 2019
Revenue	\$ 290,833
Loss before income tax	(21,546)
Income tax expense	2,226
Loss for the period from continuing operations	(19,320)
Loss for the period	(19,320)
Other comprehensive loss, (net of tax)	(5,256)
Total comprehensive loss for the period	(\$ 24,576)

Statements of cash flows

	<u>Company</u>
	<u>Year ended</u>
	<u>December 31, 2019</u>
Net cash used in operating activities	(\$ 14,488)
Net cash used in investing activities	(30,208)
Net cash used in financing activities	(6,785)
Effect of exchange rates on cash and cash equivalents	(1,829)
Decrease in cash and cash equivalents	(53,310)
Cash and cash equivalents, beginning of period	138,518
Cash and cash equivalents, end of period	<u>\$ 85,208</u>

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is United States dollars (USD); however, the consolidated financial statements are presented in New Taiwan dollars (NTD) under the regulations of the local country where the consolidated financial statements are reported to the regulatory authorities. Moreover, after taking into account the impact of efficient financing management and dividend distribution, the Company, in the current year, changed its functional currency from USD to NTD as resolved by the Board of Directors in response to the change in its economic environment where NTD is used in the planning of financing activities for the Group and in the financing activities ongoing in Taiwan. The effect of a change in functional currency is accounted for prospectively on January 1, 2019 in compliance with IAS 21, 'the effects of changes in foreign exchange rates'. The consolidated financial statements are presented in NTD, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

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

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to 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) Cash equivalents

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

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

- 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.

(8) 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.
- 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:
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.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
- (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 amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For financial assets at amortised cost including accounts receivable that have a significant financing component, 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 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 one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(13) Leasing arrangements - (lessor) Operating leases

Lease income from an operating lease (net of any incentives given to the lessee) are recognised in profit or loss on a straight-line basis over the lease term.

(14) 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 progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(16) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group 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.

B. The Group'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 Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. 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 Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group'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 Group.

E. When the Group 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.

(17) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	3 ~ 55 years
Machinery and equipment	3 ~ 15 years
Molding equipment	1 ~ 10 years
Transportation equipment	5 years
Office equipment	3 ~ 10 years

(18) Leasing arrangements (lessee)-right-of-use assets/ lease liabilities

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.
- B. Lease payments are comprised of the fixed payments, less any lease incentives receivable.
- C. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability.
- (b) Any lease payments made at or before the commencement date.
- D. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(19) Operating leases (lessee)

Effective 2018

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.

(20) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

B. Patents

Patents acquired in a business combination are recognised at fair value at the acquisition day. Patents have a finite useful life and is amortised on a straight-line basis over their estimated useful lives of 3 to 5 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(21) Long-term prepaid rent

Land access rights are stated at cost and are amortized using straight-line method over 45~50 years.

(22) Impairment of non-financial assets

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

(23) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings and other long-term and short-term loans. 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.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(24) Notes and accounts payable

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

(25) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus-share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(26) 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.

(27) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

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

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

(28) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
- (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
- (c) For restricted stocks where employees do not need to pay to acquire those stocks, the Group will not pay the employees who resign during the vesting period to repurchase the stocks.

(29) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred 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 balance sheet. 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, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

(30) 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.

(31) Dividends

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

(32) Revenue recognition

- A. The Group manufactures and sells a range of connectors, sound components, molding components, buzzer, condenser microphone and mylar speaker. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, when the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- B. Revenue 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 products to external customers in the ordinary course of the Group's activities. A refund liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period. The Group does not expect to have any contracts where the period between the transfer of the promised products to the customer and payment by the customer exceeds one year, the Group does not adjust the transaction prices to reflect the time value of money.
- C. A receivable is recognised when the products 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.

(33) 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. Government grants related to long-term prepaid rent (land access rights) are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(34) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(35) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

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

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Expected credit loss of accounts receivable

The Group provides losses on expected credit losses amount in accordance with duration. When measuring expected credit loss, the Group must apply judgements to identify the factors that will affect the future collectability of accounts receivable, such factors including the customer's operational conditions and historical trading record that may influence the customer's ability to pay, as well as considering the time value of money and reasonable supporting documents on future economic conditions. Aforementioned judgements and factors all may have significant effects to the measurement result of expected credit loss.

B. Evaluation of inventories

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bank-deposits:		
Checking accounts and demand deposits	\$ 365,036	\$ 81,345
Cash equivalents:		
Time deposits	30,999	40,122
Bankers' acceptance bill	2,342	87,077
Total	<u>\$ 398,377</u>	<u>\$ 208,544</u>

A. All the Group's cash equivalents are maturing within 3 months.

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

C. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss (The balance is nil as at December 31, 2018)

	<u>December 31, 2019</u>
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Derivatives-Convertible bonds	\$ 172
Valuation adjustment	138
	<u>\$ 310</u>

A. The Group recognised net profit amounting to \$5,504 on financial assets mandatorily measured at fair value through profit or loss for the year ended December 31, 2019.

B. Refer to Note 6(16) for information about embedded derivatives - convertible bonds payable.

C. Information relating to credit risk and fair value of financial assets at fair value through profit or loss is provided in Notes 12(2) and (3)

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

Items	December 31, 2019	December 31, 2018
Equity instruments		
Unlisted stocks	\$ 12,000	\$ 66,643
Valuation adjustment	(11,207)	(643)
	<u>\$ 793</u>	<u>\$ 66,000</u>

- A. The Group has elected to classify equity instruments 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 \$793 and \$66,000 as at December 31, 2019 and 2018, respectively.
- B. As at December 31, 2019 and 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 \$793 and \$66,000, respectively.
- C. Information relating to credit risk and fair value of financial assets at fair value through other comprehensive income is provided in Notes 12(2) and (3).

(4) Financial assets at amortised cost (The balance is nil as at December 31, 2018)

Items	December 31, 2019
Time deposits over 3 months	\$ 318
Less: Accumulated impairment	-
	<u>\$ 318</u>

- A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	2019	2018
Interest income	<u>\$ 1</u>	<u>\$ 213</u>

- B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

(5) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ 162,291	\$ 1,577,223
Less: Discounted notes receivable	(122,962)	(1,041,530)
	<u>\$ 39,329</u>	<u>\$ 535,693</u>
Accounts receivable	\$ 4,216,097	\$ 3,497,317
Less: Allowance for uncollectible accounts	(27,302)	(11,717)
	<u>\$ 4,188,795</u>	<u>\$ 3,485,600</u>

- A. None of the Group's notes receivable are overdue. For the ageing analysis of the accounts receivable, please refer to Note 12(2).
- B. The Group grants credit term to their clients from 30 days to 120 days after the delivery date. Ageing analysis is conducted on the basis of the number of days overdue. Please refer to Note 12(2) for disclosures of credit risk and information on movement of impairment and analysis of accounts receivable.
- C. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$3,031,871.
- D. The Group's top 10 customers are reputable enterprises that accounted for 90% of the total accounts receivable. As the credit concentration risk of the remaining accounts receivable is relatively insignificant, and the counterparties are mostly customers who have a long-term relationship with the Group, the receivables do not violate the Group's policies for risk assessment.
- E. Details of the Group's notes receivable pledged to others as collateral are provided in Note 8. As of December 31, 2019 and 2018, the Group has no accounts receivable pledged to others.
- F. As at December 31, 2019 and 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 Group's notes and accounts receivable were \$39,329 and \$535,693; \$4,188,795 and \$3,485,600, respectively.
- G. The Group had outstanding discounted notes receivable, please refer to Note 6(6) for more information.
- H. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(6) Transfer of financial assets

A. Certain discounted notes receivable (bankers' acceptance bill) pledged to banks meet the definition of derecognition under the Group's assessment. The Group has payment obligation when the acceptor (banks) of the notes refuse to pay for the notes at maturity. However, in general, the Group does not expect that the acceptors (banks) would refuse to pay as the acceptors (banks) have excellent credit rating. Aggregation of the discounted notes receivable (bankers' acceptance bill) that have been pledged to banks but remain unmatured is as follows:

	December 31, 2019	December 31, 2018
Derecognised amount	\$ 122,962	\$ 1,041,530

B. On December 31 2019 and 2018, the Group had outstanding discounted notes receivable (bankers' acceptance bill) amounting to \$33,364 and \$47,808, respectively which did not meet the definition of derecognition. The Group has payment obligation when the acceptor (banks) of the notes refuse to pay for the notes at maturity. In general, the Group does not expect that the acceptor (banks) would refuse to pay. The liabilities arising from discounted notes receivable (bankers' acceptance bill) were presented under other accounts payable.

(7) Inventories

	December 31, 2019		
		Allowance for	
	Cost	valuation loss	Book value
Raw materials	\$ 138,253	(\$ 19,220)	\$ 119,033
Semi-finished goods	151,308	(32,022)	119,286
Work in process	196,227	(15,634)	180,593
Finished goods	169,940	(40,860)	129,080
Trading goods	7,455	(1,472)	5,983
Total	\$ 663,183	(\$ 109,208)	\$ 553,975
	December 31, 2018		
		Allowance for	
	Cost	valuation loss	Book value
Raw materials	\$ 78,407	(\$ 17,627)	\$ 60,780
Semi-finished goods	149,404	(9,821)	139,583
Work in process	86,324	(1,305)	85,019
Finished goods	185,204	(42,879)	142,325
Trading goods	801	-	801
Total	\$ 500,140	(\$ 71,632)	\$ 428,508

The cost of inventories recognised as expense for the period:

	Years ended December 31,	
	2019	2018
Cost of goods sold	\$ 3,439,331	\$ 3,393,355
Inventory valuation loss	40,942	8,257
Revenue from sale of scrap	(7,679)	(12,959)
	<u>\$ 3,472,594</u>	<u>\$ 3,388,653</u>

(8) Investments accounted for using equity method (The balance is nil as at December 31, 2018)

	2019
At January 1	\$ -
Acquired from combination	583
Share of profit or loss of investments accounted for using equity method	(247)
Transfers to a disposal group classified as held for sale	(310)
Net exchange differences	(26)
At December 31	<u>\$ -</u>

	December 31, 2019
Associates:	
Bellsing Precision Devices Co., Ltd.	<u>\$ -</u>

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of December 31, 2019, the carrying amount of the Group's individually immaterial associates amounted to \$0. (Shown in non-current assets held for sale)

	Year ended December 31, 2019
Loss for the period from continuing operations	(\$ 504)
Other comprehensive income, (net of tax)	-
Total comprehensive loss	<u>(\$ 504)</u>

(9) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation equipment	Office equipment	Construction in progress	Total
<u>At January 1, 2019</u>								
Cost	\$ 61,515	\$ 1,149,632	\$ 2,553,305	\$ 237,997	\$ 40,512	\$ 10,137	\$ 97,907	\$ 4,151,005
Accumulated depreciation and impairment	-	(294,574)	(899,050)	(117,889)	(25,300)	(4,451)	-	(1,341,264)
	<u>\$ 61,515</u>	<u>\$ 855,058</u>	<u>\$ 1,654,255</u>	<u>\$ 120,108</u>	<u>\$ 15,212</u>	<u>\$ 5,686</u>	<u>\$ 97,907</u>	<u>\$ 2,809,741</u>
<u>2019</u>								
At January 1	\$ 61,515	\$ 855,058	\$ 1,654,255	\$ 120,108	\$ 15,212	\$ 5,686	\$ 97,907	\$ 2,809,741
Additions	69,057	95,548	976,971	574,466	2,607	860	247,964	1,967,473
Acquired from business combinations	62,642	37,376	30,268	6,924	1,259	93	-	138,562
Disposals	(8,640)	(7,508)	(5,503)	(186)	(24)	(1)	-	(21,862)
Transfer	-	313,360	-	320,067	-	-	(313,360)	320,067
Reclassifications(Note)	-	2,980	118	-	-	-	-	3,098
Depreciation charge	-	(118,329)	(440,012)	(398,288)	(7,492)	(2,055)	-	(966,176)
Reversal of impairment loss	-	-	-	-	-	16	-	16
Net exchange differences	-	(26,656)	(46,917)	9,094	(334)	(119)	(2,901)	(67,833)
Transfers to a disposal group classified as held for sale	-	(21,788)	(15,485)	(6,314)	-	-	-	(43,587)
At December 31	<u>\$ 184,574</u>	<u>\$ 1,130,041</u>	<u>\$ 2,153,695</u>	<u>\$ 625,871</u>	<u>\$ 11,228</u>	<u>\$ 4,480</u>	<u>\$ 29,610</u>	<u>\$ 4,139,499</u>
<u>At December 31, 2019</u>								
Cost	\$ 184,574	\$ 1,574,335	\$ 3,467,658	\$ 1,157,407	\$ 41,869	\$ 10,884	\$ 29,610	\$ 6,466,337
Accumulated depreciation	-	(422,506)	(1,298,478)	(525,222)	(30,641)	(6,404)	-	(2,283,251)
Transfers to a disposal group classified as held for sale	-	(21,788)	(15,485)	(6,314)	-	-	-	(43,587)
	<u>\$ 184,574</u>	<u>\$ 1,130,041</u>	<u>\$ 2,153,695</u>	<u>\$ 625,871</u>	<u>\$ 11,228</u>	<u>\$ 4,480</u>	<u>\$ 29,610</u>	<u>\$ 4,139,499</u>

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation equipment	Office equipment	Construction in progress	Total
<u>At January 1, 2018</u>								
Cost	\$ -	\$ 991,631	\$ 2,237,775	\$ 347,198	\$ 39,830	\$ 8,681	\$ 24,678	\$ 3,649,793
Accumulated depreciation and impairment	-	(213,296)	(606,962)	(182,272)	(20,248)	(2,941)	-	(1,025,719)
	<u>\$ -</u>	<u>\$ 778,335</u>	<u>\$ 1,630,813</u>	<u>\$ 164,926</u>	<u>\$ 19,582</u>	<u>\$ 5,740</u>	<u>\$ 24,678</u>	<u>\$ 2,624,074</u>
<u>2018</u>								
At January 1	\$ -	\$ 778,335	\$ 1,630,813	\$ 164,926	\$ 19,582	\$ 5,740	\$ 24,678	\$ 2,624,074
Disposals	-	-	(36,010)	(47,355)	(1,966)	-	-	(85,331)
Additions	61,515	151,309	415,978	45,306	4,785	1,645	100,620	781,158
Transfer	-	26,888	-	171,103	-	-	(26,888)	171,103
Depreciation charge	-	(87,238)	(329,439)	(214,551)	(6,919)	(1,611)	-	(639,758)
Net exchange differences	-	(14,236)	(27,087)	679	(270)	(88)	(503)	(41,505)
At December 31	<u>\$ 61,515</u>	<u>\$ 855,058</u>	<u>\$ 1,654,255</u>	<u>\$ 120,108</u>	<u>\$ 15,212</u>	<u>\$ 5,686</u>	<u>\$ 97,907</u>	<u>\$ 2,809,741</u>
<u>At December 31, 2018</u>								
Cost	\$ 61,515	\$ 1,149,632	\$ 2,553,305	\$ 237,997	\$ 40,512	\$ 10,137	\$ 97,907	\$ 4,151,005
Accumulated depreciation and impairment	-	(294,574)	(899,050)	(117,889)	(25,300)	(4,451)	-	(1,341,264)
	<u>\$ 61,515</u>	<u>\$ 855,058</u>	<u>\$ 1,654,255</u>	<u>\$ 120,108</u>	<u>\$ 15,212</u>	<u>\$ 5,686</u>	<u>\$ 97,907</u>	<u>\$ 2,809,741</u>

NOTE: Transfers from prepayments for business facilities.

A. No property, plant and equipment had capitalized interest.

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(10) Leasing arrangements — lessee

Effective 2019

- A. The Group leases various assets including land, land access rights, and buildings. Rental contracts are typically made for periods of 3 and 5 years, except for land access rights for periods of 45 and 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes, apart from land access rights which were pledged as collateral for borrowing. Information about the land access rights that were pledged to others as collaterals is provided in Note 8
- B. The information on the land leased by the Group is as follows:

- (a) Kun Shan Dragonstate has acquired land use right of 50,000 and 23,486.3 square feet in Zhou Town Kunshan Chaoying Village in 1998 and from 2017 to 2018, respectively, and amortised the cost over the operating period of 50 years; Concraft Kun Shan has acquired land use right of 23,432.90 square feet in Zhou Town Kunshan Chaoying village in 2011 and amortised the cost over the operating period of 45 years; Concraft Baoying has acquired land use right of 52,000 square feet in An Yi Zhen Yang Zhou City in 2010 and amortised the cost over the operating period of 50 years.
- (b) The Group reclassified long-term prepaid rent (land use rights) to ‘right-of-use assets’ on initial application of IFRS 16.

- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

		Year ended
	<u>December 31, 2019</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land and land access rights	\$ 112,329	\$ 3,160
Buildings	116,488	51,300
Other	-	734
	<u>\$ 228,817</u>	<u>\$ 55,194</u>

E.

- D. For the year ended December 31, 2019, the additions to right-of-use assets was \$88,936.

- E. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended
	<u>December 31, 2019</u>
<u>Interms affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 5,494
Expense on short-term lease contracts	<u>\$ 10,849</u>

F.

- F. For the year ended December 31, 2019, the Group’s total cash outflow for leases was \$63,321.

(11) Leasing arrangements-lessor

Effective 2019

- A. The Group leases various assets including machinery and equipment. Rental contracts are typically made for periods of 1 and 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, the lessee is usually required not to use the leased assets as a loan guarantee.
- B. For the year ended December 31, 2019, the Group recognised rent income in the amount of \$6,891 based on the operating lease agreement, which does not include variable lease payments.
- C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2019
2020	\$ 5,893
2021	17
After 2022	27
Total	<u>\$ 5,937</u>

(12) Intangible assets

	2019			
	Patents	Software	Goodwill	Total
At January 1				
Cost	\$ -	\$ 76,297	\$ -	\$ 76,297
Accumulated amortisation	-	(47,862)	-	(47,862)
	<u>\$ -</u>	<u>\$ 28,435</u>	<u>\$ -</u>	<u>\$ 28,435</u>
Opening net book amount as at January 1	\$ -	\$ 28,435	\$ -	\$ 28,435
Additions-acquired separately	2,418	34,374	-	36,792
Additions-acquired through business combinations	123,112	-	47,278	170,390
Reclassifications	-	9,471	-	9,471
Amortisation charge	(19,438)	(14,444)	-	(33,882)
Net exchange differences	-	(520)	-	(520)
Transfers to a disposal group classified as held for sale	(706)	-	-	(706)
Closing net book amount as at December 31	<u>\$ 105,386</u>	<u>\$ 57,316</u>	<u>\$ 47,278</u>	<u>\$ 209,980</u>
At December 31				
Cost	\$ 125,530	\$ 119,622	\$ 47,278	\$ 292,430
Accumulated amortisation	(19,438)	(62,306)	-	(81,744)
Transfers to a disposal group classified as held for sale	(706)	-	-	(706)
	<u>\$ 105,386</u>	<u>\$ 57,316</u>	<u>\$ 47,278</u>	<u>\$ 209,980</u>

	2018
	<u>Software</u>
At January 1	
Cost	\$ 62,382
Accumulated amortisation	(38,833)
	<u>\$ 23,549</u>
Opening net book amount as at January 1	\$ 23,549
Additions-acquired separately	14,827
Amortisation charge	(9,413)
Net exchange differences	(528)
Closing net book amount as at December 31	<u>\$ 28,435</u>
At December 31	
Cost	\$ 76,681
Accumulated amortisation	(48,246)
	<u>\$ 28,435</u>

(13) Non-current assets held for sale

The assets and liabilities related to the subsidiary - OBO Pro. 2 Inc. have been reclassified as disposal group held for sale following the approval of the shareholders at the special shareholder meeting held on November 29, 2019 to sell all its equity interest in OBO Seahorn International Co., Ltd (HK OBO) to Hui Ta Electronic CO., LTD.. The completion date for the transaction is expected by July 2020. The assets and liabilities of the disposal group held for sale as at December 31, 2019 amounted to \$95,797 and \$67,108, respectively

A. Assets of disposal group held for sale:

	<u>December 31, 2019</u>
Cash	\$ 14,733
Accounts receivable	5,866
Other receivables	12,981
Other current assets	16,492
Property, plant and equipment	43,587
Intangible assets	2,138
	<u>\$ 95,797</u>

B. Liabilities directly relating to non-current assets held for sale:

	<u>December 31, 2019</u>
Accounts payable and other payables	\$ 60,268
Other current liabilities	1,224
Other non-current liabilities	5,616
	<u>\$ 67,108</u>

C. There was no impairment loss as a result of the remeasurement of the disposal group held for sale at the lower of its carrying amount or fair value less costs to sell.

