Stock Code：6251

Dynamic Electronics Co., Ltd

2019 ANNUAL REPORT

Print on April 15th 2020

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

Dynamic Website：http://www.dynamicpcb.com

1. Spokesperson's and deputy spokesperson's name, title, telephone, and email address:
   Spokesperson : Jean Liu
   Title : Special Assistant of Chairman Office
   Telephone : +886 3 349 3300 #7721
   E-mail : jean_liu@dynamicpcb.com
   Deputy spokesperson : Henry Wang
   Title : Manager of Administration Dept.
   Telephone : +886 3 349 3300 #7199
   E-mail : whj@dynamicpcb.com.tw

2. Addresses and telephone numbers of the headquarters, branch offices, and plants:
   Headquarters: 6F., No. 50, Minquan Rd., Luzhu Dist., Taoyuan City 33846, Taiwan
   Telephone: +886 3 349 3300
   Kunshan Plant: No. 1688, Jinshajiang North Rd. Kunshan City, Jiangsu Province 215344, China
   Tel: +86 512 5718 1688
   Huangshi Plant: No. 88, Daqi Avenue, Wangren Town, Economic & Technological Development Zone, Huangshi City, Hubei 435000, PRC
   Tel: +86 714 350 1688

3. Name, address, telephone, and website address of the stock transfer agent:
   Name: Taishin International Bank Co., Ltd. Stock Transfer Agency Department
   Address: No. 96, Section 1, Jianguo N Rd, Zhongshan District, Taipei City, Taiwan
   Telephone: +886 2 2504 8125
   Website: http://www.taishinbank.com.tw

4. Names, firm name, address, telephone number, and website address of the auditors of the latest annual financial statements:
   Accountant names: Ching-Piao Cheng, Mao-Yi Hung
   Firm name: Ernst & Young Global Limited
   Address: F. 9, No. 333, Section 1, Keelung Rd, Xinyi District, Taipei City, Taiwan
   Telephone: +886 2 2757 8888
   Website: http://www.ey.com.tw

5. Name of overseas securities exchange: None

6. Corporate website: http://www.dynamicpcb.com

Corporate Vision、Mission、Values and Business Philosophy

dynamic

Vision

Be a PCB manufacture service provider with outstanding performance that surpasses customer expectations.

Mission

Participate in customer's product development with professional technical support from early stage.
Create excellent quality and fast production with intelligent manufacturing and precise manufacturing processes.
Build an environmentally friendly production environment. Reduces emissions, waste, and enhances utilization of energy and resources.

Values

Integrity：reliable and trustworthy
Enthusiasm：mindset of responsibility, strength to take tasks upon yourself, determination to fulfill the mission.
Learning：keep up with the trend and pursue innovation.
Teamwork：Unconcerned with personal gains and losses, bear humiliation and burden, achieve team goals.

Business Philosophy

Cares for our team members	Values our partners	Respects our shareholders	Cares for society	Is concerned about the environment

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I. Letter to Shareholders

Dear Shareholders:

Owing to the uncertainty resulted from the U.S.-China Trade war at the beginning of year 2019, the global economy has weakened and the demand has declined across the board. In order to enhance the company's overall competitiveness, the board of directors passed a crucial resolution to adjust the organizational structure, functions, and production by consolidating the group's production lines, transferring the production of Taoyuan factory to overseas factories, and turning Taoyuan Headquarters into operational center that's deeply invested in R&D, product technical services, group orders and other related businesses. The market recovered in the second half year, the demand for high-end process products has grown so high that the supply has fallen short. With the boosted gross margins, the business was turned from loss to gain. Annual profits came to NT$150million. In the future, Kunshan factory will tend to high-tech product lines, such as RF boards, high-frequency boards, high-end multilayer boards, and thick copper boards, etc. Huangshi factory has achieved low human labor, high yield rate and high production efficiency etc. by virtue of information intelligence and equipment automation. These strengths have created excellent quality, fast production, and customer satisfaction. We are confident in the company's continuous growth and profits in 2020.

Dynamic's operating performance in 2019 includes:

1. In the 5th Corporate Governance Evaluation, Dynamic ranked top 5% among the listed companies for three consecutive years.
2. Awarded “2019 Corporate Comprehensive Performance Award" and “2019 Corporate Sustainability Report Category 1-Golden Award” by TAISE.
3. Received “2019 Outstanding Supplier Award" from ASUS for providing ASUS with HDI boards for its notebooks, mobile phones, gaming mobile phones and other products, which are sold worldwide. Dynamic will continue to promote the sustainable development shared with Asus and all partners.
4. Won the Golden Award of BOE’s Creative High Quality Tools Application Contest in 2019 by improving the solderability of LCD (Liquid Crystal Display) products with six sigma (6σ) quality improvement techniques. Dynamic was awarded for outstand performance.
5. The proportion of strategic automotive PCB in revenue increased from 38.5% in year 2018 to 42% in 2019.
6. Kunshan Factory passed ISO 13485 Medical Device Quality Management System Certification in August 2019.
7. Huangshi Factory received six awards in year 2019: high-tech enterprises, top 100 Chinese electronic circuits enterprises, top 10 excellent enterprises in Huangshi Development Zone, engineering technology research center, advanced production safety work unit, and practice teaching base of Shanxi Datong University.

Our 2019 operating performance and 2020 business plan summary are shown as follows:

A. Operation Results in 2019

(A) Consolidated operation plan execution results in 2019

Unit: NTD thousands

Item	2018	2019	Growth Rate
Operating income	13,058,285	13,717,231	5.05 %
After-tax (loss) gain	(240,885)	155,306	164.47%
Profitability	(1.84)%	1.13%	161.41%

(B) Consolidated budget implementation in 2019

Unit: NTD thousands

Item	2019 Budget	2019 Actual Performance	Achievement Rate
Operating income	13,401,506	13,717,231	102.36%
Operating cost	11,835,500	11,958,171	101.04%
Operating margin	1,566,006	1,759,060	112.33%
Operating expenses	1,216,400	1,233,303	101.39%
Operating profit	349,606	525,757	150.39%
Pre-tax profit	517,085	236,636	45.76%

(C) Revenue and profitability analysis in 2019

Unit: NTD thousands

<table>
<tr><th colspan="3">Item</th><th>2018</th><th>2019</th></tr>
<tr><td rowspan="2">Financial revenues & expenses</td><td colspan="2">Financial revenue</td><td>13,158,157</td><td>13,836,934</td></tr>
<tr><td colspan="2">Financial expenses</td><td>13,394,979</td><td>13,600,298</td></tr>
<tr><td rowspan="6">Profitability</td><td colspan="2">Return on assets</td><td>(0.64)%</td><td>2.44%</td></tr>
<tr><td colspan="2">Return on equity</td><td>(5.92)%</td><td>3.96%</td></tr>
<tr><td rowspan="2">Ratio to paid-in capital</td><td>Operating profit</td><td>(0.16)%</td><td>18.71%</td></tr>
<tr><td>Pre-tax profit</td><td>(8.43)%</td><td>8.42%</td></tr>
<tr><td colspan="2">Net profit margin</td><td>(1.84)%</td><td>1.13%</td></tr>
<tr><td colspan="2">Earnings (loss) per share in NTD</td><td>(0.86)</td><td>0.55</td></tr>
</table>

(D) Research and development status in 2019

The global electronics industry has finally developed to the stage of 5G’s official launch in year 2019. The three application characteristics of 5G mobile communications: MMTC, URLLC, eMBB broaden mankind’s imagination for the future world, including Industry 4.0, self-driving cars, and smart cities. In addition to continuing to improve quality and enhance process capabilities in 2019, our R&D will be focused on strengthening the company's technological capability development of 5G / 6G products, targeting the products for niche market and application of future, introducing new technologies and equipment to fortify the company's core capabilities and the competitiveness in the electronics industry of future.

Here we summarized our major R&D projects and results in 2019 in the following six points:

1. For high-speed low-signal loss products: Low loss materials (Insertion Loss -0.85dB / in (frequency: 8GHz)) have been mass-produced and used for Intel Whitley platform products and AI server products. Ultra lowloss materials have passed the certification of Insertion Loss -0.83dB / in (frequency: 12.89GHz), and have been produced in small quantity for optical module products of 400G. The material that used for AI server and Data Center Server are being proactively developed and certified with our customers. The related materials and process technologies required by the Intel Eagle Stream platform of 5G applications are also being actively developed.
2. For high-end HDI and thin products: 14-layer Anylayer HDI has been completed sample certification, and cavity technology has been successfully developed to meet the demand for thin products, such as mass production of 4-layer Anylayer Cavity camera modules, 10-layer anylayer cavity high-end notebook computer products with AI CPU for sample certification.
3. For Rigid-Flex and Semi-Flex boards: HDI RF products of Automotive Lidar that comes with 2 layers of flexible board and 8 layers of rigid board have completed sample certification and will begin mass production and shipment in Q1 of 2020.
4. For High-frequency mmWave products: 24GHz automotive millimeter-wave radars continue to be shipped in large quantities and the quality keeps improving; 77/79GHz products have been approved by many of our domestic and foreign customers, and shipments are gradually increasing starting with small quantities, and it is expected to reach large-scale production in 2020; for 60GHz, we have succeeded in reserving the technical capability and will continue to develop the market. For satellite communications and microwave products, we actively cooperate with European and American customers, and have provided related product sample used in Ku band ground antennas and micro base station for certification. As for Ka band, the new frequency products development has been carried out with our customers for a preliminary design.
5. For high heat-dissipation products: Products used for communication high-frequency reception Devices, charging pile for electric vehicle and automotive engine control modules, automotive relays with copper thickness of 6oz have been produced in small quantities. The material and process development of 12oz products have been completed. Embedded copper in high-frequency receiver has finished sample certification; High-frequency power amplifier products are under sample development and process optimization stages; Busbar products have completed sample development and testing, and related process capabilities are being improving and optimizing.
6. For embedded active and passive component products: Developing embedded components for 48V integrated Belt Starter Generator (iBSG) products with customers by operating embedded component technology, actively get into the

supply chain of the parts for 48V light oil and electric vehicle. Other applications of embedded components automotive parts are also being actively developed as well as the other types of embedded components manufacturing processes.

B. Business Plan Summary for 2020

(A) Business Principles

1. Business Level:

(1) Environmental protection (social responsibility), transforming (automation), upgrade (production technology), and profit (internal growth) are the four goals of year 2020.

(2) To meet the new version of the Corporate Governance Blueprint (2018-2020), we continue to enhance the corporate governance in all aspects, including: deepening corporate governance and corporate social responsibility culture, effectively bringing the directors' function into full play, promoting shareholder activism, improving the quality of information disclosure, and strengthening the compliance with the relevant laws and regulations etc.

(3) Establish a corporate culture of business integrity, actively implement the business integrity policy and commitment, practically execute internal management and business activities, review implementation performance, and continue to improve in order to establish a good business operation model and create a sustainable development business environment.

(4) Give attention to corporate social responsibility; incorporate the various major economic, environmental, and social considerations and indicators important to the various stakeholders into the company's business strategy and management; especially improve the production safety and environmental conservation.

(5) Fortify a highly productive team that is aware of its mission and responsibility.

(6) Establish the 4 core capabilities of Dynamic: Intelligent/Smart manufacture, Process Accuracy, Talent Cultivation and Enthusiasm.

2. R&D Level:

(1) Continuing the research and development direction in 2019, the primary product categories under development in 2020 are as follows:

- 5G high-frequency communication network base station, satellite communication, 400G high-speed transmission and ADAS, LiDAR and engine control module.
- Wearable device, 48V iBSG.
- Mini LED and car lenses module.
- Electric car charging pile and EV automotive relay

(2) Technology development schedule is as follows:

Year / Content	Product Application	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
mm Wave high frequency 400G high speed hybrid technology	ADAS / Satellite Comm. / 5G comm./ 400G high speed	– ▶	——	——	——	——	——	——	——▶
Thick copper and buried and embedded copper cooling technology	Automotive engine / twin-lens module / EV automotive relay / charging pile/5G comm.	– ▶	——	——	——	——	——	——	——▶
Mosfet Embedded	Wearable devices /48V iBSG	······	·····▶	– –	– –	– –	– –	– –	– –▶
1.6mil fine line	High-end mobile phones / wearable devices	– ▶	——	——	——	——	——	——	——▶

Program evaluation ········▶
Prototyping – – –▶
Mass production ——▶

3. Marketing Level:
   (1) Extend the company's marketing strategy considerations into customer marketing and production lines. Gather information on upper, middle, and lower stream industries; competitors; the environment; and administrative regulation related information through multiple channels so that the operational level can carry out appropriate decisions and R&D strategies.
   (2) Fully communicate with the customer design and sales end and fully cooperate with their market and product positioning to avoid over- and under-product specifications as well as successfully establishing a market segment using precise and appropriate product quality and cost prices.
   (3) Use production bases to cover international customers worldwide; actively establish a global services network; and provide instant and effective post-sales marketing, technology, and quality services in order to get a better grip on customers' demand and build a firm relationship with the customers.
   (4) Participating in major international events, to open up the specific strategic markets.
   (5) Providing all kinds of resources for the research and development of the potential products which developed by emerging enterprises to establish a partnership basis, and to become their long-term collaboration partner once product development has matured and obtained a certain market share.

4. Management Level:
   (1) Respecting self-value realization of employees and continuing to promote talent cultivation projects to improve the quality of all levels of leaders. Carry out career development planning and design in both management and professional techniques. Furthermore, to better implement corporate social responsibility (CSR) and improve the requirements of the Responsible Business Alliance (RBA) to root the company culture (Integrity, Enthusiasm, Learning, Teamwork) in everyone’s heart. Build a developmental organization structure to support the company's continued growth. In response to the company's new product development and plant expansion plan, actively recruit professional talents and train successors. Strengthen education and training, including internal and external training, general knowledge education, special education, professional education and certification training. Also keep promoting academic upgrading programs, cooperate with universities and colleges to develop entrance program for students graduated from vocational school, and entrance examination registration program of vocational school or university for students who have equivalent qualifications of high school in order to keep the good employee and enhance the company's overall academic level.
   (2) As for the continuous promotion of the performance management system, the President's crew, “DynamicX iLearning“, promoted the “Quantitative Performance of Team and Position” activity in March, 2018, all the members of the team work together to achieve goals and share the bonus brought by work performance. It is used to promote performance management downwards to the units and to individuals. The effects are obvious after 24 months of implementation, the turnover rate, production efficiency and quality are all improved; thereby competitiveness is boosted by cost reduction.
   (3) Planning knowledge management system, in addition to the basic data storage, it has a classification and management system for data searching, and also includes "Expert Network", that is, internal and external experts are also identified and classified as knowledge sources. With the points earning by entering knowledge and application knowledge, integrate performance or reward systems. Knowledge management system is a cross-plant platform within the scope of information confidentiality restrictions, knowledge sharing, no factory or geographical restrictions.
   (4) Kunshan Plant completed the AS9100D aviation aerospace quality management system certification, and established a complete manufacturing and quality control system for PCB of aviation and aerospace. In addition, to meet the needs of customers, it is planned to complete the setting and certification of ISO13485 medical devices quality management system in year 2019, the highest management combined with the operating management to run the quality management system.
   (5) Actively plans to surpass the competition of traditional industries and move towards a new generation of automation, intelligence and information. Utilize smart factory as the carrier, intellectualization of key manufacturing

links as the core, and network interconnection as the support. These aspects are embodied in the deep integration of various links of the manufacturing process and the new generation of information technology, such as Internet of Things, big data, cloud computing, etc.

(6) Promote environmental protection, energy saving and circular economy projects. Continue to classify and find recycling pipelines for process outputs that cannot be recycled and reused at present. Add copper resource recycle equipment, nickel-containing waste liquid reduction equipment, incinerated refuse reduction equipment, etc. Continue to cooperate with the government self-management plan to reduce harmful pollutant emissions, and install automatic inspecting equipment at the discharge port to ensure the discharge water quality meets the regulations.

(7) Work with our suppliers to promote various policies such as labor, health and safety, environment, ethics and management systems, and implement corporate social responsibility.

(B) Anticipated Sales Volume and its Basis

The primary directions in 2020 are as follows in accordance with the company's 2019 performance, estimates for 2020 and comprehensive assessment of the company's advantages and market trends:

1. Capacity: Based on the consolidation of the Group's production lines and the expansion of Huangshi plant's production capacity, it is estimated that the overall sales volume will grow by approximately 3-5%.

2. By technology types: including conventional board, HDI, high-frequency, thick board, rigid-flex and semi-flex.

3. By product application categories:
   (1) Automotive PCB: The growth will come from advanced driver assistance systems (ADAS) and electric vehicles.
   (2) Server and Netcom: The demand will grow substantially In response to the development of 5G and cloud systems.
   (3) Medical products: Increasing demand and increasing types of certified samples.
   (4) Storage devices: The demand for SSD and memory modules will increase.
   (5) Display panel: Demand is stable and new display technologies will be ready for certification.
   (6) Consumer electronics: mobile phone related products.

(C) Critical Production Planning Policies

In the year 2020, in line with the needs of the market and customers, the following short/medium/long-term plans are set:

1. Short-term: Kunshan plant's orders for HDI are fully loaded while expanding the production capacity of RF board and focusing on the improvement in labor efficiency, technological transformation and process capabilities, thereby raise

overall profitability; Huangshi plant will continue to expand its capacity and will be the priority plant to undertake group orders until the production line is full; take advantage of its equipment automation to reduce production costs and impress customers with information intelligence, and achieve an excellent result.

2. Mid/long-term: Promote accurate manufacturing processes to improve production process capabilities, developing high-end, high-tech and high added-value products, increase overall profitability, and continue to enhance the strengths of automation and intelligence to reinforce Dynamic and its partners' competitiveness of Industry 4.0.

C. Impact on future development strategy by the external competitive environment, regulatory environment, and overall business environment

Due to the impact of the new coronavirus pneumonia (COVID-19), international agencies have significantly lowered their global economic forecasts. The International Monetary Fund (IMF) noted that this was a very different crisis in its World Economic Outlook report published in Apr. 2020. First, the output losses caused by this health emergency, the related prevention and control measures are huge; second, there is significant uncertainty in the duration and severity of this impact; third, under the current circumstances, measures to stimulate economic activity have become more challenging.

Although the situation is dreadful, we have many reasons to remain optimistic: the countries with severe epidemics have reduced the number of new infections after adopting strict social distancing measure; disease treatment and vaccine development are advancing at an unprecedented pace; many countries have adopted Large-scale economic policy actions first thing to safeguard the benefit of people and businesses, and to prevent more severe economic suffering, creating the conditions for recovery; In addition, we have a stronger global financial safety net, International Monetary Organization, which is at the core of this safety net, has actively provided assistance to vulnerable member states to ensure that after the epidemic subsides, the reopening of work units and schools, the recovery of employment, and the return of consumers to public places, the global economy can be restored to what it was not long ago including economic routine and social activities.

The International Monetary Fund estimates that the global economic growth rate will decline from the 2.9% in 2019 to -3.0% in 2020 and the economic growth rates in China, the United States, and the Eurozone are 1.2%, -5.9%, and -7.5%, respectively. Assuming that the epidemic subsides in the second half of 2020, prevention and control measures can be gradually called off. In this scenario, with policy support measures to help economic activities return to normal, the global economy is expected to grow by 5.8% in 2021. The economic growth rates in China, the United States, and the Eurozone will be 9.2%, 4.7% and 4.7%.

According to Industrial Technology Research Institute (IEK)'s key report on the impact of the COVID-19 epidemic on Taiwan 's circuit board industry in Apr. 2020; under the optimistic scenario and assuming that the peak of the epidemic is in the second quarter, which ends in the first half of the year, there will be a 5% decline in the first half of 2020. In the third quarter, the demands from the terminal side will restore, and the production side will all reboot. Following by the release of various new 5G devices in the second half of the year, and the customer's inventory will have been digested, the traditional peak season will be driven to a wave of high growth in the third quarter. The recession in the first half year will be made up and expected to grow by about 2% throughout the year. In terms of terminal products, after the epidemic outbreak in Europe and America, Gartner predicted in April that the growth rate of server will be around 2.6% in 2020, the rest of terminal electronic products will decline to -5~-15% due to the impact of the epidemic.

According to the Institute of Industrial Research (IEK), due to weak terminal demand in 2019, the global circuit board industry declined slightly, with an output value from 69.1 billion US dollars to 68.3 billion US dollars, with a decline rate of 1.2%. The global layout has been redistributed. Taiwanese and Korean manufacturers showed a slight decline, while Chinese-invested manufacturers and Japanese manufacturers showed a contrary performance. The former still maintains a double-digit high growth rate in recent years; Japanese manufacturers however have declined by another 10% in 2019 after the recession in 2018. Taiwanese manufacturers are still in the global leading position with a market share of 31.4%, while mainland manufacturers are gradually approaching with 26.5%. Japan and South Korea are in the third and fourth, with a market share of 17.3% and 13.5% respectively. With the spurring of the communication device suppliers, the Chinese-invested circuit board factory started to develop its products stemming from base stations thereby to become a niche for the subsequent development of 5G business opportunities. In addition, local materials are being developed actively and the government expects to build a one-stop local supply chain to help the vendor develop. Japan still has a complete high-frequency high-speed material layout under 5G applications with its existing strong material strength. South Korea still takes Samsung communication equipment and smartphones as its main axis of development.

In terms of regulatory environment, The newly-amended Taiwan laws and regulations in 2019 that are related to the Company are as follows: The research and development expenditures of companies or limited partnerships are applicable to the investment credit; based on industrial innovation, they are encouraged to engage in the innovative activities of products, labor services, service processes or creation by scientific methods or technical means of technology. Childbirth Accident Emergency Relief Act, income tax law, Toxic and Concerned Chemical Substances Control Act, Fire Services law, Regulations for the Collection of Commodity Tax, Labor Pension Act, Labor Standards Act, Act Governing Relations between the People of the Taiwan Area and the Mainland Area, Occupation Safety and Health Act, etc. China revised laws and regulations in 2019 are as follows: Promulgation on March 15th, 2019 of the official implementation of [Foreign Investment Law] on January 1st 2020, actively promoting foreign investment, implementing policy of high-level investment with liberalization and facilitation, creating stable, transparent and predictable investment environment; revise the [Fire Protection Law], mainly based on the system reform and function adjustment of the fire rescue organization, build a new fire protection supervision system; formulate the [Resource Tax Law] which will be implemented from September 1, 2020, stipulating unified tax items, adjust the authority determined by specific tax rates, standardize tax reduction and exemption policies, and levy water resource taxes on a pilot basis. We are highly alert in the revision of laws, regulations, and policies. If there are anything related to the company's daily operation or long-term development, we will promptly evaluate and plan it carefully and incorporate it into the company's development strategy.

Looking forward to year 2020, we reexamined our vision which is to become a high-performance PCB manufacturing service provider that surpasses customer expectations. We will achieve our vision through professional technology, smart manufacturing, precise process, excellent quality, fast production, and eco-friendly production environment; in terms of organizational culture, integrity is the essential, enthusiasm is the driving force to activate the organization, passion for learning is the basis for personal and company growth that brings innovation and expansion, and teamwork is the only path that lead to the future. We expect ourselves to carry all our stakeholders' expectations to reach a greater success!

Finally, I want to wish everyone health and safety for yourselves and your families.

Ken Huang
Chairman

II. Company Introduction

A. Founding Date
August 18, 1988, with capital of NT$12,000,000.

B. Company History

Year-Month	Company Development
1988.08	The company was established in Taoyuan County for paid-in capital of NT$12,000,000.
1993.05	Passed the UL product safety specification verification
1996.11	Processed a cash capital increase of NT$16,000,000 for paid-in capital of NT$28,000,000.
1996.12	Passed the quality management system ISO 9002 verification.
1998.04	Processed a cash capital increase of NT$70,000,000 for paid-in capital of NT$98,000,000.
1997.12	Processed surplus transfer into a capital increase of NT$40,000,000 for paid-in capital of NT$138,000,000.
2001.12	Processed surplus transfer into a capital increase of NT$110,400,000 and employee bonuses transfer into a capital increase of NT$2,600,000 for paid-in capital of NT$251,000,000.
2001.12	Reinvested and established subsidiary WINTEK(MAURITIUS) Co., Ltd.
2002.04	Indirectly reinvested and established Dynamic Electronics (KS) Co., Ltd.
2002.04	Processed cash capital increase of NT$40,000,000; surplus transfer into capital increase of NT$125,500,000; and employee bonuses transfer into capital increase of NT$3,500,000 for paid-in capital of NT$420,000,000.
2002.05	Passed the Automotive Industry Quality Management System QS9000 verification.
2002.05	Initial public offering on May 27, 2002.
2002.10	Officially registered in the emerging stock market and traded over the GreTai Securities Market.
2003.01	Reinvested in Germany to establish subsidiary Dynamic Electronics Europe GmbH in Germany.
2003.06	Processed surplus transfer into capital increase of NT$126,000,000 and employee bonuses transfer into capital increase of NT$14,000,000 for paid-in capital of NT$560,000,000.
2003.10	Kunshan plant officially began mass production and delivering shipments.
2003.10	Purchased the factory land and other buildings located on Shanying Road.
2003.06	Ranked number 649 among the top 1000 largest plants in the manufacturing industry by CommonWealth Magazine in 2003.
2003.07	Passed Environmental Management System ISO14001 Verification.
2004.09	Passed the Quality Management System ISO9000 Rev.2000 Verification.
2004.09	Passed the Automotive Industry Quality Management System TS16949 Verification when the Kunshan plant began producing automotive panels.
2004.10	Processed surplus transfer into capital increase of NT$56,000,000 and employee bonuses transfer into capital increase of NT$4,000,000 for paid-in capital of NT$620,000,000.
2004.11	Transferred capital reserve into capital increase of NT$30,000,000 with the capital of NT$650,000,000.
2005.01	Processed the cash capital increase of NT$150,000,000 for paid-in capital of NT$800,000,000.

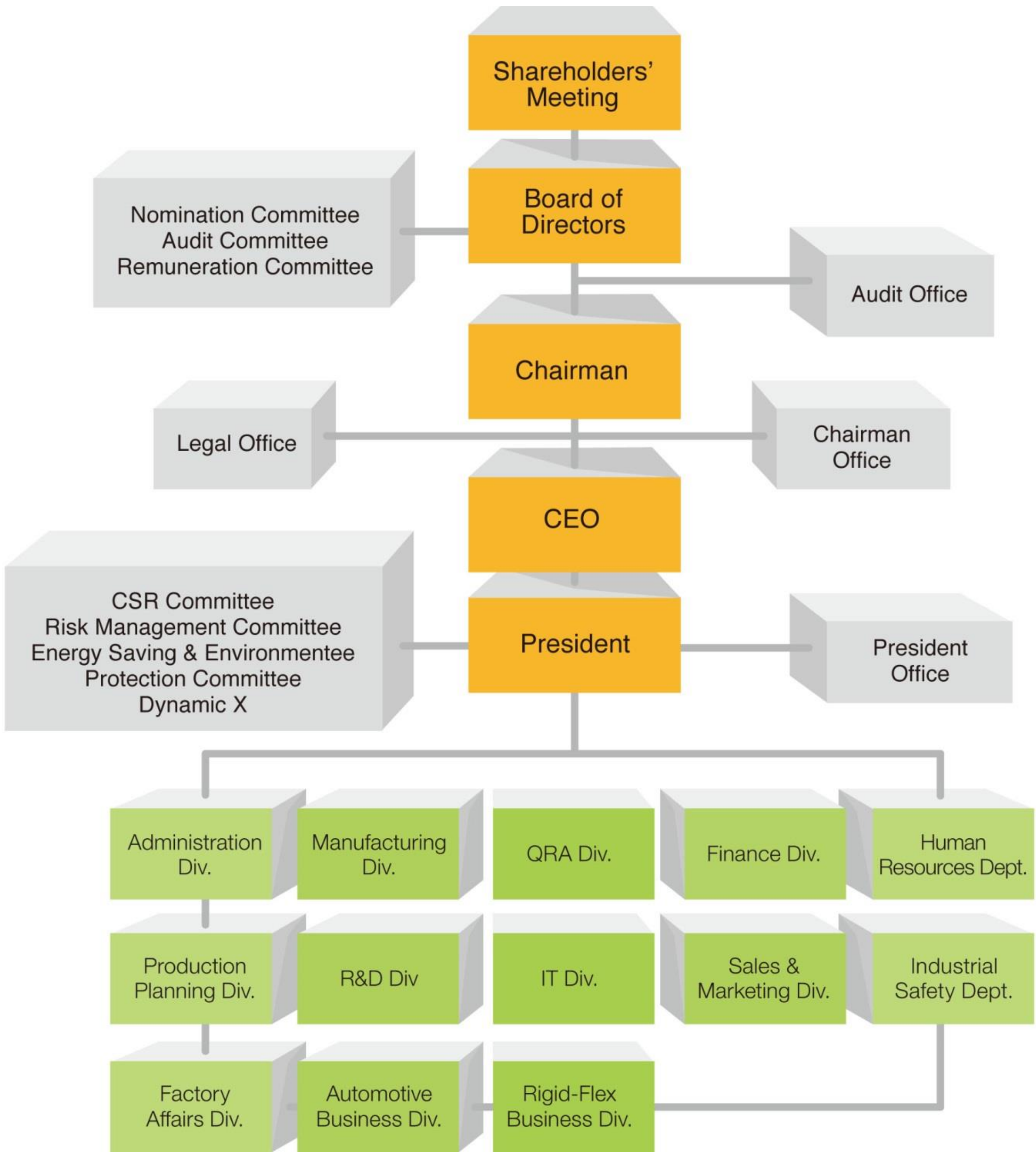
2005.05	Ranked number 392 among the top 10,000 largest plants in the manufacturing industry by CommonWealth Magazine in 2004; and considered as one of the 38 fastest growing companies in the manufacturing industry.
2005.06	Obtained ASUS Green Product GA Verification.
2005.08	Processed surplus transfer into capital increase of NT$224,000,000 and employee bonuses transfer into capital increase of NT$11,632,000 for paid-in capital of NT$1,035,632,000.
2005.09	Obtained the LG Love Green Certification.
2005.09	Reinvested in Japan and established subsidiary Dynamic Electronics Japan.
2006.11	Processed the cash capital increase of NT$176,000,000 with the paid-up capital of NT$1,211,632,000.
2006.09	Processed surplus transfer into capital increase of NT$363,490,000 and employee bonuses transfer into capital increase of NT$30,377,000 for paid-in capital of NT$1,605,499,000.
2006.10	Processed the cash capital increase of NT$168,750,000 with the paid-up capital of NT$1,774,249,000.
2006.12	Taoyuan plant began production for high density interconnect panels.
2007.02	Obtained SONY Green Partner Certification.
2007.06	Withdrew subsidiary Dynamic Electronics Japan.
2006.10	Passed the Hazardous Substance Process Management System QC080000 Certification.
2007.10	Processed surplus transfer into capital increase of NT$354,850,000 and employee bonuses transfer into capital increase of NT$22,841,000 for paid-in capital of NT$2,151,940,000.
2007.12	Indirectly reinvested and established Dynamic Electronics (Xiamen) Co., Ltd.
2008.04	Reinvested and established subsidiary Dynamic PCB Electronics Co., Ltd., in Seychelles.
2008.05	Ranked number 246 among the 1000 largest plants in the manufacturing industry by CommonWealth Magazine in 2007.
2008.10	Processed surplus transfer into capital increase of NT$215,194,000 and employee bonuses transfer into capital increase of NT$17,543,000 for paid-in capital of NT$2,384,678,000.
2008.10	Indirectly reinvested and established Kunshan Tybrake Industry Co., Ltd. and Kunshan BaoYing Electronics Technology Co., Ltd.
2009.03	Listed on the Taiwan Stock Exchange and processed the cash capital increase of NT$23,000,000 with the paid-up capital of NT$2,614,678,000.
2009.04	Reinvested in Abon Touchsystems Inc.
2009.06	Kunshan plant began production of high density interconnect panels.
2009.11	Passed work safety performance approval by the Council of Labor Affairs.
2009.12	Sold the indirectly reinvested Kunshan Tybrake Industry Co., Ltd. and Kunshan BaoYing Electronics Technology Co., Ltd.
2010.02	Passed ISO 14064-1 Greenhouse Gas Verification.
2010.03	Passed Occupational Health and Safety Management System OHSAS 18001 Verification.
2010.08	Issued the first domestic unsecured convertible bonds in the amount of NT$900,000,000.
2011.08	Processed surplus transfer into capital increase of NT$236,507,000 with the paid-up capital of NT$2,864,360,000.

2011.12	Taoyuan plant began producing rigid-flex board products.
2012.06	Taoyuan plant began production for 12L any-layer high density interconnect panels.
2012.11	Processed surplus transfer into capital increase of NT$71,234,000 with the paid-up capital of NT$2,935,594,000.
2013.02	Disposed of 100% equity of the indirectly reinvested company Tybrake Industry (Xiamen) Co., Ltd.
2013.07	Processed treasury shares capital reduction of NT$60,000,000 for paid-in capital of NT$2,875,594,000.
2013.12	Kunying Electron (Kunshan) Co., Ltd. is renamed as Dynamic Electronics (Kunshan) Co., Ltd.
2013.12	Processed treasury shares capital reduction of NT$15,000,000 for paid-in capital of NT$2,860,594,000.
2014.11	Passed Energy Management System ISO50001 Verification.
2014.12	Issued the first Corporate Social Responsibility Report that conformed to the GRI G4 and AA1000 first category moderate level assurance grade requirements.
2014.12	Change the company address from Taoyuan County Guishan Township to Taoyuan City Guishan district in response to the administrative zone changes.
2015.01	Reinvested and established subsidiary Dynamic Electronics Co., Ltd., in Seychelles.
2015.01	Reinvested and established subsidiary Dynamic Electronics Holding Pte. Ltd., in Singapore.
2015.03	Indirect investment in Sub-subsidiary company: Dynamic Electronics (Huangshi) Limited, which located in mainland China.
2015.06	Reinvested and established subsidiary Dynamic Electronics Trading Pte. Ltd., in Singapore.
2015.11	Processed treasury shares capital reduction of NT$50,000,000 for paid-in capital of NT$2,810,594,000.
2016.03	Disposal of Abon Touchsystems Inc.
2017.01	Liquidation with Dynamic Electronics Europe GmbH, the German subsidiary.
2017.05	In the third corporate governance assessment, Dynamic was honored to rank top 5% among all listed companies.
2017.09	Official mass-production and shipment by Huangshi Plant.
2018.11	Taoyuan Plant and Kunshan plant passed the AS9100D Aerospace Quality Management System Certification.
2019.08	In conjunction with the Group's production line consolidation, the production capacity of Taoyuan Plant was transferred to the overseas factories. The Taoyuan Operation Headquarters is fully devoted to R&D, product technology and Group’s orders etc. businesses.
2019.08	Kunshan plant passed the ISO13485 Medical Devices Quality Management System Certification.
2019.10	Taoyuan plant is sold.

III. Corporate Governance

A. Organization System

(A) Organization structure



(B) Primary Operational Departments

Unit by Rank					Responsibility and in Charge of
Shareholders' Meeting					1. Highest decision-making unit in the company 2. Exercises authority according to corporate bylaws and related laws and regulations.
	Board of Directors				1. Exercises authority according to the decisions made by the board of shareholders and the charter. 2. Exercises authority according to the corporate bylaws and related laws and regulations. 3. Highest decision-making unit for daily operations within the company.
		Chairman			1. Chairman of the Board of Directors, represents the company. 2. Exercises authority within the scope and boundaries authorized by the Board of Directors. 3. Reviews and authorizes various investment and financing operations. 4. Authorizes bank payment and payment vouchers.
		Nomination committee			1. Develops nominating policy. 2. Reviews the structure, formation, and the number of individuals in the Board of Directors routinely, and offers suggestions to the Board of Directors. 3. Identifies suitable candidates who are qualified to serve as Directors, and offers opinions to the Board of Directors.
		Audit committee			1. Audits the accounting system, financial position, financial reporting procedures, and the procedures to handling major financial operations within the company accounts. 2. Audits the company financial report for truthfulness, completeness, and transparency. 3. Audits the acquisition or disposal of asset, transactions related to derivatives, loans to others, endorsement or the provision of guarantees for others, and merge, split, acquisitions, or transfer of shares, for compliance to the law, letters of administration, and internal company regulations.
		Remuneration committee			1. Reviews this report routinely and offers rectifications. 2. Develops and routinely assesses the company Directors and Managers' annual and long-term performance targets and remuneration policies, system, standards, and structure. 3. Assesses whether the company Directors and Managers have met their performance targets and their compensation packages.
		Auditing Office			1. Assist the Board of Directors and managers to check and review the internal control policy for faults and assess the effectiveness and efficiency in operations. 2. Assist managers to develop various internal control systems and management measures.

Unit by Rank					Responsibility and in Charge of
		Legal Office			1. Development or assessment of each contract. 2. Internal consultation for each law-related matters and the bridge of communications for external law-related matters. 3. Responsible for setting up business integrity policy and prevention programs. Supervising the implementation and reporting regularly to the Board.
			CEO		1. Sets the direction for the future of the company. 2. Sets the company's long, mid-range, and short-term management objectives, strategies, plans, targets, implementations, and reviews. 3. Decision-making for major operations in the company. 4. Participates in the decision-making of the Board of Directors, and carries out these decisions. 5. Reports operational situations to the Board of Directors routinely and submits the Annual Report.
			President		1. Supervises and manages company affairs, represents the company under the company charter or contractual agreement. 2. Design and implementation of the internal control system. 3. Authorizes personnel promotions. 4. Authorizes every budget, sales, or production planning. 5. Others – carries out approval rights for each task according to the rights given.
				Admin. Div.	1. Add-on or fix various production equipment and purchasing administrative products. 2. Purchasing various raw materials and consumables. 3. Bargaining for outsourcing semi-finished products according to production needs. 4. Management of all relevant general matters.
				Manufacturing Div.	1. Execution and management of every production task. 2. Execution and management of every IT task.
				QRA Div.	1. Establish and continuously update various quality assurance and reliability system. 2. Carry out production QA, handle customer complaints, and conduct improvement. 3. Take charge of customer’s certification, audit, and meet customer’s quality standard request.
				Finance Dept.	1. Accounting and the drawing up and assessment of financial statements. 2. Monetary collections and payments, and the review of these forms. 3. Planning and execution of investment and financing.
				Production Planning	1. Arrange input of materials and production planning according to sales orders.

Unit by Rank					Responsibility and in Charge of
				Div.	2. Production arrangement, utilization rate analysis, warehousing management of finished products. 3. Conduct performance evaluation of outsourcing suppliers according to production needs. 4. Warehousing management of raw materials.
				R&D Div.	1. Develop various R&D projects and oversee production of samples. 2. New technology process development and process capability improvement.
				IT Div.	1. Overall planning of the development of the company's information system. 2. Build and maintain the company's computerized information systems. 3. Set the units responsible for building and maintaining various databases. 4. Support the planning and servicing of the information system of each department.
				Sales & Marketing Div.	Execution of various marketing and sales activities.
				Factory Affairs Div.	1. Execution and supervision of equipment maintenance and repair. 2. Making schedule and plan for maintenance and repair. 3. Plant public facilities construction arrangements.
				HR Dept.	1. Research and analysis of company organizational system and division of tasks and responsibilities. 2. Maintaining and promoting the relationships between workforce and management. 3. Various enforcement of HR and remuneration tasks. 4. Promotion of staff appraisal, reward and punitive measures, educational and training etc.
				Industrial Safety Dept.	1. Planning and supervision of labor safety and health-related tasks. 2. Industrial safety management of contractors in plant area. 3. Planning and implementation of working environment inspection. 4. Planning and implementation of staff's health management. 5. Collection and discernment of safety and health laws and regulations.
				Automotive Business Div.	Execution of all the business relevant to automotive PCB: marketing, sales, quality control, quality assurance, etc.
				Rigid-flex Business Div.	Execution of all the business relevant to rigid-flex boards' development and production.

B. Information pertaining to the Directors, President, VP, AVP, and Supervisors in each department and branch office

(A) Directors

1. Information on the Directors

(1) Relevant Information and shares holding of the Directors

Mar. 30, 2020; Unit: Shares

Title	Nationality or Registered in	Name	Gender	Assumed office on	Duration of role	First elected on	Shares held when elected		Presently hold		Spouse, minor offspring presently hold		Shares held under others' names		Primary experience/ education	Other offices held in the Company or other companies	Supervisory or director roles held by spouse or other closely-relatives holding			Remark
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	Taiwan, R.O.C.	Ken Huang	male	2018.05.30	3 years	2001.12.01	8,746,341	3.11%	10,446,341	3.72%	191,810	0.07%	0	0.00%	EMBA of National Chengchi University VP of Sales and Marketing Div. at Dynamic Electronics Co., Ltd.	CEO at Dynamic Electronics Co., Ltd. Chairman at Wintek (Mauritius) Co., Ltd. Executive Director at Dynamic Electronics (Kunshan) Co., Ltd. Executive Director at Dynamic Electronics (Huangshi) Co., Ltd. Chairman at Dynamic PCB Electronics Co., Ltd. Chairman at Dynamic Electronics Co., Ltd. (Seychelles) Chairman at Dynamic Electronics Trading Pte. Ltd. Chairman at Dynamic Electronics Holding Pte. Ltd.	None	None	None	As the same person as CEO, the number of independent directors has been increased to 4 people. And more than half of the directors did not serve as employees or managers.

Title	Nationality or Registered in	Name	Gender	Assumed office on	Duration of role	First elected on	Shares held when elected		Presently hold		Spouse, minor offspring presently hold		Shares held under others' names		Primary experience/ education	Other offices held in the Company or other companies	Supervisory or director roles held by spouse or other closely-relatives holding			Remark
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Director	Taiwan, R.O.C.	Stoney Chiu (Dismissal day: 2019.9.28)	male	2018.05.30	3 years	2012.10.01	3,083,749	1.10%	3,083,749	1.10%	0	0.00%	0	0.00%	Chemical Engineering, Feng Chia University EMBA at CEIBS Assistant Manager at Manufacturing Dept., Texas Instruments President, Tripod Tech (Wuxi) Co., Ltd. COO, Tripod Tech Co., Ltd. President at Dynamic Electronics Co., Ltd.		None	None	None	
Corporate Director	Taiwan, R.O.C.	Ming-Ji Investments Co. Ltd.		2018.05.30	3 years	2015.05.28	3,082,633	1.10%	3,082,633	1.10%	0	0.00%	0	0.00%	-	-	None	None	None	
Corporate Director Representative	Taiwan, R.O.C.	Yuan-chuan Sun	male	-	-	-	0	0.00%	573	0.00%	5,588	0.00%	0	0.00%	Department of Statistics, National Chengchi University Director of PAL WONN (TAIWAN) CO., LTD.	Consultant of PAL WONN (TAIWAN) CO., LTD.				

Title	Nationality or Registered in	Name	Gender	Assumed office on	Duration of role	First elected on	Shares held when elected		Presently hold		Spouse, minor offspring presently hold		Shares held under others' names		Primary experience/ education	Other offices held in the Company or other companies	Supervisory or director roles held by spouse or other closely-relatives holding			Remark
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Independent Director	Taiwan, R.O.C.	Heng-yih Liu	male	2018 05.30	3 years	2015 05.28	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD in College of Management, National Taiwan University Independent Director at Gudeng Precision Co., Ltd. Supervisor at Wha Yu Industrial Co., Ltd.	Full-time Associate Professor, International Business Studies Group of College of Management, Yuan Ze University Independent Director at Leofoo Development Co., Ltd. Independent Director at TST Group Holding Ltd. Director, Institute for Knowledge Services and Innovation(IKSI)	None	None	None	
Independent Director	Taiwan, R.O.C.	Vincent Lin	male	2018 05.30	3 years	2015 05.28	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD in Computer Science, National Chiao Tung University Host of the “Smart Home Robot” industry specialized plan (Ministry of Economic Affairs) Associate Director, BU1, Quanta Computer	Technical VP, Emotibot Technologies Limited	None	None	None	

Title	Nationality or Registered in	Name	Gender	Assumed office on	Duration of role	First elected on	Shares held when elected		Presently hold		Spouse, minor offspring presently hold		Shares held under others' names		Primary experience/ education	Other offices held in the Company or other companies	Supervisory or director roles held by spouse or other closely-relatives holding			Remark
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Independent Director	Taiwan, R.O.C.	Yi-chia, Chiu	male	2018 05.30	3 years	2018 05.30	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. of Technology Management, National Chiao Tung University Director, Graduate Institute of Technology Management and Intellectual Property, Chengchi University CEO of EMBA, Chengchi University	Vice President of Business School, Chengchi University Professor, Graduate Institute of Technology Management and Intellectual Property, Chengchi University Independent Director of Wowprime and Globe Union Industrial Corp.	None	None	None	
Independent Director	Taiwan, R.O.C.	Vivien Liu	female	2018 05.30	3 years	2018 05.30	0	0.00%	0	0.00%	0	0.00%	0	0.00%	University College London International Trading	Special Assistant of Chairman, Cheng Uei Precision Industry Co., Ltd. Chairman of Taiwan Fulin Investment Co., Ltd. Chairman of Chihte Investment Co., Ltd. Director of Power Quotient International Co., Ltd.	None	None	None	

(2) Controlling Shareholders of Corporate Shareholders as Directors

Mar. 30, 2020

Corporate Shareholder Name	Controlling shareholders of Corporate Shareholders	
	Shareholders	Shareholding ratio %
Ming-Ji Investment Co., Ltd.	Hsiu-Chin Chen	67.69%
	Ming-Yu Ko	23.07%
	Chien-Yu Ko	4.62%
	Hsiang-Ting Ko	4.62%

2. Qualifications of Directors

Criteria / Name	Hold 5 years or more of working experience and these professional qualifications listed below			Meet these independence qualifications												Number of other public-listed companies that the individual serves as independent director
	Lecturer or above in business, law, finance, accounting, or another discipline related to company businesses in a private or public university	Passed national examination and attained certification for professionalism and technical expertise as a judge, prosecutor, lawyer, accountant, or another field deemed necessary by the company business	Working experience in business, law, finance, accounting, or company operations	1	2	3	4	5	6	7	8	9	10	11	12	
Ken Huang			v				v	v	v	v	v	v	v	v	v	0
Stoney Chiu			v				v	v	v	v	v	v	v	v	v	0
Yuan-chuan Sun			v	v	v	v	v	v	v	v	v	v	v	v		0
Heng-yih Liu	v		v	v	v	v	v	v	v	v	v	v	v	v	v	2
Vincent Lin			v	v	v	v	v	v	v	v	v	v	v	v	v	0
Yi-chia Chiu	v			v	v	v	v	v	v	v	v	v	v	v	v	2
Vivien Liu			v	v	v	v	v	v	v	v	v	v	v	v	v	0

Note 1: Please tick the boxes below each criterion if a director has fulfilled these conditions two years prior to being elected and during his/her term of service.

1) Is not employed by the company or its affiliated corporations.
2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, 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 held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs.
5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (If the independent directors established by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, are not limited to this)
6) Not a director, supervisor, or employee of other company that controls a majority of both company's director seats and voting shares at the same time(If the independent directors established by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, are not limited to this)
7) Not a director (or governor), supervisor, or employee of that other company or institution who is the chairperson, general manager, or the person holding an equivalent position of the company and serves in any of those positions at another company or institution or are spouses: (If the independent directors established by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, are not limited to this)
8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution who has a financial or business relationship with the company. (If a specific company or institution holds more than 20% of the total issued shares of the company, but not more than 50%, and is an independent director established by the company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws; It is not limited to this.)
9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10) Is not a spouse nor a second-degree relative with another director.
11) Is not involved in any of the sections in Section 30 of the corporate bylaws.
12) Is not elected as a government, corporation, or its representative under Section 27 of the corporate bylaws.

(B) President, VP, AVP, and departmental and branch office supervisors

Mar. 30, 2020

Title	Nationality	Name	Gender	Assumed office on	Shares held		Shares held by spouse or minor children		Shares held under others' names		Primary experiences/education	Offices presently held in other companies	Managers who are spouses or second-relation relatives			Remark
					Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relationship	
CEO	Taiwan R.O.C.	Ken Huang	male	2012.09.01	10,446,341	3.72%	191,810	0.07%	0	0.00%	ditto	ditto	None	None	None	As the same person as Chairman, the number of independent directors has been increased to 4 people. And more than half of the directors did not serve as employees or managers.
President	Taiwan R.O.C.	Stoney Chiu (Dismissal day: 2019 09.28)	male	2012.10.01	3,083,749	1.10%	0	0.00%	0	0.00%	ditto	None	None	None	None	
President of Huangshi Plant	Taiwan R.O.C.	Bill Nee	male	2020.01.01	178,824	0.06%	53,059	0.02%	0	0.00%	Chemical Engineering Dept., Chung Yuan University Engineering Dept. Chief, Pacific K&S Corporation AVP, HongShen, Foxconn Technology Group VP, Tripod (Wuxi) Technology Corp. VP, APCB (Thailand)	None	None	None	None	
President of Kunshan Plant	Taiwan R.O.C.	Stephen Tsai	male	2018.07.27	190,901	0.07%	0	0.00%	0	0.00%	Chien Hsin University of Science and Technology Deputy Director of Engineering Department, Tripod Tech Co., Ltd. VP at Dynamic Electronics Co., Ltd.	None	None	None	None	
VP	Taiwan R.O.C.	Johnson Yang	male	2014.08.15	131,222	0.05%	0	0.00%	0	0.00%	Masters in Dept. of Information Management, Chung Yuan University Director, IT Div., Tripod Tech Co., Ltd.	None	None	None	None	

VP	Taiwan R.O.C.	Jack Hsu	male	2007.02.01	173,622	0.06%	135,299	0.05%	0	0.00%	Chemical Engineering, Feng Chia University Processing Engineer and Section Chief of Wet Processes, Unitech. Plant Manager, HDI factory, Chin Poon (Suzhou) Electronics Co., Ltd.	None	None	None	None	
VP	Taiwan R.O.C.	Allen Chou	male	2012.01.01	116,330	0.04%	0	0.00%	0	0.00%	Chemical Engineering, Yuan Ze University Senior Engineer at R&D Dept., Unitech Account Manager, System QA Dept., Telecommunications Business, Foxconn	None	None	None	None	
VP	HK China	Dat Wai Davio Lo	male	2020.01.01	0	0.00%	0	0.00%	0	0.00%	Business Administration Dept., Beijing Foreign Studies University, BFSU. Project Manager, Boford Development Limited (HK)	None	None	None	None	
VP	Taiwan R.O.C	Andy Lee	male	2020.01.01	50,926	0.02%	0	0.00%	0	0.00%	Tourism business Dept., Hsing Wu University MBA, University of Southern Queensland, Australia Factory Director, Abon Touchsystems Inc.	None	None	None	None	
VP	Taiwan R.O.C.	Sabrina Teng (Dismissal day: 2019. 05.31)	female	2018.01.01	159,234	0.06%	0	0.00%	0	0.00%	Institute of Chemistry of Sun Yat-Sen University Process Engineering Manager of Tripot Technology Corp. Materials Procurement Manager of Tripot Technology (Wuxi) Corp. Materials Operations Manager of of BenQ Co. AVP of Administration Center of Dynamic Electronics Co.	None	None	None	None	
Finance Supervisor	Taiwan R.O.C.	Lily Chiang	female	2006.06.30	237,946	0.08%	0	0.00%	0	0.00%	National Taichung University of Science and Technology Finance Manager, Iteq Corporation AVP, Finance Dept., Uniplus Electronics Co., Ltd.	Director at Dynamic Electronics Trading Pte. Ltd. Director at Dynamic Electronics Holding Pte. Ltd.	None	None	None	
Accounting Supervisor	Taiwan R.O.C.	Cathy Ni	female	2019.01.01	3,000	0.00%	0	0.00%	0	0.00%	Ming Chuan University Accounting Department Assistant manager of KPMG Head of financial dept. of FirstMed Manager of Financial Dept. of (Kindom Group) Global Mall	None	None	None	None	
AVP	Taiwan R.O.C	Jessi Chiu	male	2020.01.01	0	0.00%	21,000	0.01%	0	0.00%	Accounting Dept., Chung Yuan Christian University Financial Manager, KUOZUI Motors Ltd. Financial AVP, Compeq Manufacturing Co. Ltd. (HuiZhou Plant) Financial Director, Suzhou Gold Circuit Electronics Financial VP, Walter Electronics	None	None	None	None	
Auditing Supervisor	Taiwan R.O.C.	Angel Tsai	female	2013.06.01	15,200	0.01%	0	0.00%	0	0.00%	Bachelor in International Corporate Management, Ching Yun University of Science and Technology Auditor at Wang Chiu-Hui Accounting Firm Department Section Chief of Accounting, Overseas Investment and Project Manager at Albatron Technology Co., Ltd. Senior Accountant, MJ Life Enterprise, Ltd.	None	None	None	None	

Corporate Governance Supervisor	Taiwan R.O.C.	Jean Liu	female	2019.03.18	312,470	0.11%	0	0.00%	0	0.00%	Economics Dept., Fujen Catholic University EMBA at CEIBS Overseas Div. II, Tatung Co. Sales Director, Suzhou Gold Circuit Sales Director, Tripod (Wuxi) Technology Corp.	Supervisor at Dynamic Electronics (Kunshan) Co., Ltd. Supervisor at Dynamic Electronics (Huangshi) Co., Ltd. Director at Dynamic Electronics Trading Pte. Ltd. Director at Dynamic Electronics Holding Pte. Ltd.	None	None	None	

C. Compensation for the Directors, President, and VPs for this fiscal year

(A) Compensation for Directors and Independent Directors (Disclosure of each director's name and compensating method)

Unit: NTD thousands

Title	Name (note 1)	Directors' compensation								% of sum of A,B,C, and D in the total net income (note 10)		Related compensation for directors who also serve as employees								% of sum of A, B, C, D, E, F, and G in the total net income (note 10)		Received reinvestment remuneration from outside of subsidiaries or parent company (note 11)
		Compensation (A) (note 2)		Pension (B)		Remuneration (C) (note 3)		Business-associated expenditure (D) (note 4)				Salary, bonus, and special fees (E) (note 5)		Pension (F)		Staff Remuneration (G) (note 6)						
		The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company		All companies in the financial statement (note 7)		The Company	All companies in the financial statement (note 7)	
																Cash amount	Share amount	Cash amount	Share amount			
Chairman	Ken Huang	0	0	0	0	0	0	0	0	0	0	6,444	8,010	108	108	0	0	0	0	4.22%	5.23%	none
Director	Stoney Chiu	0	0	0	0	0	0	0	0	0	0	4,463	5,430	81	81	0	0	0	0	2.93%	3.55%	none
Corporate Director	Ming-Ji Investments Co., Ltd. Yuan-chuan Sun	0	0	0	0	0	0	60	60	0.04%	0.04%	0	0	0	0	0	0	0	0	0.04%	0.04%	none
Independent Director	Heng-yih Liu	540	540	0	0	0	0	50	50	0.38%	0.38%	0	0	0	0	0	0	0	0	0.38%	0.38%	none
Independent Director	Vincent Lin	540	540	0	0	0	0	50	50	0.38%	0.38%	0	0	0	0	0	0	0	0	0.38%	0.38%	none
Independent Director	Yi-chia Chiu	540	540	0	0	0	0	40	40	0.37%	0.37%	0	0	0	0	0	0	0	0	0.37%	0.37%	none
Independent Director	Vivien Liu	540	540	0	0	0	0	30	30	0.37%	0.37%	0	0	0	0	0	0	0	0	0.37%	0.37%	none

1. Please state the remuneration policy, system, standards and structure of independent directors, and describe the relevance with the amount of remuneration according to the responsibilities, risks, time invested and other factors:
   Independent director's remuneration, explained in three parts:
   A. Remuneration: Providing independent directors with reasonable fixed monthly remuneration.
   B. Directors ' remuneration: Since there were still unrecovered losses in year 2019, no directors' remuneration was given..
   C. Business execution costs: Directors' transportation allowance. Some meetings are held by videoconferencing or some directors participate by videoconferencing, they are slightly different. A total of 9 board meetings were held in 2019, and the attendance rate of all directors was 100%.
2. In addition to the disclosures in the above table, the directors of the company in the most recent year have received remuneration for providing services to all companies in the financial report (such as serving as non-employee consultants): none

Note 1: Directors' names and compensation are disclosed individually because our financial report has indicated after-tax losses for the last fiscal years.
Note 2: This refers to directors' compensation (including director's salary, bonuses associated with paygrade, severance pay, various bonuses and incentives etc.) for the most recent fiscal year.
Note 3: This refers to the amount of remuneration for directors given, as agreed upon by the Board of Directors for the most recent fiscal year.
Note 4: This refers to the directors' business-associated expenditures for the most recent fiscal year (including material incentives such as transportation fees, special expenses, various allowances, boarding, and company cars etc.). If housing, cars and other methods of transportation, or customized individual spending are offered, the characteristics of the assets offered and costs, real or fair market value of rental expenses, gas, and other payments should be disclosed. If chauffer is offered to the directors, the associated fees paid to the chauffer by the company should be noted, but this should not be counted within the remunerations
Note 5: This refers to the material incentives including salaries, bonuses associated with paygrade, severance pay, various bonuses, incentives, transportation fees, special expenses, various allowances, boarding, and company cars etc. that have been endowed on the directors and those who also serve as employees (including serving as President, VP, other managers and staff) for the most recent fiscal year. If housing, cars, and other methods of transportation, or customized individual spending are offered, the characteristics of the assets offered and costs, real or fair market value of rental expenses, gas, and other payments should be disclosed. If chauffer is offered to the directors, the associated fees paid to the chauffer by the company should be noted, but this should not be counted within the remunerations. And the listed salary costs of IFRS2 "share-based payment", including the acquisition of employee stock option certificate, New Restricted Employee Shares and participation in subscription to an increase in capital stock, etc., should also be included in the remuneration.
Note 6: This refers to those directors who also serve as employees (including serving as President, VPs, other managers, and staff) and have received employee remuneration (including shares and cash), should disclose the remuneration amount to be paid to the employees that has been agreed upon by the Board of Directors for the most recent fiscal year. If unable to estimate, this year's intended amount should be calculated based on last year's actual paid amount, and fill out a separate form 1-3.
Note 7: The total amount paid to directors of The Company as various forms of incentives, from all companies (including The Company) included in this report should be disclosed in its entirety.
Note 8: The Company will disclose the names of directors according to their ranks for having paid each director the sum of various forms of incentives.
Note 9: The total amount of various forms of incentives paid by all companies in this report (including The Company) to each director of The Company should be disclosed in its entirety, and disclose the names of directors according to their ranks.
Note 10: Net income refers to the net income of the most recent fiscal year. The IFRS reporting method has been adapted, and net income means the net income of an individual or separate financial report in the most recent year.
Note 11: a. This column should clearly include the amount of remuneration given for reinvestment-related business that has been received by a director of The Company from outside of subsidiaries or parent company. (If no, please fill in “none”.)
b. If a company director has received remuneration for reinvestment-related business from outside of subsidiaries or parent company, the amount received under this category should be included in the I column of the compensation table, and revise the column to show "parent company and all reinvestment businesses".
c. Remuneration refers to the compensation, incentives, staff dividends, and business-related expenses that have been incurred by the directors of The Company, when they have served as a director, supervisor, or manager for the reinvestment businesses outside the company's subsidiaries or parent company.
Note 12: The compensation that the company paid the chairman’s driver in 2019 is $1,004,138.
* The content of the compensation as disclosed in this report is different from the concept f income tax. Hence, this table is solely for the purpose of information disclosure, and not for tax filing purposes.