(14) Short-term borrowings (The balance is nil as at December 31, 2018)

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	\$ <u>132,150</u>	4.79%	None

(15) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Payables for equipment	\$ 234,227	\$ 108,075
Salary payable	203,678	175,233
Labor and health insurance payable	72,249	52,627
Taxes payable	52,210	46,865
Discounted notes receivable	33,255	47,682
Consumables payable	12,573	31,654
Others	108,597	59,841
	<u>\$ 716,789</u>	<u>\$ 521,977</u>

G. Liabilities from discounted notes receivable refer to discounted notes receivable that did not meet the definition of derecognition, refer to Note 6(6) for more details. Discount rates were 2.60%~3.33% and 3.80% as of December 31, 2019 and 2018, and interest expense recognised in profit or loss amounted to \$5,372 and \$319 for the years ended December 31, 2019 and 2018, respectively.

(16) Bonds payable (the balance is nil as at December 31, 2018)

	<u>December 31, 2019</u>
Bonds payable	\$ 47,500
Less: Discount on bonds payable	(1,590)
	<u>\$ 45,910</u>

A. The First domestic unsecured convertible bonds issued by the Company are as follows:

- The Company issued \$1,500,000, 0% the first domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature three years from the issue date (April 2, 2019~April 2, 2022) and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on April 2, 2019.
- The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three month of the bonds issue to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

- (c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. The conversion price at issuance was NT\$ 121.1 (in dollars) and it has been decreased to NT\$ 112.2 (in dollars) since August 4, 2019 due to the ex-rights and ex-dividend to adjust the conversion price in accordance with the terms of the bonds.
- (d) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value in cash upon two years.
- (e) The Company may exercise the redemption of the convertible bonds when the following situations occur:
- i. Where the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 40 days before the maturity date, the Company may send a 'Notice of Bond Redemption' by a registered letter to the bond holder (according to the register on the list of bond holders on the five business days prior to the dispatch, the investors who subsequently obtained the convertible bonds due to trading or other reasons shall be notified by way of announcement) within 30 trading days and notify Taipei Exchange to announce that the Company will repurchase all the bonds outstanding in cash at the bonds' face value on the date of maturity.
 - ii. Where the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date, the Company may send a 'Notice of Bond Redemption' by a registered letter to the bond holder (according to the register on the list of bond holders on the five business days prior to the dispatch, the investors who subsequently obtained the convertible bonds due to trading or other reasons shall be notified by way of announcement) at any time and notify Taipei Exchange to announce that the Company will repurchase all the bonds outstanding in cash at the bonds' face value on the date of maturity.
- (f) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued or re-sold.
- (g) As of December 31, 2019, the bonds totaling \$1,452,500 (face value) had been converted into 12,316,823 shares of common stock.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$95,015 were separated from the liability component and were recognised in ‘capital surplus-share options’ in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in ‘financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 1.5143 %.

(17) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2019
Unsecured borrowings	2018.08.01~2021.08.01	1.25%	-	\$ 141,078
Unsecured borrowings	2018.08.10~2021.08.10	1.20%	-	372,848
Unsecured borrowings	2018.03.02~2021.03.02	1.20%	-	54,576
Unsecured borrowings	2019.02.22~2021.02.22	1.20%	-	184,115
Unsecured borrowings	2019.06.25~2022.06.24	4.75%	-	179,346
Unsecured borrowings	2019.08.15~2021.08.15	4.99%	-	64,575
Secured borrowings	2018.02.02~2022.12.05	5.63%	Note 8	137,718
Secured borrowings	2019.05.24~2022.05.20	4.59%	Note 8	204,487
Secured borrowings	2019.06.03~2022.05.20	4.59%	Note 8	154,980
Secured borrowings	2017.04.12~2024.04.12	1.80%	Note 8	22,184
Secured borrowings	2019.05.31~2022.05.31	2.10%	Note 8	270,064
Secured borrowings	2019.09.24~2022.09.22	4.75%	Note 8	103,320
Secured borrowings	2019.09.20~2021.09.20	5.95%	Note 8	129,150
Syndicated loans	2019.09.20~2021.09.20	4.71%	Note 8	110,854
Subtotal				2,129,295
Less: Current portion				(894,493)
				\$ 1,234,802

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2018
Unsecured borrowings	2018.07.26~2020.07.26	1.15%	-	\$ 77,000
Unsecured borrowings	2018.08.01~2021.08.01	1.25%	-	147,840
Unsecured borrowings	2018.08.10~2021.08.10	1.20%	-	390,720
Unsecured borrowings	2018.03.02~2021.03.02	1.20%	-	91,508
Secured borrowings	2018.06.08~2033.06.08	1.50%	Note 8	80,000
Secured borrowings	2018.02.02~2022.12.05	5.63%	Note 8	186,908
Syndicated loans	2017.09.15~2019.09.15	2.00%~4.84%	Note 8	1,711,750
Subtotal				2,685,726
Less: Arrangement fee of syndicated loans				(4,342)
Less: Current portion				(1,860,716)
				\$ 820,668

A. The Company engaged in a medium-term syndicated loan with Taipei Fubon Commercial Bank, Chinatrust Commercial Bank, Taishin International Bank, Far Eastern International Bank and Shin Kong Bank on July 12, 2017. The loan is settled on August 19, 2019. The terms of the agreement are summarized as follows:

(a) Loan agreement term: Two years from the first disbursement date for the U.S. Dollar medium-term syndicated loan. The borrower may request to extend the final maturity day for one year once.

(b) Line of credit and disbursement method: The above banks have granted a USD 60,000 thousand line of credit to the Company, and allows multiple disbursements within the limit. Each minimum disbursement amount is USD 1,000,000 or CNY 5,000,000, with USD 500,000 or CNY 1,000,000 increments or the entire unused line of credit amount subsequently.

The aggregate of each disbursement and used balance shall not exceed the amount of credit. (The exchange rate is based on bank quotes the US dollars and CNY exchange rate on two bank business days before disbursement)

(c) Guarantors: Mr. Lu, Chao-Sheng, and Mr. Lee, Kuo-Chi are the guarantors for this syndicated loan for USD60,000,000.

(d) Payment method: Payment will be made in accordance with the due date from each disbursement applications and should comply with the revolving credit terms stated on the syndicated loan. However, the subsidiary of the Company is obligated to pay in full all outstanding principal and interests when the syndicated loan agreement expires.

(e) Restrictions on financial ratios: The Company is obligated to maintain financial ratio(s) of its semi-annual and annual consolidated financial reports as follows before the syndicated loan of the Company, has been terminated:

i. Current ratio(s) should be above 100% (Note);

ii. Financial leverage ratio(s) should not higher than 150%;

iii. Interest coverage ratio should be 5 or above;

iv. Tangible net worth should not be lower than NT\$2,000,000,000.

(Note:excluding the last repayment of outstanding loan hereunder)

B. The information about the Group's liquidity risk is provided in Note 12(2) C(c).

(18) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, 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 Labor Standards Act. 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 and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries 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 and its domestic subsidiaries will make contributions for the deficit by next March

(b) The amounts recognised in the balance sheet are as follows:

(The balance is nil as at December 31, 2018)

	<u>December 31, 2019</u>
Present value of defined benefit obligations	(\$ 7,945)
Fair value of plan assets	<u>5,202</u>
Net defined benefit liability	<u>(\$ 2,743)</u>

(c) Movements in net defined benefit liabilities are as follows:

(The balance is nil as at December 31, 2018)

	2019		
	Present value of		
	defined benefit	Fair value of	Net defined
	obligations	plan assets	benefit liability
At January 1	\$ -	\$ -	\$ -
Current service cost	(43)	-	(43)
Interest (expense) income	(85)	54	(31)
	(128)	54	(74)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	511	511
Change in demographic assumptions	(20)	-	(20)
Change in financial assumptions	(319)	-	(319)
Experience adjustments	108	-	108
	(231)	511	280
Effect of business combination	(7,586)	4,637	(2,949)
At December 31	(\$ 7,945)	\$ 5,202	(\$ 2,743)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are 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, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

(The balance is nil as at December 31, 2018)

	Year ended
	December 31, 2019
Discount rate	0.75%
Future salary increases	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 214)	\$ 223	\$ 216	(\$ 209)

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.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to \$360.

(g) As of December 31, 2019, the weighted average duration of the retirement plan is 10.8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 238
1-2 year(s)	140
2-5 years	750
Over 5 years	2,851
	<u>\$ 3,979</u>

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, 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.

- (b) The Company and its subsidiaries - Dragonstate, Concraft Precision, Concraft Technology and OP BVI, do not have any employees, and OBO(USA) does not establish an employee pension plan as it is voluntary to do so under the current regulations of the United State. Therefore, they do not have any employee pension plans.
- (c) The Company's Mainland China subsidiaries have a funded defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China are based on a certain percentage of employees' monthly salaries and wages. The contribution percentages for the years ended December 31, 2019 and 2018 were 12%~19% and 19%, respectively. Except for regular pension contributions, the Company's Mainland China subsidiaries have no further obligations under the plan.
- (d) The pension costs under defined contribution pension plans of the Company's Mainland China subsidiaries for the years ended December 31, 2019 and 2018 were \$124,269 and \$124,571, respectively. Also, the pension costs under defined contribution pension plans of the Company and its domestic subsidiaries for the years ended December 31, 2019 and 2018 were \$5,694 and \$3,850, respectively.

(19) Share-based payment

- A. For the years ended December 31, 2019 and 2018, the Group's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Restricted stock to employees	2018.11.16	530,000	3 years	1~3 years service
Restricted stock to employees	2019.08.13	70,000	3 years	1~3 years service

- B. On June 12, 2018, the shareholders resolved to issue employee restricted shares amounting to 0.6 million shares at their annual stockholders' meeting, and those employee restricted shares only granted to the employees who meet the specific terms. On November 12, 2018 and August 13, 2019, the Company granted 530 and 70 thousand shares to employees, and the effective dates were November 16, 2018 and August 13, 2019, respectively. The subscription price of those granted shares is the market price per share at the grant date (equivalent to NT\$141.5 and NT\$143.5 per share), the Company will assume the consideration if the subscription price is under NT\$300 per share (including NT\$300 per share), or the consideration will be paid by employees when the subscription price is over NT\$300.01 per share. The vesting ratio for the first-year to the third-year is 30%, 30% and 40%, respectively. Refer to Note 6(20)F for information about employee restricted shares forfeited as a result of the resignation of employees.

C. Details of the share-based payment arrangements are as follows:

(a) Restricted stock to employees

	2019		2018	
		Weighted-average		Weighted-average
		exercise price		exercise price
	No. of option	(in dollars)	No. of option	(in dollars)
Options outstanding at January 1	530	\$ -	-	\$ -
Options granted	70	-	530	-
Options voted	(188)	-	-	-
Options expired	(11)	-	-	-
Options outstanding at December 31	401	-	530	-

(b) Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31,	
	2019	2018
Equity-settled	\$ 25,493	\$ 3,053

(20) Share capital

A. As of December 31, 2019 and 2018, the Company's authorized capital was \$1,500,000, 150,000 thousand shares of ordinary stock, and the paid-in capital was \$1,366,843 and \$1,184,191 with a par value of \$10 (in dollars) per share, respectively. All proceeds from shares issued have been collected. The number of the Company's ordinary opening and closing shares outstanding are 136,053 thousand shares and 117,790 thousand shares, respectively.

	2019	2018
At January 1 (thousand shares)	\$ 117,790	\$ 107,172
Capitalization of capital surplus	5,889	10,717
Converted from bonds	12,317	-
Employee restricted shares	70	530
Treasury shares	(13)	(629)
At December 31 (thousand shares)	\$ 136,053	\$ 117,790

B. In accordance with the resolution adopted at the stockholders' meeting on June 17, 2019 and June 12, 2018, the Company raised an additional cash of \$58,894 and \$107,172, respectively through the capitalization of capital surplus on the effective date of August 4, 2019 and 2018. with the resolution adopted at the Board meeting on July 1, 2019 and July 2, 2018, respectively.

C. Refer to Note 6(20)F for information about employee restricted shares forfeited as a result of the resignation of employees.

D. Information on the resolution relating to the issuance of employee restricted shares is provided in Note 6(19).

E. As of December 31, 2019, details of conversion from bonds to common shares are provided in Note 6(16)A.

F. Treasury shares

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

Name of company holding the shares	Reason for reacquisition	December 31, 2019	
		Number of shares	Carrying amount
The Company	1.To be reissued to employees	629,000	\$ 74,013
	2.Employee restricted shares forfeited as a result of the resignation of employees	2,000	20

Name of company holding the shares	Reason for reacquisition	December 31, 2018	
		Number of shares	Carrying amount
The Company	To be reissued to employees	629,000	\$ 74,144

- (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 should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired.
- (e) For the year ended December 31, 2019, number of employee restricted shares reverted to the Company due to the resignation of employees was 13 thousand shares, of which 2 thousand shares were yet to be cancelled. The cancellation will be processed after the capital reduction is approved by the competent authorities.

(21) 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 capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2019				
	Share premium	Employee restricted shares	Employee share options	Expired employee share options	Total
At January 1	\$ 1,352,008	\$ 69,695	\$ -	\$ 110	\$ 1,421,813
Effect from changes in functional currency	(51,141)	(384)	-	2	(51,523)
Capitalisation of capital surplus	(58,894)	-	-	-	(58,894)
Issuance of convertible bonds	-	-	95,015	-	95,015
Conversion of convertible bonds	1,354,671	-	(92,006)	-	1,262,665
Employee restricted shares	-	7,635	-	-	7,635
Vested employee restricted shares	23,932	(23,932)	-	-	-
At December 31	\$ 2,620,576	\$ 53,014	\$ 3,009	\$ 112	\$ 2,676,711

	2018			
	Share premium	Employee restricted shares	Expired employee share options	Total
At January 1	\$ 1,459,180	\$ -	\$ 110	\$ 1,459,290
Employee restricted shares	-	69,695	-	69,695
Capitalisation of capital surplus	(107,172)	-	-	(107,172)
At December 31	\$ 1,352,008	\$ 69,695	\$ 110	\$ 1,421,813

(22) Retained earnings

A. Unless otherwise provided in the Applicable Listing Rules, the net profits of the Company for each annual financial year shall be allocated in the following order and proposed by the Board of Directors to the shareholders in the general meeting for approval:

- (a) to make provision of the applicable amount of income tax pursuant to applicable tax laws and regulations;
- (b) to set off accumulated losses of previous years (if any);
- (c) to set aside ten percent (10%) as legal reserve pursuant to the Applicable Listing Rules unless the accumulated amount of such legal reserve equals to the total paid-up capital of the Company;
- (d) to set aside an amount as special reserve pursuant to the Applicable Listing Rules and requirements of the Commission; and
- (e) with respect to the earnings available for distribution (i.e. the net profit after the deduction of the items (a) to (d) above plus any previously undistributed cumulative retained earnings), the Board of Directors may present a proposal to distribute to the shareholders by way of dividends at the annual general meeting for approval pursuant to the Applicable Listing Rules. Dividends may be distributed in the form of cash dividends and/or bonus shares, and, subject to Cayman Islands law, the amount of dividends shall be at least fifty percent (50%) of the net profit after the deduction of the items (a) to (d) above. Cash dividends shall comprise a minimum of ten percent (10%) and a maximum of one hundred percent (100%) of the total dividends allocated to shareholders.

- B. The Company's dividend policy is summarized below: The Company is in the growth stage, based on capital expenditures, business expansion and comprehensive financial plan for sustainable development and other needs, will be based on future capital expenditures and working capital needs of the situation of the Company to cash dividends and / or stock dividend allotted to the shareholders of the Company.
- C. 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.
- D. The appropriation of 2018 and 2017 earnings had been resolved at the stockholders' meeting on June 17, 2019 and June 12, 2018, respectively. Details are summarized below:

	Year ended December 31, 2018		Year ended December 31, 2017	
		Dividends		Dividends
		per share		per share
	Amount	(in dollars)	Amount	(in dollars)
Special reserve	\$ 121,161		\$ 12,964	
Legal reserve	97,655		109,610	
Cash dividends (Note)	647,834	\$ 5.15	535,859	\$ 5.00
Total	<u>\$ 866,650</u>		<u>\$ 658,433</u>	

- (a) The Company increased its capital using capital surplus, refer to Note 6(20) for more details.
- (b) The above appropriations of earnings for the years ended December 31, 2018 and 2017 were in agreement with the Board of Directors' proposals on April 13, 2019 and March 20, 2018, respectively. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

Note: The number of outstanding shares for the appropriation of 2018 earnings was affected by common shares converted from the first domestic unsecured convertible bonds issued by the Company and restricted shares reverted to the Company due to the resignation of employees. Therefore, the Company authorised the Chairman to adjust the stock and cash dividend rates for the appropriations of 2018 earnings as resolved by the Board of Directors on July 1, 2019.

- E. As of March 26, 2020, earnings appropriation for 2019 has not been resolved at the shareholders' meeting. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. For information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(29).

(23) Other equity items

	2019				
				Equity related to	
				non-current	
		Unrealised gain	Employee	assets or disposal	
	Currency	(losses) on	unearned	groups classified	
	translation	valuation	compensation	as held for sale	Total
At January 1	(\$ 215,624)	(\$ 643)	(\$ 71,870)	\$ -	(\$ 288,137)
Changes in functional currency	57,466	-	396	-	57,862
Currency translation-Group	(225,650)	-	-	(284)	(225,934)
Employee restricted shares	-	-	17,738	-	17,738
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	- (49)	-	-	-	(49)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	643	-	-	643
At December 31	(\$ 383,808)	(\$ 49)	(\$ 53,736)	(\$ 284)	(\$ 437,877)

	2018			
		Unrealised gain	Employee	
		(losses) on	unearned	
	Currency	valuation	compensation	Total
	translation			
At January 1	(\$ 95,105)	-	-	(\$ 95,105)
Currency translation-Group	(120,519)	-	-	(120,519)
Employee restricted shares	-	-	(71,870)	(71,870)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	(643)	-	(643)
At December 31	(\$ 215,624)	(\$ 643)	(\$ 71,870)	(\$ 288,137)

NOTE: The Company changed the functional currency from USD to NTD, and it was processed by deferral in accordance with the IAS 21, "The Effects of Changes in Foreign Exchange Rates" since January 1, 2019.

(24) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of products at a point in time in the following major product lines:

	2019	2018
Revenue from external customer contracts		
Sound components	\$ 3,877,964	\$ 3,124,631
Molding and automated equipment	720,219	2,026,077
Connectors	206,607	334,381
Optical components	30,690	98
Automobile series and others	289,038	272,715
	<u>\$ 5,124,518</u>	<u>\$ 5,757,902</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	December 31, 2019	December 31, 2018
Contract liabilities-advance sales receipts	<u>\$ 3,395</u>	<u>\$ 82</u>

(25) Other income

	Years ended December 31,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 2,125	\$ 4,140
Interest income from financial assets measured at amortised cost	1	213
	<u>\$ 2,126</u>	<u>\$ 4,353</u>
Rental revenue	6,891	7,816
Miscellaneous income (Note)	44,010	113,313
Total	<u>\$ 53,027</u>	<u>\$ 125,482</u>

Note: In accordance with IAS 20, 'Accounting for government grants and disclosure of government assistance', the Company's subsidiaries—Kun Shan Dragonstate and Concraft Baoying have obtained relevant government grants and recognised the realised amounts based on their nature as miscellaneous income of CNY\$6,371 thousand and CNY\$23,574 thousand in 2019 and 2018, respectively.

(26) Other gains and losses

	Years ended December 31,	
	2019	2018
Foreign exchange gains	\$ 18,096	\$ 7,468
Gains on financial assets at fair value through profit or loss	5,504	-
Depreciation charge on rental equipment	(5,672)	(4,113)
Gains on disposal of property, plant and equipment	8,693	897
Compensatory loss	(41,780)	-
Other gains and losses	(5,598)	(2,312)
Total	<u>(\$ 20,757)</u>	<u>\$ 1,940</u>

(27) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense	\$ 67,279	\$ 88,394
Financial expense, others	52,248	45,680
	<u>\$ 119,527</u>	<u>\$ 134,074</u>

(28) Expenses by nature

	Year ended December 31, 2019		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 1,405,686	\$ 431,215	\$ 1,836,901
Depreciation charges on property, plant and equipment	771,719	188,785	960,504
Depreciation charges on right-of-use assets	41,933	13,261	55,194
Amortisation charges	<u>73,984</u>	<u>66,442</u>	<u>140,426</u>
Total	<u>\$ 2,293,322</u>	<u>\$ 699,703</u>	<u>\$ 2,993,025</u>

	Year ended December 31, 2018		
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 1,326,474	\$ 387,044	\$ 1,713,518
Depreciation charges on property, plant and equipment	389,236	246,409	635,645
Amortisation charges	<u>141,163</u>	<u>125,769</u>	<u>266,932</u>
Total	<u>\$ 1,856,873</u>	<u>\$ 759,222</u>	<u>\$ 2,616,095</u>

(29) Employee benefit expense

	Years ended December 31,	
	2019	2018
Wages and salaries	\$ 1,543,150	\$ 1,421,050
Labor and health insurance fees	62,481	72,413
Pension costs	130,036	128,421
Other personnel expenses	<u>101,234</u>	<u>91,634</u>
	<u>\$ 1,836,901</u>	<u>\$ 1,713,518</u>

A. Unless otherwise provided in the Applicable Listing Rules, where the Company makes profits before tax for the annual financial year, the Company shall allocate :

- (a) A maximum of ten percent (10%) and a minimum of one percent (1%) of such annual profits before tax for the purpose of employees' remunerations (including employees of the Company and/or any Affiliated Company) (the "employees' remunerations"); and
- (b) A maximum of three percent (3%) of such annual profits before tax for the purpose of Directors' remunerations (the "directors' remunerations").

(一) Notwithstanding the foregoing paragraph, if the Company has accumulated losses of the previous years for the annual financial year, the Company shall set aside the amount of such accumulated losses prior to the allocation of employees' compensations and directors' remunerations. Subject to Cayman Islands law, the Applicable Listing Rules, the employees' compensations and the directors' remunerations may be distributed in the form of cash and/or bonus shares, upon resolution by a majority votes at a meeting of the Board of Directors attended by two-thirds (2/3) or more of the Directors. The resolutions of Board of Directors regarding the distribution of the employees' compensations and the directors' remunerations in the preceding paragraph shall be reported to the shareholders at the general meeting after such board resolutions are passed.

B. For the years ended December 31, 2019 and 2018, the employees' compensation was accrued at \$4,715 and \$15,255, respectively; directors' and supervisors' remuneration was accrued at \$4,715 and \$15,255, respectively. The aforementioned amounts were recognized in salary expenses.

For the year ended December 31, 2019, the employees' compensation and directors' and supervisors' remuneration were both estimated and accrued based on corporate charter of distributable profit of current year as of the end of reporting period. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were both \$4,715, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2018 amounting to both \$15,255, as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2018 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the period	\$ 24,680	\$ 330,670
Prior year income tax (overestimation) underestimation	(26,780)	1,982
Total current tax	(2,100)	332,652
Deferred tax:		
Origination and reversal of temporary differences	72,459	174,338
Income tax expense	\$ 70,359	\$ 506,990

(b) The income tax credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2019	2018
Remeasurement of defined benefit obligations	(\$ 16)	\$ -

(c) The income tax charged/credited to equity during the period is as follows: None.

(d) Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 103,191	\$ 297,890
Income tax on overseas earnings	54,344	190,463
Tax exempted income by tax regulation	28,832	705
Temporary differences not recognised as deferred tax assets	(64,869)	14,347
Change in assessment of realisation of deferred tax assets	942	1,603
Effect from investment tax credits	(25,301)	-
Prior year income tax (overestimation) underestimation	(26,780)	1,982
Income tax expense	\$ 70,359	\$ 506,990

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

	Year ended December 31, 2019						
			Recognised in other comprehensive income	Translation differences	Business combination	Transfers to a disposal group classified as held for sale	
	January 1	Recognised in profit or loss					December 31
Temporary differences:							
-Deferred tax assets:							
Losses on overseas investment for using equity method	\$ -	\$ 3,561	\$ -	\$ -	\$ 8,935	\$ -	\$ 12,496
Refund liabilities	-	7,217	-	(264)	-	-	6,953
Deferred revenue	4,661	(113)	-	(170)	-	-	4,378
Difference between accounting and tax basis due to depreciation	12,393	(12,383)	-	(10)	-	-	-
Others	9,657	13,531	16	(446)	1,321	-	24,079
Tax losses	-	37,304	-	(1,356)	2,655	-	38,603
Subtotal	\$ 26,711	\$ 49,117	\$ 16	(\$ 2,246)	\$ 12,911	\$ -	\$ 86,509
-Deferred tax liabilities:							
Income tax on overseas earnings	(\$ 261,625)	(\$ 54,344)	-	7,897	-	-	(\$ 308,072)
Difference between accounting and tax basis due to depreciation	-	(121,371)	-	4,620	(41,414)	4,848	(153,317)
Losses on overseas investment for using equity method	-	(416)	-	-	(18,625)	-	(19,041)
Others	-	139	-	-	(1,473)	664	(670)
Subtotal	(261,625)	(175,992)	-	12,517	(61,512)	5,512	(481,100)
Total	(\$ 234,914)	(\$ 126,875)	\$ 16	\$ 10,271	(\$ 48,601)	\$ 5,512	(\$ 394,591)

	Year ended December 31, 2018			
	January 1	Recognised in profit or loss	Translation differences	December 31
Temporary differences:				
-Deferred tax assets:				
Deferred revenue	\$ 4,873	(\$ 115)	(\$ 97)	\$ 4,661
Tax losses	1,575	(1,575)	-	-
Difference between accounting and tax basis due to depreciation	-	12,628	(235)	12,393
Others	4,548	5,187	(78)	9,657
Subtotal	\$ 10,996	\$ 16,125	(\$ 410)	\$ 26,711
-Deferred tax liabilities:				
Income tax on overseas earnings	(\$ 65,647)	(\$ 190,463)	(\$ 5,515)	(\$ 261,625)
Total	(\$ 54,651)	(\$ 174,338)	(\$ 5,925)	(\$ 234,914)

C. The Company's subsidiary had unused tax losses with expiration dates and amount of unrecognized deferred tax assets are as follows:

December 31, 2019				
	Amount filed		Unrecognised	
Year incurred	/ assessed	Unused amount	deferred tax assets	Usable until year
2012	\$ 5,871	\$ 1,407	\$ -	2022
2013	4,646	4,185	-	2023
2014	3,613	3,613	-	2024
2019	5,370	5,370	-	2029
	<u>\$ 19,500</u>	<u>\$ 14,575</u>	<u>\$ -</u>	

December 31, 2018				
	Amount filed		Unrecognised	
Year incurred	/ assessed	Unused amount	deferred tax assets	Usable until year
2011	\$ 22,809	\$ -	\$ -	2021
2012	4,906	-	-	2022
	<u>\$ 27,715</u>	<u>\$ -</u>	<u>\$ -</u>	

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2019	December 31, 2018
Deductible temporary differences	<u>\$ 5,263</u>	<u>\$ 1,181</u>

E. The Company's subsidiaries Dragonstate and OP BVI are domiciled in the Cayman Islands and the Republic of Mauritius, respectively. They are exempted from corporate income tax pursuant to local laws.

F. Concraft Precision Concraft Technology and HK OBO are domiciled in the Hong Kong Special Administrative Region of the People's Republic of China. In accordance with the Hong Kong Tax Act, only the source of income from Hong Kong is taxable.

G. OBO(USA) is registered in the United States and is taxed in accordance with the U.S. corporate income tax law.

H. According to the Regulation on the Implementation of the Enterprise Income Tax Act of the People's Republic of China, the applicable income tax rate of Concraft Kun Shan, Concraft Baoying Haojun Kunshan and Seahorn Electronic Co., Ltd is 25%, and Kun Shan Dragonstate applies preferential income tax rate of 15% as a result of Kun Shan Dragonstate obtaining the High-tech Enterprise Certificate in accordance with the Article 28 in the same regulation.

I. As of 2017, the income tax returns of Dragonstate International Co. Ltd. and TW OBO, the subsidiaries of the Company, have been assessed and approved by the Tax Authority.

J. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(31) Earnings per share

	Year ended December 31, 2019		
		Weighted average	
		number of ordinary	
	Amount after tax	shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 419,892	128,006	\$ 3.28
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 419,892	128,006	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	2,081	8,512	
Employees' restricted shares	-	43	
Employees' compensation	-	53	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 421,973	136,614	\$ 3.09
	Year ended December 31, 2018		
		Weighted average	
		number of ordinary	
	Amount after tax	shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 976,545	123,818	\$ 7.89
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 976,545	123,818	
Assumed conversion of all dilutive potential ordinary shares			
Employees' restricted shares	-	463	
Employees' compensation	-	128	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 976,545	124,409	\$ 7.85

(32) Business combinations

- A. On April 1, 2019, the Company entered into an agreement for a strategic equity investment in OBO Pro. 2 Inc. (shown as financial assets at fair value through other comprehensive income) with its key shareholders and acquired three out of five seats on the Board of Directors, which grants the Company substantial control over the decision-making on activities of OBO Pro. 2 Inc. Thus, it was included as a subsidiary of the Company. The investee is engaged in manufacturing of buzzers as well as sales of sound boxes, speakers and microphone in Asia, Europe and America, etc. As a result of the acquisition, the Group is expected to improve its operational performance through integrating marketing and client resources of both parties, expanding the scale of operation to be more competitive on the market, and enhancing the modularisation of the acoustic product line.
- B. The following table summarises the consideration paid for TW OBO and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets at the acquisition date:

	April 1, 2019
Purchase consideration	\$ 100,001
Non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets	299,561
	<u>399,562</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	116,190
Notes receivable	1,727
Accounts receivable	67,606
Other receivables	2,081
Inventories	24,822
Prepayments	12,651
Other current assets	6,987
Non-current financial assets at fair value through other comprehensive income	1,122
Investments accounted for using equity method	583
Property, plant and equipment	138,562
Intangible assets	123,112
Deferred tax assets	12,911
Other non-current assets	10,184
Notes payable	(3,986)
Accounts payable	(48,976)
Other payables	(16,732)
Tax liabilities	(22)
Other current liabilities	(6,103)
Long-term borrowings	(25,851)
Deferred tax liabilities	(61,513)
Other non-current liabilities	(3,071)
Total identifiable assets	<u>352,284</u>
Goodwill	<u>\$ 47,278</u>

C. The operating revenue included in the consolidated statement of comprehensive income since April 1, 2019 contributed by TW OBO was \$149,567. TW OBO also contributed profit before income tax of \$10,948 over the same period. Had TW OBO been consolidated from January 1, 2019, the consolidated statement of comprehensive income would show operating revenue of \$290,833 and profit before income tax of \$21,546.

D. The Company retrospectively adjusted the provisional amounts recognised on the acquisition date (measurement period) upon completion of the purchase price allocation report in accordance with IFRS 3, 'business combinations' in order to reflect new information obtained about facts and circumstances that were in existence at the acquisition date. Accordingly, the Company adjusted non-controlling interest property, plant and equipment, intangible assets - patents, intangible assets - goodwill and deferred tax liabilities amounted to \$134,148, \$80,133, \$121,097, (\$23,601), and \$41,414, respectively.

(33) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	\$ 2,287,540	\$ 952,261
Add: Opening balance of payable on equipment	61,093	42,958
Add: Ending prepayment for equipment	59,654	162,309
Less: Opening prepayment for equipment	(162,309)	(69,093)
Less: Ending balance of payable on equipment	(234,227)	(61,093)
Cash paid during the period	<u>\$ 2,011,751</u>	<u>\$ 1,027,342</u>

(34) Changes in liabilities from financing activities

	Other payables	Issuance of	Long-term		
	(Including	convertible	borrowings		Liabilities from
	(Including	bonds (Including	(Including		financing
	related party)	issue costs)	current portion)	Lease liabilities	activities-gross
At January 1, 2019	\$ 47,682	\$ -	\$ 2,681,384	\$ 78,830	\$ 2,807,896
Changes in cash flow from financing activities	197,152	1,528,513	(364,054)	(46,978)	1,314,633
Interest expense(Note)	-	-	-	(5,494)	(5,494)
Changes in other non-cash items	-	(1,482,603)	30,901	78,395	(1,373,307)
Impact of changes in foreign exchange rate	-	-	(86,786)	1,349	(85,437)
At December 31, 2019	<u>\$ 244,834</u>	<u>\$ 45,910</u>	<u>\$ 2,261,445</u>	<u>\$ 106,101</u>	<u>\$ 2,658,290</u>

Note: Shown in 'Cash flows from operating activities'.

		Long-term	
	Other payables	borrowings	Liabilities from
	(Including	(Including	financing
	related party)	current portion)	activities-gross
At January 1, 2018	\$ -	\$ 1,926,259	\$ 1,926,259
Changes in cash flow from financing activities	47,682	755,125	802,807
At December 31, 2018	\$ 47,682	\$ 2,681,384	\$ 2,729,066

7. RELATED PARTY TRANSACTIONS

(1) Names and relationship of related parties

Names of related parties	Relationship with the Group
All directors, general managers, vice president and chief directors	Key management personnel of the Company
KUNSHAN DEWU PRECISION MOULD CO., LTD. ("KUNSHAN DEWU")	Substantial related party (it was no longer a substantial related party starting from July 1, 2018)
Monster Holding Co., Ltd. ("Monster") (Chao-Sheng, Lu is the company representative)	Representative is the chairman of the Company
AGI Holding Co., Ltd. ("AGI") (LI, GUO-JI is the company representative)	Representative is the general manager of the company

(2) Significant related party transactions and balances

A. Processing cost

	Year ended
	December 31, 2018
KUNSHAN DEWU	\$ 33,683

The processing price was made based on mutual agreement. The payment term is 60 days after monthly billings, and the payment terms for the third party are from 30 days after monthly billings to 180 days after the end of each month.

B. Rental revenue

	Year ended
	December 31, 2018
KUNSHAN DEWU	\$ 2,365

The Group leases machinery and equipment to aforementioned related parties, and the rent was collected monthly based on the agreement.

C. Accounts payable to related parties (Loans from related parties)

(No such transaction as at December 31, 2018)

		December 31, 2019
Monster and AGI		\$ 211,470

Payables to related parties arose from loans granted by shareholders, and payables to Monster and AGI were \$120,840 and \$90,630, respectively. The payables bear no interest.

D. Property transaction (No such transaction as at December 31, 2019)

	2018	
	Disposal	Gain (loss)
	proceeds	on disposal
KUNSHAN DEWU	\$ 41,359	\$ 1,381

As of March 26, 2019, all the disposal proceeds have been collected.

(3) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	\$ 25,262	\$ 24,725
Post-employment benefits	463	416
Total	\$ 25,725	\$ 25,141

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2019	December 31, 2018	
Notes receivable	\$ 33,364	\$ 47,808	Discounted notes receivable
Financial assets at amortised cost	318	-	Quota of Post-release Duty Payment
Restricted deposits-current (shown as other current assets)	-	37,839	Current portion of long-term borrowings
Restricted deposits-non current (shown as other non current assets)	87,208	-	Long-term borrowings
Property, plant and equipment			
- Land	13,262	61,515	Long-term borrowings
- Buildings	568,416	39,092	Long-term borrowings
- Machinery and equipment	712,644	197,971	Long-term borrowings
Right-of-use assets, Land (shown as Right-of-use assets)	112,868	-	Long-term borrowings
	\$ 1,528,080	\$ 384,225	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Provision of endorsements and guarantees to others: Please refer to table 2.

B. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment	<u>\$ 140,572</u>	<u>\$ 236,923</u>

C. Operating leases

Effective in 2018

The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>
Not later than one year	<u>\$ 40,265</u>
Later than one year but not later than five years	<u>52,050</u>
Total	<u>\$ 92,315</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Due to the impact of COVID-19, the Group's production plant in Mainland China delayed the Spring Festival resumption of work in accordance with local regulations. However, the Group resumed work on February 10, 2020. As the epidemic continues to change, the Group deploys its resources prudently and flexibly to minimize the impact on operations. The degree of impact on the Group's revenue due to the resumption of work will depend on the subsequent control of the epidemic.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt, to maximize stockholders' equity.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 310	\$ -
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	793	66,000
Financial assets at amortised cost		
Cash and cash equivalents	398,377	208,544
Financial assets at amortised cost	318	-
Notes receivable	39,329	535,693
Accounts receivable	4,188,795	3,485,600
Other receivables	54,734	64,867
Guarantee deposits paid	14,054	18,937
Other current assets	-	37,839
Other non-current assets	87,208	-
	<u>\$ 4,783,918</u>	<u>\$ 4,417,480</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 132,150	\$ -
Notes payable	4,937	3,598
Accounts payable	959,078	538,500
Other accounts payable	716,789	521,977
Bonds payable	45,910	-
Long-term borrowings (including current portion)	2,129,295	2,681,384
	<u>\$ 3,988,159</u>	<u>\$ 3,745,459</u>
Lease liabilities	<u>\$ 106,101</u>	<u>\$ -</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. 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 co-operation 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.