(B) Supervisors' compensation: Not applicable

This Company has undergone the total re-election of the board of directors on June 18, 2012, in which an audit committee has been established and supervisors have been abolished.

(C) Compensation for President and VP

1. Compensation for President and VP (A summarized disclosure of names by grade levels)

Unit: NTD thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name (note 1)</th><th colspan="2">Salary (A) (note 2)</th><th colspan="2">Pension (B)</th><th colspan="2">Bonus and special expenses etc.(C) (note 3)</th><th colspan="4">Staff remuneration (D) (note 4)</th><th colspan="2">% of sum of A, B,C, and D on the net income (note 8)</th><th rowspan="3">Received reinvestment remuneration from outside of subsidiaries or parent company (note 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statement (note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statement (note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statement (note 5)</th><th colspan="2">The Company</th><th colspan="2">All companies in the financial statement (note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statement (note 5)</th></tr>
<tr><th>Cash amount</th><th>Share amount</th><th>Cash amount</th><th>Share amount</th></tr>
<tr><td>CEO</td><td>Ken Huang</td><td rowspan="7">14,635</td><td rowspan="7">18,109</td><td rowspan="7">666</td><td rowspan="7">666</td><td rowspan="7">9,513</td><td rowspan="7">10,005</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">15.98%</td><td rowspan="7">18.53%</td><td rowspan="7">none</td></tr>
<tr><td>President</td><td>Stoney Chiu</td></tr>
<tr><td>Plant President</td><td>Stephen Tsai</td></tr>
<tr><td>VP</td><td>Johnson Yang</td></tr>
<tr><td>VP</td><td>Jack Hsu</td></tr>
<tr><td>VP</td><td>Allen Chou</td></tr>
<tr><td>VP</td><td>Sabrina Teng</td></tr>
</table>

*All positions equivalent to President or VP (for instance, Chairman, CEO, Director…etc.), should all be disclosed, regardless of titles.

*Sabrina Tang was dismissed from office on May 31, 2019.

2. Compensation Levels

Level of remuneration paid to each President and VP of The Company	Names of President and VPs	
	The Company (Note 6)	All companies included in the financial report E (note 7)
Below 1,000,000 NTD	Sabrina Teng	Sabrina Teng
1,000,000 (inclusive) – 2,000,000 NTD	-	-
2,000,000 (inclusive) – 3,500,000 NTD	Stephen Tsai, Jack Hsu, Allen Chou,	Stephen Tsai, Jack Hsu, Allen Chou,
3,500,000 (inclusive) – 5,000,000 NTD	Stoney Chiu, Johnson Yang	Johnson Yang
5,000,000 (inclusive) – 10,000,000 NTD	Ken Huang	Ken Huang, Stoney Chiu
Total	7 people	7 people

Note 1: The names of General and VPs should be shown separately, and each paid amount will be disclosed collectively.

Note 2: This refers to the General and VPs' salaries, bonuses associated with paygrade, and severance pay for the most recent fiscal year.

Note 3: This refers to the material incentives including salaries, bonuses associated with paygrade, severance pay, various bonuses, incentives, transportation fees, special expenses, various allowances, boarding, and company cars etc. that have been endowed on the General and VPs for the most recent fiscal year. If housing, cars, and other methods of transportation, or customized individual spending are offered, the characteristics of the assets offered and costs, real or fair market value of rental expenses, gas, and other payments should be disclosed. If chauffer is offered to the directors, the associated fees paid to the chauffer by the company should be noted, but this should not be counted within the remunerations. And the listed salary costs of IFRS2 "share-based payment", including the acquisition of employee stock option certificate, New Restricted Employee Shares and participation in subscription to an increase in capital stock, etc., should also be included in the remuneration.

Note 4: This refers to the amount of employee remuneration (including share and cash) that will be endowed on the General and VP, as agreed upon by the Board of Directors for the most recent fiscal year. If unable to estimate, this year's intended amount should be calculated based on last year's actual paid amount, and fill out a separate attachment form 1-3. Net income refers to the net income of the most recent fiscal year. The IFRS reporting method has been adapted, and net income means the net income of an individual or separate financial report in the most recent year.

Note 5: The total amount paid to General and VPs of The Company as various forms of incentives, from all companies (including The Company) included in this report should be disclosed in its entirety.

Note 6: The Company will disclose the names of each President and VP according to their ranks for having paid each director the sum of various forms of incentives.

Note 7: The total amount of various forms of incentives paid by all companies in this report (including The Company) to the President and each VP of The Company should be disclosed in its entirety, and disclose the names of directors according to their ranks.

Note 8: Net income refers to the net income of the most recent fiscal year. The IFRS reporting method has been adapted, and net income means the net income of an individual or separate financial report in the most recent year.

Note 9: a. This column should clearly include the amount of remuneration given for reinvestment-related business or parent company that has been received by the President and VPs of The Company from its subsidiary company or parent company. (If no, please fill in “none”.)

b. If a President or VP of this company has received remuneration for reinvestment-related business from a subsidiary company or parent company, the amount received under this category should be included in the E column of the compensation table, and revise the column to show "parent company and all reinvestment businesses".

c. Remuneration refers to the compensation, incentives, staff dividends, and business-related expenses that have been incurred by the President and VPs of The Company, when they have served as a director, supervisor, or manager for the parent company or the company's subsidiary for the purpose of reinvestment.

* The content of the compensation as disclosed in this report is different from the concept of income tax. Hence, this table is solely for the purpose of information disclosure, and not for tax filing purposes.

3. Names and status of managers who have been issued employee remuneration

Dec. 31, 2019; Unit: NTD thousands

	Title (note 1)	Name (note 1)	Amount of shares	Amount of cash	Total	% of total on the net income
Managers	CEO	Ken Huang	0	0	0	0
	President	Stoney Chiu				
	Plant President	Stephen Tsai				
	VP	Johnson Yang				
	VP	Jack Hsu				
	VP	Allen Chou				
	VP	Sabrina Teng				
	Finance Supervisor	Lily Chiang				
	Accounting Supervisor	Cathy Ni				
	Audit Supervisor	Angel Tsai				
	Corporate Governance Supervisor	Jean Liu				

Note 1: Individual names and titles should be disclosed separately, but the remuneration distribution can be disclosed holistically.

Note 2: This refers to the amount of employee remuneration (including share and cash) that will be endowed on the managers, as agreed upon by the Board of Directors for the most recent fiscal year. If unable to estimate, this year's intended amount should be calculated based on last year's actual paid amount. Net income refers to the net income of the most recent fiscal year. The IFRS reporting method has been adapted, and net income means the net income of an individual or separate financial report in the most recent year.

Note 3: The scope of a manager, according to No. 0920001301 rule and regulation of the Taiwan Finance Certificate, contains the following: a) President and the equivalent; b) VP and the equivalent; c) AVP and the equivalent; d) Financial supervisor; e) Accounting supervisor; f) others who manage company affairs and have signature right.

4. The remuneration of the top five remunerated supervisors (Disclosure of each name and compensating method)

Title	Name (note 1)	Salary (A) (note 2)		Pension (B)		Bonus and special expenses etc.(C) (note 3)		Staff remuneration (D) (note 4)				% of sum of A, B,C, and D on the net income (note 8)		Received reinvestment remuneration from outside of subsidiaries or parent company (note 9)
		The Company	All companies in the financial statement (note 5)	The Company	All companies in the financial statement (note 5)	The Company	All companies in the financial statement (note 5)	The Company		All companies in the financial statement (note 5)		The Company	All companies in the financial statement (note 5)	
								Cash amount	Share amount	Cash amount	Share amount			
CEO	Ken Huang	3,611	4,954	108	108	2,833	3,057	0	0	0	0	4.2%	5.2%	none
Plant President	Bill Nee	2,400	3,456	108	108	1,303	4,025	0	0	0	0	2.5%	4.9%	none
President	Stoney Chiu	2,164	3,131	81	81	2,299	2,299	0	0	0	0	2.9%	3.6%	none
VP	Johnson Yang	2,278	2,278	108	108	1,859	1,859	0	0	0	0	2.7%	2.7%	none
VP	Andy Lee	1,328	1,892	108	108	449	1,839	0	0	0	0	1.2%	2.5%	none

Note 1: The "Top five remunerated supervisors" refers to the managers of the company. The criteria for the identification of managers are based on the application scope of the "manager" regulated in the letter No. 0920001301 issued by the former Securities and Futures Bureau, FSC, Securities and Futures Commission of the Ministry of Finance on March 27, 2003. The calculation principle of determining "the top five highest remunerations" is adding up the total of salary, retirement pension, bonus and special expenses that the company manager receives from all the companies in the consolidated financial report; after ranking the total amount of employee compensation (as the total amount of A + B + C + D), the top five remunerations are determined. If the director concurrently serves as one of the abovementioned supervisors, this table and the above table (1-1) should be filled out.

Note 2: It is to be filled in the salary, job bonus, and severance pay of the top five remunerated supervisors in the most recent year.

Note 3: It is to be filled in the various types of bonuses, incentives, transportation allowance, special expenses, various perks, dormitory, company car, other physical offering and other remuneration amounts of the top five remunerated supervisors in the most recent year. When providing expenditures on houses, cars and other transportation or personal exclusive spending; the nature and cost of such assets, the actual amount or a fair market price of the rents, fuel and other payments should be disclosed. In addition, if there is a driver, please note that the company pays the relevant remuneration for the driver, but it is not included in the remuneration. In addition, the salary expenses recognized in accordance with IFRS 2 "Share-based Payment", including obtaining employee stock option, restricted stock/performance shares and participating in cash capital increase by shares subscription, should also be included in the remuneration.

Note 4: It is to be filled in the employee compensation amount (including stocks and cash) of the five supervisors who were approved by the board to be paid the highest remuneration in the most recent year. Table 1-3 should be filled additionally.

Note 5: Disclosure of the total and each remuneration of the top five supervisors of highest remuneration paid by all companies (including the company) in the consolidated report.

Note 6: After-tax net profit refers to the after-tax net profit of the individual or individual financial report in the most recent year.

Note 7: a. This column should clearly list the remuneration amount that the top five remunerated supervisors received from the reinvestment business or the Parent company other than the Subsidiary company (if no, please fill in "none").

b. Remuneration refers to the compensation(including the compensation of employees, directors and supervisors), remuneration and business execution costs received by the company's top five remunerated supervisors as the directors, supervisors or managers of non-subsidiary reinvested business or Parent companies.

* The content of the remuneration disclosed in this table is different from the income tax law's concept of income, the purpose of this table is for information disclosure, not for taxation purposes.

(D) Compare and illustrate the analysis of the ratio on the total compensation paid to the Directors, President, and VPs from the Company and all companies in the consolidated financial statement to the after-tax net income of individual financial statement, and explain the reimbursement policy, standard and combinations, procedures to dictate these reimbursements, and the correlation to management performance and future risks

Unit: NTD thousands

Year / Project	2018		2019	
	The Company	All companies in the financial statement	The Company	All companies in the financial statement
Ratio of total directors' compensation on net income	-5.08%	-6.20%	8.69%	10.31%
Ratio of total President and VPs' compensation on net income	-10.70%	-12.17%	15.98%	18.53%
Net income	-240,885	-240,885	155,306	155,306

1. Directors' compensation: Set in accordance to Articles of Corporations, with rights given to the members of the Board of Directors depending on the level of contributions they have made on The Company's operations, and set with reference to industry standards. Directors' compensation hasn't been remunerated for two years due to the unredeemed losses of 2018 and 2019.
2. President and VPs: Compensation includes salaries, bonuses, and employee profit-sharing. The remuneration committee established by the Board will set up initial figures depending on their titles and responsibilities, and set with reference to industry standards. They are implemented after attaining approval from the Board.
3. Risk correlation: With the exception to transportation fees, all directors' compensation will be distributed pending on the company's profitability; hence, they do not pose major risks to the company. In addition to fixed salaries, the President and VPs' bonuses are all distributed depending on the company's performance; hence, they do not pose major risks to the company.
4. The connection of the remuneration with the performance evaluation of the directors and managers:
   (1) The independent directors of the company receive fixed remunerations, the remaining directors do not receive any forms of remunerations except for the board attendance (commuting) fee.
   (2) According to the Article of Incorporation, article 26: If the company makes profit in the year, 10% to 18% should be allocated for employee compensation. The manager's remuneration includes salary and bonus. Salary amount refers to the level, titles, ranks, academic (economic) experience, professional ability and responsibilities etc. of the peers. The bonus is issued depends on the manager's performance evaluation, which includes the practice of the company's core values, the operation management ability, the achievement rate of financial indicators, continuous training, contribution to long-term sustainable operation, and other special contributions or major negative events, etc., and according to the salary and compensation committee's recommended distribution principle, then the chairman will give approval based on the operational performance.

D. Operations of Corporate Governance

(A) Information of Operations of Board of Directors

1. In the most recent fiscal year, the Board of Directors have held 9 meetings (A), and the attendance of the Directors are as follows:

Title	Name	Number of actual attendance (B)	Number of by proxy	Ratio of attendance [B/A]	Remarks
Director	Ken Huang	9	0	100.00	
Director	Stoney Chiu	6	0	100.00	Passed away on Sep. 28, 2019
Corporate Director	Ming-Ji Investment Co., Ltd. Representative: Yuan-chuan Sun	9	0	100.00	
Independent Director	Heng-yih Liu	9	0	100.00	
Independent Director	Vincent Lin	9	0	100.00	
Independent Director	Yi-chia Chiu	9	0	100.00	
Independent Director	Vivien Liu	9	0	100.00	

Other items to be mentioned:

1. If any of the following circumstances occurs while functioning the board of directors, the Board meeting date, the Board meeting term, the contents of the motion, the opinions of all independent directors and the follow-up to the opinions of the independent directors should be elaborated:
   (1) The matters listed in Article 14-3 of the Securities Exchange Act: Not applicable as we have set up Audit Committee.
   (2) Besides the above-mentioned matters, the resolutions by the board of directors that have been objected to or reserved with record or written statement by other independent director: In year 2019, the independent directors had no objection or reservations to the major proposals in the board meetings.
2. The way that directors have abstained from motions that pose a conflict of interest, should elaborate on the director's name, the content of the motion, cause of the conflict of interest, and the status of the vote: none.
3. For information on the evaluation cycle, period, scope, method and content of the self-evaluation of the board of directors, please refer to the attached table "Implementation of Board Evaluation".
4. Goals (e.g. establishing audit committee, enhancing information transparency) primed to enhance the board of directors' professionalism and assessment on their effectiveness for that year and the most recent year:
   (1) On February 24, 2019, the Board of Directors passed the revision of the “Board Performance Evaluation Methods and Procedures” and “Compensation Committee Organization Regulations”.
   (2) On March 18, 2019, the Board of Directors passed the “Corporate Governance Officer” personnel case of the Group and set the “Standard Operating Procedures of Directors' Requirements Processing”.

   The above are for the establishment of a sound and effective corporate governance system and structure, and create a sustainable development of the business environment.

2. Implementation of Board Evaluation

Evaluation cycle	Evaluated period	Evaluation scope	Evaluation method	Evaluation content
Performed once a year	Evaluate the performance of the board of directors from January 1, 2019 to December 31, 2019.	Including the performance evaluation of the board of directors, individual board members and functional committees.	Including internal self-evaluation of the board of directors, self-evaluation of board members, appointment of external professional institutions and experts every three years for performance evaluation.	(1) Performance evaluation of the board of directors: including the level of participation in the company's operations, the quality of the board's decision-making, the composition and structure of the board of directors, the selection and continuous training of directors, internal control, etc. (2) Performance evaluation of individual directors: including the company's goals and tasks, directors' recognition of responsibilities, participation in the company's operations, internal relationship management and communication, professional and continuous training of directors, internal control, etc. (3) Performance evaluation of functional committees: the degree of participation in the operation of the company, the recognition of the responsibilities of the functional committees, the decision-making quality of the functional committees, the composition of the functional committees, the selection of members, and internal control

(B) Information of Operations of the Audit Committee

The audit committee of the company is composed of 4 independent directors. The audit committee aims to assist the board of directors in fulfilling the quality and integrity of the company's supervision of the company's accounting, auditing, financial reporting process and financial control.

The Audit Committee held a total of nine meetings in year 2019, reviewed matters mainly include:

1. Financial statements auditing and accounting policies and procedures
2. Internal control system and related policies and procedures
3. Material asset transactions
4. Major loan and endorsement guarantee
5. Derivative financial products
6. Compliance with laws and regulation
7. Information Security
8. Risk management
9. Independence and performance evaluation of certified accountants
10. Appointment and removal of the head of finance, accounting or internal audit
11. Self-evaluation of Audit Committee’s performance.

Review Financial Report

It is agreed to and resolved by the Audit Committee and the Board of Directors that the company’s 2019 Financial Statement was audited and certified by Ernest & Young, who is designated by the Board of Directors; and an audit report which refers to the Financial Statement was issued. In addition, the Company’s business report of 2019 and statement of Deficit Compensation which were submitted by The Board of Directors have been considered to be compliant with the relevant regulations of Company Law after having them reviewed by the Audit Committee of Dynamic Electronics Co., Ltd.

Assess the effectiveness of internal control systems

The audit committee evaluates the effectiveness of the company's internal control system policies and procedures (including financial, operational, risk management, information security, compliance with laws and other control measures), and reviews the periodic reports of the company's audit department, CPA and management. The committee believes that the company's risk management and internal control systems are effective. The company has adopted the necessary control mechanisms to monitor and correct violations.

Appointment of Certified Public Accountants

The audit committee is assigned the responsibility of supervising the independence of the CPA firm to ensure the fairness of the financial statements. The Audit Committee passed for the eighth time that Ernst & Young’s Accountant Qingbiao Zheng and Accountant Maoyi Hong both meet the independence criteria, which is adequate to serve as the company's financial and tax accountant.

For the most recent year, the audit committee has held 9 meetings (A), below demonstrates the attendance of independent directors:

Title	Name	Number of actual attendance (B)	Number of by proxy	Ratio of attendance [B/A]	Remarks
Convener	Yi-chia Chiu	9	0	100.00	
Member	Heng-yih Liu	9	0	100.00	
Member	Vincent Lin	9	0	100.00	
Member	Vivien Liu	9	0	100.00	

Other items to be mentioned:

1. If any of the following circumstances occurs while functioning Audit Committee; the Board meeting date, the Board meeting term, the contents of the motion, the resolutions of Audit Committee, and the follow-up to the opinions of the Audit Committee should be elaborated: In year 2019, all the members of Audit Committee had passed the major proposals. No resolutions of Audit Committee were not passed but agreed by two-thirds of the Board. Please refer to the table below.
   (1) The matters listed in Article 14-5 of the Securities Exchange Act.
   (2) Besides the above-mentioned matters, the resolutions of Audit Committee are not passed but agreed by two-thirds of the Board.

Board of Directors	Proposals & Follow-up	Article 14-5 of the Securities Exchange Act	Resolutions of Audit Committee are not passed but agreed by two-thirds of the Board.
First BoD meeting in year 2019 2019/02/24	1. Issue "Internal Control System Statement”.	v	
	2. Annual financial statements and consolidated financial statements of year 2018.	v	
	3. The deficit compensation of year 2018.	v	
	4. The Company’s annual budget of 2019.	v	
	5. The endorsement of conglomerate financing amount.	v	
	Audit Committee Resolution (2019.02.24): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Second BoD meeting in year 2019 2019/03/18	1. The company's short/mid-term mortgage bank financing quota application.	v	
	Audit Committee Resolution (2019.03.18): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Third BoD meeting of the year 2019 2019/05/09	1. The consolidated financial statement of first quarter of year 2019.	v	
	2. Application for the subsidiary Dynamic Electronics (Kunshan) Co., Ltd. to fund loan to Mainland business Dynamic Electronics (Huangshi) Co. Ltd.	v	
	3. Notional amount of derivative financial product transactions with the bank.	v	
	4. Amendments to the Company’s “Endorsement Guarantee Management Measures” and "Procedures for Lending Funds to Other Parties”.	v	
	5. Amendments to the “Endorsement Guarantee Management Measures” and "Procedures for Lending Funds to Other Parties” of Mainland business Dynamic Electronics (Kunshan) Co., Ltd.	v	

	6. Amendments to the "Procedures for Lending Funds to Other Parties" of Dynamic Electronics Co., Ltd.(Seychelles)	v	
	7. Amendments to the "Procedures for Lending Funds to Other Parties" of WINTEK (MAURITIUS) CO., LTD.	v	
	Audit Committee Resolution (2019.05.09): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Fourth BoD meeting of year 2019 2019/08/13	1. In conjunction with the Group's production line consolidation, Taoyuan Plant intends to transfer production capacity to overseas factories, and Taoyuan Operation Headquarters will specialize in R&D and other businesses.	v	
	2. Owing to the production capacity transfer of the Taoyuan factory, it is planned to sell the land and plant of the Taoyuan factory at marked price.	v	
	3. The consolidated financial statement of the second quarter of year 2019.	v	
	4. Application for the subsidiary Dynamic Electronics Co., Ltd.(Seychelles) to fund loan to Mainland business Dynamic Electronics (Huangshi) Co. Ltd.	v	
	Audit Committee Resolution (2019.08.13): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Fifth BoD meeting of year 2019 2019/09/17	1. Amendment to the Company's annual budget of 2019.	v	
	2. Matters regarding the Company's sale of the land and plant of Taoyuan factory.	v	
	Audit Committee Resolution (2019.09.17): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Sixth BoD meeting of year 2019 2019/10/18	1. Matters regarding the Company's sale of the land and plant of Taoyuan factory.	v	
	Audit Committee Resolution (2019.10.18): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Seventh BoD meeting of year 2019 2019/10/25	1. The consolidated financial statement of the third quarter of year 2019.	v	
	Audit Committee Resolution (2019.10.25): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Eighth BoD meeting of year 2019 2019/12/18	1. Revise the Company's internal control related specifications.	v	
	2. Amendment to the Company's "Approval Authorization Table".	v	
	3. Amendment to the "Approval Authorization Table" of Dynamic Electronics (Kunshan) Co., Ltd.	v	
	4. Amendment to the "Approval Authorization Table" of Dynamic Electronics (Huangshi) Co., Ltd.	v	
	5. Issue the Company's "Statement of Internal Control System".	v	

	6. The independence assessment of the Company's accountants.	v	
	7. The annual business report of year 2020.	v	
	8. The endorsement of conglomerate financing amount.	v	
	9. Application for the subsidiary WINTEK (MAURITIUS) CO., LTD. to fund loan to the Mainland business Dynamic Electronics (Huangshi) Co., Ltd.	v	
	10. Application for the subsidiary Dynamic Electronics (Kunshan) Co., Ltd. to fund loan to Mainland business Dynamic Electronics (Huangshi) Co. Ltd.	v	
	11. Increase cash capital and issue new shares.	v	
	12. Application for the land and infrastructure investment required for building B of Mainland business Dynamic Electronics (Huangshi) Co. Ltd.	v	
	Audit Committee Resolution (2019.12.18): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Ninth BoD meeting of year 2019 2019/12/30	1. Matters regarding the Company's disposal of machinery and equipment to related parties.	v	
	Audit Committee Resolution (2019.12.30): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		

2. The way that independent directors have abstained from motions that pose a conflict of interest, should elaborate on the independent director's name, the content of the motion, cause of the conflict of interest, and the status of the vote: none.
3. Communications between the independent directors and the internal audit supervisors and accountants (should include communications over the significant matters of company financials, business operations, and ways to approach these topics and their results)

(1) The communication between independent directors and internal audit executives:

(a) The Auditing Office exercises internal audit cycles and management practices, and prepares the documents of "Internal Audit Report", "Summarized Monthly Report on internal audit" and "Contact form of advices on irregularities" every month. All the audit related documents would be delivered to each audit committee for review after the chairman's approval before the end of the second month upon the completion of the audit. If any doubts or instructions occur, the audit committee will inquire or instruct the auditing executives to deal with the relevant matters via phone call or e-mail.

(b) The internal audit executives would attend every audit committee (at least once per quarter) to report the audit progress, and communicate with the independent directors face to face.

(c) When the internal auditors found significant violations or any major potential damages to the Company, a report would be made and submitted immediately. Each Audit Committee member would be notified at the same time.

(d) The communication between the independent directors and the internal auditing executives of the Company is good with smooth communication channel.

(2) The communication between independent directors and the accountants:

(a) Accountants report the results of financial statement verification and audit in the Audit Committee quarterly, as well as other communication subjects that required by the relevant laws and regulations. Any suggestions or advices that occur to the independent directors would be addressed for discussion, followed by further explanation by the accountants.

(b) In case of significant special situation, accountants would report to the Audit Committee instantly.

(c) The accountants would be invited to participate in providing professional advices to any important issues related to the board so as to increase the opportunity of interaction among the accountants, directors and independent directors.

(d) The communication between the independent directors and the accountants of the Company is good with smooth communication channel.