- (b) The Group did not enter into contracts relating to derivative financial instruments that were used to hedge certain exchange rate risk.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019		
	Foreign Currency		
	amount	Exchange	Book value
	(in thousands)	rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 4,916	29.980	\$ 147,373
EUR:NTD	1,581	33.590	53,099
EUR:USD	1,120	1.120	37,607
<u>Financial liabilities</u>			
<u>Monetary items</u>			
EUR:USD	\$ 22,421	1.120	\$ 753,118
EUR:NTD	1,075	33.590	277,312
USD:RMB	2,901	6.964	86,969
USD:NTD	595	29.980	17,833
JPY:RMB	51,989	0.064	14,344

	December 31, 2018		
	Foreign Currency		
	amount	Exchange	Book value
	(in thousands)	rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
EUR:USD	\$ 1,037	1.146	\$ 36,504
<u>Non-monetary items</u>			
NTD:USD	66,000	30.715	66,000
<u>Financial liabilities</u>			
<u>Monetary items</u>			
EUR:USD	\$ 25,121	1.146	\$ 884,253
USD:RMB	1,908	6.868	58,616
JPY:RMB	166,742	0.062	46,387

- iv. Total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to \$18,096 and \$7,468, respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2019		
	Sensitivity analysis		
			Effect on other
	Degree of	Effect on profit	comprehensive
	variation	or loss	income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 1,474	\$ -
EUR:NTD	1%	531	-
EUR:USD	1%	376	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
EUR:USD	1%	\$ 7,531	\$ -
EUR:NTD	1%	2,773	-
USD:RMB	1%	870	-
USD:NTD	1%	178	-
JPY:RMB	1%	143	-

	Year ended December 31, 2018		
	Sensitivity analysis		
			Effect on other
	Degree of	Effect on profit	comprehensive
	variation	or loss	income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
EUR:USD	1%	\$ 365	\$ -
<u>Non-monetary items</u>			
NTD:USD	1%	-	643
<u>Financial liabilities</u>			
<u>Monetary items</u>			
EUR:USD	1%	\$ 8,843	\$ -
USD:RMB	1%	586	-
JPY:RMB	1%	464	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

Diversification of the portfolio is done in accordance with the limits set by the Group.

- ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$8 and \$660, respectively, as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings which issued at variable rates that expose the Group to cash flow interest rate risk. During the years ended December 31, 2019 and 2018, the Group's borrowings at variable rate were denominated in the USD, RMB and EUR.
- ii. If the borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$5,968 and \$5,667, respectively. The main factor is that changes in interest expense result in floating-rate borrowing.

(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, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a good credit rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. The Group, based on the historical collection experience, adopts the assumptions under IFRS 9, if the contract payments were past due over 90, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 360 days.
- iv. The Group classifies customers' accounts receivable in accordance with credit rating of customer, and customer types. The Group applies the modified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report and Basel II to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2019 and 2018, the provision matrix and loss rate methodology is as follows:

		Up to 90 days	180 days	365 days	Over 365 days	
	Not past due	past due	past due	past due	past due	Total
<u>December 31, 2019</u>						
Expected loss rate	0.02%~11.83%	0.03%~46.23%	0.03%~79.43%	0.03%~100%	100.00%	
Total book value	\$ 3,139,913	\$ 649,033	\$ 231,877	\$ 182,919	\$ 12,355	\$ 4,216,097
Loss allowance	\$ 3,375	\$ 5,275	\$ 2,465	\$ 3,832	\$ 12,355	\$ 27,302
		Up to 90 days	180 days	365 days	Over 365 days	
	Not past due	past due	past due	past due	past due	Total
<u>December 31, 2018</u>						
Expected loss rate	0.03%	0.04%	0.24%	39.17%	100.00%	
Total book value	\$ 2,765,802	\$ 654,276	\$ 65,046	\$ 2,778	\$ 9,415	\$ 3,497,317
Loss allowance	\$ 768	\$ 290	\$ 156	\$ 1,088	\$ 9,415	\$ 11,717

- vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable is as follows:

	2019	2018
	Accounts	Accounts
	receivable	receivable
At January 1	\$ 11,717	\$ 14,791
Provision for impairment	14,312	-
Reversal of impairment loss	-	(2,832)
Effect of foreign exchange	1,273	(242)
At December 31	<u>\$ 27,302</u>	<u>\$ 11,717</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management, and invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The Group has the following undrawn borrowing facilities:

	December 31, 2019	December 31, 2018
Floating rate:		
Expiring within one year	\$ 37,000	\$ 131,150
Expiring beyond one year	598,706	326,242
Fixed rate:		
Expiring within one year	-	223,600
Expiring beyond one year	-	-
	<u>\$ 635,706</u>	<u>\$ 680,992</u>

The facilities expiring within one year are annual facilities subject to review at various dates during 2020.

- iv. 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. Apart from notes payable, accounts payable and other payables whose contractual undiscounted cash flows are approximate to the carrying amount and which are maturing within a year, the amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than 1 year	Between 1 and 2 years	More than 2 years
<u>Non-derivative financial liabilities:</u>			
December 31, 2019			
Short-term borrowings	\$ 136,707	\$ -	\$ -
Lease liabilities	55,316	30,858	26,670
Bonds payable	-	47,500	-
Long-term borrowings (including current portion)	944,785	993,635	272,238
	Less than 1 year	Between 1 and 2 years	More than 2 years
<u>Non-derivative financial liabilities:</u>			
December 31, 2018			
Long-term borrowings (including current portion)	\$ 1,931,012	\$ 295,007	\$ 560,473

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis

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 carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and long-term borrowings (including current portion) are approximate to their fair values.

- C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(a) The related information of natures of assets and liabilities is as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Put option on convertible bonds	\$ -	\$ -	\$ 310	\$ 310
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	793	793
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,103</u>	<u>\$ 1,103</u>
December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 66,000	\$ 66,000

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, the Group adopts a valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- ii. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the year ended December 31, 2019, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the year ended December 31, 2019:

	2019
At January 1	\$ 66,000
Acquired in the period	34,001
Acquired from business combination	1,122
Disposed in the period	(100,001)
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(329)
At December 31	<u>\$ 793</u>

G. For the year ended December 31, 2019, there was no transfer into or out from Level 3.

H. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs of fair value
Non-derivative equity instrument:					
Unlisted shares	\$	793 Market comparable companies	Price to book ratio multiple, Discount for lack of marketability	30.00%	The higher the multiple and control premium, the higher the fair value; The higher the discount for lack of marketability, the lower the fair value
Call option on convertible bonds		310 Binomial Tree Model	Risk-free interest rate	0.4926%	The higher the risk-free interest rate, the higher the fair value;
			Share price	175.5	The higher the share price, the higher the fair value;
			Volatility	51.51%	The higher the volatility, the higher the fair value
Non-derivative equity instrument:					
Unlisted shares	\$	66,000 Discounted cash flow	Weighted average cost of capital	15.42%	The higher the weighted average cost of capital and discount for lack of control, the lower the fair value

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			<u>December 31, 2019</u>	
			<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets				
Equity instrument	Price to book ratio multiple, Discount for lack of marketability	± 1%	<u>(\$ 318)</u>	<u>(\$ 340)</u>
			<u>Recognised in profit or loss</u>	
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Call option on convertible bonds	Risk-free interest rate	± 20bp	\$ 10	\$ -
	Share price	± 10%	80	(140)
	Volatility	± 5%	<u>180</u>	<u>(130)</u>
			<u>\$ 270</u>	<u>(\$ 270)</u>
			<u>December 31, 2018</u>	
			<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets				
Equity instrument	Weighted average cost of capital	± 1%	<u>\$ 5,778</u>	<u>(\$ 4,954)</u>

13. SUPPLEMENTARY DISCLOSURES

(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 subsidiaries, 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 NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The Group's Board of Directors who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The Group's segment profit (loss) is measured with the operating profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segments. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4.

(3) Information about segment profit or loss, assets and liabilities

	Years ended December 31,	
	2019	2018
Segment revenue		
Revenue from external customers	\$ 5,124,518	\$ 5,757,902

	Years ended December 31,	
	2019	2018
Segment income	\$ 462,027	\$ 1,483,535
Interest income	\$ 2,126	\$ 4,353
Interest expense	\$ 119,527	\$ 134,074
Depreciation and amortisation	\$ 1,161,796	\$ 906,690
Income tax expense	\$ 70,359	\$ 506,990
	December 31,	
	2019	2018
Segment assets	\$ 10,255,225	\$ 8,173,171
Segment liabilities	\$ 4,954,891	\$ 4,191,812

(4) Reconciliation for segments income (loss)

The Group is mainly engaged in a single product industry, and the Board of Directors evaluates performance and allocates resources as a whole; therefore, there is only one operating segment for reporting purpose, and reconciliation is not applicable.

(5) Information on products and services

Details of revenue is as follows:

	Years ended December 31,	
	2019	2018
Sound components	\$ 3,877,964	\$ 3,124,631
Molding and automated equipment	720,219	2,026,077
Connectors	206,607	334,381
Automobile series and others	319,728	272,813
Total	\$ 5,124,518	\$ 5,757,902

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
		Non-current		Non-current
	Revenue	assets	Revenue	assets
China	\$ 4,698,241	\$ 4,239,420	\$ 5,538,424	\$ 3,164,365
Taiwan	103,701	505,615	71,392	124,959
Others	322,576	87,518	148,086	66,000
	\$ 5,124,518	\$ 4,832,553	\$ 5,757,902	\$ 3,355,324

(7) Major customer information

Customers constituting more than 10% of the Group's total revenue for the years ended December 31, 2019 and 2018 are as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	%	Revenue	%
A	\$ 2,743,919	54	\$ 4,235,404	74
B	951,575	19	-	-
C	290,975	6	824,303	14

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES

Loans to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019	Balance at December 31, 2019	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	CONCRAFT HOLDING CO., LTD	Kun Shan Dragonstate Electronic Technology Co., Ltd	Other receivables	Yes	\$ 833,616	\$ 430,500	\$ -	5	Short-term financing	\$ -	Operations	\$ -	- None	\$ -	1,598,142	\$ 2,130,856	Note2 - 8
0	CONCRAFT HOLDING CO., LTD	Concraft Precision Electronic (Baoying) Co., Ltd.	Other receivables	Yes	299,800	-	-	0	Short-term financing	-	Operations	-	- None	-	1,598,142	2,130,856	Note2 - 8
0	CONCRAFT HOLDING CO., LTD	Dragonstate Technology Co., Ltd.	Other receivables	Yes	100,770	100,770	1,348	2.4	Short-term financing	-	Operations	-	- None	-	1,598,142	2,130,856	Note2 - 8
1	Dragonstate International Technology Co., Ltd.	Concraft Precision Electronic (Baoying) Co., Ltd.	Other receivables	Yes	99	25	25	0	Short-term financing	-	Operations	-	- None	-	130,666	130,666	Note6 - 9
1	Dragonstate International Technology Co., Ltd.	Kun Shan Dragonstate Electronic Technology Co., Ltd	Other receivables	Yes	591	45	45	0	Short-term financing	-	Operations	-	- None	-	130,666	130,666	Note6 - 9
1	Dragonstate International Technology Co., Ltd.	Haojun Precision Electronic (Kunshan), Co., Ltd	Other receivables	Yes	6	-	-	0	Short-term financing	-	Operations	-	- None	-	130,666	130,666	Note6 - 9
1	Dragonstate International Technology Co., Ltd.	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	Other receivables	Yes	1,278	-	-	0	Short-term financing	-	Operations	-	- None	-	130,666	130,666	Note6 - 9
1	Dragonstate International Technology Co., Ltd.	Dragonstate Technology Co., Ltd.	Other receivables	Yes	28,111	27,390	6,801	0	Short-term financing	-	Operations	-	- None	-	130,666	130,666	Note6 - 9
1	Dragonstate International Technology Co., Ltd.	CONCRAFT HOLDING CO., LTD	Other receivables	Yes	8,768	8,768	8,768	0	Short-term financing	-	Operations	-	- None	-	130,666	130,666	Note6 - 9
2	Kun Shan Dragonstate Electronic Technology Co., Ltd	Haojun Precision Electronic (Kunshan), Co., Ltd	Other receivables	Yes	35,463	-	-	0	Short-term financing	-	Operations	-	- None	-	3,851,139	1,925,570	Note3 - 9
2	Kun Shan Dragonstate Electronic Technology Co., Ltd	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	Other receivables	Yes	140,246	-	-	0	Short-term financing	-	Operations	-	- None	-	3,851,139	1,925,570	Note3 - 9
3	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	Haojun Precision Electronic (Kunshan), Co., Ltd	Other receivables	Yes	7,156	7,156	7,156	0	Short-term financing	-	Operations	-	- None	-	80,000	100,000	Note7 - 9

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES

Loans to others
Year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended	Balance at	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		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					December 31, 2019	December 31, 2019							Item	Value			
4	Dragonstate Technology Co., Ltd.	Kun Shan Dragonstate Electronic Technology Co., Ltd	Other receivables	Yes	\$ 36,432	\$ -	\$ -	0	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 3,652,025	\$ 1,826,012	Note4 、9
4	Dragonstate Technology Co., Ltd.	Concraft Technology Co., Ltd.	Other receivables	Yes	568,940	568,940	568,940	0	Short-term financing	-	Operations	-	None	-	3,652,025	1,826,012	Note4 、9
4	Dragonstate Technology Co., Ltd.	CONCRAFT HOLDING CO., LTD	Other receivables	Yes	29,980	29,980	28,571	0	Short-term financing	-	Operations	-	None	-	3,652,025	1,826,012	Note4 、9
5	Concraft Precision Co., Ltd.	Dragonstate Technology Co., Ltd.	Other receivables	Yes	381	279	279	0	Short-term financing	-	Operations	-	None	-	3,652,025	1,826,012	Note4 、9
6	Concraft Technology Co., Ltd.	Kun Shan Dragonstate Electronic Technology Co., Ltd	Other receivables	Yes	583,975	583,975	583,975	0	Short-term financing	-	Operations	-	None	-	800,000	850,000	Note5 、9
6	Concraft Technology Co., Ltd.	Dragonstate International Technology Co., Ltd.	Other receivables	Yes	696	458	458	0	Short-term financing	-	Operations	-	None	-	800,000	850,000	Note5 、9
6	Concraft Technology Co., Ltd.	Dragonstate International Technology Co., Ltd.	Other receivables	Yes	32,948	-	-	0	Short-term financing	-	Operations	-	None	-	800,000	850,000	Note5 、9
7	Haojun Precision Electronic (Kunshan), Co., Ltd	Concraft Precision Electronic (Baoying) Co., Ltd.	Other receivables	Yes	2,895	-	-	0	Short-term financing	-	Operations	-	None	-	80,000	100,000	Note7 、9
8	Concraft Precision Electronic (Baoying) Co., Ltd.	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	Other receivables	Yes	7,223	7,223	7,223	0	Short-term financing	-	Operations	-	None	-	801,719	1,002,149	Note7 、9

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

(1)The Company is '0'.

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

Note 2: Ceiling on total loans granted to all parties is 40% of net asset value of the Company; ceiling on loans granted to a single party is 30% of net asset value of the Company.

Note 3: Ceiling on total loans granted to all parties and to a single party are both 40 % of net asset value of the Company's investee, Kun Shan Dragonstate Electronic Technology Co., Ltd.

Ceiling on total loans granted to all parties and to a single party are 100% and 80% respectively, of net asset value of the foreign company 100% of voting shares directly and indirectly held by the Company or (ultimate) parent company.

Note 4: Ceiling on total loans granted to all parties and to a single party are both 40 % of net asset value of the Company's subsidiary, Dragonstate Technology Co., Ltd. and Concraft Precision Co.,Ltd..

Ceiling on total loans granted to all parties is the higher amount between 100% of net asset value of the foreign company 100% of voting shares directly and indirectly held by the Company or (ultimate) parent company and \$100,000 thousand dollars.

Ceiling on loans granted to a single party is the higher amount between 80% of net asset value of the foreign company 100% of voting shares directly and indirectly held by the Company or (ultimate) parent company and \$80,000 thousand dollars.

Note 5: Ceiling on total loans granted to all parties and to a single party are both 40 % of net asset value of the Company's subsidiary, Concraft Technology Co., Ltd..

Ceiling on total loans granted to all parties is the higher amount between 150% of net asset value of the foreign company 100% of voting shares directly and indirectly held by the Company or (ultimate) parent company and \$850,000 thousand dollars.

Ceiling on loans granted to a single party is the higher amount between 120% of net asset value of the foreign company 100% of voting shares directly and indirectly held by the Company or (ultimate) parent company and \$800,000 thousand dollars.

Note 6: Ceiling on total loans granted to all parties and to a single party are both 40 % of net asset value of the Company's investee, Dragonstate International Technology Co., Ltd..

Note 7: Ceiling on total loans granted to all parties and to a single party are both 40 % of net asset value of the Company's investees, Concraft Precision Electronic (Baoying) Co., Ltd., and Haojun Precision Electronic (Kunshan), Co., Ltd..

Ceiling on total loans granted to all parties is the higher amount between 100% of net asset value of the foreign company 100% of voting shares directly and indirectly held by the Company or (ultimate) parent company and \$100,000 thousand dollars.

Ceiling on loans granted to a single party is the higher amount between 80% of net asset value of the foreign company 100% of voting shares directly and indirectly held by the Company or (ultimate) parent company and \$80,000 thousand dollars.

Note 8: In accordance with policies in the progress of granting a loan, credit limit is set based on the net asset value of its most recent audited/reviewed financial statements and report, and the Company reported \$2,007,226 in December 2019; however, the limit is set based on the audited/reviewed financial statements and report for the third quarter of 2019 as the 2019 annual financial statements and report have not been audited.

Note 9: In accordance with policies in the progress of granting a loan, credit limit is set based on the net asset value of its most recent audited/reviewed financial statements and report, and the Company reported \$11,351,601 in December 2019; however, the limit is set based on the audited/reviewed financial statements and report for the third quarter of 2019 as the 2019 annual financial statements and report have not been audited.

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES
Provision of endorsements and guarantees to others
Year ended December 31, 2019

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019	Outstanding endorsement/ guarantee amount at December 31, 2019	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	Provision of endorsements/ guarantees by parent company to subsidiary (Note 3)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 3)	Provision of endorsements / guarantees to the party in Mainland China (Note 3)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	CONCRAFT HOLDING CO., LTD	Dragonstate Technology Co., Ltd.	2	\$ 8,523,424	\$ 1,409,060	\$ 944,370	\$ 752,619	\$ -	17.73	\$ 10,654,280	Y	N	N	Note 4, 5
0	CONCRAFT HOLDING CO., LTD	Kun Shan Dragonstate Electronic Technology Co., Ltd.	2	8,523,424	258,300	258,300	240,004	-	4.85	10,654,280	Y	N	N	Note 4, 5
1	Kun Shan Dragonstate Electronic Technology Co., Ltd.	Haojun Precision Electronic (Kunshan), Co., Ltd	2	3,851,139	43,050	-	-	-	-	4,813,924	N	N	Y	Note 6, 8
2	Dragonstate International Technology Co., Ltd.	Dragonstate Technology Co., Ltd.	3	326,664	29,980	29,980	-	-	0.56	489,996	N	N	N	Note 7, 8

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

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

- (1)Having business relationship.
- (2)The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3)The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4)The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5)Mutual guarantee of the trade as required by the construction concraft.
- (6)Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 4: Ceiling on total amount of endorsements and guarantees provided by the Company for all parties is 200% of the Company's net assets value; limit on endorsements and guarantees provided by the Company for a single party is 160% of the Company's net assets value.

Note 5: In accordance with policies of endorsements and guarantees, the ceiling is set based on the net asset value of its most recent audited/reviewed financial statements and report, and the Company reported \$10,036,130 in December 2019; however, the limit is set based on the audited/reviewed financial statements and report for the third quarter of 2019 as the 2019 annual financial statements and report have not been audited.

Note 6: Ceiling on total amount of endorsements and guarantees provided by Kun Shan Dragonstate Electronic Technology Co., Ltd., the subsidiaries of the Company, for all parties is 100% of endorser's/guarantors' net assets value; limit on endorsements and guarantees provided by Kun Shan Dragonstate Electronic Technology Co., Ltd., the subsidiaries of the Company, for a single party is 80% of the endorser's/guarantors' net assets value.

Note 7: Ceiling on total amount of endorsements and guarantees provided by Dragonstate International Technology Co., Ltd., the subsidiaries of the Company, for all parties is 150% of endorser's/guarantors' net assets value; limit on endorsements and guarantees provided by Dragonstate International Technology Co., Ltd., the subsidiaries of the Company, for a single party is 100% of the endorser's/guarantors' net assets value.

Note 8: In accordance with Dragonstate International Technology Co., Ltd. "Procedures for Provision of Endorsements and Guarantees", ceiling on endorsements / guarantees provided is the net assets of the latest financial statements audited or reviewed by independent accountants. The Company has published the amount of \$477,528 on behalf of Dragonstate International Technology Co., Ltd. in December 2019.

In accordance with Kun Shan Dragonstate Electronic Technology Co., Ltd. "Procedures for Provision of Endorsements and Guarantees", ceiling on endorsements / guarantees provided is the net assets of the latest financial statements audited or reviewed by independent accountants. The Company has published the amount of \$4,020,291 on behalf of Kun Shan Dragonstate Electronic Technology Co., Ltd. in December 2019.

However, the limit is set based on the audited/reviewed financial statements and report for the third quarter of 2019 as the 2019 annual financial statements and report have not been audited.

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2019				Footnote
				Number of shares	Book value (Note 3)	Ownership (%)	Fair value	
SenYun Precision Optical Corporation Co.,Ltd.	Stocks		Financial assets at fair value through other comprehensive income-non current	141,155	\$ 793	0.2224	\$ 793	

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

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

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

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

								Differences in transaction terms compared to third party transactions (Note 1)				
Transaction								Notes/accounts receivable (payable)				
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)	
Kun Shan Dragonstate Electronic Technology Co., Ltd.	DRAGONSTATE TECHNOLOGY CO., LTD.	Same ultimate parent company	Sales	\$	316,919	(7%)	90 days from the end of the next month	-	Normal	\$ 12,040	0%	
Haojun Precision Electronic (Kunshan) Co., Ltd.	Kun Shan Dragonstate Electronic Technology Co., Ltd.	Same ultimate parent company	Sales	(	198,412	(75%)	30 days from the end of the next month	-	Normal	2,976	65%
Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	Kun Shan Dragonstate Electronic Technology Co., Ltd.	Same ultimate parent company	Sales	(	987,621	(89%)	30 days from the end of the next month	-	Normal	-	0%
Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	Concraft Precision Electronic (Baoying) Co., Ltd.	Same ultimate parent company	Sales	(	109,792	(10%)	30 days from the end of the next month	-	Normal	580	1%
Concraft Precision Electronic (Baoying) Co., Ltd.	Kun Shan Dragonstate Electronic Technology Co., Ltd.	Same ultimate parent company	Sales	(	458,800	(59%)	90 days from the end of the next month	-	Normal	10,582	2%

Note 1: If terms of related party transactions are different from third party transactions, explain the differences and reasons in the 'Unit price' and 'Credit term' columns.

Note 2: In case related party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
CONCRAFT HOLDING CO., LTD	Kun Shan Dragonstate Electronic Technology Co., Ltd.	An affiliate	\$ 115,464(Note 1)	-	\$ -	-	\$ -	\$ -
CONCRAFT TECHNOLOGY CO., LTD.	Kun Shan Dragonstate Electronic Technology Co., Ltd.	An affiliate	583,975(Note 1)	-	-	-	-	-
DRAGONSTATE TECHNOLOGY CO., LTD.	CONCRAFT TECHNOLOGY CO., LTD.	An affiliate	568,940(Note 2)	-	-	-	-	-
Dragonstate International Technology Co., Ltd.	CONCRAFT HOLDING CO., LTD	An affiliate	127,999(Note 3)	-	-	-	2,702	-
Kun Shan Dragonstate Electronic Technology Co., Ltd.	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	An affiliate	100,320(Note 4)	-	-	-	-	-

Note 1: The balances are premium receivable to related party.

Note 2: The balance is inter-company loans for funding.

Note 3: The balances are premium payable and interest payable for loans to related party.

Note 4: The balance is inter-company advance money.

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
Year ended December 31, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	CONCRAFT HOLDING CO., LTD	Kun Shan Dragonstate Electronic Technology Co., Ltd.	1	Royalty revenue	\$ 119,262	Note7	2%
0	CONCRAFT HOLDING CO., LTD	Kun Shan Dragonstate Electronic Technology Co., Ltd.	1	Other receivables	115,464	Note7、14	1%
1	DRAGONSTATE TECHNOLOGY CO., LTD.	CONCRAFT HOLDING CO., LTD	2	Other receivables	28,571	Note5	0%
1	DRAGONSTATE TECHNOLOGY CO., LTD.	CONCRAFT HOLDING CO., LTD	3	Other receivables	568,940	Note5	6%
1	DRAGONSTATE TECHNOLOGY CO., LTD.	CONCRAFT HOLDING CO., LTD	3	Prepayment for purchases	17,872	Note10	0%
2	CONCRAFT TECHNOLOGY CO., LTD.	DRAGONSTATE TECHNOLOGY CO., LTD.	3	Sales revenue	50,722	Note8	1%
2	CONCRAFT TECHNOLOGY CO., LTD.	Kun Shan Dragonstate Electronic Technology Co., Ltd.	3	Other receivables	583,975	Note5	6%
2	CONCRAFT TECHNOLOGY CO., LTD.	Kun Shan Dragonstate Electronic Technology Co., Ltd.	3	Prepayment for purchases	20,024	Note10	0%
3	Dragonstate International Technology Co., Ltd.	CONCRAFT HOLDING CO., LTD	2	Other receivables	119,231	Note6、12	1%
3	Dragonstate International Technology Co., Ltd.	CONCRAFT HOLDING CO., LTD	2	Management service revenue	99,824	Note6	2%
3	Dragonstate International Technology Co., Ltd.	CONCRAFT HOLDING CO., LTD	2	Royalty revenue	44,618	Note6	1%
3	Dragonstate International Technology Co., Ltd.	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	3	Sales revenue	10,099	Note8	0%
4	Kun Shan Dragonstate Electronic Technology Co., Ltd.	CONCRAFT HOLDING CO., LTD	2	Prepayments for business facilities	438,685	Note10	4%
4	Kun Shan Dragonstate Electronic Technology Co., Ltd.	Concraft Technology Co., Ltd.	3	Sales revenue	54,654	Note8	1%
4	Kun Shan Dragonstate Electronic Technology Co., Ltd.	DRAGONSTATE TECHNOLOGY CO., LTD.	3	Sales revenue	316,919	Note8	6%

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	total operating revenues or total assets
4	Kun Shan Dragonstate Electronic Technology Co., Ltd.	DRAGONSTATE TECHNOLOGY CO., LTD.	3	Accounts receivable	12,040	Note8	0%
4	Kun Shan Dragonstate Electronic Technology Co., Ltd.	Dragonstate International Technology Co., Ltd.	3	Sales revenue	25,152	Note8	0%
4	Kun Shan Dragonstate Electronic Technology Co., Ltd.	Dragonstate International Technology Co., Ltd.	3	Accounts receivable	24,594	Note8	0%
4	Kun Shan Dragonstate Electronic Technology Co., Ltd.	Haojun Precision Electronic (Kunshan) Co., Ltd.	1	Rent revenue	19,627	Note12	0%
4	Kun Shan Dragonstate Electronic Technology Co., Ltd.	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	3	Prepayment for purchases	64,010	Note10	1%
4	Kun Shan Dragonstate Electronic Technology Co., Ltd.	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	3	Other receivables	100,320	Note10、13	1%
4	Kun Shan Dragonstate Electronic Technology Co., Ltd.	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	3	Rent revenue	193,200	Note12	4%
4	Kun Shan Dragonstate Electronic Technology Co., Ltd.	OBO Pro.2 INC (Taiwan)	3	Accounts receivable	35,925	Note8	0%
4	Kun Shan Dragonstate Electronic Technology Co., Ltd.	OBO Pro.2 INC (Taiwan)	3	Sales revenue	39,126	Note8	1%
5	Haojun Precision Electronic (Kunshan) Co., Ltd.	Kun Shan Dragonstate Electronic Technology Co., Ltd.	2	Sales revenue	198,412	Note9	4%
5	Haojun Precision Electronic (Kunshan) Co., Ltd.	Kun Shan Dragonstate Electronic Technology Co., Ltd.	2	Other receivables	67,681	Note10、13	1%
5	Haojun Precision Electronic (Kunshan) Co., Ltd.	Kun Shan Dragonstate Electronic Technology Co., Ltd.	2	Prepayment for purchases	42,155	Note10	0%
5	Haojun Precision Electronic (Kunshan) Co., Ltd.	Concraft Precision Electronic (Baoying) Co., Ltd.	3	Sales revenue	67,266	Note9	1%
6	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	Kun Shan Dragonstate Electronic Technology Co., Ltd.	3	Sales revenue	987,621	Note9	19%
6	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	Concraft Precision Electronic (Baoying) Co., Ltd.	3	Sales revenue	109,792	Note9	2%
6	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	Haojun Precision Electronic (Kunshan) Co., Ltd.	3	Sales revenue	10,650	Note9	0%
6	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	Haojun Precision Electronic (Kunshan) Co., Ltd.	3	Other receivables	14,239	Note10、13	0%
7	Concraft Precision Electronic (Baoying) Co., Ltd.	Kun Shan Dragonstate Electronic Technology Co., Ltd.	3	Accounts receivable	10,582	Note8	0%

Table 6 Page 2

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
7	Concraft Precision Electronic (Baoying) Co., Ltd.	Kun Shan Dragonstate Electronic Technology Co., Ltd.	3	Sales revenue	458,800	Note8	9%
7	Concraft Precision Electronic (Baoying) Co., Ltd.	Kun Shan Dragonstate Electronic Technology Co., Ltd.	3	Other operating revenue	44,143	Note8	1%
7	Concraft Precision Electronic (Baoying) Co., Ltd.	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	3	Other receivables	13,619	Note10、13	0%
7	Concraft Precision Electronic (Baoying) Co., Ltd.	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	3	Accounts receivable	33,154	Note8	0%
7	Concraft Precision Electronic (Baoying) Co., Ltd.	Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	3	Sales revenue	30,839	Note8	1%
7	Concraft Precision Electronic (Baoying) Co., Ltd.	Haojun Precision Electronic (Kunshan) Co., Ltd.	3	Prepayment for purchases	43,918	Note10	0%
8	OBO Pro.2 INC (Taiwan)	Kun Shan Dragonstate Electronic Technology Co., Ltd.	3	Accounts receivable	34,916	Note8	0%
8	OBO Pro.2 INC (Taiwan)	Kun Shan Dragonstate Electronic Technology Co., Ltd.	3	Sales revenue	32,540	Note8	1%
9	OBO Seahorn International Co., Ltd	OBO Pro.2 INC (Taiwan)	3	Accounts receivable	72,357	Note11	1%
9	OBO Seahorn International Co., Ltd	OBO Pro.2 INC (Taiwan)	3	Sales revenue	63,721	Note11	1%
10	Seahorn Electronic Co., Ltd	OBO Seahorn International Co., Ltd	3	Accounts receivable	64,316	Note11	1%
10	Seahorn Electronic Co., Ltd	OBO Seahorn International Co., Ltd	3	Sales revenue	67,042	Note11	1%
10	Seahorn Electronic Co., Ltd	OP(VIRGIN) INTERNATIONAL GROUP CORPORATION	3	Sales revenue	66,465	Note11	1%
11	OP(VIRGIN) INTERNATIONAL GROUP CORPORATION	OBO Seahorn International Co., Ltd	3	Accounts receivable	29,095	Note11	0%
11	OP(VIRGIN) INTERNATIONAL GROUP CORPORATION	Seahorn Electronic Co., Ltd	3	Accounts receivable	81,286	Note11	1%
11	OP(VIRGIN) INTERNATIONAL GROUP CORPORATION	OBO Pro.2 INC (Taiwan)	3	Sales revenue	67,240	Note11	1%

Table 6 Page 3

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

(1)Parent company is '0'.

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: Financing funds.

Note 6: In accordance with contracts signed by both parties.

Note 7: The amount is calculated based on 3% of its annual sales amount.

Note 8: Transaction price was negotiated by two parties. The collection terms were 90 days from the end of the next month.

Note 9: Transaction price was negotiated by two parties. The collection terms were 30 days from the end of the next month.

Note 10: Transaction price was negotiated by two parties. Collection term was the same as general clients.

Note 11: Transaction price was negotiated by two parties. The collection terms were 90 days from the end of the month.

Note 12: Transaction price was negotiated by two parties. The collection terms were 180 days from the end of the month.

Note 13: It was the payments on behalf of associates.

Note 14: Calculated according to the price agreed by both parties and settled once a year.

Note 15: Only related party transactions above NT\$10 million are disclosed. Corresponding transactions from the other side are not disclosed.

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES

Information on investees
Year ended December 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019				Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2(3))	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value				
CONCRAFT HOLDING CO., LTD	DRAGONSTATE TECHNOLOGY CO., LTD.	Mauritius	Holding company and sale of connectors	\$ 3,211,585	\$ 2,899,803	104,410,000	100	\$ 4,565,031	\$ 547,387	\$ 547,387		
CONCRAFT HOLDING CO., LTD	CONCRAFT TECHNOLOGY CO., LTD.	Hong Kong	Sales of connectors.	594	594	150,000	100	17,646	388	388		
CONCRAFT HOLDING CO., LTD	CONCRAFT PRECISION CO., LTD	Hong Kong	Holding company	430,357	430,357	109,472,110	100	1,007,913	7,501	7,501		
CONCRAFT HOLDING CO., LTD	Dragonstate International Technology Co., Ltd.	Taiwan	Sales of connectors.	300,000	120,000	30,000,000	100	326,664	3,667	3,667		
CONCRAFT HOLDING CO., LTD	OBO Pro.2 INC (Taiwan)	Taiwan	Marketing and manufacturing of electronic connectors and sound components	100,001	-	2,420,000	14.97	94,115 (	10,492) (	4,967)	
OBO Pro.2 INC (Taiwan)	OBO PRO.2 INC	United States	Marketing and manufacturing of electronic connectors and sound components	30,809	30,809	1,000,000	100	14,067 (	14,921) (	14,921)	
OBO Pro.2 INC (Taiwan)	OP (VIRGIN) INTERNATIONAL GROUP CORPORATION	British Virgin Islands	Marketing and manufacturing of electronic connectors and sound components	22,443	22,443	690,000	100	110,599	448	448		

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES

Information on investees

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 2(2))	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2(3))	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
OBO Pro.2 INC (Taiwan)	OBO Seahorn International Co., Ltd	Taiwan	Holding company Marketing and manufacturing of electronic connectors and sound components	53,222	53,222	4,600,000	99.99	9,008 (	3,071) (	3,071)	

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

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

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2019' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.
- (2)The 'Net profit (loss) of the investee for the year ended December 31, 2019' column should fill in amount of net profit (loss) of the investee for this period
- (3)The 'Investment income (loss) recognised by the Company for the year ended December 31, 2019' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee as of December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Kun Shan Dragonstate Electronic Technology Co., Ltd.	Research and development, marketing and manufacturing of electronic connectors , sound components , automobile and optical components	\$ 3,537,640	2	\$ -	\$ -	\$ -	\$ -	\$ 590,726	100.00	\$ 590,661	\$ 4,813,844	-	Note 3
Concraft Precision Electronic (Baoying) Co., Ltd.	Research and development, marketing and manufacturing of electronic connectors , sound components and optical components	980,346	2	-	-	-	-	7,851	100.00	7,851	1,002,149	-	Note 4
Concraft Precision Mechatronics (Kun Shan) Co., Ltd.	Manufacturing and sale of molding components	44,970	2	-	-	-	-	2,604	100.00	1,553	62,473	-	Note 4
Haojun Precision Electronic (Kunshan) Co., Ltd.	Marketing and manufacturing of electronic connectors , sound components and Marketing of	31,479	3	-	-	-	-	(11,618)	100.00	(11,618)	(17,125)	-	Note 5
Seahorn Electronic Co., Ltd	buzzer,condenser Microphone and mylar Speaker	18,207	2					(1,349)	100.00	(1,349)	12,933	-	Note 6
Bellsing Precision Devices Co., Ltd.	Marketing of buzzer,condenser Microphone and mylar Speaker	4,350	2					(504)	49.00	(1,868)	310	-	Note 5

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	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 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: Investment income (loss) recognised by the Company for the year ended December 31, 2019 is based on financial statements audited and attested by R.O.C. parent company's CPA.

Note 3: Kun Shan Dragonstate Electronic Technology Co., Ltd. was invested by Dragonstate Technology Co., Ltd.

Note 4: Concraft Precision Electronics (Baoying) Co., Ltd. and Concraft Precision Mechatronics (Kun Shan) Co., Ltd. were invested by Concraft Precision Co., Ltd.

Note 5: As the investment in this table is invested through an existing company in Mainland China, which then invested in the investee, Haojun Precision Electronic (Kunshan) Co., Ltd. and Bellsing Precision Devices Co., Ltd. in Mainland China, the Group is not required to apply for approval by the Investment Commission of the Ministry of Economic Affairs (MOEA).

Note 6: Seahorn Electronic Co., Ltd was invested by OBO Seahorn International Co., Ltd.