(3) Independent directors' communication with internal audit executives and accountants:

Date	Method	Main Content	Suggestion from independent directors	Results of Company execution
2019/ 02/24	Audit Committee	1. Audit Scope and Audit Report of 2018 2. Independence of Accountants 3. Communication of Key audit matters in audit report 4. Major accounting and auditing issues 5. Concise income statement 6. Regulatory update 7. Dec. 2018 – Jan. 2019 Audit Operational Report 8. Issue "Internal Control System Statement". 9. Annual financial statements and consolidated financial statements of year 2018 10. The deficit compensation of year 2018 11. The Company's annual budget of 2019 12. The endorsement of conglomerate financing amount	None	-
2019/ 03/18	Audit Committee	1. The company's short/mid-term mortgage bank financing quota application	None	-
2019/ 05/09	Audit Committee	1. Audit Scope and Audit Report of the first quarter 2019 2. Major accounting and auditing issues 3. Concise income statement 4. Regulatory update 5. Jan. – Mar. 2019 Audit Operational Report 6. The consolidated financial statement of first quarter of year 2019 7. Application for the subsidiary Dynamic Electronics (Kunshan) Co., Ltd. to fund loan to Mainland business Dynamic Electronics (Huangshi) Co. Ltd. 8. Notional amount of derivative financial product transactions with the bank 9. Amendments to the Company's "Endorsement Guarantee Management Measures" and "Procedures for Lending Funds to Other Parties" 10. Amendments to the "Endorsement Guarantee Management Measures" and "Procedures for Lending Funds to Other Parties" of Mainland business Dynamic Electronics (Kunshan) Co., Ltd. 11. Amendments to the "Procedures for Lending Funds to Other Parties" of Dynamic Electronics Co., Ltd.(Seychelles) 12. Amendments to the "Procedures for Lending Funds to Other Parties" of WINTEK (MAURITIUS) CO., LTD.	None	-

	2019/ 08/13	Audit Committee	1. Audit Scope and Audit Report of Semi-annual report 2019 2. Major accounting and auditing issues 3. Concise income statement 4. Regulatory update 5. Apr. – Jun. 2019 Audit Operational Report 6. In conjunction with the Group's production line consolidation, Taoyuan Plant intends to transfer production capacity to overseas factories, and Taoyuan Operation Headquarters will specialize in R&D and other businesses 7. Owing to the production capacity transfer of the Taoyuan factory, it is planned to sell the land and plant of the Taoyuan factory at marked price 8. The consolidated financial statement of the second quarter of year 2019 9. Application for the subsidiary Dynamic Electronics Co., Ltd.(Seychelles) to fund loan to Mainland business Dynamic Electronics (Huangshi) Co. Ltd.	None	-
	2019/ 09/17	Audit Committee	1. Amendment to the Company’s annual budget of 2019 2. Matters regarding the Company’s sale of the land and plant of Taoyuan factory	None	-
	2019/ 10/18	Audit Committee	1. Matters regarding the Company’s sale of the land and plant of Taoyuan factory	None	-
	2019/ 10/25	Audit Committee	1. Audit Scope and Audit Report of first 3 quarters of 2019 2. Major accounting and auditing issues 3. Concise income statement 4. Regulatory update 5. Jul. – Sep. 2019 Audit Operational Report 6. The consolidated financial statement of the third quarter of year 2019	None	-
	2019/ 12/18	Audit Committee	1. Oct. – Nov. 2019 Audit Operational Report Eighth BoD meeting of year 2019 2. Revise the Company's internal control related specifications 3. Amendment to the Company’s “Approval Authorization Table” 4. Amendment to the “Approval Authorization Table” of Dynamic Electronics (Kunshan) Co., Ltd. 5. Amendment to the “Approval Authorization Table” of Dynamic Electronics (Huangshi) Co., Ltd. 6. Issue the Company’s “Statement of Internal Control System” 7. The independence assessment of the Company’s accountants 8. The annual business plan of year 2020 9. The endorsement of conglomerate financing amount 10. Application for the subsidiary WINTEK (MAURITIUS) CO., LTD. to fund loan to the Mainland business Dynamic Electronics (Huangshi) Co., Ltd. 11. Application for the subsidiary Dynamic Electronics (Kunshan) Co., Ltd. to fund loan to Mainland business Dynamic Electronics (Huangshi) Co. Ltd. 12. Increase cash capital and issue new shares 13. Application for the land and infrastructure investment required for building B of Mainland business Dynamic Electronics (Huangshi) Co. Ltd.	None	-

2019/ 12/30	Audit Committee	1. Matters regarding the Company's disposal of machinery and equipment to related parties	None	-

(C) Information on the operations of the Remuneration Committee

1. Information on the members of the remuneration committee

Status (note 1)	Criteria / Name	Hold five years or more of work experience and the following professional qualifications			Meet these Independence qualifications (note 2)										Number of other listed companies the person is also serving on the remuneration committee
		Lecturer or above in business, law, finance, accounting, or another discipline related to company businesses in a private or public university	Passed national examination and attained certification for professionalism and technical expertise as a judge, prosecutor, lawyer, accountant, or another field deemed necessary by the company business	Working experience in business, law, finance, accounting, or company operations	1	2	3	4	5	6	7	8	9	10	
Independent Director	Vivien Liu			v	v	v	v	v	v	v	v	v	v	v	0
Independent Director	Yi-chia Chiu	v			v	v	v	v	v	v	v	v	v	v	2
Independent Director	Heng-yih Liu	v		v	v	v	v	v	v	v	v	v	v	v	2
Independent Director	Vincent Lin			v	v	v	v	v	v	v	v	v	v	v	0

Note 1: For Status, please identify whether the person is a director, independent director, or other.

Note 2: Please tick the boxes below each criterion if a member has fulfilled these conditions two years prior to being elected and during his/her term of service.

(1) Is not employed by the company or its affiliated corporations.

(2) Not a director or supervisor of the company or any of its affiliates. (If the independent directors established by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, are not limited to this).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (If the independent directors established by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, are not limited to this)

(6) Not a director, supervisor, or employee of other company that controls a majority of both company's director seats and voting shares at the same time(If the independent directors established by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, are not limited to this)

(7) Not a director (or governor), supervisor, or employee of that other company or institution who is the chairperson, general manager, or the person holding an equivalent position of the company and serves in any of those positions at another company or institution or are spouses: (If the independent directors established by the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local national laws and regulations are concurrently held by each other, are not limited to this)

(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution who has a financial or business relationship with the company. (If a specific company or institution holds more than 20% of the total issued shares of the company, but not more than 50%, and is an independent director established by the company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local national laws; It is not limited to this.)

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) There is no circumstance of Article 30 of the Company Law's.

2. Information on the operations of the remuneration committee
   (1) The Company has four members in the remuneration committee.
   (2) Duration of role: 2018/05/30 – 2021/05/29. The remuneration committee has held 5 meetings (A) for the most recent fiscal year (2019). The attendance records of committee members are as followings:

Title	Name	Number of actual attendance (B)	Number of by proxy	Ratio of attendance [B/A]	Remarks
Convener	Vivien Liu	5	0	100.00	
Member	Heng-yih Liu	5	0	100.00	
Member	Vincent Lin	5	0	100.00	
Member	Yi-chia Chiu	5	0	100.00	

Other items to be mentioned:

1. In case the board of directors did not take in or make necessary rectifications according to the remuneration committee's suggestion, the date, number, content of the motion, the results passed by the board of directions and the ways the company handled the remuneration committee's opinions should be elaborated (for instance, if the compensation package passed by the board of directors is higher than the suggestion of the remuneration committee, the difference and its causes should be explained): none.

Remuneration Committee	Contents of the Motion and Follow-up	Resolution	Company's handling of the opinions of Remuneration committee
1st of year 2019 (2019. 02.24)	1. Review the actual issuance of salary and remuneration for directors and managers of year 2018. 2. Review the plan of directors' compensation and employee compensation of year 2018. 3. Review the actual performance appraisal of senior managers of year 2018. 4. Review amendments to the charter of the Remuneration Committee. Follow-up: The above proposals are implemented according to the resolution.	Consented and passed by all the members of the committee	The board of directors is approved by all the attending directors
2nd of year 2019 (2019. 05.09)	1. Review the actual performance appraisal of senior managers of the first quarter of 2019. 2. Review the case of Senior supervisors' retirement benefits. Follow-up: The above proposals are implemented according to the resolution.	Consented and passed by all the members of the committee	The board of directors is approved by all the attending directors
3rd of year 2019 (2019. 08.13)	1. Review the actual performance appraisal of senior managers of the second quarter of 2019. Follow-up: The above proposals are implemented according to the resolution.	Consented and passed by all the members of the committee	The board of directors is approved by all the attending directors
4th of year 2019	1. Review the actual performance appraisal of senior managers of the	Consented and passed	The board of directors is

(2019. 10.25)	third quarter of 2019. 2. Review the case of senior supervisors' salaries and benefits based on personnel changes. Follow-up: The above proposals are implemented according to the resolution.	by all the members of the committee	approved by all the attending directors
5th of year 2019 (2019. 12.18)	1. Review salaries and benefits of senior supervisors. 2. Review the implementation plan of payroll and compensation of 2020. 3. Review the executive managers' performance appraisal indicators of 2020. 4. Review the remuneration committee work plan of 2020. Follow-up: The above proposals are implemented according to the resolution.	Consented and passed by all the members of the committee	The board of directors is approved by all the attending directors

2. For the decisions made by the remuneration committee, if there are members who vetoed or withheld from the decision and there are documented records, the date, number, content of the motion, all members' opinions, and ways in handling these opinions should be elaborated: none.

(D) Information on the operations of the Nomination Committee

(1) The Company has four members in the nomination committee, served by four independent directors.

(2) Duration of role: 2018/05/30 – 2021/05/29. The nomination committee has held 2 meetings (A) for the most recent fiscal year (2019). The attendance records of committee members are as followings:

Title	Name	Number of actual attendance (B)	Number of by proxy	Ratio of attendance [B/A]	Remarks
Convener	Vincent Lin	2	0	100.00	
Member	Heng-yih Liu	2	0	100.00	
Member	Vivien Liu	2	0	100.00	
Member	Yi-chia Chiu	2	0	100.00	

Other items to be mentioned:

3. In case the board of directors did not take in or make necessary rectifications according to the nomination committee's suggestion, the date, number, content of the motion, the results passed by the board of directions and the ways the company handled the nomination committee's opinions should be elaborated: none.

Nomination Committee	Contents of the Motion and Follow-up	Resolution	Company's handling of the opinions of Nomination committee
1st of year 2019 (2019. 02.24)	1. Revised the Company's "Charters of Nominating Committee" case. Follow-up: The above proposals are implemented according to the resolution.	Consented and passed by all the members of the	The board of directors is approved by all the attending directors

		committee	
2nd of year 2019 (2019. 05.09)	1. Revised the Company's "Corporate Governance Code of Practice". 2. Proposed the personnel case of the Group. Follow-up: The above proposals are implemented according to the resolution.	Consented and passed by all the members of the committee	The board of directors is approved by all the attending directors

4. For the decisions made by the nomination committee, if there are members who vetoed or withheld from the decision and there are documented records, the date, number, content of the motion, all members' opinions, and ways in handling these opinions should be elaborated: none.

(E) The differences and causes between the company's operations and the corporate governance code of practice of listed companies

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
1. Has the company established a corporate governance code of practice according to the corporate governance code of practice required by all listed companies?	V		On Dec. 28, 2016, The Company has passed the amendment of “Corporate Governance Code of Practice”. This code can be either downloaded from the Company website or the MOPS.	None
2. Company share structure and shareholders' interest a. Has the company established internal procedures to handle shareholder's opinions, questions, problems, and litigation issue, and implemented these measures accordingly? b. Is the company aware of the controlling shareholders and maintain the list of the final controllers of the main shareholders? c. Has the company established and carried out risk control and firewall measures to affiliated corporations?	V		a. According to article 13 of Code of Corporate Governance Practice, the Company has instructed the 【Legal Office】(under direct supervision of the Board) and the 【Chairman Office】(under direct supervision of the Chairman) to handle phone calls, emails and letters regarding opinions, questions, problems, and litigation issues from the shareholders. They directly handle these issues and report to the Chairman and the Board. b. The 【Chairman office】, under immediate supervision of the Chairman, is in charge of maintaining the lists of the controlling shareholders and the final controllers of the main shareholders. c. The Company has established systems to manage over these problems according to the law pertaining to "operational procedures in dealing with affiliated corporations, group enterprises, specific company, and affiliated individuals "as well	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
d. Has the company established internal regulations to ban company personnel from selling and buying securities with undisclosed information?			as our internal control system. d. Regulated in the Company's " Material Insider Information Non-Disclosure Procedure".	
3. Organization and responsibility of the Board of Directors a. Has the Board established and implemented diversification measures in its member setup?	V		a. The Company's Code of Corporate Governance Practices article 20 indicates that the composition of the board of directors shall be diversified. Besides not exceeding one-third of the board of directors for the director who is a company manager at the same time, one should also formulate an appropriate diversification policy for his/her own function, operational style and development needs, including but not limited to the following two standards: 1. Basic conditions and values: gender, age, nationality and culture. 2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience. The board members should generally possess the necessary knowledge, skills and literacy to perform	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			their duties. In order to achieve the ideal goal of corporate governance, the overall ability of the board of directors should be as follows: 1. Good judgement in operations. 2. Accounting and financial analysis capabilities. 3. Business management capabilities. 4. Crisis handling abilities.. 5. Industrial knowledge. 6. Vision to international market. 7. Leadership. 8. Decision-making ability. The board of directors is composed of seven directors with rich management or academic experience, including four independent directors, and one of the four directors was female. The background and expertise of the present four independent directors cover business, finance, strategy, industry analysis and technology. The specific management goals of Dynamic 's diversification policy and the current achievements: The company values the gender equality of the board members and hopes to increase the number of female directors. One female director has joined	

<table>
<tr><th rowspan="2">Item to be assessed</th><th colspan="3">Operational status (note 1)</th><th rowspan="2">Deviations from the corporate governance code of practice of listed companies and causes</th></tr>
<tr><th>Y</th><th>N</th><th>Abstract</th></tr>
<tr><td></td><td></td><td></td><td>the board in 2018, with a ratio of 14%. The goal is adding another female director within two years to reach a ratio over 25%.</td><td></td></tr>
</table>

Diversification / Name	Country of Citizenship	Sex	Concurrent employee	Age	Years of independent director
Ken Huang	ROC	Male	v	40-50	
Yuan-chuan Sun	ROC	Male		40-50	
Yi-chia Chiu	ROC	Male		40-50	In 3 years
Vivien Liu	ROC	Female		Above 50	In 3 years
Heng-yih Liu	ROC	Male		Above 50	3-6 years
Vincent Lin	ROC	Male		40-50	3-6 years

Diversification / Name	Operation Management	Leadership & Decision-making	Finance & Accounting	Strategy & Risk Planning	Trend analysis of the industry	Technology Development of the industry
Ken Huang	v	v			v	

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<tr><th>Y</th><th>N</th><th>Abstract</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td>Yuan-chuan Sun</td><td>v</td><td></td><td>v</td><td></td><td>v</td><td></td></tr>
<tr><td>Yi-chia Chiu</td><td></td><td></td><td>v</td><td>v</td><td></td><td>v</td></tr>
<tr><td>Vivien Liu</td><td>v</td><td></td><td>v</td><td></td><td>v</td><td></td></tr>
<tr><td>Heng-yih Liu</td><td>v</td><td></td><td></td><td>v</td><td>v</td><td></td></tr>
<tr><td>Vincent Lin</td><td></td><td>v</td><td></td><td></td><td>v</td><td>v</td></tr>
</table></td><td></td></tr>
<tr><td>b. In addition to setting up a remuneration committee and audit committee in accordance with the law, has the company voluntarily established other functional committees?</td><td></td><td></td><td>b. The company has already established a Nomination Committee in 2007. All four members are independent directors. The committee's authority is as follows, and the recommendations are submitted to the board for discussion.
1. To develop the diversified background and independence standards of professional knowledge, technology, experience and gender required by board members and senior managers, and to seek, review and nominate directors and senior managers candidates.
2. To construct and develop the organizational structure of the board of directors and committees, to conduct performance evaluations of the board of directors, committees, directors and senior managers, and to assess the</td><td></td></tr>
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<tr><th rowspan="2">Item to be assessed</th><th colspan="3">Operational status (note 1)</th><th rowspan="2">Deviations from the corporate governance code of practice of listed companies and causes</th></tr>
<tr><th>Y</th><th>N</th><th>Abstract</th></tr>
<tr><td></td><td></td><td></td><td>independence of independent directors.
3. To determine and regularly review the director's progress plan and the succession plan for directors and senior managers.
4. Formulating the company's corporate governance code of practice.
A total of two nominating committee meetings were held in year 2019.
<table>
<tr><th>Names of Independent directors</th><th>Audit Committee</th><th>Remuneration Committee</th><th>Nomination Committee</th><th>Risk Management Committee</th></tr>
<tr><td>Yi-chia Chiu</td><td>v (chairman)</td><td>v</td><td>v</td><td>v</td></tr>
<tr><td>Vivien Liu</td><td>v</td><td>v (chairman)</td><td>v</td><td>v</td></tr>
<tr><td>Heng-yih Liu</td><td>v</td><td>v</td><td>v</td><td>v (chairman)</td></tr>
<tr><td>Vincent Lin</td><td>v</td><td>v</td><td>v (chairman)</td><td>v</td></tr>
</table>
</td><td></td></tr>
<tr><td>c. Has the company established a performance rating method for the board of directors, and report the results of performance evaluation to the board of directors, and use it for each directors' remuneration and the nomination</td><td></td><td></td><td>c. The Company passed the amendments to “Measures and Procedures for the Evaluation of Board Performance” on Feb. 24, 2019 by the Board of Directors. Considering the company's situation and needs, the performance evaluation measurements of the board of directors are</td><td></td></tr>
</table>

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
of renewal?			established, and at least include the following five aspects: 1. The degree of participation in the Company's operation. 2. To enhance decision-making quality of the Board. 3. The composition and structure of the board. 4. Selection and further education of directors. 5. Internal control. The assessment of the performance evaluation of the directors' members shall at least include the following six aspects: 1. The mastery of the Company's goal and mission. 2. The recognition of directors' responsibilities. 3. The degree of participation in the Company's operation. 4. The effort and communication of internal relationship. 5. Directors' profession and further education. 6. Internal control. The measurement of the performance evaluation of the functional committee should include at least the following five aspects:	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			1. The degree of participation in the company's operations. 2. The recognition of the functional committee's duties. 3. Improve the decision-making quality of the functional committee. 4. the composition of the functional committee and the selection of members. 5. Internal control. The Procedure also states that the Board of Directors should perform an internal performance evaluation at least once a year and should perform an external performance evaluation by an independent institute or expert team at least every three years and expose the results of the evaluation on the company's website. The year 2019 evaluation is processed by the company's corporate governance staff. The scope of the assessment includes the overall board of directors, individual board members, and functional committees. The assessment method is self-assessed by the questionnaire. The evaluation result is "excellent" and reported to the board of	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			directors on Mar. 30th 2020. The main recommendations and improvements to the Board and the Functional Committee are as follows: 1. The secretary of the board of directors provides each director with a serial development plan of professionalism according to the needs of each director. 2. The secretary of the board of directors provides information and proposals on corporate governance for the directors, so the board of directors can continue to assist the company to improve corporate governance. 3. A strategic consensus workshop is held every five years to review the company's vision, mission and core values, and set the company's long term strategic goals. The above performance evaluation results will serve as a reference for selecting and nominating directors and functional committee members. In terms of the connection between the directors performance assessment and salary and compensation, the remuneration of the directors of the company is based on the provisions of the Corporate Charter, article 26 that the remuneration	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			of the directors shall not exceed 3% of the profit, which resolved by the board of directors. As for the procedures for emoluments setting, it is based on the “Director and Manager Performance Evaluation Method” of the Company as a basis for assessment. In addition to reviewing the company’s overall operating performance, industrial operating risks and development trends, it also considers the individual's performance achievement rate and his/her contribution to the company's performance before giving reasonable remuneration. All relevant performance appraisal and compensation rationality are reviewed by the Compensation Committee and the Board of Directors, and the remuneration system is reviewed at any time depending on the actual operating conditions and the relevant laws to balance the company's sustainable development and risk control.	
d. Has the company assessed the independence of its certified public accountant routinely?			d. The Finance Div. of the company has started to conduct yearly assessment of the independence of company’s designated certified accountants since year 2015, the assessment includes 15 items below:	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			1. Up to the latest certification practice, there's no such circumstance with working for the company for seven years in a row. 2. No major financial interested relationship with the client. 3. Avoiding any improper relationship with the client. 4. The accountant should supervise their assistants to strictly comply with honesty, justice and independence. 5. The accountant is prohibited from auditing certification for the company's financial report where he/she has served in within the previous two years. 6. The accountant's identification is forbidden to be infringed by another individual. 7. The accountant does not hold any shares in the company or in its subsidiaries. 8. The accountant does not owe any debt to the company or its subsidiaries. 9. The accountant is not in any joint investment or benefit-sharing relationship with the company or its subsidiaries. 10. The accountant is not employed and paid regularly by the company or its subsidiaries. 11. The accountant does not interfere with any	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			management function towards decision-making in the company or its subsidiaries. 12. The accountant does not run any business which will probably deprive him/her of audit independence. 13. The accountant is not related to any of the company's management personnel in the following relations: Spouse, blood-related relatives, direct relatives by affinity, second-degree of blood-related relatives, collateral blood-related relatives. 14. The accountant does not receive any commission which is occupational-related. 15. Up to now, the accountant hasn't been punished for violating any audit independence principle. In the most recent assessment of certified accountants' independence and adaptability on Dec. 11, 2019, the company found no certified accountant with any inadaptability or violations of independence. In addition, accounting firm Ernst & Young has also issued a "declaration of independence." This case was approved by the Audit Committee and the board on Dec. 18, 2019. The assessment result is also disclosed on the company website.	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
4. Whether the listed / OTC company is equipped with qualified and appropriate number of corporate governance personnel, and designated corporate governance directors to take charge of certain corporate governance related matters (including but not limited to providing directors and supervisors with the necessary information to perform business, assisting directors and supervisors to comply with laws, handling matters related to the meetings of the board of directors and the shareholders 'meeting according to law, and making the minutes of the board of directors and shareholders' meetings, etc.)?	V		The Company assigned qualified and appropriate corporate governance personnel. The Board of Directors of the Company passed the resolution of appointing Jean Liu (Chairman’s Office) as the head of corporate governance on March 18, 2019, who has more than three years of experience in management of public offering companies in stock affairs and conventions. The main duties of the Corporate Governance Supervisor are handling matters relating to the Board of Directors and the shareholders' meeting in accordance with the law, making reports of the board of directors and shareholders' meetings, to assist the directors in taking up their posts and further education, to provide the information required for the directors to perform their business, and to assist the directors in complying with the laws and regulations. The business implementation of year 2019 was as follows: 1. Provide directors with information that required by their duty performances. 2. Arranging for further study of directors. 3. To draw up the agenda for the board of directors, inform the directors seven days in advance,	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			convene the meeting and provide information for the meeting. Any issue concerns director’s interests that required a particular director to avoid should be reminded beforehand and complete the meeting minutes of the board of directors within 20 days after the meeting. 4. Assist the board of directors and shareholders in the proceedings and compliance matters. 5. Responsible for reviewing material information announcement of important resolutions of the board of directors after the meeting, ensuring law conformity and correctness of the content of the material information. 6. The date of the shareholders' meeting shall be registered beforehand according to the law, the meeting notice, the proceedings handbook, and the journal shall be made during the statutory period, and the change of registration of the company shall be carried out along with the amendment to the articles or the re-election of the directors. 7. Handle the annual performance evaluation of the board of directors and its members. 8. Responsible for corporate information disclosure, web page maintenance, etc. 9. Continuous training.	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
5. Has the company established a communication channel with its stakeholders, and setup a stakeholder section on the company website, in addition to properly addressing key corporate social responsibility issues that are important to the stakeholders?	V		(1) Currently, all stakeholders have appropriate communication channels. For instance, Shareholders vs shareholders' manager and spokesperson; Employees vs HR; Customers vs sales, quality assurance, R&D; Suppliers vs purchasing, QA, R&D; Mortgagors vs finance personnel; Government vs departments of management, industrial safety, environmental safety; finally, Community and NGO vs management dept. and CSR office etc. (2) The Company website is set with a specific zone for the stakeholders and the contact person's phone and email. It is also available to leave a message at "Contact Us" page, the message will be sent to the responsible unit automatically. Furthermore, contact information of each exterior unit, phone number, email, can also be found on the website.	None
6. Has the company assigned professional common shares agency to take care of affairs related to the shareholders meetings?	V		We have assigned Taishin International Bank to take care of the share-related affairs.	None
7. Information disclosure a. Has the company setup a website to disclose information pertaining finance and corporate governance?	V		a. The Company website is www.dynamicpcb.com. The website has been equipped with pages designated to financial information and corporate governance for information disclosure on these aspects.	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
b. Has the company utilized other methods of information disclosure (such as setting up a website in English, assigning someone to be responsible for the collection and disclosure of company information, implementing spokesperson system, demonstrating company website during corporate seminar)?			b. The company has an English website, and has designated Chairman Office to be responsible for the collection and disclosure of company information. The company has assigned a spokesperson and a deputy spokesperson, and the contact information is on the company website, which serves as channels of communication for investors and shareholders and caters to their inquiries and needs. The company was invited to participate in two investors conferences in year 2019. Related information is disclosed on the company's website.	
c. Does the company announce and declare the annual financial report within two months after the end of the fiscal year? And announce and declare the financial reports of first, second, and third quarter and the monthly operating situation before the prescribed time limit?			c. The company announced and declared the annual financial report on February 24, 2019, and announced and declared the first, second, and third quarter financial statements on May 9, 2019, August 13, 2019, and October 25, 2019 respectively, also announce the operating conditions of each month before the prescribed time limit.	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	

8. Does the company have other important information pertaining to understanding the operations of the company's corporate governance (including but not limited to employee benefits, employee welfare, investor relations, supplier relations, stakeholders' interests, advanced studies of the director and supervisors, risk management policy and levels of implementation of risk assessment standards, levels of implementation of customer policies, and whether the company has purchased liability insurance for its directors and supervisors)?

a. Employee benefits: In year 2019, besides keeping all the employees' rights and benefits, also particularly strengthening production safety, paying attention to employees' physical and mental health, and implementing labor rights, environmental responsibility, and make sure the management systems and ethics are in compliance with the code of conduct of Responsible Business Alliance (RBA).

b. Employee welfare:

Kunshan Plant in 2019

1. Overseas trip and prize draw activity: A total of 363 employees of KS plant enjoyed overseas travel on corporate benefits. Locations include Thailand, Vietnam and Taiwan.
2. Company club: Five clubs were established in 2019: Yoga, dancing, jogging, etc., more than 200 people participated in the clubs.
3. Spring hiking activities to Shan-Fun mountain and Dome mountain. A total of 387 participants.
4. The 7th Golden Autumn Gala: About 2,600 people attended the event.

Huangshi Plant in 2019

1. Year-end party, a total of 1200 employees joined the event.
2. New Year Gala: a total of 80 employees attended the gala.
3. Birthday presents and cakes, a total of 952 employees received the presents and cakes.
4. Floral party on Goddess Day: giving out 650 roses.
5. Summer fruits picking activity, a total of 20 people joined the activity.
6. Moon Festival moon cake for all staff, a total of 1550 employees received the moon cakes.
7. More than 80 employees of Huangshi plant won the prizes of overseas travel to Korea and Thailand.
8. A total of 30 people participated in the Huangshi Cihu International Half Marathon.