CONCRAFT HOLDING CO., LTD. AND SUBSIDIARIES

Significant transactions , either directly or indirectly through a third area, with investee companies in the Mainland Area

Year ended December 31, 2019

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

	Sale (purchase) (Note)		Property transaction		Accounts receivable (payable) (Note)		Provision of endorsements/guarantees or collaterals		Financing											
	Amount	%	Amount	%	Balance at December 31, 2019	%	Balance at December 31, 2019	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate	Interest during the year ended December 31, 2019	Others							
Investee in Mainland China																				
Kun Shan Dragonstate Electronic Technology Co., Ltd.	\$	-	-	\$	-	-	\$	115,464	3%	\$	-	-	\$	833,616	\$	430,500	5	\$	7,654	-
Concraft Precision Electronic (Baoying Co., Ltd.)		-	-		-	-		-	0%		-	-		299,800		-	-		-	-

Note: The balances are premium receivable to related party.

V. The audited separate financial statements of the last 5 years: The Company did not issue any separate financial statement.

VI. If there is insolvency to the Company and its subsidiaries in the most recent year to the day this report was printed, specify the influence on the financial position of the Company: Nil.

Seven. Review and analysis of financial position and performance, and risks

I. Table of financial position in comparison

Unit: NT\$ thousand; %

Item \ Year	2019	2018	Difference	
			Amount	%
Current assets	5,422,672	4,817,847	604,825	12.55%
Property, plant and equipment	4,139,499	2,809,741	1,329,758	47.33%
Intangible assets	209,980	28,435	181,545	638.46%
Other assets	483,074	517,148	(34,074)	(6.59%)
Total assets	10,255,225	8,173,171	2,082,054	25.47%
Total liabilities	3,116,311	3,088,649	27,662	0.90%
Long-term loans	1,234,802	820,668	414,134	50.46%
Other liabilities	603,778	282,495	321,283	113.73%
Total liabilities	4,954,891	4,191,812	763,079	18.20%
Capital stock	1,366,843	1,184,191	182,652	15.42%
Addition paid-in capital	2,676,711	1,421,813	1,254,898	88.26%
Retained earnings	1,502,571	1,737,636	(235,065)	(13.53%)
Accumulated adjustment of conversion	(437,877)	(288,137)	149,740	(51.97%)
Treasury shares	(74,033)	(74,144)	(111)	(0.15%)
Uncontrolled equity	266,119	-	266,119	-
Total shareholders' equity	5,300,334	3,981,359	1,052,856	26.44%

If the change between the previous and current periods exceeds 20%, and the amount surpasses NT\$20 million, the main reason for the change is analyzed below:

1. The increase of property, plant and equipment: The main reason for more fixed assets were purchased is there are new production projects required new molds and equipment.
2. Increase of intangible assets: Mainly due to patent rights and goodwill arising from the merger.
3. The increase of long-term loans: Mainly due to the decrease of the transferred maturity of long-term loans.
4. The increase of other liabilities: Mainly due to the increase of the deferred income tax liabilities of the estimated income tax on unsecured convertible corporate bonds, lease liability and overseas income.
5. The increase of Additional paid-in capital: Mainly due to the newly added premium of convertible corporate bonds.
6. The increase of accumulated adjustment of conversion: the effect of the conversion of net assets of foreign operations denominated in functional currency to the presenting currency (NTD).
7. The increase of uncontrolled equity: Mainly due to the new merged subsidiary.

II. Financial performance

Unit: NT\$ thousand; %

Item \ Year	2019	2018	Difference	
			Amount	%
Net operating income	5,124,518	5,757,902	(633,384)	(11.00%)
Cost of operation	3,472,594	3,388,653	83,941	2.48%
Gross profit	1,651,924	2,369,249	(717,325)	(30.28%)
Operating expense	1,102,393	879,062	223,331	25.41%
Operating income	549,531	1,490,187	(940,656)	(63.12%)
Non-operating income and (expense)	(87,504)	(6,652)	80,852	1215.45%
Earnings before taxation	462,027	1,483,535	(1,021,508)	(68.86%)
Income tax expense	70,359	506,990	(436,631)	(86.12%)
Net income in current period	391,668	976,545	(584,877)	(59.89%)

(I) Reasons for changes and the influence:

1. Gross profit: The decreased gross profit for the period is mainly due to the impact of the US-China trade conflicts which resulted in poor sales of the end products. Also, due to the first half being the replacement period of new and old products, the capacity utilization rate was therefore lower; the gross profit for the first half was approximately 28%. Although the launch of end products in the second half was later than the same period of the previous year, the Company's production capacity utilization rate was only up to Q4. Thanks to the launch of customers' new products, the gross rate was allowed to improve to 34% in the second half. The overall gross rate of 2019 was approximately 32% which was slightly lower compared to the same periods, mainly due to the overall environment.
2. Operating expense: Mainly due to the expansion of the Company's operation scales, resulting in an increase in operating expenses.
3. Operating income: Mainly due to the decrease of gross profit, and the increase of operating expenses, resulting in a decrease of operating income.
4. Non-operating income and (expense): The subsidiaries recognized for government subsidies that resulted in a decrease in other income.
5. Income tax expense: Due to the decrease in pre-tax income in the period, resulting in a decrease of income tax expenses compared to the same period of the previous year.

(II) Expected sale quantity and the reference, and its effect on the financial position and operation of the Company in the future, and the plan for response:

1. Expected sale quantity and reference:
In evaluation of the current market trend and the possible purchase orders from the customers in the future after negotiation, due to the impact of COVID-19, the Company remains conservative in terms of sales in the year ahead as compared with 2019.
2. Possible influence on the financial position and operation of the Company and the plan for response:
The Company enjoyed stable growth in operation, and have stable customers. The development of new customers and research and development of new products will bring in better business opportunity. There is unlikely any significant influence on the financial position and operation of the Company.

III. Cash flow analysis

(I) Analysis of the changes in cash flows in the most recent year

Item/year	Year 2019	2018	Changes in the ratios
Cash flow ratio (%)	60.75	24.80	144.96%
Cash flow adequacy ratio (%)	46.05	37.61	22.44%
Cash reinvestment ratio (%)	13.93	3.60	286.94%
Note to changes in the ratios:			
1. Cash flow ratio: cash inflow from operation in 2019 increased by NT\$1.08 billion from the same period of 2018 that resulted in the upward adjustment of cash flow ratio.			
2. Cash reinvestment ratio: In 2019 that resulted in an increase of cash inflow from operation by NT\$1.08 billion from the same period of 2018 and the eventual upward adjustment of cash reinvestment ratio.			

(II) Liquidity analysis of the year ahead

Unit: NT\$ thousand

Cash balance at the beginning of period (1)	Expected net cash flow from operation of the period (2)	Expected net cash flow from investment and financing of the period (3)	Amount of cash surplus (short) (1)+(2)+(3)	Remedy for cash short	
				Investment plan	Wealth management plan
398,377	3,213,275	(2,798,972)	812,680	-	-

(III) Remedy for inadequate liquidity: not applicable

IV. The effect of major capital expenditure in the most recent year on financial position and operation: Nil.

V. The direct investment policy of the most recent year, the main reason for profit or loss, the remedy and the investment plan in the year ahead:

(I) The direct investment policy of the Company: for the needs of the Group operation.

(II) The main reason for profit or loss from direct investment:

Unit: NT\$ thousand

Items	Recognized gains (loss) in 2019	Direct investment policy	Reason for profit or loss	Remedy
DRAGONSTATE TECHNOLOGY CO., LTD.	547,387	Sale and shareholding	Return on investment	-
Concraft Technology CO., Ltd.	388	Sale	-	-
Concraft Precision Co., Ltd.	7,501	Shareholding	Return on investment	-
Dragonstate International Technology Co., Ltd.	3,667	Sale and production	-	-
OBO Pro.2 Inc.	(10,492)	Sale and production	Loss on investment	-
OBO PRO.2 INC	-	Sale and production	-	-
OP(VIRGIN)INTERNATIONAL	-	Sale and	-	-

Unit: NT\$ thousand

Items	Recognized gains (loss) in 2019	Direct investment policy	Reason for profit or loss	Remedy
GROUP CORPORATION		production		
OBO Pro.2 Inc.	-	Sale and shareholding	-	-
Kunshan Dragonstate Electronic Technology Co., Ltd.	-	Sale and production	-	-
Concraft Precision Electronics (Baoying) Co., Ltd.	-	Sale and production	-	-
Concraft Precision Electrical (Kunshan) Co., Ltd.	-	Sale and production	-	-
Kunshan Haojun Precision Electronics Co., Ltd.	-	Sale and production	-	-
OBO Pro.2 (Dongguan) Inc.	-	Sale and production	-	-

(III) Major investment plan in the year ahead: Nil

VI. Risk analysis

(I) The effect of changes in interest rate and exchange rate and inflation on the income position of the Company, and the response:

1. The effect of changes in interest rate and exchange rate on the income position of the Company, and the response:

The interest expense of the Company over the last 3 years and in proportion to the consolidated revenue of the Company are shown below:

Unit: NT\$ thousand

Item \ Year	2017	2018	2019	As of March 31, 2020
Interest expense	74,366	134,074	119,527	24,137
Interest expense/group consolidated revenue (%)	1.41%	2.33%	2.33%	2.62%

Source: audited or reviewed financial statements

The above information indicated that the interest expense of the Company in the last 3 years to the end of the quarter prior to the printing of this report was at 2.02% of the consolidated revenue of the group in average. As such, the changes in interest rate did not significantly affect the income position of the Company.

2. The effect of changes in exchange rate on the income position of the Company and the response:

The sale of the Company was mainly settled in USD or CNY while the purchase of the Company was mainly settled in CNY, followed by USD. Exchange gain/loss of the Company over the last 3 years and in proportion to the consolidated revenue of the group:

Unit: NT\$ thousand

Items \ Year	2017	2018	2019	As of March 31, 2020
Exchange gain (loss)	11,473	7,468	18,096	21,040
Exchange gains (loss)/consolidated revenue of the group (%)	0.22%	0.13%	0.35%	2.28%

Source: audited or reviewed financial statements

The above information indicated that the exchange gains/loss of the Company in the last 3 years to the end of the quarter prior to the printing of this report was at 0.23% in average, and the effect was insignificant to the income position of the Company. The Company responded by taking the following measures:

(1) The Company converted its cash into EUR, CNY or other currencies at

relatively stable exchange rate to hedge off the risk deriving from exchange rate fluctuation.

- (2) The Company liaises with the service banks frequently to keep abreast of any change in the foreign exchange market. The information available will be served as reference for related personnel in giving quotation for the timely response to the changes in exchange rate.
- (3) The investment cycle in the internal control system of the Company governs derivative trade, which shall be conducted in accordance with the “Procedure for the Acquisition or Disposition of Assets” subject to the final resolution of the Shareholders Meeting. Necessary measure will be taken depending on the position of foreign currency and the state of changes in foreign exchange rate to reduce the exchange risk of the Company pertinent to the operation. The Company seeks to use natural hedge as the first choice in handling foreign currency position and will not use derivatives for hedging unless it is necessary.

3. The effect of inflation/deflation on the income position of the Company, and the response:

Inflation/deflation will cause unreasonable fluctuation to the prices of materials for the Company, which will affect the income position to certain extent. In the period from 2017 to 2019, the cost of sale of the Company accounted for approximately 61% of the revenue. Materials purchased in bulk are sound network, terminals, spring materials, engineering plastics, copper, and material for gold plating in the outsourced electroplating process. The Company takes the following measures to minimize the effect of changes in the prices of materials on the income position of the Company:

- (1) Develop new production process to reduce the consumption of materials. An example is the Insert Molding technology, which helps to reduce the consumption of copper by more than 50%.
 - (2) Intensify the recycling and reuse of wastes
 - (3) Research and develop the equipment for automated production of products to reduce the loss rate in the production process.
 - (4) Vertical integration of production process to control waste of materials from the production process.
- (II) The policies for the engagement in high risk and high leverage investment, loaning of fund to a third party, endorsement/guarantee, and derivative trade, the main reason for profit or loss, and the response:

1. The policies of engagement in high risk and high leverage investment, the main reason for profit or loss, and the response:

The Company concentrates its effort in the professed operation and

has not engaged in other high risk business. In addition, the Company keeps a conservative treasury policy and does not take any high leverage investment. This risk has marginal effect on the Company.

2. The policy of loaning of fund to a third party, the main reason for profit or loss, and the response:

The Board and the Shareholders Meeting of the Company have approved the “Procedure for the Loaning of Fund”. The Company did not finance any unrelated parties except the wholly-owned subsidiaries and indirect subsidiaries in the most recent year to the day this report was printed. For further information on financing related parties, refer to the notes to the financial statements of this year.

3. The policy of endorsement/guarantee, the main reason for profit of loss, and the response:

The Board and the Shareholders Meeting of the Company have approved the “Procedure for Endorsement/Guarantee”. The Company did not undertake endorsement/guarantee in favor of any unrelated parties except the wholly-owned subsidiaries and indirect subsidiaries in the most recent year to the day this report was printed. For further information on endorsement/guarantee in favor of related parties, refer to the notes to the financial statements of this year.

4. The policy of derivative trade, the main reason for profit or loss, and the response:

The Company did not engage in derivative trade in the most recent year to the day this report was printed. The Board and Shareholders Meeting of the Company have also passed the “Procedure for the Acquisition or Disposition of Assets” that governs derivative trade. Where necessary, the Company will assess related hedge strategy for its operation in the future and proceed in accordance with the “Procedure for the Acquisition or Disposition of Assets”.

(III) The R&D plan in the future, and the expected expenditures for such purpose:

The R&D plan of the Company in the future is shown below:

Product categories	Products and Plans planned for development	Sphere of application
The development of automotive related parts and components	Joint venture with the customers in the development of the parts and components necessary for the driving of new energy cars.	The automotive industry
The design of acoustics parts and components and the development of mass production technology.	Parts and components of micro acoustics (loudspeakers)	Different industries
The composite use of silica gel material and other materials	The composite use of silica gel material and other materials	Acoustics Optics The automotive industry

1. Under the “Development of automotive related parts and components” plan, the Company will jointly develop the parts and components for the electric power train of new energy cars (HEV, BEV, FCEV) with the use of new materials for the needs of these new cars with the customers in Europe and in Mainland China.
2. The “development of parts and components for acoustics products” is focused on the joint research and development and production with the customers under the sharing of relevant proportions of R&D expenses as consumed. Revenue started to generate in 2013. The revenue in 2019 accounted for approximately 75% of the overall revenue.
3. The “composite use of silica gel materials and other materials” aimed at all levels of production technologies of applying silica gel materials to different products.
4. The Company will continue the R&D of the composite use of silica gel materials for application to suitable industries. It is expected that the annual expenditure on R&D will account for approximately 5%-10% of the revenue.

(IV) The changes in major policies of the home government and foreign governments and the regulatory environment on the financial position and operation of the Company, and the response:

The Company is incorporated at Cayman Islands where financial service is the principal economic engagement of this place. There is no foreign exchange control and the political and economic environment is stable. The connectors made and sold by the Company are mostly used in the so-called 3 C products (computer, communication, and consumer electronics). These are daily items for the people that do not require special permission or under restriction. Therefore, the change in the policies and regulatory environment in Cayman Islands, Mainland China and Mauritius, where the Company has

established key subsidiaries, will unlikely affect the financial position and operation of the Company significantly.

- (V) The effect of technology change and industrial change on the financial position and operation of the Company, and the response:

Connectors and acoustic-optical parts and components are extensively used in different industries, which are classified as passive component. In case of technology change, passive components will also be changed significantly. This will be a challenge to the design and production firms in the aspect of technology. The Company responds to the change in technology with the following measures :

1. The Company is cautious at the development stage of products. In mainstream industries with frequent changes in technologies, the Company declined to develop products containing low level of know-how. For products with high level of know-how, the Company will surpass the competitors in market in cost advantage before successful engagement in the business.
2. Understand the application of the customers to end products to keep abreast of the change in the trend.
3. Proceed to vertical integration to reduce the effect of price collapse due to technology change.
4. The Company has successfully listed its stocks for trading at TWSE in 2016, and will use the resources in market for the reasonable transformation of the Company so as to attract good people.
5. Proceed to R&D and in-depth cultivation of cross-industry products such as the automotive and medical industries, and the development of medical auxiliary device parts and components.
6. Engage in joint R&D with world-class big firms on products of the next generation and upgrade as the rule maker of product specification.

- (VI) The effect of the change in corporate image on corporate crisis management, and the response:

The management of the Company upholds the corporate philosophy of sustainable development in carving the corporate culture of the Company, and maintains a conservative stance while seeking development and growth to earn the recognition of all outsiders. Indeed, the recognition of the outsiders of the corporate culture helps to form the corporate image. We hold that the stability of the management level will be the way for keeping our corporate image. The stability of the management will help the Company to keep its fundamental spirit at the time of establishment under the rule of thumb in tackling with internal or external crisis. It is because of this that the Company has not encountered any crisis due to the change in corporate image ever since its establishment.

- (VII) Expected result from merger and acquisition, possible risk, and response:

The Company has strategically merged OBO and has signed the

agreement on April 1, 2019 with key shareholders. The Company has acquired 3 seats of directors from its original 5 and has substantial control in terms of OBO's decisions on activities. OBO does trading in buzzer processing, speakers and microphones in Asia, Europe and America. After the merger, the Company expects to integrate the market and customer resources between the 2 companies to expand operation scales in order to strengthen market competition and at the same time enhance the acoustic product lines to further improve operation performance.

As of the end of the publication date of the annual report, the Company and subsidiaries' have no M&A plans. If such plan emerges in the future, the Company will carefully evaluate and consider the effect of the consolidation to ensure the rights and benefits of original equity.

(VIII) Expected result from capacity expansion, possible risk, and response:

The construction of the second phase plant of the Company's subsidiary Concraft Precision Electrical (Kunshan) Co., in Zhoushi Town, Kunshan City, has now been completed. The new plant is expected to bring positive benefits to the Group's competitiveness.

(IX) The risks deriving from over concentration of purchase and sale, and the response:

1. The risks deriving from over concentration of purchase, and the response:

The biggest supplier to the Company accounted for only 7% of the total purchase of the Company in the most recent year to the day this report was printed. The Company has at least 2 suppliers for the supply of the same item. The risk of over concentration of purchase is unlikely.

2. The risks deriving from over concentration of sale, and the response:

The Company has transformed from the red sea market of connectors to the blue ocean market of customized acoustics parts and components. In 2013, the Company was engaged in a joint venture with US big acoustics firms in the development of acoustics components. The launch of smart phone to market in 2014, the product quality and Insert Molding technology of the Company helped to earn the recognition of the customers. In addition, most big cell phone firms tended to work with specific or a few suppliers in the supply of different parts and components and are unlikely to switch to new suppliers. The Company has cultivated positive cooperative relation with big US acoustics firms. Under the principle of trust and mutual interest, this cooperative relation remains intact. Further, sale has been on the growth perpetually that the Company has concentrated its sale with a few customers.

Yet, this acoustics customer announced to quit the electro-acoustic industry in 2016 and disengaged from the sale of portable device related acoustics items. In addition, the poor sale performance of smart phone

caused the decline of revenue in the first half of 2016. Under such unfavorable condition, the Company has the strong support from other acoustics customers. It was reinforced by the persistence of the management team that the Company could engage in strategic cooperation with the customers in operation. This helped the Company to lay down a solid foundation for operation in the future. In response, the Company took the following measures:

- (1) The Company maintains positive relation with acoustics component big firms for stabilizing the supply and establishes a higher level of dependence of the customers on the Company.

The entrance barrier of the manufacturing of smart phone acoustics components is high. The Company has established long-term cooperative relation with the acoustics big firms and earned the trust of the customers with the Insert Molding production technology in manufacturing. As such, the Company has an edge along the supply chain of the famous acoustics big firms, which made it difficult for other suppliers to penetrate. Although the US big acoustics firm withdrew from producing portable device related acoustics products, the cooperation with the big cell phone firms previously working with the said US acoustics firm is still there. The Company continues to sell acoustics components to the cell phone firms through other acoustics firms. This move helps to prevent possible risk to the revenue or profit of the Company. In 2019, the revenue from acoustics products and related tooling and jig accounted for 75% of the total revenue, which indicated sustainable growth.

- (2) Active development of potential customers of optical components and automotive related parts and components for diversification of the sources of purchase orders.

The Company is strong at its design and mass production capacity of precision tooling. Over the years, the Company has procured precision machinery and equipment to optimize the production process. In the aspect of automotive pressure sensor metal stamping and plastic injection components, the Company has been accredited as qualified supplier by German big firms in 2015, and continued to assess the possible joint ventures with automotive parts and components with automobile makers in Europe, USA and Mainland China. In the aspect of optical components, the Company has joint ventures with Japanese firms in the development of VCM related metal parts, and will continue to develop the business with other VCM firms in Mainland China. The Company will make the composite use of silica gel injection technology with the Insert Molding design to expand the size of operation for further reduction of the risk of over concentration of sale.

- (3) Maintain the product line of connectors for the time being and add the high frequency technology connectors into the product line for selling.

In addition to acoustics items, the Company also carries different traditional or high-end electronic connectors and the R&D, manufacturing, and sale of related tooling parts and components. The

Company sells directly to domestic electronic manufacturers or traders to avoid putting all the stakes on particular customers and the risk thereof. The Company has spared no effort to develop new customers over the years and engaged in joint ventures with many international big firms. With the indigenous capacity of making parts and components, R&D of innovative technologies, improvement of customized design, assistance to customers in the development of related products to condense the time for R&D, short and flexibility delivery lead-time, stable product quality, perfect technical support and post-sale services, the Company earned the trust and recognition of the customers. With these resources, the Company continuous to maintain good cooperative relation with the key customers in the long-term.

- (4) Continue the joint venture with US acoustics big firms in the design and production of parts and components for medical auxiliary devices to mitigate the influence from the reduction of portable device related acoustics products.
- (X) The influence of the massive transfer of shares by or the replacement of the Directors, Supervisors or shareholders holding more than 10% of the shares issued by the Company, the risk thereof, and the response: not applicable.
- (XI) The influence of the change in the ownership of the Company, the risk and the response: not applicable.
- (XII) In case of law suit or non-contentious matters, specify the details of the Company, the Directors, Supervisors, Presidents, the administrator, dominant shareholders holding more than 10% of the shares issued by the Company of the Company and subsidiaries, the ruling of the court of major law suit, non-contentious matters or administrative action in proceeding and the result of which will significantly affect the shareholders equity or stock price of the Company. Disclose the facts, the amount involved, the date of commencement of legal proceedings, the key parties concerned, and the progress as of the day this report was printed: not applicable.
- (XIII) Other major risks and responses:

Information Security Risk: The Company has established a set of comprehensive network(equipemnt: Firewall, Structure: VLAN, Network provide: HiNet Information Security Fleet) and computer security protection system (computer: AntiVirus-OfficeScan, NB: Bit Locker/Vera Crypt encryption system) in order to control or maintain the Company's important corporate operation functions such as manufacturing operations and accounting while at the same time preventing the external IPS intrusion, DDoS attacks, anti-spyware programs, viruses and malicious connections of zombie computers. However, the Company cannot guarantee 100% that its network and computer systems can completely avoid cyber attacks from any third-party system. Under the circumstance of a severe network attack, the Company's system may lose important data and the production line will probably be forced to stop due to the attack being unsolved. The Company ensures the suitability and efficiency of network safety measures and procedures, while introducing new technologies and information security equipment through annual inspection and evaluation. During 2019 and as of

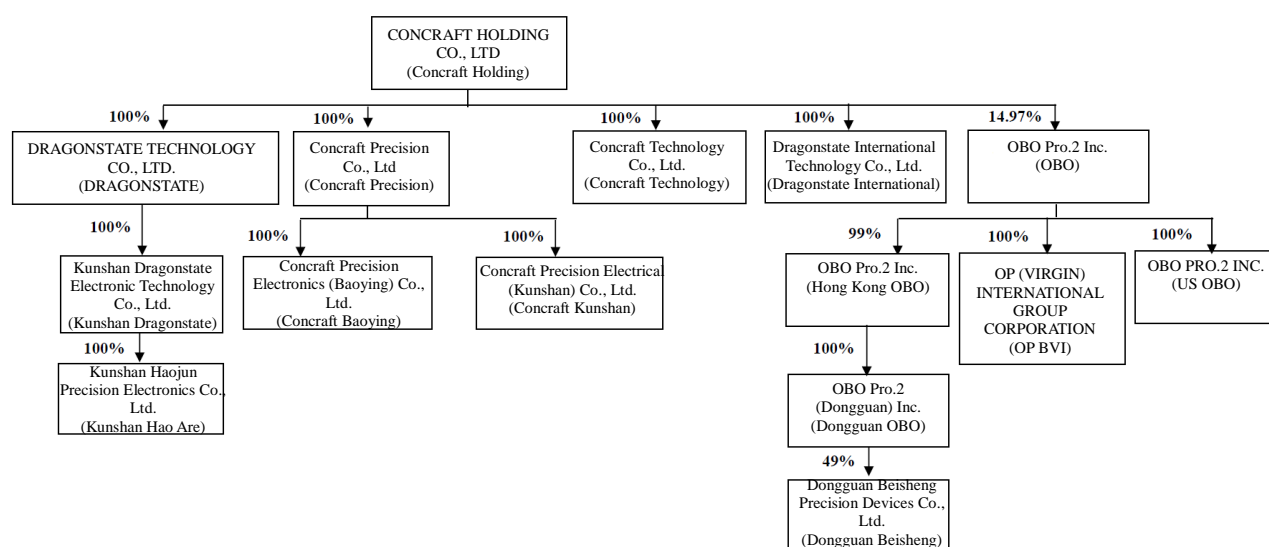
the publication date of the annual report, no material cyber attacks or events have been discovered that may have caused or may cause significant adverse impact on the Company's business and operations, nor has the Company been involved in any legal cases or regulatory investigations in connection to such events.

VII. Additional information: Nil.

Eight. Special Note

I. Profiles of affiliates:

(I) Organizational chart of the affiliates



Note: The Company held the election of the new Board in a special session of the Board of Directors and Supervisors of OBO Pro.2 Inc. (hereinafter referred to as “OBO”) on April 1 2019, and acquired 3 of the 5 seats of the Board. The Board convened on April 2 2019. The Chairman of the Company was elected the Chairman of OBO. According to IFRS 10 – “Consolidated Financial Statements”, the Company has de facto control over OBO, which made OBO and its subsidiaries incorporated into the group as separate entities with effect on April 1 2019.

(II) Profiles of the affiliates

Unit: NT\$1,000; 2019/12/31

Enterprise name	Establishment Date	Address	Paid-in capital	Principal business Or items of production
Dragonstate Technology Co., Ltd.	2002/12/20	3rd FLOOR, RAFFLES TOWER, CYBERCITY, EBENE, MAURITIUS	USD 104,410	Investment of Kunshan Dragonstate Electronic Technology Co., Ltd., Kunshan Dragonstate Electronic Technology Co., Ltd.
Concraft Precision Co., Ltd.	2009/09/30	31/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong	USD 14,011	Investment to establish Concraft Precision Electronic (Kunshan) Co., Ltd., Concraft Precision Electronic (Baoying) Co., Ltd.
Concraft Technology Co., Ltd.	2009/09/24	31/F., Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong	USD 19	Sales of Connectors
Kunshan Dragonstate Electronic Technology Co., Ltd.	2002/10/09	No. 688, Huangpujiang North Road, Zhoushi, Kunshan, Jiangsu, China	USD 118,000	Research/development of technology, manufacture, processing and trade of connectors, acoustic components, automotive components and optical components
Concraft Precision Electronics (Baoying) Co., Ltd.	2009/09/24	No. 28, Suzhong North Road, Baoying County, Jiangsu, China	USD 32,700	manufacture, processing and trade of connectors, acoustic components and optical components
Concraft Precision Electrical (Kunshan) Co., Ltd.	2009/11/05	West side of Huangpujiang Road, Zhoushi, Kunshan, Jiangsu, China	USD 1,500	Manufacture, processing and trade of the mold and the jig.
Dragonstate International Technology Co., Ltd.	1992/05/09	2F, No. 35, Chengtian Rd., Tucheng Dist., New Taipei City, Taiwan	NTD 300,000	Sales of Connectors
Kunshan Haojun Precision Electronics Co., Ltd.	2006/06/01	No. 688, Huangpujiang North Road, Zhoushi, Kunshan, Jiangsu, China	USD 1,050	Stamping, processing, trade of connectors, acoustic components and automotive components
OBO Pro.2 Inc.	1986/10/22	No. 18 YanWu Road, Bianzhou Li, Taoyuan District, Taoyuan City	NTD 161,700	Production and sales of acoustic products
OBO PRO.2 INC	2018/09/04	2148 Bering Drive, San Jose, CA 95131, U.S.A.	USD 1,000	Production and sales of acoustic products
OP (VIRGIN) INTERNATIONAL GROUP CORPORATION	1999/04/21	Intershore Chambers, P.O.BOX 4342, Road Town, Tortola, British Virgin Islands	USD 690	Production and sales of acoustic products

Enterprise name	Establishment Date	Address	Paid-in capital	Principal business Or items of production
OBO Pro.2 Inc.	1994/02/17	Suite No. 21, Metro Centre (II), No. 21, Lam Hing Street, 7 th Floor, Kowloon Bay, Kowloon, Hong Kong	HKD4, 600	Investment of OBO Pro.2 (Dongguan) Inc. and trading in acoustic products
OBO Pro.2 (Dongguan) Inc.	2003/03/14	5th Industry Zone, Xie-Gang Town, Dongguan City Guang-Dong, China	RMB4,895	Trading in buzzer processing, trading of speakers and microphones

(III) Information on shareholders presumed to have a controlling and dependent relationship according to Article 369-3 of the Company Act: None.

(IV) Profiles of the Directors, Supervisors and Presidents of the affiliates

Unit: NT\$1,000; 2019/12/31

Enterprise name	Title	Name or Representative	Proportion of shareholding	
			Number of Shares	Shareholding Percentage
DRAGONSTATE TECHNOLOGY CO., LTD.	Chairperson	Chao-Sheng Lu	-	-
Concraft Precision Co., Ltd.	Chairperson	Chao-Sheng Lu	-	-
	Director	Guo-Ji Li	-	-
Concraft Technology Co., Ltd.	Chairperson	Chao-Sheng Lu	-	-
	Director	Guo-Ji Li	-	-
Kunshan Dragonstate Electronic Technology Co., Ltd.	Chairperson	Chao-Sheng Lu	-	-
	Director	Guo-Ji Li	-	-
	Director	Ya-Hui Xie	-	-
Concraft Precision Electronics (Baoying) Co., Ltd.	Executive Director	Chao-Sheng Lu	-	-
	Chairperson	Chao-Sheng Lu	-	-
Concraft Precision Electrical (Kunshan) Co., Ltd.	Director	Guo-Ji Li	-	-
	Director	Ya-Hui Xie	-	-
	Chairperson	Chao-Sheng Lu	-	-
Dragonstate International Technology Co., Ltd.	Chairperson	Concraft Holding Co., Ltd. representative: Chao-Sheng Lu	30,000,000	100%
	Director	Concraft Holding Co., Ltd. representative: Guo-Ji Li	30,000,000	100%
	Director	Concraft Holding Co., Ltd. representative: Chin-Hsing Lee	30,000,000	100%
Kunshan Haojun Precision Electronics Co., Ltd.	Executive Director	Chao-Sheng Lu	-	-
OBO Pro.2 Inc.	Chairperson	CONCRAFT HOLDING CO., LTD representative: Chao-Sheng Lu	2,420,000	14.97%
	Director	CONCRAFT HOLDING CO., LTD representative: Guo-Ji Li	2,420,000	14.97%
	Director	CONCRAFT HOLDING CO., LTD representative: Qiao-Sheng Huang	2,420,000	14.97%
	Director	Shian-Da Chen	4,951,862	30.62%
	Director	Reng-Nan Feng	457,962	2.83%
	Supervisor	Ming-Shu Tsai	398,849	2.47%
OBO PRO.2 INC	Chairperson	Reng-Nan Feng	-	-
OP (VIRGIN) INTERNATIONAL GROUP CORPORATION	Chairperson	Shian-Da Chen	-	-
Enterprise name	Title	Name or Representative	Proportion of shareholding	
			Number of Shares	Shareholding Percentage
OBO Pro.2 Inc.	Chairperson	Shian-Da Chen	-	-
OBO Pro.2 (Dongguan) Inc.	Chairperson	Shian-Da Chen	-	-

(V) The outlook of the operation

Unit: NT\$1,000; 2019/12/31

Enterprise name	Authorized capital	Total assets	Total liabilities	Net worth	Revenue	Income from operation	Earnings (after taxation) in current period	Earnings per share (after taxation)
DRAGONSTATE TECHNOLOGY CO., LTD.	USD 104,410	USD 189,253	USD 36,984	USD 152,269	USD 11,955	USD (104)	USD 17,708	USD 0.17
Concraft Precision Co., Ltd.	USD 14,011	USD 35,520	USD 1,901	USD 33,619	USD -	USD (3)	USD 243	USD 0.002
Concraft Technology Co., Ltd.	USD 19	USD 20,152	USD 19,563	USD 589	USD 1,806	USD (8)	USD 13	USD 0.08
Kunshan Dragonstate Electronic Technology Co., Ltd.	USD 118,000	USD 272,500	USD 111,929	USD 160,571	USD 149,570	USD 15,513	USD 19,110	Note
Concraft Precision Electronics (Baoying) Co., Ltd.	USD 32,700	USD 40,544	USD 7,117	USD 33,427	USD 25,260	USD (793)	USD 254	Note
Concraft Precision Electrical (Kunshan) Co., Ltd.	USD 1,500	USD 26,653	USD 24,233	USD 2,420	USD 35,847	USD 227	USD 84	Note
Dragonstate International Technology Co., Ltd.	NTD 300,000	NTD 380,315	NTD 53,651	NTD 326,664	NTD 117,998	NTD (93,498)	NTD 3,667	NTD 0.12
Kunshan Haojun Precision Electronics Co., Ltd.	USD 1,050	USD 8,136	USD 8,715	USD (579)	USD 8,596	USD (672)	USD (376)	Note
OBO Pro.2 Inc.	NTD 161,700	NTD 360,930	NTD 183,023	NTD 177,907	NTD 259,287	NTD (8,343)	NTD (19,320)	NTD (1.19)
OBO PRO.2 INC	USD 1,000	USD 1,221	USD 752	USD 469	USD 30	USD (485)	USD (483)	USD (0.48)
OP (VIRGIN) INTERNATIONAL GROUP CORPORATION	USD 690	USD 3,689	USD -	USD 3,689	USD 2,374	USD 6	USD 14	USD 0.02
OBO Pro.2 Inc.	HKD 4,600	HKD 27,123	HKD 24,783	HKD 2,340	HKD 20,079	HKD (708)	HKD (779)	HKD (0.17)
OBO Pro.2 (Dongguan) Inc.	RMB 4,895	RMB 35,849	RMB 32,845	RMB 3,004	RMB 42,250	RMB (4,284)	RMB (302)	Note

Note: a limited liability company without issuing stocks.

(VI) Consolidated financial statements of the affiliates: the same as the consolidated financial statements. For information, please refer to p.82-178.

(VII) Affiliation Report: not applicable.

II. Offering of securities through private placement in the most recent year to the day this report was printed:

Item -	First private placement in 2017 Date of issuance: 2017.03.06				
Type of securities offered through private placement	Common shares				
Date and amount passed by the Shareholders Meeting	The Shareholders Meeting resolved to issue no more than 10,000,000 common shares through private placement at NT\$10/share in a special session dated 2017.02.10.				
The basis and rationality of setting the price	<p>The price was set on the basis of the resolution of the Shareholders Meeting in a special session dated 2017.02.10 with calculation under the two standards below, whichever is higher, as reference price:</p> <p>(1) The simple arithmetic mean of the closing price of the common shares of the Company in the 3 business days prior to the pricing day net of ex-right and ex-dividend shares paid as dividend, and add the stock price after decapitalization and reversal of ex-right.</p> <p>(2) The simple arithmetic mean of the closing price of the common shares of the Company in the 30 business days prior to the pricing day net of ex-right and ex-dividend shares paid as dividend, and add the stock price after decapitalization and reversal of ex-right.</p> <p>The price for private placement should not fall below 80% of the reference price per share.</p>				
The method of choosing designated investors	<p>1. The designated investors of this private placement should be the parties meeting the criteria set forth in Article 43-6 of the Securities and Exchange Act, and Letter (2002)Tai-Cai-Zheng- (I)-Zi No. 10003455 issued by Executive Yuan Financial Supervisory Commission dated 2002.06.13.</p> <p>2. Target for solicitation of private placement: Merry Electronics Co., Ltd.</p> <p>3. Affiliation with the Company: Nil.</p> <p>4. The mean of choosing the prospective investors: For improving the capacity of the Company in operation and R&D, and expansion in market, the Company will target at industry peers – acoustics components, or enterprises that could help to improve the financial structure, operation performance, and R&D technologies as the prospective investors.</p>				
The necessity for offering through private placement	<p>1. The reason of no public offering: for the timing of capital control, the Company must access to long-term capital in the shortest possible time. There is also the need of introducing strategic investors. In addition, securities invested through private placement cannot be assigned within 3 years, which could help to ascertain the long-term cooperative relation between the Company and the strategic investors. These are the reasons for offering of shares through private placement.</p> <p>2. The utilization of the capital raised by private placement and expected result: The capital raised by private placement for this instance will be used to pool up the working capital and retire bank loans so as to improve the operation performance, enhance the financial structure, and serve shareholders equity.</p>				
Date of full payment for investment	2017.03.06				
Profiles of the prospective investors	Targets of solicitation	Eligibility	Subscription quantity	Affiliation with the Company	Participation in the operation of the Company
	Merry Electronics Co., Ltd.	Subparagraph 2 in Article 43-6 of the	10,000,000	None	None

		Securities and Exchange Act.	shares		
Actual subscription (or conversion) price	At NT\$72/share				
Difference between the actual subscription (or conversion) price	The actual price is NT\$72/share, which is 80.65% of the reference price of NT\$89.27/share.				
Influence of offering shares through private placement (e.g.: causing an increase of accumulated deficit)	In this private placement, 10,000,000 shares were offered, which resulted in dilution of 10.03% of the shareholders equity of the original shareholders. The influence is still insignificant.				
The use of capital raised by private placement and the progress of the plan.	Payment has been fully made in 2017 Q1 and the fund was utilized as planned and completed in 2017 Q2.				
Result of raising capital by private placement of shares	The prospective investor is among the Top 10 customers of the Company. With the investment of this customer, the Company could pool up its working capital and improve its financial structure, and could reduce cost to improve operation performance and R&D know-how.				