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	

c. Social Care of Dynamic group in 2019

1. Sponsored the learning tuition for three impoverished students from Hsinchu Commercial & Vocational High School Archery Team. (NTD144,000)
2. Purchased wool felt soaps from the workshop of Eden social welfare foundation for the gifts of Shareholders meeting. (Purchase amount: NTD495,000)
3. Alternative moon festival gift: Produce of Hui Xiang Organic Station or handmade cookies of Kind Garden. (Purchase amount: NTD420,000)
4. Held a photographic competition for the children of Taoyuan Jieshou junior high school. To encourage the kids to keep creating artworks, Dynamic made desk calendar with their winning photos and give the calendars to teachers and parents as gifts. (NTD25,000)
5. Provide lunch for 93 needy students. (RMB111,600)
6. Funded the art class tuition fee for the impoverished students who are art talented. (RMB7,000)
7. Funded 7 students from impoverished families. (RMB3,500)
8. Employees of Huangshi plant visited Huangshi nursing home to send warmth to orphans, disabled children and the elderly. (RMB2,200)
9. Extended regards to Huangshi local firemen and officers. (RMB2,000)
10. Sponsored the 10th China International Road Cycling Tour (Huangshi Development Zone, Tieshan District). (RMB 60,000)

d. Investor relations: assigned spokesperson, deputy spokesperson, and personnel dedicated to handling matters pertaining shares to assist investors to understand the company's status and to communicate with them. Set up investor relations section on the company website to offer important information and contact information.

e. Supplier relations: While enhancing sustainable business and competitiveness, we establish mutual beneficial strategic partnerships with suppliers to jointly develop new products and solve problems of process technology and quality control. The two parties can be aware of the accuracy of market information at any time by regularly exchanging and sharing information on upstream and downstream market supply and demand conditions, fluctuations in raw material costs, capacity expansion, and quality control so as to timely adjust suppliers' production direction and meet the requirements of the purchasing end, also facilitates the two parties to control the inventory cost and water level of all materials, thereby establishing a win-win supplier relationship.

f. Stakeholders' interest: identify stakeholders and major issues, establish communication channels, include topics that various stakeholders care about, such as economics, environment, and social issues, into the company's operations strategy and management, and to sufficiently disclose information.

g. Advanced studies for the directors and managers

Item to be assessed	Operational status (note 1) Y	N	Abstract	Deviations from the corporate governance code of practice of listed companies and causes

Status	Name	Date	Hosted by	Class	Hours of study
Director	Ken Huang	2019/03/08	Taiwan Corporate Governance Association	The latest Director Responsibility and Risk Management based on Corporate Governance Blueprint	3.0
Director	Ken Huang	2019/03/15	Taiwan Corporate Governance Association	The Analysis of Key Information and Responsibilities of Annual Report: Views of Directors and Supervisors	3.0
Director	Stoney Chiu	2019/02/22	Taiwan Corporate Governance Association	Seminar on Corporate Sustainability Governance & Company Long-Term Value Enhancement	3.0
Director	Yuan-chuan Sun	2019/11/19	Taiwan Stock Exchange	Advocacy meeting for effective use of directors' functions	3.0
Director	Yuan-chuan Sun	2019/11/27	Taiwan Corporate Governance Association	[Summit] The 15th International Forum on Corporate Governance (PM Session)	3.0
Independent Director	Heng-yih Liu	2019/06/17	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3.0
Independent Director	Heng-yih Liu	2019/11/08	Taiwan Corporate Governance Association	How do companies innovate and break through profitability in the digital economy era?	3.0
Independent Director	Vincent Lin	2019/11/19	Taiwan Stock Exchange	Advocacy meeting for effective use of directors' functions	3.0
Independent Director	Vincent Lin	2019/11/27	Taiwan Corporate Governance Association	[Summit] The 15th International Forum on Corporate Governance (AM Session)	3.0
Independent Director	Yi-chia Chiu	2019/10/29	The Institute of Internal Auditors – Chinese Taiwan	The verification practice of manufacturing materials system	6.0
Independent Director	Vivien Liu	2019/12/17	Taiwan Academy of Banking and Finance	Corporate Governance Forum-Enterprise Sustainable Management Strategy and Talent Development	3.0
Independent Director	Vivien Liu	2019/12/18	Securities and Futures Institute	The skills of directors and supervisors to interpret financial information	3.0
Finance Supervisor	Lily Chiang	2019/12/19-20	Accounting Research and Development Foundation	Continuous advanced education of principal accounting officers of Issuers, Securities firms, and Securities Exchanges	12.0
Accounting Supervisor	Cathy Ni	2019/7/18	Accounting Research and Development Foundation	Digital Finance Lecture: Technology and Accounting-Practical Issues Analysis and The key	3.0

Item to be assessed				Operational status (note 1) Y	N	Abstract	Deviations from the corporate governance code of practice of listed companies and causes
						points of Internal Audit and Control	
Accounting Supervisor	Cathy Ni	2019/8/15	Accounting Research and Development Foundation			The latest financial technology (FinTech) development and trend analysis	3.0
Accounting Supervisor	Cathy Ni	2019/9/19-20	Accounting Research and Development Foundation			Continuous advanced education of principal accounting officers of Issuers, Securities firms, and Securities Exchanges	12.0
Accounting Supervisor	Cathy Ni	2019/9/26-27	Accounting Research and Development Foundation			Continuous advanced education of principal accounting officers of Issuers, Securities firms, and Securities Exchanges	12.0
Internal Audit Supervisor	Hsin-Yi Tsai	2019/3/27	Accounting Research and Development Foundation			The Practice of Internal Audit and Internal Control in the Digital Economy Era	6.0
Internal Audit Supervisor	Hsin-Yi Tsai	2019/4/19	Accounting Research and Development Foundation			Laws and Regulations for Taiwan businessmen applying for foreign and mainland investment, violation case study and legal compliance auditing practices	6.0
Internal Audit Supervisor	Hsin-Yi Tsai	2019/5/23	Accounting Research and Development Foundation			The related standard and corresponding practice analysis of the new version of "Corporate Governance Blueprint (2018-2020)"	3.0
Corporate Governance Supervisor	Jean Liu	2019/2/22	Taiwan Corporate Governance Association			Seminar on Corporate Sustainability Governance & Company Long-Term Value Enhancement	3.0
Corporate Governance Supervisor	Jean Liu	2019/7/17	Securities and Futures Institute			Advocacy meeting of insider equity trading law compliance	3.0
Corporate Governance Supervisor	Jean Liu	2019/11/21	Taiwan Stock Exchange			Advocacy meeting for effective use of directors' functions	3.0
Corporate Governance Supervisor	Jean Liu	2019/11/27	Taiwan Corporate Governance Association			[Summit] The 15th International Forum on Corporate Governance (AM & PM Session)	6.0

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	

h. Risk management policy and levels of implementation of risk assessment standards:

1. Risk management policies and procedures
   The company established the "Risk Management Policy" on June 30, 2015, which was approved by the board of directors as the top guiding principle of the company's risk management. From the perspective of the company as a whole, to maintain the potential risks that the Company may face in operating activities within a tolerable range through the identification, measurement, monitoring, response of potential risks and the report on such activities , and use such analysis as a reference basis for business strategy formulation, in order to ensure that the company's strategic objectives are achieved.

2. Risk management scope
   The company's risk management issues are divided into four categories: strategy, operation, finance, hazards and climate change, and the top executives of the relevant departments are the executive members.

3. Organizational structure
   The Company established a "Risk Management Committee", the chairman and the president serve as the chair of the committee. They report directly to the audit committee and to the board of directors quarterly.

4. Operational status
   The operation of the Risk Management Committee is as follows:

Chairman	1. Identify and approve priorities for each risk
	2. Supervise the improvement of risk management operations
General Director	1. Coordinate and promote risk management activities
	2. Conduct cross-departmental risk communication sessions
	3. Ensure adequate communication and coordination between the Chair and the Executive Committee
	4. Arrange the Executive Committee to report regularly to the Chair
	5. Report to the Audit Committee and the Board of Directors
Executive	1. Identify and assess risk

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	

Committee	2. Develop a risk response program
	3. Perform a risk control plan
	4. Identify the effectiveness of the risk control program
	5. Report to the Chairman of the Risk Management Committee

Year 2019 Risk Management Committee evaluated 13 risk issues, including: the risk of high investment in new products, the risk of knowledge gap among the professional technical personnel, the virus deployment of equipment, exchange rate fluctuation, the impact of climate change on operational activities, environmental protection and related changes in international regulations, government management of hazardous waste, storage of chemicals, epidemic diseases, natural disasters (typhoons, earthquakes, floods, droughts), fires, chemical disasters, poisonings, etc. Responsible units have all proposed response plans, which will be reported to the board of directors after being reviewed by the audit committee and will be continuously tracked.

i. Levels of implementation of customer policies: the company designates sales and customer service to be in charge, maintain close contact on a daily basis, construe a fair communication channel with customers and satisfy their needs. Senior management will visit routinely to understand the customer's long-term needs, which will serve as the basis for the company's long-term strategy. The company will conduct customer satisfaction survey on an annual basis to understand levels of implementation and ways to improve.

j. The Company has already purchased liability insurance for its directors. The most recent insured period is from 12:00 March 1, 2020 to 12:00 March 1, 2021. The insured amount is US$3,000,000. The coverage covers the duties of directors and managers, company compensation liability, company securities compensation liability, and company compensation liability for employment. The liability insurance is scheduled to be reported in the board of directors in Aug. of 2020.

9. Give explanation of the improvement results according to the corporate governance assessment that issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd in the most recent year. Put forward the priority issues and measures for those who have not yet improved. (Companies who are not included in the assessment do not need to fill up)

In the sixth corporate governance evaluation of year 2019, the company scored 97.29, ranking the top 5% for consecutive 4 years.
There are ten unscored items, among which the following three items can be improved within this year, for the remaining items,

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	

medium-long term countermeasures are being schemed out.

2.2	Does the company set up a policy for diversification of board members and disclose the implementation of the diversity policy on the company's website and annual report?
2.24	Does the company build an information security risk management framework, scheme out information security policies and specific management plans, and disclose them on the company's website or annual report?
3.5	Did the Market Observation Post System upload the annual financial report and disclosed it in English 7 days before the shareholders' meeting?

(F) Implementation of Corporate Social Responsibility

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
1. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations based on materiality principle and formulate relevant risk management policies or strategies accordingly?	Y		1. Based on the materiality principle of corporate social responsibility, the relevant risk management policies or strategies for the risks after the company conducting risk assessments on important issues as follows:	

Major issues	Risk assessment projects	Risk management policies and strategies
Environment	Water resource management	Maximize water efficiency; promote water saving in process and reuse of reclaimed water; reduce raw water intake per unit of production output; reduce waste water discharge through water saving to reduce operating costs; improve water risk response capacity
	Waste and harmful substances management	Reduce waste output and emissions; increase waste recycle rate; make full use of raw materials; improve product yield and reduce waste of resources; prohibit harmful substances from being illegally handled; regularly check suppliers' products for harmful substances.
	Air pollution management	Regularly maintain waste gas treatment equipment to make sure that air quality monitoring meets the standards; improve the satisfaction of neighboring residents of the plant.
	The influences of climate change on operational activity	Through strengthening internal inspection of energy consumption of the enterprises to look for opportunities for energy saving and consumption reduction; and through technological improvement to reduce water consumption.
Society	Talent recruitment and retainment	Strengthen two-way communication between employees and enterprises, enhance corporate recognition, reinforce employees' cohesion and willingness to stay in the post ; build good labor

<table>
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<tr><th>Y</th><th>N</th><th>Abstract (note 2)</th></tr>
<tr><td></td><td></td><td></td><td><table><tr><td></td><td></td><td>relations; provide comprehensive training plans, experience and technical inheritance; establish career planning, process engineers adopt dual-channel promotion; Optimize the salary and welfare system and working environment.</td></tr></table><table><tr><td>Corporate governance</td><td>Regulation compliance</td><td>Establish three lines of regulation compliance procedure for the following regulatory areas: corporate governance, insider trading, securities regulations, subsidiary supervision, document management and preservation, environmental regulations, occupational safety, labor regulations, intellectual property, confidential data protection, personal data protection, export control, etc. Thereby each responsible unit of the company can regularly identify, amend, promote and exercise the regulations on a systematic basis, to ensure the regulations are fully followed.</td></tr></table></td><td></td></tr>
<tr><td>2. Has the Company set up a specialized or part-time unit to promote the affairs of CSR? Does the Board of Directors authorize higher-level management to handle it and have pertinent reports been made to the Board?</td><td>Y</td><td></td><td>2. The Corporate Social Responsibility Committee has been established in year 2013 with approval from the company's board of directors, with the Chairman and President presiding as the committee's chairmen. 【CSR office】 is established under the chairmen with the responsibility for implementing CSR related matters. Committee members include the chief supervisors of the 8 divisions and 2 departments, subsuming the five major issues of corporate social responsibility - economy, environment, society, supply chain management, integrity and law and regulation compliance, and confirming the relevant responsibilities of various departments. At the end of every year, the</td><td></td></tr>
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Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
			committee will examine the year's performance and take into consideration those topics of concern from stakeholders. The committee will also project the coming year's strategic orientation. The implementation progress and tracked performance will be reported to the board of directors periodically afterwards.	
3. Environmental Issue a. Has the company established a suitable environmental management system by referencing its industry's characteristics? b. Does the company strive to enhance the utility rate of every resource, and use renewable materials that pose less impact on the environment?	Y		a. The company has established an ISO14001 environmental management system that conforms to the characteristics of the industry. With the continuous improvement of the system, the environmental performance is increasing day by day. Various management systems such as ISO9000, IATF16949, ISO14001 and ISO45001 have been updated to the latest versions and obtained certificates. b. Through the operation of the QC080000 Hazardous Substance Process Management System, the company ensures that products are free of harmful substances which regulated by international law or restricted by customers in order to reduce the impact of products on the environment; and it is committed to improving the utilization efficiency of various resources. Keep on improving the process through R&D, purchasing, manufacturing, quality assurance	None

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
			and all staff's input from the perspective of life cycle, introducing green materials to manufacturing process and producing the products that meet customer expectations.	
c. Does the company assess the potential risks or opportunities brought by climate change to enterprises now and in the future, and take measures to deal with climate-related issues?			c. The company assesses that its main impact on climate change is the global ecology pollution caused by the emissions of carbon dioxide during energy use and waste water; and the impact of climate change on the company is the supply and cost of energy and water resources. The main opportunity brought to the company is the use of energy-saving equipment, and through strengthening the internal energy consumption inspection to find opportunities for energy saving, and reduce the consumption of water resources and the discharge of wastewater and waste through the improvement in technical equipment. Each response measure is currently being carried out.	
d. Does the company measure the amount of greenhouse gas emissions, water consumption and total weight of waste in the past two years; and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?			d. Dynamic has been participating in the Carbon Disclosure Project (CDP) since 2009 and inspected the greenhouse gas emissions of direct emissions (Scope 1) and indirect emissions (Scope 2) based on GHG Protocol published by the World Business Council for Sustainable Development (WBCSD) and the	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
			World Resources Institute (WRI). <u>Taoyuan plant</u> The total greenhouse gas emissions of Taoyuan Plant in 2019 were reduced by 7,716 metric tons of CO2e which is 26.5% reduction from year 2018, it's mainly due to the substantial removal of old equipment in Q4.	

Year	Direct emissions in tons CO_2e	Indirect emissions in tons CO_2e	Total	Changes in comparison with the previous year %
2018	949	28,159	29,108	+5.0%
2019	694	20,698	21,392	-26.5%

<u>Kunshan plant</u>
The total greenhouse gas emissions of the Kunshan Plant in 2019 were 186,686 metric tons of CO2e. The adoption of steam to replace the heat medium boiler and the replacement of the latest environmentally friendly vehicles decreased by 2.99% from the previous year. The external verification agency is Hangzhou WIT Assessment. The verification date is April 2, 2020.

Year	Direct emissions in tons CO_2e	Indirect emissions in tons CO_2e	Total	Changes in comparison with the previous year %
2017	5,629	195,998	201,627	-1.98%
2018	4,414.	188,045	192,459	-4.55%
2019	6,362	180,324	186,686	-2.99%

<u>Huangshi plant</u>
The 2019 annual greenhouse gas emissions of the Huangshi plant were internally examined, with a total

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<tr><td></td><td></td><td></td><td>emission of 50,962 metric tons of CO2e. The production capacity increased by 43.90% in 2019 and the direct emissions increased by 22.90%. Indirect emissions decreased by 31.34% from the previous year because the emission coefficient of China's regional electricity was adopted a new emission factor in 2019; total emissions decreased by 24.84% from the previous year.
<table><tr><th>Year</th><th>Direct emissions in tons CO_2e</th><th>Indirect emissions in tons CO_2e</th><th>Total</th><th>Changes in comparison with the previous year %</th></tr><tr><td>2018</td><td>7,888</td><td>59,925</td><td>67,813</td><td>NA</td></tr><tr><td>2019</td><td>9,695</td><td>41,267</td><td>50,962</td><td>-24.84%</td></tr></table>
The company lists greenhouse gas emissions, water resources management and waste management as major subjects, and formulates policies for energy saving and carbon reduction, greenhouse gas reduction, reduction in water consumption and other waste management. For details, please refer to Dynamic Electronics 2018 CSR report pages 83 ~ 101.</td><td></td></tr>
<tr><td>4. Society Issue
a. Has the company set up management policy and procedures according to related laws and regulation and the International Human Rights Treaty?</td><td>V</td><td></td><td>a. In order to fulfill corporate social responsibility and protect the basic human rights of all colleagues and all stakeholders, Dynamic follows the international human rights principles of UN Universal Declaration of Human Rights, the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN International Labor Organization and The UN</td><td>None</td></tr>
</table>

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	Y	N	Abstract (note 2)	
			Human Rights Norms For Business. Formulates policies to protect human rights, and abides by the labor-related laws and regulations of the territory where the company is located. Based on the Regulatory Compliance Management Procedures and the RBA Code of Conduct - Version 6.0, the company has established policies and procedures to protect human rights, committed to safeguarding the human rights of workers, and respecting them. The content includes: free choice of occupation, young labor, working hours, wages and benefits, humanitarian treatment, non-discrimination, freedom of association. Details are posted on the company website.	
b. Does the company formulate and implement reasonable employee welfare measures (including compensation, vacations and other benefits), and appropriately reflect operating performance or results in employee compensation?			b. The company sets and implements reasonable employee welfare measures (including salary, vacation and other benefits, etc.). Please refer to the employee manual and company website for details. Article 26 of Corporate Charter specifies that if there is profit made in the year, 10% to 18% of the profit shall be allocated as employees compensation, and the board of directors shall decide to grant it by shares or cash, and the objects to be paid must be an employee of the company or its subsidiary who meets certain conditions. The company's remuneration policy also states that employees'	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
c. Has the company offered a safe and healthy work environment for its staff, and routinely implement safety and health education for its staff?			remuneration includes the company's operating performance bonuses and the bonus is calculated according to the company's operating performance achievement and the individual's performance during the year. c. The Company's safe and healthy work environment 1. Taoyuan Plant: Actively participated in the operation of the PCB Equipment Safety Committee convened by the Printed Circuit Board Association since year 2018. The factory facilities have been gradually improved by resolving on equipment safety regulations. The safety management of the factory has been enhanced as a result. The company implemented operation environment monitoring twice a year, implementation result and inspection plans are disclosed to the public. Improvement actions are taken according to the monitoring results; implementing equipment auto-check to ensure the safe operation of each equipment; the filter of drinking fountains is replaced monthly, water is sent to examine once every three months; cafeteria is sanitized periodically, sample meal sample is reserved for 48 hours; industrial safety unit would give safety and health education lessons, and have Chang Gung Memorial Hospital's occupational disease specialized doctor station the plant	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
			monthly to assist staff in returning to work, fitting them in a more appropriate duty under proper health condition, and carrying out health management plan; health education magazine is dispatched by the factory nurse every month; health promotion seminars are held quarterly. In addition, employee health examination is done once a year. The result is analyzed and tracked by plant nurse. 2. Kunshan Plant: (1) Implementing special system improvement work based on the top three work-related injuries with highest frequency happened in 2018. The number of cases occurred in year 2019 has dropped significantly, and the total number of work-related injuries decreased by 34.7% in 2019 (2) Add anti-skid strips to reduce slipping during raining weather. (3) Strengthen the training and apprenticeship of interns and new employees. 3. Huangshi Plant: (1) In 2019, there were 3 work-related injuries and 1 traffic accident. (2) All the cafeteria utensils are sterilized daily, and samples are kept for 48 hours each time. (3) Supervisors above unit-level participating in	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
			first-aid training. In case of an accident, the injured can receive the immediate effective assistance and reduce the incidence of casualties. (4) Engaging external security experts to conduct safety hazard investigation and safety education and training on the workplace every month to reduce the blind spot of the safety area and promote on-site personnel to obtain external safety knowledge. (5) Conducting an environmental monitoring every year and announcing the inspection results, performing pre-job, on-the-job and off-the-job physical examinations for employees according to occupational health control evaluation. (6) Increased street lights on the roads around the development zone. The company internally called on the employees who commuted with motorcycle/electric vehicle to wear helmets, prohibiting unlicensed driving and drinking driving to ensure the safety of commuters.	
d. Has the company established an effective career developmental plan for its employees?			d. Current employees are able to achieve enhancement in professional knowledge and skills through internal or external training. For new employees and those that have just transferred to different roles, The Company offers expertise training or internship according	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
			to the nature of their work and needs. Through career-oriented learning development structure, all employees in each rank at The Company are able to attain appropriate development training. The Company provides aids for extended studies to assist employees to accumulate professional knowledge and enhance their managerial capacity.	
e. Does the company follow relevant regulations and international standards, and formulate relevant protection policies and appealing procedures for consumer rights regarding customer health and safety, customer privacy, marketing and labeling of products and services,?			e. Throughout the product life cycle, customer health and safety and consumer rights and interests are our top priorities. We follow customer requirements, relevant regulations and international standards to protect customer privacy, marketing and labeling,. In addition, the company has relevant policies to protect consumer rights, and has a dedicated customer service department to formulate customer problem handling procedures, provide a transparent and effective customer complaint mechanism, and give customers satisfactory service.	
f. Does the company formulate supplier management policies that require suppliers to comply with relevant regulations on environmental protection, occupational safety and health or labor human rights, and follow up the implementation?			f. The company formulate a supplier management policy that requires major raw material suppliers to commit and guarantee: 1. Follow Dynamic's integrity policy and conflict minerals policy. 2. Conform to the requirements of the Code of Conduct Responsible Business Alliance (RBA) of electronic industry.	

<table>
<tr><th rowspan="2">Item to be assessed</th><th colspan="3">Operational status (note 1)</th><th rowspan="2">Deviations from the code of practice of CSR for listed companies</th></tr>
<tr><th>Y</th><th>N</th><th>Abstract (note 2)</th></tr>
<tr><td></td><td></td><td></td><td>3. Passed ISO 9001 quality management system verification.
4. Build and maintain the operation of related systems in accordance with the spirit of ISO14001 environmental management system and ISO45001 occupational safety and health management system.
5. Comply with the international standards and regulations of no hazardous substances, such as RoHS, REACH, and Dynamic's Green Product Management Regulations.
6. Formulate Corporate Social Responsibility policies, integrity policies, and energy & environmental safety and health policies, meanwhile promote corresponding management systems.
The supplier signing rate is over 98%.</td><td></td></tr>
<tr><td>5. Does the company prepare corporate social responsibility reports and other reports that disclose the company's non-financial information by making reference to the internationally-used report governing preparation standards or guidelines? Has the disclosed information in the report been assured, verified or certified by a third party?</td><td>V</td><td></td><td>5. The "Corporate Social Responsibility Report" published by the company is based on the international integrated reporting framework and the latest GRI Standards issued by GRI, using the core option (Core) disclosure principles, and we entrusted Ernst & Young, an independent and reliable certification body, to conduct limited assurance as required by the Assurance Cases of Non-Historical Financial Data Inspection or Review of Statement of Assurance No.1. After that, it conducted full communication with the governance unit for the</td><td>None</td></tr>
</table>

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
			related results. As for the assurance scope and conclusion, please refer to the Assurance Report of Independent Auditors in the Appendices Section.	
6. If the company has established its corporate social responsibility policy according to the listed company socially responsible code of practice, please elaborate on deviations of its operations from the established policy: none.				
7. Other important information to understand the operations of corporate social responsibility: The Company has set 【Corporate Social Responsibility Committee】and【CSR Office】to promote the activities of corporate social responsibility. Bringing issues of economy, environment and society into the company's business strategy and running them on the system, in the meantime to report the information in the Board of Directors. In addition, an annual CSR Report is published every year, which can be a review on the effectiveness of CSR execution and a communication bridge with the stakeholders. The company has set "public welfare donations measures", every month a certain amount of funds would be drawn and used for caring for education, charity, environmental protection, academic research, culture, sports etc. aspects.				

Note 1: If the operation status is checked "Yes", please explain the important policies, strategies, measures adopted and implementation; if the operation status is checked "No", please explain the reasons and explain the related policies, strategies and measures that will be adopt in the future.

Note 2: For companies that have already prepared a corporate social responsibility report, they are able to replace explanations in abstract with "please see the corporate social responsibility report" and provide page numbers.

Note 3: The materiality principle refers to the matters related to environment, society and corporate governance that bring significant impacts on the company's investors and other stakeholders.

(G) Implementation of Ethical Business Operations

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
1. Establish ethical operational policy and program a. Does the company formulate the integrity management policy approved by the board of directors, and have the policy and practice of the integrity management explicitly stated in the regulations and external documents as well as the board and senior management's commitment to implement the operation policy proactively? b. Does the company establish an assessment mechanism for the risk of dishonesty, regularly analyze and evaluate business activities with a high risk of dishonesty in the business scope, and accordingly formulate a plan to prevent dishonesty, and at least covers the measures to prevent the behaviors stated in the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" Article 7 - second paragraph?	V		a. The Company's corporate culture: integrity, enthusiasm, learning and teamwork after passed by board meeting are well shown in the primary documents that the company issues internally and externally. The Company refers to the listed company's Code of Integrity Practice, and established the "Integrity Code of Practice" of the Company with board meeting approval, and disclosed it on the company's website. The Board of Directors and all senior management have actively implemented the operational policies. b. The company's risk assessment mechanism includes an dishonest/unethical behavior item for a periodic analysis and evaluation on business activities with a high risk of dishonesty in the business scope, and devise a measure accordingly to prevent dishonesty. Prior to conducting business, the Company always takes the licensors, suppliers, clients, or other business partners' legality and whether they have committed any unethical conducts into consideration, to avoid trading	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
c. Does the company clearly specify the operating procedures, behavior guidelines, disciplinary and punishment and appeal system in unethical conduct prevention plan, and implement it, and regularly review and revise the pre-disclosed plan?			with unethical individuals. Moreover, The Company signs contracts with trading partners, in which compliance to ethical business policy is included. Should a trading partner exhibit unethical behavior, The Company can terminate the contract immediately. c. To encourage employees and vendors and suppliers to voluntarily provide information pertaining to corruption, The company has set a "Reward Operating Measures of Reporting", and set up CEO email (ceo@dynamicpcb.com) which is devoted to handling reporting on The Company's staff or vendors/suppliers' illegal activities from all sources. Every email will be personally read by the Chairman, and if the suspected crime is significant, it will be verified by the Legal Office. If proven to be true, the suspect will be handed over to police and prosecutors. The whistleblower will receive definite rewards. To increase reporting access in year 2016, new exclusive mobile lines were added in both Taoyuan Operational Center and Kunshan plant, and all the suppliers were informed; meanwhile, adding the integrity provisions that are	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
			added to all external documents, and send an e-mail to notify the corresponding company employees. Manager of Legal Office is responsible to receive calls and messages. All reported information will be reported to the chairman for further investigation. The investigation results will be handled according to the above measures. The above measures were applied simultaneously upon the official operation of Huangshi Factory.	
2. Implementation of ethical business operations a. Has the company assessed the integrity records of its business partners, and specified ethical business policy in contracts with its trading partners? b. Does the company establish a special unit under the board of directors to promote corporate integrity management, and regularly (at least once a year) report to the board on its integrity management policies, unethical conduct prevention plan and implementation of supervision?	V		a. The Company always assesses the integrity records of its trading partners and clearly specifies ethical business policy in contracts signed. The Company always signs quality assurance contract, purchasing commitment, honesty commitment, and warranty for prohibiting the usage of toxic matters etc. with its trading partners. b. To strengthen the management of ethical business operations, the 【Legal Office】, directly under the Board of Directors, is responsible for setting up and supervising the execution of the ethical business policy and preventative measures. Report to the board of directors at least once a year. The report	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
			time of year 2019 was May 9th. The main matters in charge: 1. Assisting in incorporating ethics and moral values in the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations. 2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business. 3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at higher risk for unethical conduct. 4. Promoting and coordinating awareness and educational activities with respect to ethics policy. 5. Developing a whistle-blowing system and ensuring its operating effectiveness.	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
			6. Assisting the board of directors and management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures. Implementation in year 2019: 1. Education and training: Conducting education on integrity promotion, with a total of 7,082 person-times and 3,541 hours. 2. CEO mailbox received reports of cases: CEO mailboxes received two complaint letters in 2019. One was confirmed to be poison-pen letter after investigation; another one was reporting on a staff's dinner party after work, a supplier was invited to attend for the purpose of cost reduction through an easy talk; some improper speaking during the dinner made the colleagues misinterpret that the dinner was in the supplier's favor. The conclusion is that the supplier has not obtained more business after that dinner,	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
c. Has the company set up policies to prevent conflict of interest, offer and implement appropriate reporting channels? d. Have the company established an effective accounting system and internal control system for the implementation of integrity management and have the internal audit unit formulate the relevant audit plan based on the assessment results of the risk of dishonesty, and monitor the compliance with the plan to prevent dishonesty, or appoint accountant to perform the audit?			and has been removed from the supplier list. c. The Company has set up policies to prevent conflict of interest, and offers appropriate channels for the directors, managers, and other stakeholders, or stakeholders within the board of directors, to proactively explain whether or not he/she poses potential conflict of interest with The Company and avoid getting involved in it. d. The company has always paid attention to ensuring the accuracy and completeness of its financial reporting process and control, and has designed relevant internal control systems for operating procedures with a potentially high risk of dishonesty. The internal audit team also conducts various audits based on the annual audit plan prepared by risk assessment results, and reports the audit results and subsequent improvement plans to the board of directors and management in order to achieve audit effectiveness. In addition, through the annual corporate internal control self-assessment, all units and subsidiaries of the company must self-examine the effectiveness of the design and implementation of the internal control	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
e. Does the company host routine internal and external ethical business operations training?			system. e. All new employees of the company are required to receive internal integrity education training. The relevant personnel are also scheduled to participate in Internal and external training related to integrity-related courses.	
3. Operations of the company's reporting system a. Has the company established a material reporting and rewarding system, set up a convenient reporting channel, and designates appropriate personnel to be in charge of investigating the case, depending on the identity of the person being reported?	V		a. The Company amended the "Rewards Operation of Violation Reporting" on May 12th 2016 and disclosed on the Company's website, which specifies material reporting channel, reward system, and personnel in charge of accepting the case, as follows: (1) Reporting channel (a) CEO mailbox (ceo@dynamicpcb.com) (b) Send email to unfair treatment mailbox or mailbox of other supervisors (2) Reward system (a) Reward will be given out after the case has been closed and the amount has been quantified. (b) Real-name whistleblower reports with evidence will be rewarded 50% of the restored amount, but no more than NT$ 10 million.	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
b. Does the company establish the standard operating procedures for the investigation of the complaint report, the follow-up measures after the investigation is completed and the relevant confidentiality mechanism?			(c) Real-name whistleblower reports without evidence will be rewarded 25% of the restored amount, but no more than NT$ 5 million. (d) With permission from the Chairman, the monetary reward for reporting personnel who offer extra significant service can exceed the above limit. (3) Personnel in charge of accepting the case After confirmation from the Chairman, the Legal office will set up a project team to investigate. b. Handling procedures and relevant confidentiality structure (1) Handling procedures (a) Relevant plant, division and department, will collaborate with the Legal office in investigations. (b) After investigations, Legal office will remit a signed report to the Chairman to handle subsequent results, and hand out rewards accordingly. If the results pose violations to the law, the case will be handed over to the law enforcement. (c) Time constraint: normal cases should take two weeks, and complex cases will take four weeks. Whether the case is complex is up to	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
c. Has the company set up protection for the reporting individual to prevent the person being subjected to inappropriate measures from reporting on the case?			the Chairman's discretion when the project team is formed in Legal office. (2) Relevant confidentiality structure Maintain strict confidentiality to the case and the reporter (whistleblower) while handling the case. c. According to Article 21 of Integrity Management Code and Article 28-2 of Corporate Governance Code of Practice, the Company has set the “Whistleblower Channel and Protection Regulation Operating Procedure”, conforming to the approval of the board on Oct. 30, 2015, to set the whistleblower channel, encourage the whistleblower to report on crimes, and protect the whistleblower from being treated inimically by reporting on violations. The procedure book is disclosed on the Company’s website.	
4. Enhance information disclosure Has the Company disclosed the contents and effectiveness of implementing its ethical corporate policy on its website and MOPS?	V		Both the Company's website and the MOPS contain information disclosure pertaining to the content of The Company's “Integrity Management Code”. The promotion results are detailed in the “Ethics and Integrity” under the chapter “Economic Performance and Corporate Governance” of the CSR Report and the	None

<table>
<tr><td rowspan="2">Item to be assessed</td><td colspan="3">Operational status (note 1)</td><td rowspan="2">Deviations from the corporate governance code of practice of listed companies and causes</td></tr>
<tr><td>(Y)</td><td>(N)</td><td>Abstract</td></tr>
<tr><td></td><td></td><td></td><td>Company’s website.</td><td></td></tr>
<tr><td colspan="5">5. If the company has set Code of Ethical Business Conduct according to the Code of Practice for Listed Companies, please elaborate on the deviations of its operations from the policy: none.</td></tr>
<tr><td colspan="5">6. Other important information to understanding the operations of the company's ethical business operations (for instance, if the company has made revisions to its previously established ethical business policy etc.): none.</td></tr>
</table>

Note 1: Whether "Yes" or "No" is ticked in the Operational status, the company should elaborate on its answer in Abstract.

(H) For details on The Company's Corporate Governance Code of Practice and other relevant policies, please see:

1. MOPS/Company Code of Practice section (http://mops.twse.com.tw/mops/web/t100sb04_1)
2. Dynamic website/Corporate Governance Special Zone (http://www.dynamicpcb.com/en/investment/rule.html)

(I) Other important information that can strengthen the understanding of the operations of the company's corporate governance: In the recent years, Dynamic had actively enhanced corporate governance performance to connect with international trends by the full support and guidance of the Board of Directors. Dynamic has been ranked top 5% of the governance evaluation for four consecutive years. The unreached items will be continuously improved, hoping to strengthen the ability of sustainable development while reducing operational risk, and earn the credit from the investors.

(J) The follows should be disclosed concerning the conditions of carrying out the internal control system:

1. Internal control statement: please see page 156 of this manual.
2. Those who entrust accountants to verify internal control system, should disclose the accountants' evaluation report: none.

(K) From the most recent year up until the date stated on this report, explain the conditions in which the company and its personnel have been punished by law, the company has punished its personnel for breaching internal control system, and primary failures and revisions: none.

(L) Important decisions from the shareholder's meeting and the Board of Directors, from the most recent year to the date on the Annual Report

Board of Directors / Shareholder's meeting	Date of Board of Directors / Shareholder's meeting	Important Resolutions
Board of Directors	First BoD meeting in year 2019 2019/02/24	1. Passed issuing the Statement of Internal Control System.
		2. Passed annual financial statements and consolidated financial statements of year 2018.
		3. Passed the deficit compensation of year 2018.
		4. Passed the budget plan of year 2019.
		5. Passed the application for conglomerate financing amount of bank.
		6. Passed the endorsement of conglomerate financing amount.
		7. Passed the amendments to the Company Charter of Dynamic Electronics (Kunshan) Co., Ltd.
		8. Passed the reorganization of the executive director and supervisor of Dynamic Electronics (Kunshan) Co., Ltd.
		9. Passed the reorganization of the executive director and supervisor of Dynamic Electronics (Huangshi) Co., Ltd.
		10. Passed the annual business report of year 2018.
		11. Passed the result of year 2018 the Board of Directors performance assessment.

Board of Directors / Shareholder's meeting	Date of Board of Directors / Shareholder's meeting	Important Resolutions
		12. Passed the update of group successor plan.
		13. Passed convening year 2019 shareholders meeting and accepting the shareholders proposal.
		14. Passed the amendments to the Company's "Articles of Incorporation".
		15. Passed the amendments to the Company's "Charter of the Nomination Committee".
		16. Passed the amendments to the Company's "Method and Procedures of Board of Directors Performance Assessment".
		17. Passed salary and benefits review of senior supervisors.
		18. Passed the implementation plan of payroll and compensation auditing of year 2019.
		19. Passed the auditing of executive managers performance appraisal indicators of year 2019.
		20. Passed the remuneration committee work plan of year 2019.
		21. Passed the actual remuneration situation of directors and managers' remuneration of year 2018.
		22. Passed the year 2018 annual Directors' compensation and employees' compensation plan.
		23. Passed executive managers' actual performance appraisal of year 2018.
		24. Passed the amendments to the Company's "Organizational Regulations of Remuneration Committee".
Board of Directors	Second BoD meeting in year 2019 2019/03/18	1. Passed application for the company's short/mid-term mortgage bank financing quota.
		2. Passed the personnel case of the Group's "Corporate Governance Officer" and the "Standard Operating Procedures for Directors' Requirements Handling".
Board of Directors	Third BoD meeting in year 2019 2019/05/09	1. Passed the consolidated financial statement of first quarter of year 2019.
		2. Passed the application for the subsidiary Dynamic Electronics (Kunshan) Co., Ltd. to fund loan to Mainland business Dynamic Electronics (Huangshi) Co. Ltd.
		3. Passed notional amount of derivative financial product transactions with the bank.
		4. Passed the application for conglomerate financing amount of bank.
		5. Passed the amendments to the Company's "Endorsement Guarantee Management Measures" and "Procedures for Lending Funds to Other Parties"
		6. Passed the amendments to the "Endorsement Guarantee Management Measures" and "Procedures for Lending Funds to Other Parties" of Mainland business Dynamic Electronics (Kunshan) Co., Ltd.
		7. Passed the amendments to the "Procedures for Lending Funds to Other Parties" of Dynamic Electronics Co., Ltd.(Seychelles)
		8. Passed the amendments to the "Procedures for Lending Funds to Other Parties" of WINTEK (MAURITIUS) CO., LTD.
		9. Passed the amendments to the Company's "Corporate Governance Code of Practice".
		10. Passed group enterprise personnel case.
		11. Passed executive managers' actual performance appraisal of the first quarter of 2019.

Board of Directors / Shareholder's meeting	Date of Board of Directors / Shareholder's meeting	Important Resolutions
		12. Passed the case of senior supervisors’ retirement benefits.
Board of Directors	Fourth BoD meeting in year 2019 2019/08/13	1. Passed in conjunction with the Group's production line consolidation, Taoyuan Plant intends to transfer production capacity to overseas factories, and Taoyuan Operation Headquarters will specialize in R&D and other businesses.
		2. Passed owing to the production capacity transfer of the Taoyuan factory, it is planned to sell the land and plant of the Taoyuan factory at marked price.
		3. Passed to coordinate the sale of Taoyuan Factory, the chairman is authorized to lease a new office building.
		4. Passed the consolidated financial statement of the second quarter of year 2019.
		5. Passed the application for the subsidiary Dynamic Electronics Co., Ltd.(Seychelles) to fund loan to Mainland business Dynamic Electronics (Huangshi) Co. Ltd.
		6. Passed the application for conglomerate financing amount of bank.
Board of Directors	Fifth BoD meeting in year 2019 2019/09/17	1. Passed the amendment to the Company’s annual budget of 2019.
		2. Passed the matters regarding the Company’s sale of the land and plant of Taoyuan factory.
Board of Directors	Sixth BoD meeting of year 2019 2019/10/18	1. Passed the matters regarding the Company’s sale of the land and plant of Taoyuan factory.
Board of Directors	Seventh BoD meeting of year 2019 2019/10/25	1. Passed the consolidated financial statement of the third quarter of year 2019.
		2. Passed the application for conglomerate financing amount of bank.
		3. Passed the reassignment of the director of Dynamic Electronics Trading Pte. Ltd. and Dynamic Electronics Holding Pte. Ltd.
		4. Passed the change of registered address of the operational location of the Company.
		5. Passed the update of group successor plan.
		6. Passed group enterprise personnel case.
		7. Passed executive managers’ actual performance appraisal of the third quarter of 2019.
Board of Directors	Eighth BoD meeting of year 2019 2019/12/18	1. Passed the revise of the Company's internal control related specifications.
		2. Passed the amendment to the Company’s “Approval Authorization Table”.
		3. Passed the amendment to the “Approval Authorization Table” of Dynamic Electronics (Kunshan) Co., Ltd.
		4. Passed the amendment to the “Approval Authorization Table” of Dynamic Electronics (Huangshi) Co., Ltd.
		5. Passed audit plan of year 2020.
		6. Passed the independence assessment of the Company’s accountants.
		7. Passed the annual business plan of year 2020.
		8. Passed the application for conglomerate financing amount of bank.
		9. Passed the endorsement of conglomerate financing amount.

Board of Directors / Shareholder's meeting	Date of Board of Directors / Shareholder's meeting	Important Resolutions
		10. Passed the application for the subsidiary WINTEK (MAURITIUS) CO., LTD. to fund loan to the Mainland business Dynamic Electronics (Huangshi) Co., Ltd.
		11 Passed the application for the subsidiary Dynamic Electronics (Kunshan) Co., Ltd. to fund loan to Mainland business Dynamic Electronics (Huangshi) Co. Ltd.
		12. Passed to increase cash capital and issue new shares.
		13. Passed the application for the land and infrastructure investment required for building B of Mainland business Dynamic Electronics (Huangshi) Co. Ltd.
		14. Passed group enterprise personnel case.
		15. Passed the implementation plan of payroll and compensation of 2020.
		16. Passed the auditing of executive managers performance appraisal indicators of year 2020.
		17. Passed the remuneration committee work plan of year 2020.
Board of Directors	Ninth BoD meeting of year 2019 2019/12/30	1. Passed the matters regarding the Company's disposal of machinery and equipment to related parties.
Board of Directors	First BoD meeting of year 2020 2020/01/31	1. Passed the issuance price of the Company's year 2019 cash capital increase and related schedule.
		2. Passed the implement of the "Employee Subscription Measures of Cash Capital Increase" of the Company in 2020.
		3. Passed the subscription proposal of cash capital increase in 2019 for managers and director employees with employee status.
		4. Passed the amendments to the Company's "Corporate Governance Code of Practice".
Board of Directors	Second BoD meeting of year 2020 2020/02/27	1. Passed the issue of "Internal Control System Statement".
		2. Passed the application for conglomerate financing amount of bank.
		3. Passed the endorsement of conglomerate financing amount.
		4. Passed the application for the subsidiary Dynamic Electronics (Kunshan) Co., Ltd. to fund loan to Mainland business Dynamic Electronics (Huangshi) Co. Ltd.
		5. Passed the amendments to the Company's "Articles of Incorporation".
		6. Passed convening year 2020 shareholders meeting and accepting the shareholders' proposal and nomination.
		7. Passed the amendments to the Company's "Social Welfare Donation Method".
		8. Passed the actual remuneration situation of directors and managers' remuneration of year 2019.
		9. Passed the executive managers' actual performance appraisal of year 2019.
Board of Directors	Third BoD meeting of year 2020 2020/03/30	1. Passed the annual financial statements and consolidated financial statements of year 2019.
		2. Passed the deficit compensation of year 2019.
		3. Passed the annual business plan of year 2020.
		4. Passed the budget plan of year 2020.
		5. Passed the change of the Company's certified accountant.
		6. Passed the application for conglomerate financing amount of bank.

Board of Directors / Shareholder's meeting	Date of Board of Directors / Shareholder's meeting	Important Resolutions
		7. Passed the nomination of a candidate for by-election of a director.
		8. Passed the result of year 2019 the Board of Directors performance assessment.
		9. Passed the directors' and employees' compensation plan of 2019.
Shareholder's meeting	Annual 2019/05/24	1. Recognizing annual business report, the individual financial statements and consolidated financial statements of year 2018. Implementation review: The business report and financial statements were recognized and approved by the shareholders meeting.
		2. Recognizing the deficit compensation of year 2018. Implementation review: Deficit compensation was recognized, thus dividends of year 2018 was not granted.
		3. Passed the amendments to the "Articles of Incorporation". Implementation review: Proceeded according to the amendment content.
		4. Passed the amendments to the "Operational Procedures for Acquisition and Disposal of Assets". Implementation review: Proceeded according to the amendment content.

(M) From the most recent year to the date on the annual report, the director that holds different opinions from the Board's decision and has documented this opinion, the main content of this opinion is: From year 2019 to the date on the annual report, there was no different opinion held by the directors from the Board's decision.

(N) From the most recent year to the date on the annual report, a summary of the resignation and dismissal of company personnel:

Title	Name	Assumed office on	Dismissal Date	Dismissal Reason
President	Stoney Chiu	2012.10.01	2019.09.28	Passed away

Note: The Company personnel refer to Chairman, Directors, President, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, Corporate Governance Supervisor and R&D Supervisor etc.

E. Information Regarding the Company's Audit Fee and Independence

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Ernst & Young Taiwan	Ching-Piao Cheng	Mao-Yi Hung	2019/1/1~2019/12/31	-

Unit: NTD thousands

Fee range \ Fee items		Audit Fee	Non-audit Fee	Total
1	Less than 2,000 thousand NTD		v	150
2	2,000 thousands (inclusive) ~ 4,000 thousand			
3	4,000 thousand (inclusive) ~ 6,000 thousand			
4	6,000 thousand (inclusive) ~ 8,000 thousand	v		6,100
5	8,000 thousand (inclusive) ~ 10,000 thousand			
6	Over 10,000 thousand (inclusive)			

Accounting firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System design	Industrial/commercial registration	Human resources	Others	Sum		
Ernst & Young Taiwan	Ching-Piao Cheng Mao-Yi Hung	6,100	0	0	0	150*	150	2019/1/1 ~ 2019/12/31	*Provide consulting services on Corporate Social Responsibility Report

(A) For companies whose non-audit shared expenses account for 1/4 or more of the audit shared expenses paid to CPA, audit firms of the CPA, or its affiliated firms, should disclose the amount of audit and non-audit shared expenses, and the service details of non-audit expenses: none.

(B) Companies that have switched accounting firms and whose annual audit shared expenses are less than that of the previous year prior to the switch: none.

(C) For companies whose audit shared expenses have decreased by 15% or more, the ratio of the decrease in audit shared expense and the reason should be disclosed: none.

F. Replacement of CPA:

If the company has changed accountants in the most recent two years and subsequent period, the explanation is as follows:

(A) About the former accountant

<table>
<tr><td>Date of replacement</td><td colspan="4">Mar. 30th 2020</td></tr>
<tr><td>Reason for replacement and explanation</td><td colspan="4">Internal rotation of accountants in the accounting firm</td></tr>
<tr><td rowspan="3">Explaining whether the appointor terminated the cooperation or the accountant did not accept the appointment</td><td colspan="2">Party involved / Situation</td><td>Accountant</td><td>Appointer</td></tr>
<tr><td colspan="2">Termination by appointer</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="2">Accountant no longer accept (continue) appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Opinions and reasons for the issued audit reports in addition to unqualified opinion within the latest two years</td><td colspan="4">No such circumstance</td></tr>
<tr><td rowspan="6">Different opinion from the issuer</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting Principles and Practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial report</td></tr>
<tr><td></td><td colspan="2">Audit Scope and Procedure</td></tr>
<tr><td></td><td colspan="2">Other</td></tr>
<tr><td>No</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Explanation</td></tr>
<tr><td>Other disclosures (Article 10, Paragraph 6, Item 1-4 to 7 of the Guidelines shall be disclosed)</td><td colspan="4">No</td></tr>
</table>

(B) About the successive accountant

Name of the Firm	Ernst & Young
Name of the Accountant	Qing-biao Zheng/ Xiao-jing Luo
Date of Appointment	Mar. 30th 2020
Consultation matters and results regarding the accounting handling methods or accounting principles of specific transactions and issuance of financial reports before his appointment	No
Successive accountants' written opinion on the issues that are dissenting from former accountant	No

(C) The former accountant's reply to Article 10, paragraph 6, item 1 and item 2-3 of this Guideline: None.

G. Have any of the company's Chairman, President, or manager responsible for finance or accounting duties served in a CPA accounting firm or its affiliated company in the last year: none.

H. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

(A) Changes in Shareholding of Directors, Managers and Major Shareholders

Unit: Shares

Title	Name	2019		As of Mar. 30, 2020	
		Increase/decrease in shares held	Increase/decrease in equity pledges	Increase/decrease in shares held	Increase/decrease in equity pledges
Chairman	Ken Huang	1,500,000	0	200,000	0
Director	Stoney Chiu (Dismissal day: 2019/09/28)	0	0	NA	NA
Corporate Director	Ming-Ji Investments Co., Ltd.	0	0	0	0
Representative of Corporate Director	Yuan-chuan Sun	0	0	0	0
Independent Director	Heng-yih Liu	0	0	0	0
Independent Director	Vincent Lin	0	0	0	0
Independent Director	Yi-chia Chiu	0	0	0	0
Independent Director	Vivien Liu	0	0	0	0
CEO	Ken Huang	1,500,000	0	200,000	0
President	Stoney Chiu (Dismissal day: 2019/09/28)	0	0	NA	NA
Plant President	Bill Nee	0	0	0	0
Plant President	Stephen Tsai	20,097	0	0	0
VP	Jack Hsu	(115,242)	0	(50,000)	0
VP	Allen Chou	8,386	0	(24,000)	0
VP	Johnson Yang	28,199	0	0	0
VP	Sabrina Teng (Dismissal day: 2019/05/31)	18,372	0	NA	NA
VP	DAT WAI DAVIO LO	0	0	0	0
VP	Andy Lee	0	0	0	0
Finance Supervisor	Lily Chiang	8,372	0	0	0
Accounting Supervisor	Cathy Ni	0	0	0	0
AVP	Jessi Chiu	0	0	0	0
Internal Audit Supervisor	Hsin-Yi Tsai	5,940	0	(11,000)	0
Corporate Governance Supervisor	Jean Liu	16,061	0	20,000	0

(B) Shares Trading with Related Parties: none.

(C) Shares Pledge with Related Parties: none.

I. Information of the Relationship among the Top Ten Shareholders

As of Mar. 30, 2020

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Hsiu-Ching Chen	11,527,476	4.10%	0	0.00%	0	0.00%	Ming-Ji Investments Co., Ltd.	Company Chairperson is this individual.	
Ken Huang	10,446,341	3.72%	191,810	0.07%	0	0.00%	Hong-Li Investment Co., Ltd.	Company Chairperson is the spouse of this individual.	
Hong-Li Investment Co., Ltd. Representative: Tiffany Chan	9,600,964	3.42%	0	0.00%	0	0.00%	NA	NA	
	191,810	0.07%	10,446,341	3.72%	0	0.00%	Ken Huang	Spouse is the company Chairperson.	
Citibank (Taiwan) Commercial Bank is entrusted with custody of BoLuNing Emerging Market Fund Company's investment account	6,153,900	2.19%	0	0.00%	0	0.00%	NA	NA	
American JPMorgan Chase Bank Taipei Branch is entrusted with the custody of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	5,860,000	2.08%	0	0.00%	0	0.00%	NA	NA	
Patrick Lan	4,698,359	1.67%	0	0.00%	0	0.00%	none	none	
American JPMorgan Chase Bank Taipei Branch is entrusted with the custody of the Vanguard Emerging Markets Stock Index Fund investment account	3,378,000	1.20%	0	0.00%	0	0.00%	NA	NA	
Stoney Chiu	3,083,749	1.10%	0	0.00%	0	0.00%	none	none	
Ming-Ji Investments Co., Ltd. Representative: Hsiu-Ching Chen	3,082,633	1.10%	0	0.00%	0	0.00%	Hsiu-Ching Chen	Is the Chairperson of the company.	
	11,527,476	4.10%	0	0.00%	0	0.00%	Hsiu-Ching Chen	Is this individual.	
Eric Chen	2,966,000	1.06%	0	0.00%	0	0.00%	none	none	

J. The number of shares held by the Company, the Company's directors, managers and the companies directly or indirectly controlled by the Company in the same investment business, and combined to calculate the comprehensive shareholding ratio

Unit: shares; %

Affiliated Enterprises (Note 1)	Ownership by the Company		the Company's directors, managers and the companies directly or indirectly controlled by the Company		Total Ownership	
	Shares	%	Shares	%	Shares	%
WINTEK (MAURITIUS) CO., LTD.	8,350,000	100.00%	-	-	8,350,000	100.00%
Dynamic PCB Electronics Co., Ltd.	50,000	100.00%	-	-	50,000	100.00%
Dynamic Electronics Co., Ltd. (Seychelles)	50,000	100.00%	-	-	50,000	100.00%
Dynamic Electronics Trading Pte. Ltd.	50,000	100.00%	-	-	50,000	100.00%
Dynamic Electronics Holding Pte. Ltd.	47,940,000	100.00%	-	-	47,940,000	100.00%
Dynamic Electronics (Kunshan) Co., Ltd.	-	100.00%	-	-	-	100.00%
Dynamic Electronics (Huangshi) Co., Ltd.	-	100.00%	-	-	-	100.00%

Note: The above refers to long-term investment made by the Company through utilizing the equity method.

IV. Capital Overview

A. Capital and Shares

(A) Source of equity

1. Issued Shares

Unit: NTD thousands; 1,000 shares

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1988/08	1,000	12	12,000	12	12,000	Setup capital	-	
1996/11	1,000	28	28,000	28	28,000	Cash capital increase 16,000 thousand NTD	-	Note 1
1998/04	10	9,800	98,000	9,800	98,000	Cash capital increase 70,000 thousand NTD	-	Note 2
1998/12	10	13,800	138,000	13,800	138,000	Reinvested profit 40,000 thousand NTD	-	Note 3
2001/12	10	25,100	251,000	25,100	251,000	Reinvested profit 113,000 thousand NTD	-	Note 4
2002/04	10	42,000	420,000	42,000	420,000	Cash capital increase 40,000 thousand; reinvested profit 129,000 thousand NTD	-	Note 5
2003/09	10	80,000	800,000	56,000	560,000	Reinvested profit 126,000 thousand; reinvested employee dividend 14,000 thousand NTD	-	Note 6
2004/11	10	80,000	800,000	62,000	620,000	Reinvested profit 56,000 thousand; reinvested employee dividend 4,000 thousand NTD	-	Note 7
2004/12	10	80,000	800,000	65,000	650,000	Reinvested capital reserve 30,000 thousand NTD	-	Note 8
2005/02	10	80,000	800,000	80,000	800,000	Cash capital increase 150,000 thousand NTD	-	Note 9
2005/08	10	170,000	1,700,000	103,563	1,035,632	Reinvested profit 235,632 thousand NTD	-	Note 10
2005/11	10	170,000	1,700,000	121,163	1,211,632	Cash capital increase 176,000 thousand NTD	-	Note 11
2006/09	10	300,000	3,000,000	160,550	1,605,499	Reinvested profit 363,490 thousand; reinvested employee dividend 30,377 thousand NTD	-	Note 12
2006/10	10	300,000	3,000,000	177,425	1,774,249	Cash capital increase 168,750 thousand NTD	-	Note 13
2007/09	10	300,000	3,000,000	215,194	2,151,940	Reinvested profit 354,850 thousand; reinvested employee dividend 22,841 thousand NTD	-	Note 14
2008/10	10	300,000	3,000,000	238,468	2,384,678	Reinvested profit 215,194 thousand; reinvested employee dividend 17,543 thousand NTD	-	Note15
2009/03	10	300,000	3,000,000	261,468	2,614,678	Cash capital increase 230,000 thousand NTD	-	Note 16
2010/02	10	300,000	3,000,000	262,402	2,624,023	Employee stock option certificate 9,345 thousand NTD	-	Note 17
2010/05	10	300,000	3,000,000	262,760	2,627,603	Employee stock option certificate 3,580 thousand NTD	-	Note 18

2010/08	10	300,000	3,000,000	262,775	2,627,753	Employee stock option certificate 150 thousand NTD	-	Note 19
2010/11	10	400,000	4,000,000	262,785	2,627,853	Employee stock option certificate 100 thousand NTD	-	Note 20
2011/8	10	400,000	4,000,000	286,436	2,864,360	Reinvested profit 236,507 thousand NTD	-	Note 21
2012/10	10	400,000	4,000,000	293,559	2,935,594	Reinvested profit 71,234 thousand NTD	-	Note 22
2013/07	10	400,000	4,000,000	287,559	2,875,594	Treasury shares decrease by 60,000 thousand NTD	-	Note 23
2013/12	10	400,000	4,000,000	286,059	2,860,594	Treasury shares decrease by 15,000 thousand NTD	-	Note 24
2015/11	10	400,000	4,000,000	281,059	2,810,594	Treasury shares decrease by 50,000 thousand NTD	-	Note 25

Note 1: 1996/11/13; approval document no. 85 Chien San Keng Tzu 710053.
Note 2: 1998/04/04; approval document no. 87 Chien San Yi Tzu 143958.
Note 3: 2001/12/02; approval document no. Ching 87 Shang 142895.
Note 4: 2001/12/14; approval document no. Ching (090) Shang 09001487720.
Note 5: 2002/04/29; approval document no. Ching Shou Shang Tzu 09101147450.
Note 6: 2003/09/04; approval document no. Ching Shou Shang Tzu 09201259500;
2003/07/09; approval document no. Tai Tsai Cheng Yi Tzu 0920130533.
Note 7: 2004/11/02; approval document no. Ching Shou Shang Tzu 09301206230；
2004/10/20; approval document no. Chin Kuan Cheng Yi Tzu 0930147189.
Note 8: 2004/12/08; approval document no. Ching Shou Shang Tzu 09301232510；
2004/10/20; approval document no. Chin Kuan Cheng Yi Tzu 0930147189.
Note 9: 2005/02/17; approval document no. Ching Shou Shang Tzu 09401024410；
2004/12/24; approval document no. Chin Kuan Cheng Yi Tzu 0930146065.
Note 10: 2005/08/24; approval document no. Ching Shou Shang Tzu 09401164480；
2005/06/28; approval document no. Chin Kuan Cheng Yi Tzu 0940125941.
Note 11: 2005/11/21; approval document no. Ching Shou Shang Tzu 09401233030；
2005/08/25; approval document no. Chin Kuan Cheng Yi Tzu 0940135458.
Note 12: 2006/09/25; approval document no. Ching Shou Shang Tzu 09501215550；
2006/07/21; approval document no. Chin Kuan Cheng Yi Tzu 0950131965.
Note 13: 2006/10/13; approval document no. Ching Shou Shang Tzu 09501231670；
2006/08/07; approval document no. Chin Kuan Cheng Yi Tzu 0950135357.
Note 14: 2007/09/26; approval document no. Ching Shou Shang Tzu 09601233900；
2007/07/30; approval document no. Chin Kuan Cheng Yi Tzu 0960040075.
Note 15: 2008/10/15; approval document no. Ching Shou Shang Tzu 09701262170；
2007/07/29; approval document no. Chin Kuan Cheng Yi Tzu 0970038054.
Note 16: 2009/03/30; approval document no. Ching Shou Shang Tzu 09801059010；
2008/11/18; approval document no. Chin Kuan Cheng Yi Tzu 0970059731.
Note 17: 2010/02/09; approval document no. Ching Shou Shang Tzu 09901029760.
Note 18: 2010/05/04; approval document no. Ching Shou Shang Tzu 09901089700.
Note 19: 2010/08/02; approval document no. Ching Shou Shang Tzu 09901174390.
Note 20: 2010/11/02; approval document no. Ching Shou Shang Tzu 09901245330.
Note 21: 2011/08/29; approval document no. Ching Shou Shang Tzu 10001199020.
Note 22: 2012/10/16; approval document no. Ching Shou Shang Tzu 10101211780.
Note 23: 2013/07/18; approval document no. Ching Shou Shang Tzu 10201122700.
Note 24: 2013/12/17; approval document no. Ching Shou Shang Tzu 10201255080.
Note 25: 2015/11/25; approval document no. Ching Shou Shang Tzu 10401247230.