III. The holding or disposition of the shares of the Company by subsidiaries in the most recent year to the day this report was printed: Nil.

IV. Other Supplementary Events: Explanation for the Significant Discrepancy in the Company's Article of Incorporation and the Regulations for the Protection of the Shareholders' Rights and Interests from Our Country

The laws of Cayman Islands have slightly discrepancy with the laws of Republic of China. Because "Checklist for Shareholder Rights Protection Measures Adopted by A Foreign Issuer at the Place of Registration" (hereinafter refers to as the "Checklist for Shareholder Rights Protection") is not really applicable to the Company, the following table explains the discrepancy between the Company's Article that is pursuant to the laws of Cayman Islands and the Checklist for Shareholder Rights Protection, as well as the regulations of the Company's Article of Incorporation.

Items of Discrepancy	Laws of Cayman Islands and Explanation	Regulations of Article of Incorporation and Explanation
If the Company buys back its own shares and transfers to its employees, it shall restrict such employees not to transfer within certain period. However, such period shall not be longer than two years.	The articles and conditions of the treasury shares shall be determined by the Company's directors. In addition, the Company Act in Cayman Islands has no the relevant regulations for employees reward programs.	According to Article 1 of the Article of Incorporation, treasury shares shall refer to the shares that are issued according to this Article of Incorporation, the Company Act in Cayman Islands and the laws of Taiwan Stock Exchanges, but are bought back, redeemed or obtained with other methods by the Company and are not cancelled; thus, the content of this paragraph is stipulated in <u>Article 40D</u> of the Article of Incorporation; however, the Cayman's attorney expressed that the restrictions agreed between the Company and its employees are the contractual matter between themselves.
<p>5. The following matters shall be listed in the agenda of the shareholder's meeting and explained its main contents, and shall not be proposed by provisional motions; its main contents shall be placed in website designated by the Taipei Exchange or Taiwan Stock Exchange or the Company, an its website address shall be stated in the convening notification:</p> <ol style="list-style-type: none"> (1) election or relieving of director and supervisor; (2) change of article of incorporation; (3) capital reduction; (4) application for suspending the publicly issuance; (5) the Company's dismissal, merger, transfer of shares, demerger; (6) conclude, change or terminate any contract relating to lease of all businesses, trust of business or regular joint business with other party; (7) assignment of all or major businesses or properties; (8) acquisition other party's all businesses or properties that has significant influences on the Company's business; (9) private placement of equity-type securities; (10) permission of director's non-competition; (11) whole or partial dividend and bonus are distributed by issuance of new shares; (12) legal capital reserve and capital surplus from issuance of share at a premium or endowments received are distributed to original shareholders by issuance of new shares. 	The Company Act in Cayman Islands has no particular regulations for provisional motions. Upon the expression of Cayman's attorney regarding to provisional motions, the notification of shareholders' meeting shall specifically state the agenda of meeting and shall provide the relevant information to facilitate the shareholders' understanding. However, the notification of shareholders' meeting generally adds the item of "any other motions". Such item generally has unofficial or insignificant natures, so the chairperson shall not place the important events under this item. Any important events shall follow the procedures to hold the meeting additionally for resolution. However, in case of emergent circumstances with the necessity of discussion in the shareholders' meeting, its specific contents shall be proposed in the next meeting for ratification. Nevertheless, the Company Act in Cayman Islands has no specific prohibition of provisional motions. However, the Cayman's attorney suggested that it is not appropriate to have provisional motions in the shareholders' meeting.	<p>The <u>Article 50</u> of this Article of Incorporation is expected to be completed its amendment in 2019 annual meeting of the shareholders according to the left-listed new regulations stipulated in the "Checklist for Shareholder Rights Protection Measures Adopted by A Foreign Issuer at the Place of Registration" announced by the Taiwan Stock Exchange Corporation on November 30, 2018.</p> <p>The Company Act in Cayman Islands has no particular regulations for provisional motions; thus, the contents of Paragraph 5 is stipulated in <u>Article 50</u> of the Article of Incorporation.</p> <p>Upon the expression of Cayman's attorney regarding to provisional motions, the notification of shareholders' meeting shall specifically state the agenda of meeting and shall provide the relevant information to facilitate the shareholders' understanding. However, the notification of shareholders' meeting generally adds the item of "any other motions". Such item generally has unofficial or insignificant natures, so the chairperson shall not place the important events under this item. Any important events shall follow the procedures to hold the meeting additionally for resolution. However, in case of emergent circumstances with the necessity of discussion in the shareholders' meeting, its specific contents shall be proposed in the next meeting for ratification.</p>
3. When the Company executes the voting in	The Company Act in Cayman Islands has	The Company Act in Cayman Islands has no

Items of Discrepancy	Laws of Cayman Islands and Explanation	Regulations of Article of Incorporation and Explanation
written form or electronic method, its executing method shall be stated in the notification of the shareholder's meeting. A shareholder who executes the voting rights in written form or electronic method shall be deemed to attend the shareholders' meeting in person. However, the provisional motions and the amendment of the original proposal in such shareholders' meeting shall be deemed to waive his/her rights.	no particular regulations for the contents of Paragraph 3.	particular regulations for the front-section contents of Paragraph 3, so the front-section of Paragraph 3 is stipulated in Article 68 of the Article of Incorporation. Besides, according to the opinion of Cayman's attorney, a shareholder who has executed the voting in the written form shall be deemed to trust the chairperson to execute the voting, so the latter-section of Paragraph 3 is stipulated in Article 68 of the Article of Incorporation upon the opinions of Cayman's attorney (that is, a shareholder who executes the voting in the written form or electronic method shall be deemed to trust the chairperson of the shareholders' meeting to represent him or her to execute the voting rights in the shareholders' meeting upon the instructions of such written or electronic documents; however, the provisional motions and the amendment of the original proposal in such shareholders' meeting shall be deemed to waive his/her rights. Nevertheless, the aforesaid trust shall not be constituted the principal-agent regulations stipulated in the laws of Taiwan Stock Exchanges).
5. Where a shareholder has executed its voting rights by the written form or electronic method, in case such shareholder intends to attend the shareholders' meeting in person, it shall adopt the same methods with executing voting rights to cancel the expression of executing voting rights stated in the preceding paragraph; in case of cancellation behind time, the voting in written form or by electronic method shall prevail.	The Company Act in Cayman Islands has no particular regulations for the content of Paragraph 5.	The Company Act in Cayman Islands has no particular regulations for the content of Paragraph 5, so the content of Paragraph 5 is stipulated in Article 70 of the Article of Incorporation. Upon the expression of Cayman's attorney, under the Common Law, a person may revoke its proxy by attending the meeting in person. Because a shareholder who has executed the voting in the written form or electronic method shall be deemed to trust the chairperson of the shareholders' meeting to represent him or her to execute the voting rights in the shareholders' meeting upon the instructions of such written or electronic documents, the content of Paragraph 5 may not be enforceable.
4. Where a power of attorney has been delivered to the Company, in case such shareholder intends to attend the shareholders' meeting in person or executes its voting rights in written form or electronic method, it shall notify the withdrawal of trust to the Company in written before two days of the shareholders' meeting; in case of cancellation behind time, the voting right executed by the attendance of a proxy trusted shall prevail.	The Company Act in Cayman Islands has no particular regulations for power of attorney or raising the power of attorney.	The Company Act in Cayman Islands has no particular regulations for power of attorney or raising the power of attorney, so the content of Paragraph 4 is stipulated in Article 62B of the Article of Incorporation. Upon the expression of Cayman's attorney, under the Common Law, a person may revoke its proxy by attending the meeting in person, so the content of Paragraph 4 may not be enforceable.
<p>The following motions which involve the significant rights/interests of the shareholders shall have the attendance of the shareholders who represent two-thirds or more of total shares issued and the consent of more than half of voting rights from the present shareholders before execution. When the number of shares represented by the present shareholders is insufficient from the aforesaid norm, it may have the attendance of the shareholders who represent more than half of total shares issued and the consent of two-thirds or more of voting rights from the present shareholders before execution:</p> <p>1. The Company concludes, changes or terminates any contract relating to lease of all businesses, trust of business or regular joint business with other party, assigns all or major businesses or properties, acquires other party's all businesses or properties that has significant influences on the Company's</p>	<p>Regarding to 1, 4, 5 and 6(for demerger), the Company Act in Cayman Islands has no particular regulations of requirement or prohibition.</p> <p>Regarding to 2 and 3, the Article 24 of the Company Act in Cayman Islands has stipulated that any modification on the Article of Incorporation shall be passed by the special resolution.</p> <p>Regarding to 5 (for dismission), the Article 116 of the Company Act in Cayman Islands has stipulated that the Company shall conduct the special resolution for voluntary dismission. In addition, in case of the voluntary dismission derived from the inability of repayment for debt, such event shall be passed by the general meeting of the shareholders with resolution. The Cayman's attorney considers that the aforesaid resolution of the shareholders'</p>	<p>Article 32(h) of the AOA is expected to be amended by the annual shareholders' meeting of 2020 in accordance with the provision set forth in the sixth paragraph of the left column of the "Checklist of Protection of Shareholders' Rights/Interests in the Jurisdiction where a Foreign Securities Issuer" issued by Taiwan Stock Exchange Corporation on December 25, 2019.</p> <p>(一) As the Companies Law does not contain any specific requirement or prohibition on the provision on split-up in Items 1, 4, 5 and 6, the requirements on split-up under Items 1, 4, 5 and 6 are separately provided in Article 32(a)(b)(c)(d)(g)(h) of the AOA, stating split-up is subject to resolution requiring more approval votes at shareholders' meeting, i.e. Supermajority Resolution Type A or Supermajority Resolution Type B (as defined above).</p> <p>(二) According to Article 24 of the Company Act in Cayman Islands, any modification of</p>

Items of Discrepancy	Laws of Cayman Islands and Explanation	Regulations of Article of Incorporation and Explanation
<p>business</p> <p>2. Modification of the Article of Incorporation</p> <p>3. If the modification of the Article of Incorporation impairs the rights/interests of the preferred stocks' shareholders, it shall be resolved by the preferred stocks' shareholders meeting additionally.</p> <p>4. Whole or partial dividend and bonus are distributed by issuance of new shares.</p> <p>5. Dismissal, merger or demerger.</p> <p>6. Share swap</p>	<p>meeting may be conducted by ordinary resolution, special resolution or the higher resolution methods stipulated by the Article of Incorporation. Therefore, if the Article of Incorporation has no regulations, it may be only passed by ordinary resolution.</p> <p>Besides, regarding 5 (for merger), upon the expression of Cayman's attorney, the Article 233(6) of the Company Act in Cayman Islands has stipulated that such event shall be passed by the special resolution. In case of other resolutions stipulated in the Article of Incorporation, the Article of Incorporation shall prevail.</p>	<p>the Article of Incorporation shall be passed by the shareholders' meeting for special resolution; so Paragraph 2 is stipulated in Article 157 of the Article of Incorporation. That is, the Company may modify the memorandum and/or the Article of Incorporation with special resolution at any time. The attendance percentage of the shareholders' meeting shall be subject to Article 51 of the Article of Incorporation (that is, the shareholders who have the voting rights and represents more than half of total shares issued attend in person or trust proxy to attend).</p> <p>(三) According to Article 24 of the Company Act in Cayman Islands, any modification of the Article of Incorporation shall be passed by the shareholders' meeting for special resolution; so Paragraph 3 is stipulated in Article 18 of the Article of Incorporation; that is, If the modification of the Article of Incorporation impairs the rights/interests of the preferred stocks' shareholders, except for the special resolution of the common shareholders' meeting, it shall be passed by the preferred stocks' shareholders meeting for special resolution additionally. <u>The attendance percentage of the shareholders' meeting shall be subject to Article 51 of the Article of Incorporation (that is, the shareholders who have the voting rights and represents more than half of total shares issued attend in person or trust proxy to attend).</u></p> <p>(四) Regarding to Paragraph 5 (for dismissal), the Article 116 of the Company Act in Cayman Islands has stipulated that the Company shall conduct the special resolution for voluntary dismissal. In addition, in case of deriving from the inability of repayment for debt, such event shall be passed by the general meeting of the shareholders for resolution. The Cayman's attorney considers that the aforesaid resolution of the shareholders' meeting may be conducted with ordinary resolution, special resolution or the higher resolution methods stipulated by the Article of Incorporation. Therefore, Paragraph 5's dismissal section is stipulated in Article 33 of the Article of Incorporation; in which if the Company's voluntary dismissal is derived from the inability of repayment for debt as schedule, it shall be passed by the shareholders' meeting with supermajority sever resolution (that is, supermajority resolution Type A or supermajority resolution Type B (its definition refers to the above)) before execution (Article 33(a)); if the Company's voluntary dismissal is derived from other causes, it shall be passed by the special resolution before execution (Article 33(b)). <u>The attendance percentage of the shareholders' meeting shall be subject to Article 51 of the Article of Incorporation (that is, the shareholders who have the voting rights and represents more than half of total shares issued attend in person or trust proxy to attend).</u></p>

Items of Discrepancy	Laws of Cayman Islands and Explanation	Regulations of Article of Incorporation and Explanation
		(五) Regarding to Paragraph 5's merger section, upon the expression of Cayman's attorney for merger section, the Article 233(6) of the Company Act in Cayman Islands has stipulated that such event shall be passed by the special resolution. In case of other resolutions stipulated in the Article of Incorporation, the Article of Incorporation shall prevail. So Paragraph 5's merger section is stipulated in <u>Article 31(c)</u> of the Article of Incorporation. <u>The attendance percentage of the shareholders' meeting shall be subject to Article 51 of the Article of Incorporation (that is, the shareholders who have the voting rights and represents more than half of total shares issued attend in person or trust proxy to attend).</u>
Supervisor Related Regulations.	The Company Act in Cayman Islands has no particular regulations for supervisor.	Because the Company does not set up supervisor, the Article of Incorporation is not amended.
<p>1. A shareholder who holds one percent or more of the Company's total shares issued with continuously more than six months may request the supervisors in writing to file a litigation for the Company against the directors, and the Taiwan Taipei District Court shall be court of jurisdiction for the first instance.</p> <p>2. Within 30 days after a shareholder's request, if the supervisor does not file a litigation, such shareholder may file a litigation for the Company, and the Taiwan Taipei District Court shall be court of jurisdiction for the first instance.</p>	<p>The Article of Incorporation in Cayman Islands has no particular requirements or prohibitions.</p> <p>According to the laws in the Cayman Islands, the circumstances that a shareholder represents the Company to file a litigation include: (A) such act is illegal or beyond the scope of the Company's authority that can not be ratified by the shareholders; or (B) such act constitutes a fraud against minor shareholders (that is, the counterparty of seeking relief in such litigation is the major shareholder; and such major shareholder does not allow the Company to let the prosecutor seek relief in the litigation. If a litigation is filed on the grounds of this Paragraph, it must first prove that there is a fraud and the person who has illegal act has control power of the Company).</p> <p>Where a act is within the scope of the Company's authority, or where a act is beyond the scope of authority but can be ratified by the shareholders and conformed with majority shareholders' will, the Cayman court mostly tends not to interfere the internal acts of the Company.</p> <p>We have doubt on the enforceability in Cayman Islands of this provision if it is incorporated into the AOA of the Company because the courts of Cayman Islands are unlikely to recognize and enforce foreign judgment which is not the monetary judgment without any re-examination of merits of the underlying dispute.</p>	<p>The <u>Article 123</u> of this Article of Incorporation is expected to be completed its amendment in 2019 annual meeting of the shareholders according to the Paragraph 1 of the left-listed regulations in the "Checklist for Shareholder Rights Protection Measures Adopted by A Foreign Issuer at the Place of Registration" announced by the Taiwan Stock Exchange Corporation on November 30, 2018.</p> <p>The Article of Incorporation in Cayman Islands has no particular requirements or prohibitions. The company has not set up the supervisor, but established the audit committee. Upon the letter with Rule No. 1011702189 released by Taiwan Stock Exchange on July 27, 2012, it stipulated that the supervisors shall be replaced by the independent directors under the members of the audit committee. Therefore, for the contents of Paragraph 1 and Paragraph 2, the supervisors shall be replaced by the independent directors as the members in the audit committee and are stipulated in Article 123 of the Article of Incorporation. That is, the courts with the power of jurisdiction (including Taiwan Taipei District Court, if applicable) shall be court of jurisdiction. Besides, the Cayman's attorney expresses that the <u>Article 123</u> of the Article of Incorporation must comply with the laws of Cayman Islands. According to the laws of Cayman Islands, if such director considers that it does not benefit to the Company to file litigation, such director shall not have the obligation to file a litigation against other directors regarding to the request from the shareholders with 3% or more of shareholding.</p>
1. The Company's directors shall execute its duty faithfully and shall have the care obligation of prudent administrator. In case of any violation and has damages to the Company, such directors shall be liable for such damages. In case such act is done by itself or other persons, the income derived from such act may be deemed as the Company's income with the resolution of the shareholders' meeting.	Upon the Company Act in Cayman Islands, the directors shall have the fiduciary duties to the Company. In case of violating such duties to cause the Company's damage, the court may judge that such director shall be liable for damages. If such violation of fiduciary duties is derived from the interests for himself/herself or other persons, the court may judge to return such interests.	Referring to the opinions of Cayman's attorney (please refer to the left column), the contents of Paragraph 1, Paragraph 2 and Paragraph 3 are stipulated in <u>Article 97B</u> of the Article of Incorporation. However, according to the expression of the Cayman's attorney, although the Article of Incorporation stipulates that the directors shall have the joint and several liability with the Company, such third party is still unable to claim to such director directly from the Cayman's laws point

Items of Discrepancy	Laws of Cayman Islands and Explanation	Regulations of Article of Incorporation and Explanation
<p>2. When a director of the Company executes its duty for the Company in violation of the laws and causes the damages to other persons, such director shall bear the joint and several liability with the Company against other persons.</p> <p>3. When the Company's managers and supervisors execute their duties within the scope authorized, they shall bear the same liability for damages as the directors.</p>	<p>Upon the laws of Cayman Islands, if a director executes its duties for the Company to cause the damage to the third party, such third party may claim to the Company for compensation, and the Company shall claim to such director for the loss caused by the third party's claim. Although the Article of Incorporation stipulates that the directors shall have the joint and several liability with the Company, such third party is still unable to claim to such director directly from the Cayman's laws point of view.</p>	<p>of view.</p>

V. Any Event That Has Material Influences on the Shareholders' Rights and Interests or the Securities Price Stated in Subparagraph 2 of Paragraph 3 of Article 36 of the Securities and Exchange Act in the Most Recent Year and as of the Date of the Annual Report Published: None.

CONCRAFT HOLDING CO., LTD
Representative: Chao-Sheng Lu