2. Type of Stock

Type of Share	Authorized capital			Remarks
	Issued Shares	Un-issued shares	Total	
Common stock	281,059,335	118,940,665	400,000,000	-

3. Information for Shelf Registration: not applicable.

(B) Shareholder Structure

As of Mar. 30, 2020

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	16	158	25,816	76	26,066
Shareholding (shares)	0	7,219,732	15,863,333	220,112,374	37,863,896	281,059,335
Percentage	0.00%	2.57%	5.64%	78.32%	13.47%	100.00%

(C) Shareholding Distribution Status

As of Mar. 30, 2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	13,024	748,943	0.27%
1,000 ~ 5,000	8,279	19,313,472	6.87%
5,001 ~ 10,000	2,086	16,449,855	5.85%
10,001 ~ 15,000	731	9,038,235	3.22%
15,001 ~ 20,000	486	9,070,603	3.23%
20,001 ~ 30,000	413	10,529,212	3.75%
30,001 ~ 40,000	205	7,430,122	2.64%
40,001 ~ 50,000	163	7,607,524	2.71%
50,001 ~ 100,000	317	22,691,692	8.07%
100,001 ~ 200,000	182	25,951,100	9.23%
200,001 ~ 400,000	90	25,359,563	9.02%
400,001 ~ 600,000	31	15,371,596	5.47%
600,001 ~ 800,000	21	14,764,729	5.25%
800,001 ~ 1,000,000	7	6,449,468	2.30%
1,000,001 or above	31	90,283,221	32.12%
Total	26,066	281,059,335	100.00%

(D) List of Major Shareholders (Top 10 in shareholding ratio)

Shareholding / Name	Shares	Percentage
Hsiu-Ching Chen	11,527,476	4.10%
Ken Huang	10,446,341	3.72%
Hong-Li Investment Co., Ltd.	9,600,964	3.42%
Citibank (Taiwan) Commercial Bank is entrusted with custody of BoLuNing Emerging Market Fund Company's investment account	6,153,900	2.19%
American JPMorgan Chase Bank Taipei Branch is entrusted with the custody of Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	5,860,000	2.08%
Patrick Lan	4,698,359	1.67%
American JPMorgan Chase Bank Taipei Branch is entrusted with the custody of the Vanguard Emerging Markets Stock Index Fund investment account	3,378,000	1.20%
Stoney Chiu	3,083,749	1.10%
Ming-Ji Investments Co., Ltd.	3,082,633	1.10%
Eric Chen	2,966,000	1.06%

(E) Fair market value, net worth, profit, dividend per share for the most recent two years and other relevant information

Item		Year	2018	2019	2020/1/1~2020/3/31 (note 8)
Market price per share (note 1)	Highest		12.75	19.7	18.55
	Lowest		7.06	8.02	11.75
	Average		9.52	11.55	15.28
Net worth per share (note 2)	Before allocation		13.98	13.91	Not applicable
	After allocation		13.98	(note 9)	Not applicable
Earnings per share	Weighted average shares (thousand shares)		281,059	281,059	281,059
	Earnings per share (note 3)	Diluted Earnings Per Share	(0.86)	0.55	Not applicable
		Adjusted Diluted Earnings Per Share	(0.86)	(Note 9)	Not applicable
Dividend per share	Cash dividend		-	-	-
	Stock dividend	From retained earnings	-	-	-
		From paid-in capital	-	-	-
	Accumulated undistributed dividends (note 4)		-	-	-
Return on investment analysis	Price-earnings ratio (note 5)		(11.07)	21.00	Not applicable
	Price-dividend ratio (note 6)		NA	NA	Not applicable
	Yield on cash dividend (note 7)		NA	NA	Not applicable

Note 1: Shows the highest and lowest market value of common stock in each year, and calculates the average market value for each year based on transaction value and quantity.
Note 2: Please fill this by using the shares already issued by year-end as a basis, and also by referencing the allocation that the shareholders meeting has decided on for the subsequent year.
Note 3: If there are any retroactive adjustment needed due to stock grants, Earnings per share before and after the adjustment should be listed.
Note 4: If there are any conditions in issuing equity securities that allow for unpaid out dividend for the year to be accumulated to subsequent years in which there is profit, the company should separately disclose the accumulated unpaid out dividend up to that year.
Note 5: Price-earnings ratio = average price per share for that year/Earnings per share.
Note 6: Price-dividend ratio = average price per share for that year/cash dividend per share.
Note 7: Yield on cash dividend = cash dividend per share/average price per share for that year.
Note 8: For net worth per share and net Earnings per share, data from the latest quarter that has been verified by an accountant up until the date on the annual report should be filled. For all other columns, a company should fill that year's data up until the date on the annual report.
Note 9: Compensation for losses in 2019 have not yet been approved by the 2020 shareholders meeting, hence they have not been entered in the table.

(F) Dividend Policy and Implementation Status

1. Dividend policy

   To counter fluctuations in the economy and to strengthen the company's financial structure, the Company utilizes balanced dividend policy, and the policy of dividend payout is the following:

   (1) Because the Company is in a growth phase, dividend policy is primarily concerned about the Company's various investment funding needs in the future, financial structure, and profit etc., in each year, the Board of Directors will draw up an allocation plan based on that year's profit, and carry out the plan after the shareholders have reached a decision.

   (2) In consideration of a balanced dividend policy, the Company will use investment needs and the level of dilution of profit in each share as basis, and pay out dividends in shares or cash accordingly, in which the pay out of cash dividend will use a limit of no less than 10% of the total dividend amount in that year. The dividend of divisible surplus ratio is zero to seventy-five percent.

2. Implementation Status

   The Company's Board of Directors on Mar. 30, 2020 has decided to forward Deficit Compensation as follows to the shareholder's meeting in 2020:

Dynamic Electronics Co., Ltd.
Statement of Deficit Compensated in 2019

Unit: NTD

Item	Amount
Opening Loss Pending Compensation	(490,759,043)
Plus: Net Profit After Tax of Current Year	155,306,009
Close Loss Pending Compensation	(335,453,034)

3. Anticipated changes in dividend policy: none

(G) The impacts of issuing stock grants in this shareholder's meeting on the company's operational performance and dividend per share: we do not plan to issue stock grants in this shareholder's meeting.

(H) Remuneration for Employees and Directors

1. Company regulation specified in the Article of Corporation on the number or range of remuneration for employees and directors:

   If the Company has annual profit, 10 percent to 18 percent should be drawn for employees as the remuneration. The board will decide whether to grant the employees with stock or cash. The personnel who receive the remuneration include the employees of subsidiaries who meet certain qualifications. According to the above mentioned annual profit, the board will make a resolution of granting the directors no higher than 3 percent of the profit as the director remuneration. This distribution among the employees and directors should be reported in the shareholders’ meeting.

But when there are accumulated losses, it should be reserved in advance to make up the amount, and then draw the mentioned proportion as the remuneration for the employees and directors.

2. In this period, when there is a difference between estimated column of employee and director’s remuneration, basis for calculating shares for the purpose of paying out share dividends and actual payout figure, and the estimated column are different, what is the accounting procedure to handle this: This Company will not pay out employee and director's remuneration for the year of 2019, hence, there is no estimated columns.

3. Information on the Board of Directors passing the proposal to pay out employee and director’s remuneration: The Board of Directors has passed that there will be no employee and director’s remuneration payout for the year of 2019.

4. Actual allocations of employee and directors' remuneration in previous year: Did not pay out.

(I) Buyback of Treasury Stock: none.

B. Corporate bonds handling: none.
C. Preferred stock handling: none.
D. Global depository receipts handling: none.
E. Employee stock option and new restricted employee share rights handling: none.
F. Mergers or transferee to other companies and issuance of new shares: none.
G. Implementation on fund utilization planning:
As of a quarter before the date of publication of the annual report, the company has no any cases of finished securities issuance project or fundraising project showing no benefits in the last three years. The relevant content and execution situation of the securities issuance plan are described as follows:
(A) Project content and expected benefits:
1. Approval date and document number of the competent authority: Financial Supervisory certification No. 1080342221 issued by the Financial Supervision Commission on January 15, 2020 was declared effective. To apply for the extension of fund raising time, it was approved by the Financial Supervision Commission with the certification No. 1090332720 on February 25, 2020.
2. Total funds required for the plan: NT$ 480,000 thousand.
3. Source of funds:
(1) Conducting cash capital increase by issuing 30,000 thousand common shares with denomination of NT$10 per share, the price of issued per share is tentatively set at NT$16, and the total amount to be raised is expected to be NT$480,000 thousand.
(2) Arrangement when insufficient or excess funds are raised: If insufficient funds are raised this time, it will be supported by the company’s own capital or bank financing; if the raised funds exceed the amount required for this plan, the fund will be used to enrich working capital.

4. Projects and Fund utilization progress

Project	Estimated completion time	The amount of fund required	Expected progress of fund utilization
			2020 Q1
Repayment of bank loans	2020 Q1	387,605	387,605
Working capital replenishment	2020 Q1	92,395	92,395
Total		480,000	480,000

5. Expected benefits

(1) Repayment of bank loans

Unit: NTD thousand

Bank of loans	Interest rate	Contract period (Note 1)	Purpose of the loans	Balance of the loans	Repayment amount	Interest amount reduced	
						year 2020	The following years of year 2021
Hwa Nan Bank	2.75000%	2019/01/11-2020/02/11 (Note 2)	Working capital	95,945	95,945	2,096	2,638
Shanghai Commercial and Saving Bank	2.89875%	2019/08/04–2020/08/04	Working capital	92,745	92,745	2,136	2,688
Taichung Bank	3.28360%	2019/12/09-2020/12/13 (Note 3)	Working capital	62,340	62,340	1,626	2,047
KGI Bank	3.19875%	2019/03/14-2020/03/14	Working capital	136,575	136,575	3,471	4,369
Total				387,605	387,605	9,329	11,742

Note 1: The loan repaid this time is the working capital, which can be revolved during the contract period.

Note 2: The loan contract expires in January 2020, and an application for contract extension has been made.

Note 3: The original mobilization time of the bank's borrowings was January 2019, and continued to be revolved. This contract period is the agreed validity period of the new contract after the previous contract expires.

The plan is to appropriate NT387,605,000 dollars from the current fundraising project of the company for bank loan repayment to reduce the loans to financial institutions and the bank interest burden.To calculate the loan interest rate that the company intends to repay, it is estimated that the interest expenses saved in 2020 and subsequent years will be NT9,329,000 dollars and NT11,742,000 dollars respectively, which can moderately reduce the company's financial expenses, improve the flexibility of bank financing and benefit the company Operational development.

(2) Replenish working capital

It is estimated to appropriate NT92,395,000 dollars to replenish working capital in order to meet the operating capital required for operating growth. It will help stabilize long-term fund, strengthen the flexibility of fund utilization, and save interest expenses to enhance the company Overall operational competitiveness.

6. The project content of the change, reason for the change and benefit before and

after the change: Not applicable.

7. The date for entering the information application website designated by the Securities and Exchange Commission: January 15, 2020.

(B) Implementation

Project	Implementation		2020 Q1	Up to March 31st 2020	Reasons for progress ahead or behind and improvement plan
Repayment of bank loans	Appropriated amount	Plan	387,605	387,605	Due to the drastic changes in the domestic and foreign capital markets and shareholders 'rights, the Financial Supervisory Commission approved the extension of three-month period to July 14, 2020. As of March 31, 2020, the fundraising has not yet completed.
		Actual state	0	0	
	Implementation progress %	Plan	100%	100%	
		Actual state	0%	0%	
Working capital replenishment	Appropriated amount	Plan	92,395	92,395	
		Actual state	0	0	
	Implementation progress %	Plan	100%	100%	
		Actual state	0%	0%	
Total	Appropriated amount	Plan	480,000	480,000	
		Actual state	0	0	
	Implementation progress %	Plan	100%	100%	
		Actual state	0%	0%	

(C) Benefit evaluation

As of March 31, 2020, the fundraising has not yet completed and therefore the actual benefits have not shown.

V. Operations Overview

A. Business Content

(A) Scope of Business

1. Primary business focus and its ratio to the overall business

Unit: NTD thousands

Major Products	Consolidated for 2019	
	Sales Amount	Sales Ratio
Double-layer PCB	1,945,069	14.18%
Multi-layer PCB	11,769,707	85.80%
Others	2,455	0.02%
Total	13,717,231	100.00%

2. Dynamic concentrates on PCB products including traditional rigid board, high density connected board, Rigid Flex board, high-end multilayer board, thick copper board, built-in copper high heat sinking board and high-frequency microwave board. Dynamic will continue developing in this area. However, in terms of product applications, it’s planned to develop IoT 5G communication networks and high-end high-speed storage devices, ADAS, LiDAR and engine control modules, wearable devices, high-end mobile phones, wireless charging modules, dual/triple lens modules, ultra-high-resolution display modules, medical equipment and detection sensor, Mini LED, 28GHz/39GHz communication high-frequency transceivers, electric vehicle charging piles, EV automotive relays, and aerospace/military with high reliability requirements.

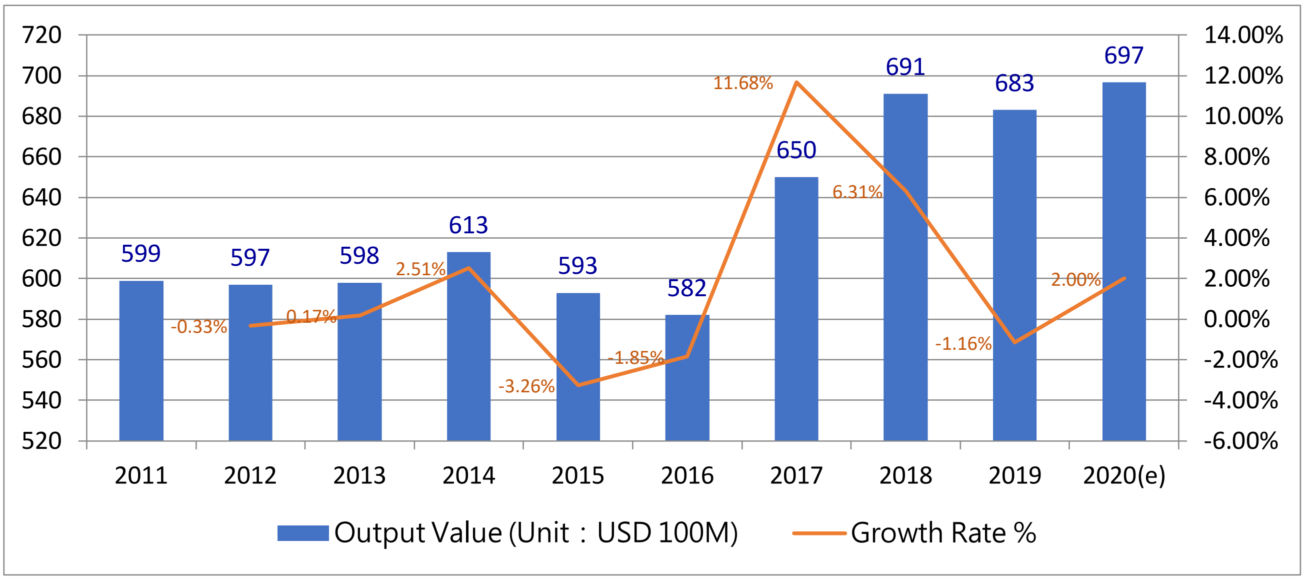
(B) Industry Overview

1. The industry's current situation and development

PCB (Printed Circuit Board, abbreviated PCB) is the base board before electronic components are assembled, and through the PCB, electrical routes are formed, and various electronic components can be connected to exert its overall capacity and to reach the objective of relay transmission. Its application is widespread, almost everything that uses electronic components would need to use a PCB. Therefore, PCB is known as “Mother of electronic products” Within Taiwan, the PCB industry has been developing for over 40 years, and not only does the industry structure include a comprehensive vertically integrated production chain, its affiliated industry system is also healthy. However, because of the factors of manpower supply and labor costs, the proportion of Taiwan's domestic production continued to decrease. Below is an explanation on the global and local PCB industry current situation and future trends:

(1) Global current situation and development

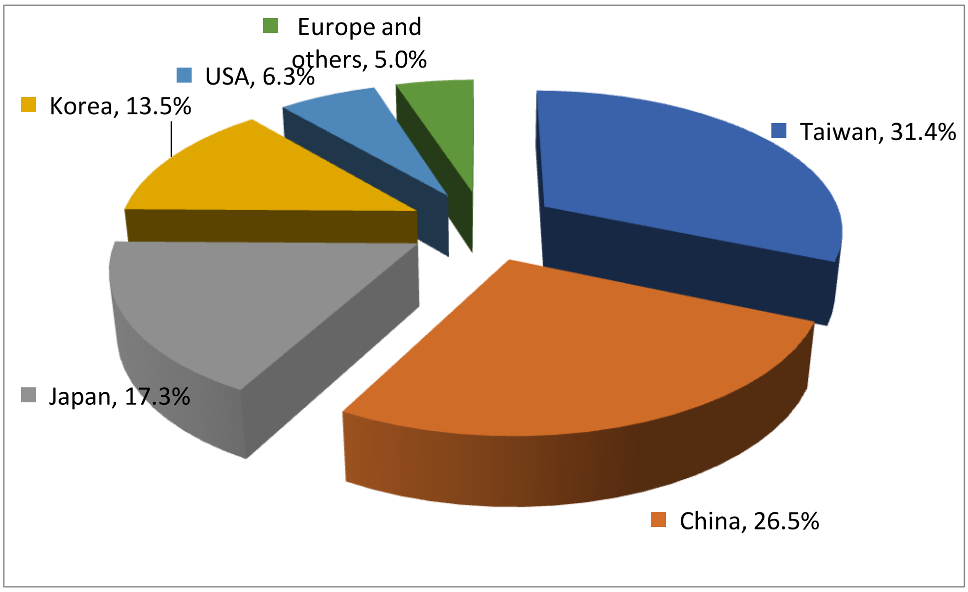
Trend of Global PCB Output Value Scale



Source: TPCA, IEK (02 & 04/ 2020)

Due to weak demand for terminal products, the global circuit board industry declined slightly by 1.16%, and the shipment of terminal electronic products for main applications has declined across the board. Among them, mobile phones, which account for a relatively high proportion of PCB applications, have declined for the third consecutive year. With the impact of the new coronavirus epidemic (COVID-19) in year 2020, an optimistic estimation that the epidemic will end in the first half of the year, the demand for terminal products will resume in the third quarter, and the production side will also be fully activated. Driven by the release of various 5G new devices in the second half of the year while the customer inventory has been digested, the peak season for conventional product, Q3, is expected to have a high growth. It is estimated that it can offset the decline in the first half of the year and is expected to grow by about 2% throughout the year.

Global PCB Production Distribution by Manufacturer Country in 2019



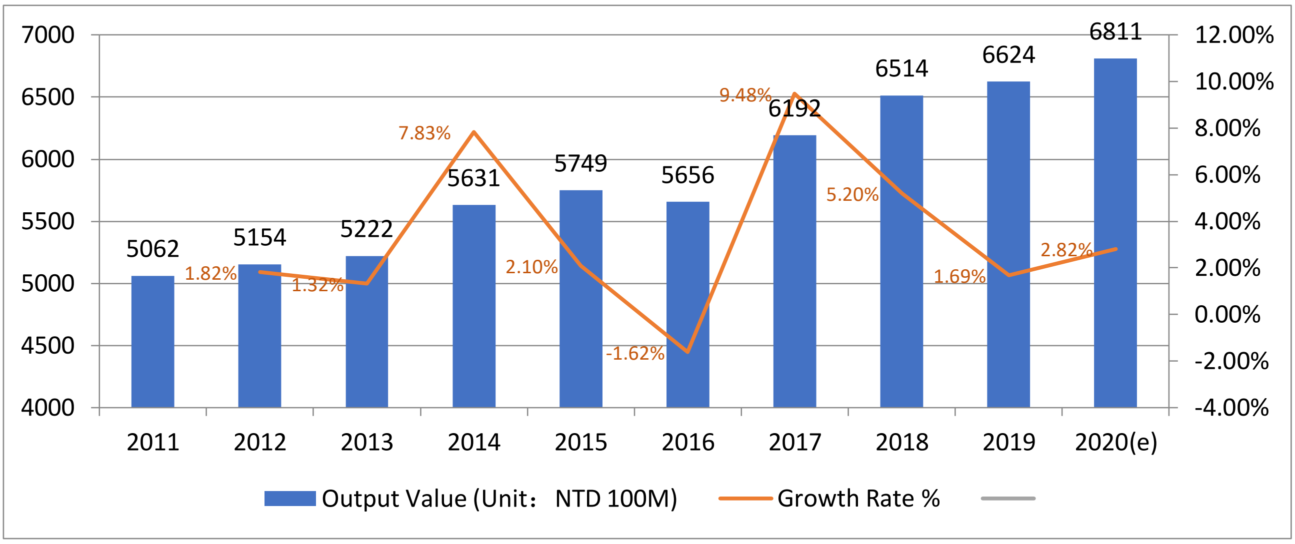
Source: TPCA, IEK (02/2020)

When the global output value of PCB declined in 2019, the output value has been redistributed among the major countries. Taiwanese manufacturers have grown slightly, with a market share of 31.4% remaining the leading position in the world. However, the gap with Chinese-invested manufacturers has narrowed. Chinese-invested companies have maintained a double-digit growth rate in recent years, and their market share has increased to 26.5%. Japan ranked the third, with a substantial recession of about 10%, its market share dropped to 17.3% while South Korean manufacturers showed a slight decline.

Although mainland China is faced with unfavorable factors such as the fact that its production cost is not as competitive as in the past, its industrial chain built for a substantial period of time is still incomparable for other countries in the world, and highly unlikely to be replicated in the short term. Therefore, when manufacturers in all other countries are thinking about global production layout, the strategy of setting mainland China as a production base and partially expanding the production line is hard to be changed, coupled with the rapid growth of the output value of Chinese local manufacturers, there was an approximately 54% of the global PCB output value to be produced in mainland China.

(2) Taiwan current situation and development

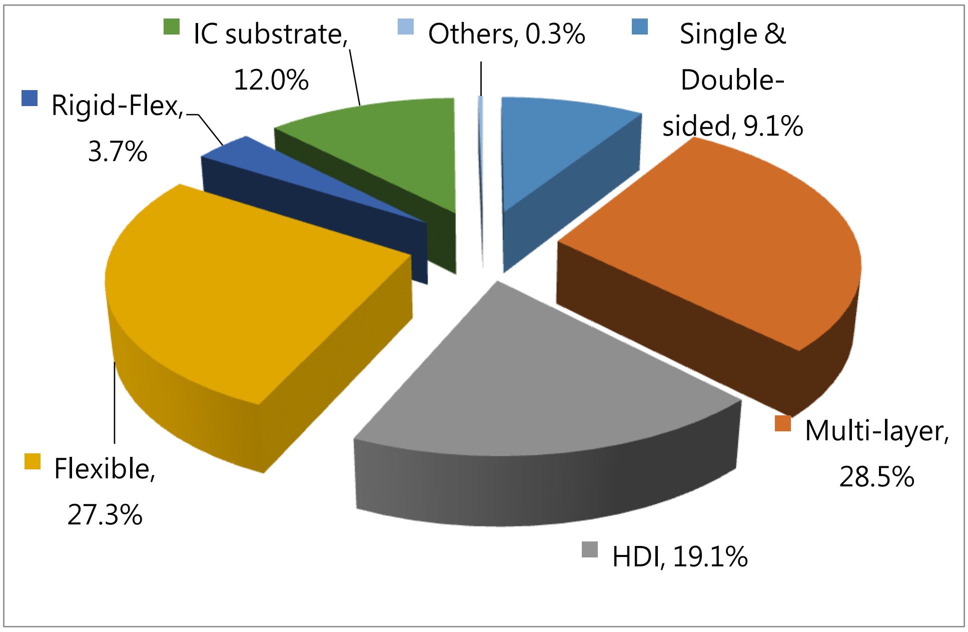
Trend of Taiwan PCB Output Value Scale



Source: TPCA, IEK (02 & 04/ 2020)

In year 2019, the total output value of Taiwan's PCB industry was NT$662.4 billion, which grew by 1.69% compared to year 2018. It also reached a new height level mainly because of the replacement boom for Windows 10 that drives the growth of PC shipments coupled with the strong server demand, but the demand for mobile phone and tablet markets are slowing down.

Cross - strait PCB Product Structure in 2019

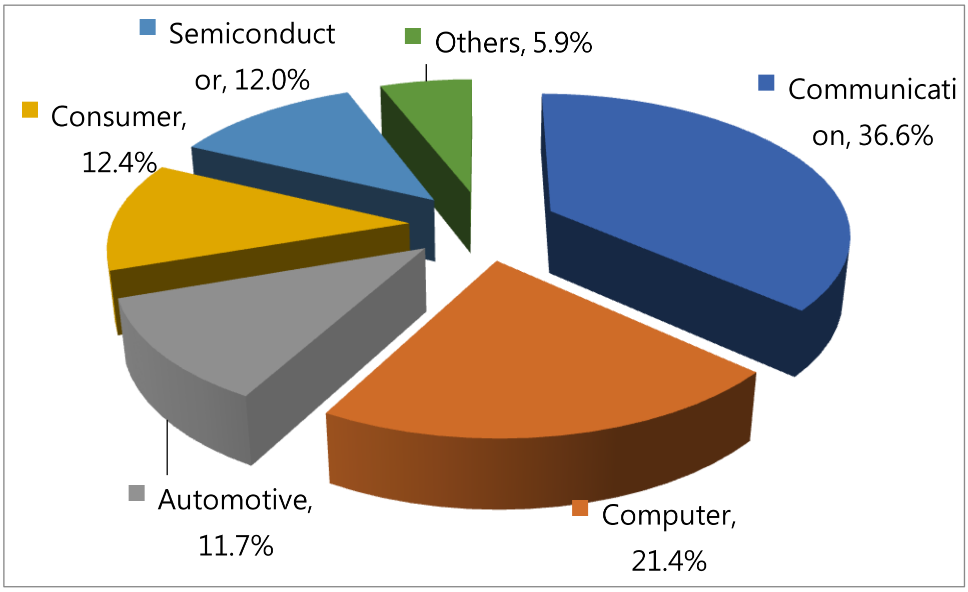


Source: TPCA, IEK (02/2020)

In terms of product structure, in 2019, due to the significant increase in the penetration rate of multi-lens mobile phones and the promising shipment of Bluetooth headsets, the annual growth rate of Rigid-Flex board reached

40.4%. The semiconductor recovery has driven the IC substrate's output value to revive and high-end computing applications have made ABF's substrate demand strong, with an annual growth rate of 4.1%. HDI boards credited its 3.5% annual growth rate to the growth of mobile phones. Multi-layer boards and flex boards declined slightly.

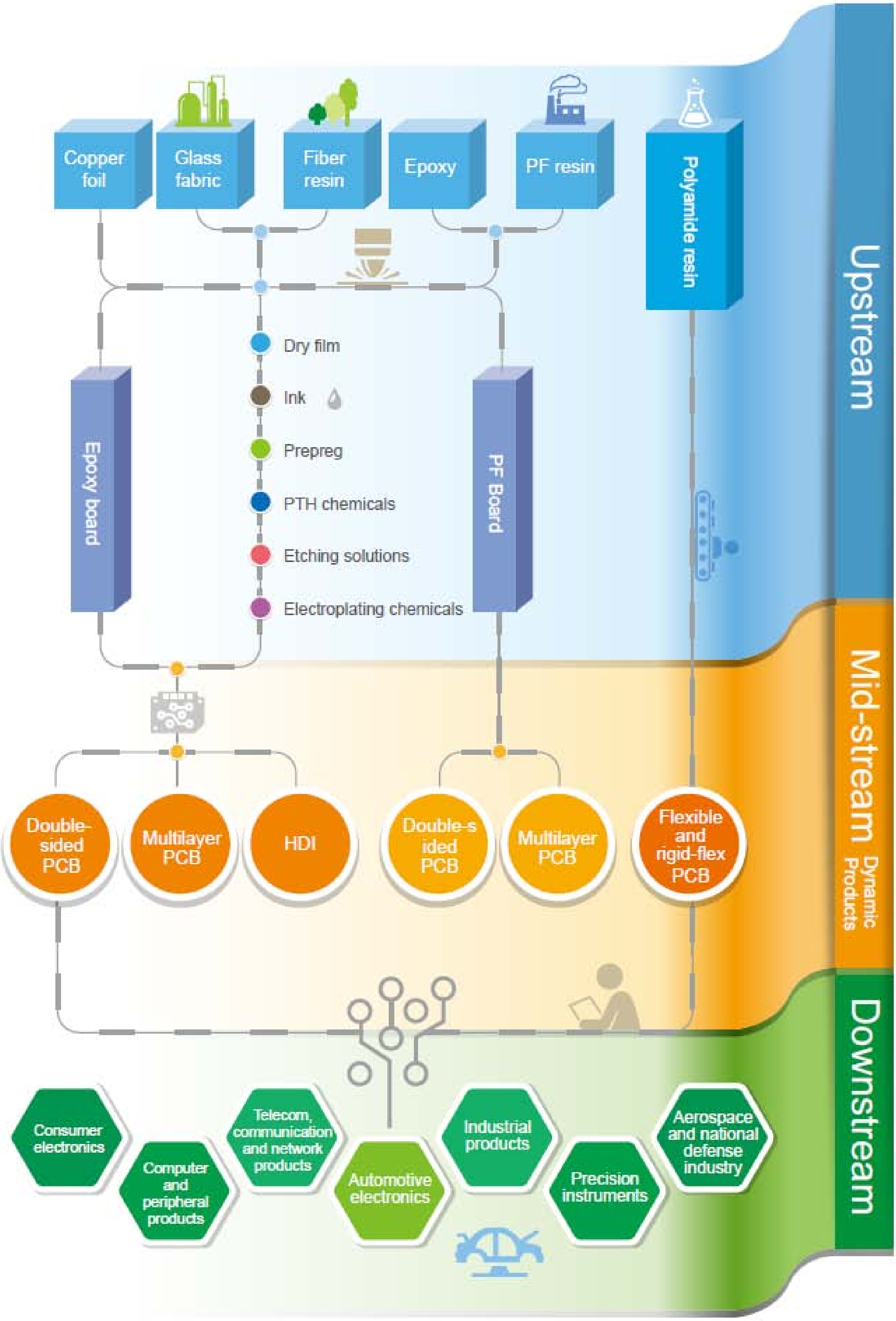
Cross - strait PCB Application Markets in 2019



Source: TPCA, IEK (02/2020)

In application market, the annual growth rate of consumer product applications in 2019 reached 8.0%, mainly due to the steady increase in demand for IoT related products and the growth of Bluetooth headset sales jumped quarter by quarter. The demand for computer applications is relatively stable, with an annual growth rate of 4.1%. Due to the price pressure caused by the large number of competitors and the impact of poor sales in the automobile market, the annual output value of the automotive board declined by 3.2%, but after five consecutive quarters of year-on-year decline, it has leveled off and no longer going south.

2. Relevance of upstream, middle, and downstream businesses in the industry
The PCB that produced by the Company include the following upstream main raw materials: copper foil, substrate, resin, dry film, ink, etching fluid and other chemical materials. Industry covers petrochemical and metal ; downstream clients include consumer electronics, computer and peripheral products, telecommunications and Internet, automotive electronics, industrial products, precision instruments and air defense etc. Hereby listed the company's associated chart with up-and-down stream industrial structure as below:


Copper foil
Glass fabric
Fiber resin
Epoxy
PF resin
Polyamide resin
Upstream
Dry film
Ink
Prepreg
PTH chemicals
Etching solutions
Electroplating chemicals
Epoxy board
PF Board
Mid-stream
Dynamic Products
Double-sided PCB
Multilayer PCB
HDI
Double-sided PCB
Multilayer PCB
Flexible and rigid-flex PCB
Downstream
Consumer electronics
Computer and peripheral products
Telecom, communication and network products
Automotive electronics
Industrial products
Precision instruments
Aerospace and national defense industry

3. Product development trends and competitive situation
   (1) Product development trends
   In recent years, there are two major trends in the development of electronic products. First, all products are gradually becoming lighter and easy to carry. Second, high frequency millimeter wave and high speed technology is being developed, so that in addition to stronger heat dissipation, when the current passes, it should not be subjected to too much interference. Hence, PCB with micro via, thread, small pore, thin and multilayer structure, micro via lining and high electrical characteristics are the necessary trends to current product development. To cater to the development of 5G generation and the request from system vendors, boards using low DK, low DF, Ultra Low Loss, Ceramic substrates and flexible materials Modify PI/LCP (Liquid Crystal Polymer) are also gradually increasing. The development of environmentally friendly green vehicles PHEV/EV is also growing rapidly, and various tie-in products such as high-voltage products, fast charging, and battery management have also taken spots at the table. The 5G high-reliability products used in medical, satellite, aerospace and military industries are also booming.

   (2) Competitive situation
   Since PCB has been in a position of oversupply for a long time, the development of global economy has entered a slow-growing phase, price competition has always been fierce, especially for customers who require large quantities, who tend to dominate over the extent of lowering price and time. But to grasp business opportunities, satisfy customer needs, and to achieve even better economies of scale to lower cost, each firm is competing to set up new sites and opening new production capacity. Because of China market’s strong domestic demand and complete industrial chain, most companies have still considered China to be the optimal production location. However, various environmental regulations in China are becoming more stringent, minimal wages have risen, the State Council has cleared various tax incentives etc., have severely impacted the operational cost of foreign investments in China. How to lower production cost has become the toughest challenge to the PCB industry. Owing to China government’s vigor promotion of the autonomy of electronics supply chain in the recent years, red supply chain has risen as a result. They obtain big amount of fund by going public or by government’s subsidies to seize the market with low prices, consequently the price of low-end technology products has plummeted. In addition, Chinese government agencies at all levels provided various subsidy measures for automation and intelligence to increase the establishment of highly intelligent, high-efficiency, high-value and fully automated unmanned factories by China-funded manufacturers. Taiwanese business is bound to tend to the high-tech, high-quality, high-reliability product segment.

(C) Technology and R&D Overview
1. R&D expenses from the most recent year to the date on the annual report

Unit: NTD thousands

Year	2018	2019	Up to Mar. 31, 2020
R&D Expenses	27,371	14,227	4,423

The decrease in research and development expenses in year 2019 was due to partial of the initial market development costs and product development costs for the main strategic products (automotive board) were apportioned.

2. Technology or products that have been successfully developed from the most recent year to the date of the annual report:
   Here we summarized our major R&D projects and results of 2019 in the following six points:
   (1) For high-speed low-signal loss products: Low loss materials (Insertion Loss -0.85dB / in (frequency: 8GHz)) have been mass-produced and used for Intel Whitley platform products and AI server products. Ultra lowloss materials have passed the certification of Insertion Loss -0.83dB / in (frequency: 12.89GHz), and have been produced in small quantity for optical module products of 400G. The material that used for AI server and Data Center Server are being proactively developed and certified with our customers. The related materials and process technologies required by the Intel Eagle Stream platform of 5G applications are also being actively developed.
   (2) For high-end HDI and thin products: 14-layer Anylayer HDI has been completed sample certification, and cavity technology has been successfully developed to meet the demand for thin products, such as mass production of 4-layer Anylayer Cavity camera modules, 10-layer anylayer cavity high-end notebook computer products with AI CPU for sample certification.
   (3) For Rigid-Flex and Semi-Flex boards: HDI RF products of Automotive Lidar that comes with 2 layers of flexible board and 8 layers of rigid board have completed sample certification and will begin mass production and shipment in Q1 of 2020.
   (4) For High-frequency mmWave products: 24GHz automotive millimeter-wave radars continue to be shipped in large quantities and the quality keeps improving; 77/79GHz products have been approved by many of our domestic and foreign customers, and shipments are gradually increasing starting with small quantities, and it is expected to reach large-scale production in 2020; for 60GHz, we have succeeded in reserving the technical capability and will continue to develop the market. For satellite communications and microwave products, we actively cooperate with European and American customers, and have provided related product sample used in Ku band ground antennas and micro base station for certification. As for Ka band, the new frequency products development has been carried out with our customers for a preliminary design.
   (5) For high heat-dissipation products: Products used for communication high-frequency reception Devices, charging pile for electric vehicle and automotive engine control modules, automotive relays with copper thickness of 6oz have been produced in small quantities. The material and process development of 12oz products have been completed. Embedded copper in high-frequency receiver has finished sample certification; High-frequency power amplifier products are under sample development and process

optimization stages; Busbar products have completed sample development and testing, and related process capabilities are being improving and optimizing.

(6) For embedded active and passive component products: Developing embedded components for 48V integrated Belt Starter Generator (iBSG) products with customers by operating embedded component technology, actively get into the supply chain of the parts for 48V light oil and electric vehicle. Other applications of embedded components automotive parts are also being actively developed as well as the other types of embedded components manufacturing processes.

(D) Short and Long-term Business Development Plan

1. Short-term business plan

(1) Marketing plan

- Develop high margin products such as HDI, Rigid-Flex, high-frequency high-speed related applications.
- Expand niche products such as Advanced Driver Assistance Systems (ADAS) of automotive electronics, medical products, cloud servers, 5G related equipment and terminal applications
- Strengthen the ties with overseas locations and agents, grasp business opportunities, and cultivate customers.
- Strengthen the customer support for timely delivery, quality, technicality, and service.

(2) Production plan

- To respond to the plan of new products development and the plant expansion, successor training is being carried out actively, to prevent the talent shortage during the implementation of the plan.
- As for the continuous promotion of the performance management system, the President's crew “DynamicX iLearning“, promoted the “Quantitative Performance of Team and Position” activity in March, 2018, all the members of the team work together to achieve goals and share the bonus brought by work performance. It is used to promote performance management downwards to the units and to individuals. The effects are obvious after 24 months of implementation, the turnover rate, production efficiency and quality are all improved, thereby competitiveness is boosted by cost reduction.
- Kunshan Plant completed the AS9100D aviation aerospace quality management system certification, and established a complete manufacturing and quality control system for PCB of aviation and aerospace. In addition, to meet the needs of customers, it is planned to complete the setting and certification of ISO13485 medical devices quality management system in year 2019, the highest management combined with the operating management to run the quality management system.
- Focusing on the use of automation + intelligence + networking to reduce manpower demand and stabilize output and yield. By means of the

new system's capacity for collecting and analyzing data in large numbers, the information can be provided for the managers of various units to adjust and improve the precision of the products and the accuracy of the management to achieve efficient and accurate operational performance.

- Promote environmental protection, energy saving and circular economy projects. Continue to classify and find recycling pipelines for process outputs that cannot be recycled and reused at present. Add copper resource recycle equipment, nickel-containing waste liquid reduction equipment, incinerated refuse reduction equipment, etc. Continue to cooperate with the government self-management plan to reduce harmful pollutant emissions, and install automatic inspecting equipment at the discharge port to ensure the discharge water quality meets the regulations.
- Work with our suppliers to promote various policies such as labor, health and safety, environment, ethics and management systems, and implement corporate social responsibility.

(3) R&D plan

- High end 24 and more layer board registration technology
- Buried and embedded copper technology
- High-precision back-drilling and cavity technology
- Hybrid material of asymmetric stack-up for high speed high frequency product
- 24Ghz, 28GHz, 39GHz, 60GHz, 77Ghz, 79GHz microwave millimeter wave high frequency technology
- 10 layer and above Rigid-Flex Board
- Substrate-Like PCB (SLP) low warpage technology process development

2. Long-term business plan

(1) Marketing plan

- Searching for highly niche products
- Establishing long-term relationship with customers
- Participating in major international events, to open up the specific strategic markets.
- Cooperating and exchanging professional resources with foreign PCB companies who possess technical competence and patent, in order to obtain recognition from the end customer.

(2) Production plan

- Building A of Huangshi has started to run the production, is planned to continue expanding the production capacity of conventional boards, in the meantime, proceeding the construction of building B mainly for the exclusive production lines of high-end HDI and high-end multilayer board.

(3) R&D plan

- <1.6 mil SLP fine line process development
- Low warpage laminate technology process development
- MOSFET components
- SiP Substrate module
- LCP flexible high-frequency materials and millimeter wave high frequency alternative new material process development
- 12oz heavy copper high heat dissipation material process development
- New products and new processes of environmental protection, waste reduction and energy-saving

B. Market and Production/Sales Conditions

(A) Market Analysis

1. Sales Locations for Major Products

Unit: NTD thousands

Year / Sales Location		2019 Consolidated	
		Sales Amount	Ratio %
Domestic		709,936	5.18%
Export	China	5,456,821	39.78%
	Thailand	1,368,729	9.98%
	Korea	1,121,711	8.18%
	USA	1,035,185	7.55%
	Germany	820,129	5.97%
	Other countries	3,204,720	23.36%
Total		13,717,231	100.00%

Note: Revenue is categorized based on the location of the client who placed sales order.

2. Market Share

Unit: Billion NTD

Year / Item	2018	2019
Value of cross-strait Taiwanese businesses in PCB industry	6,514	6,624
Dynamic Electronics' consolidated revenue	131	137
Dynamic Electronics' consolidated revenue/value of cross-strait Taiwanese businesses in PCB industry (%)	2.01%	2.07%

Source: IEK of ITRI

3. Future Market Supply and Demand Conditions and Possibility of Growth

In the foreseeable future, PCB will still be in a situation of oversupply.

In terms of products, computer and tablet continue to shrink; smartphone grows slowly. In the next five years, it is estimated that the fast-growing new products will surround the use of 5G and green energy vehicles, including: Internet of things, auto pilot vehicles, unmanned aircraft, smart homes, wearable devices, virtual reality, medical care, robotics, high-frequency signal transceivers, 400G high speed transmission, wireless chargers, electric vehicle charging piles, medium-low orbit satellite, logistics and automatic storage.

4. Niche Competitiveness

Niche competitiveness of the Company includes:

(1) Fulfilling CSR (Corporate Social Responsibility) as its core of corporate culture enables Dynamic to bring customers the value of long-term stability.

(2) Satisfying customers by meeting their needs of integration services of business flow, logistics, and information flow.

(3) Providing a comprehensive product line, one stop solution, including: Conventional, High layer count, HDI, High Frequency, Heavy Copper, Rigid-Flex, Semi-Flex, etc.
(4) Assisting customers with product development and design, supporting customers for their long-term success.
(5) Equipped with global technical support and after-sales service network.
(6) The management of Dynamic is formed with people from different countries who are possessed of extensive experience in certain fields.

5. Favorable and Unfavorable Factors for Future Development and Their Countermeasures
   (1) Favorable factors
      a. With the widespread popularity of the Internet and the development of wireless communication market and products, the personal mobile devices and their peripheral industries have developed throughout the world. Plus the rise of 5G related applications, cloud computing, Big Data, the Internet, wearable products continuing to innovate, the demand for PCB will continue to rise.
      b. The increase in electronic products for automobiles, green energy vehicles and the development of electric vehicles and auto-driving technologies are bringing forth new market and opportunities for the PCB.
      c. With advances in medical technology and the retirement of baby boomers, Medicare needs of elderly is gradually enlarged, the medical equipment products that the company has been planning on developing since long ago will continue to grow. In response to the new coronavirus epidemic (COVID-19), related medical equipment has also made contribution to the sales performance.

   (2) Unfavorable factors and countermeasures
      a. Oversupply, many competitors, and competitors wage price wars
      Countermeasure: develop potentially niche products, avoid price wars in existing products, and actively attain various certifications, enter different fields and expand new business opportunities.
      b. Clients demand routine price reduction, hurting profit
      Countermeasure: exert labor efficiency, strengthen production management, enhance production yield, and lower production cost, making the most of the benefits of automation. Seeking long-term cooperation with excellent suppliers, signing long-term strategic partnership agreements, develop new customers, select suitable products, restructure product structure, and optimize product portfolio.
      c. Labor shortage and labor cost is steadily rising over the years
      Countermeasure: improve work environment, optimize welfare measures, transparent policy and management, enhance staff solidarity and recognition, strengthen employee training. Develop a mentoring system to reward senior employees for teaching and caring for new employees.

Additionally, to accelerate the transitioning to the automation of manufacturing process and reduce the burden on manpower.

d. A lack of technical talent
   Countermeasures: Continue to recruit engineering talents of college-above undergraduate, provide bonuses for high productivity to encourage employees to stay and regular post rotation to train technical personnel.
e. Environmental cost is steadily rising
   Countermeasure: Enhancing the management mechanism of energy saving and waste reduction, reduce waste water discharge. The by-products sodium hypochlorite and ferric chloride produced by resource recovery in the plant are used as wastewater treatment chemicals to reduce the purchasing of wastewater treatment chemicals; at the same time, the wastewater tank in plant proceeds acid-based neutralization to reduce the disposal cost of waste.
f. Fluctuations in exchange rates affect the Company's operations and profitability
   Countermeasures: maintain close contact with the foreign exchange units of banks, attain information pertaining to fluctuations in exchange rates and suggestions on ways to hedge these risks at any given time. Reasonably adjust the accounts that consist of solely foreign currency to lower the risk of fluctuations in exchange rates.
g. The debt ratio is too high
   Countermeasures: Proactively improve profitability, effectively control cash flow and reduce operational cost.
h. Valuing work safety awareness
   Countermeasures: Continue self-checking and self-correction of unsafe work factors in the workplace. Arrange all levels of supervisors to perform safety staff training to raise safety awareness across the plant. In the meantime, we conduct safety education training and assessment for suppliers every month to enhance the safety awareness of visitors.

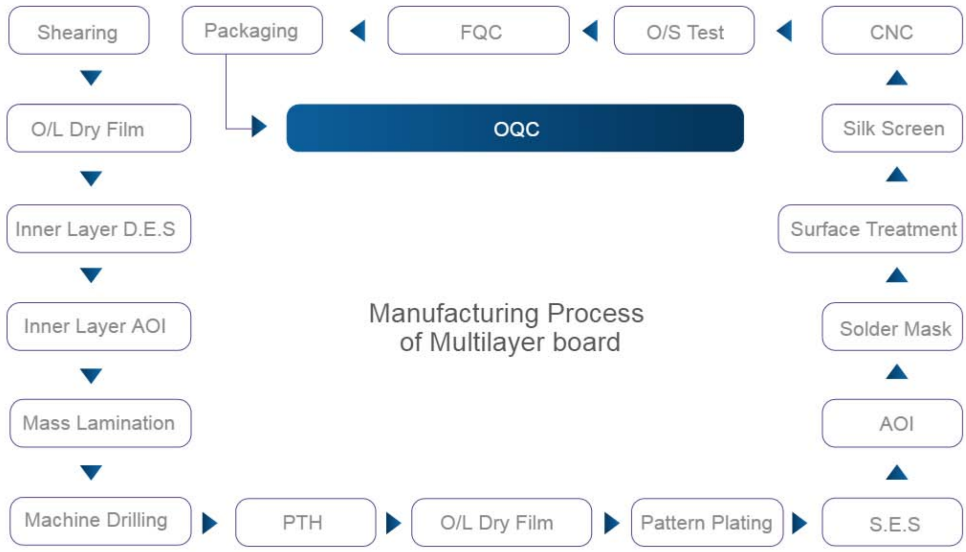
(D) Important Applications and Production Processes of Major Products

1. Important Applications of Major Products

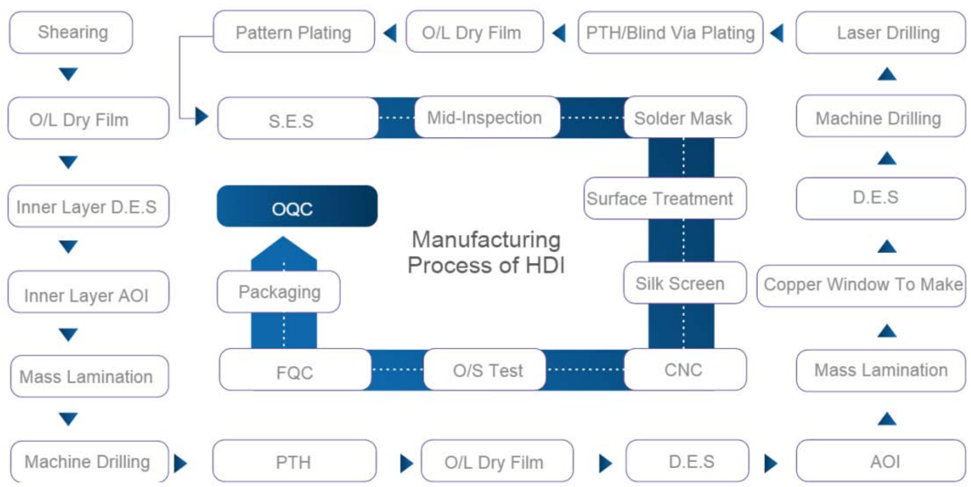
Product Type	Major Applications
Double-sided PCB	Automotive
Multilayer PCB	Storage devices, TFT-LCD, Set-top box, Communication board, Automotive, Notebook, Server, Industrial computers etc.
HDI	Car GPS, ADAS, SSD, TFT-LCD, Tablet, Communication board, Medical products etc.
Rigid-Flex	Camera modules, LiDAR, TFT-LCD, Game console, Wearable devices etc.
High-frequency PCB	Car Radar, Power amplifiers, Filters, Smart homes, Smart road networks, Antennas, Macro site, Micro site, Satellite receiver etc.

2. Manufacturing Process

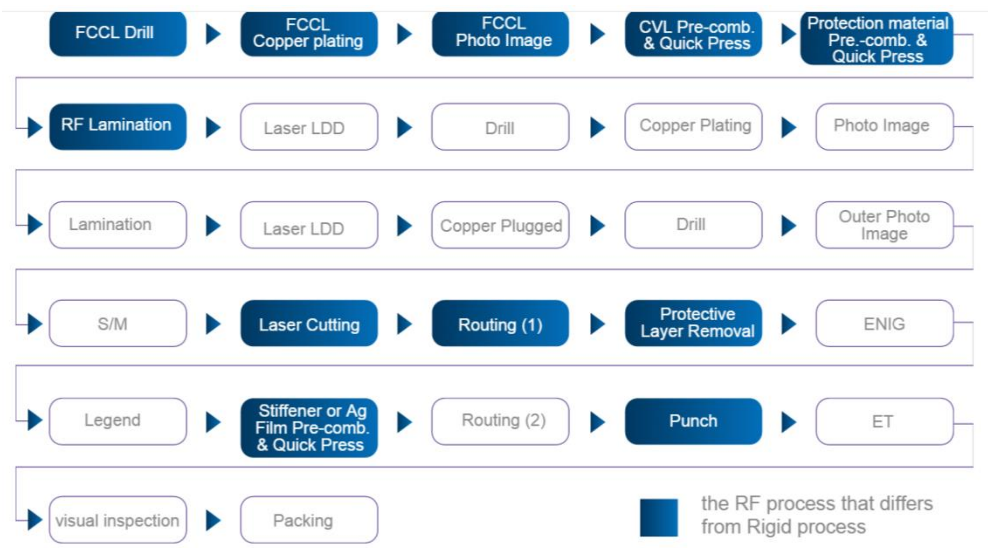
(1) Conventional



(2) HDI



(3) Rigid-Flex



(C) Supply Status of Major Raw Materials

The Company's primary raw materials include laminate, copper foil, and prepreg etc. Primary purchasing sources are domestic vendors that have all established long-term, stable relationships with the Company to assure quality, price, delivery date, service, and stable availability. The primary vendors of each of the primary raw material are listed below:

Major Raw Material	Major Supplier
Core	Sheng-yi, Iteq, Nanya, EMC
PP	Sheng-yi, Iteq, Nanya, EMC
Dry Film	Hitachi, Eternal Materials, Chang Chun
Copper Foil	Nanya, Shandong Jindu

(D) For the recent two years, please list all vendors/ customers who have exceeded 10% of the Company's total purchasing/ selling for any given year, including the amount of its purchase/ sales amount and ratio, and explain the reasons of the changes in decreases/ increases.

1. Major vendors for the most recent two years:

Unit: NTD thousands

	2018 Consolidated				2019 Consolidated			
Item	Name	Amount	% of that year's net purchasing	Relationship with the issuer	Name	Amount	% of that year's net purchasing	Relationship with the issuer
1	A	1,244,631	16.54%	None	A	1,153,966	16.25%	None
2	Others	6,279,074	83.46%	None	Others	5,947,887	83.75%	None
	Net purchasing	7,523,705	100.00%		Net purchasing	7,101,853	100.00%	

Analysis: The Company's major purchases are core, PP, copper foils, etc. In the most recent two years, only one supplier accounted for more than 10% of net purchases in the whole year. And the highest proportion is 16.25%, not having significant impact on the company.

2. Major customers for the most recent two years:

Unit: NTD thousands

	2018 Consolidated				2019 Consolidated			
Item	Name	Amount	% of that year's net sales	Relationship with the issuer	Name	Amount	% of that year's net sales	Relationship with the issuer
1	A	1,561,997	11.96%	None	A	2,092,990	15.26%	None
2	Others	11,496,288	88.04%	None	Others	11,624,241	84.74%	None
	Net sales	13,058,285	100.00%		Net sales	13,717,231	100.00%	

Analysis: The Company ships automotive boards mainly to customers A. The proportion of sales to customers A has grown year by year in the past two years because the Company is committed to enhancing the automotive product portfolio.

(E) Production output quantity and value for the past two years

Unit: thousands square feet; thousands piece; NTD thousands

Major products \ qty/value \ Year	2018			2019		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Double-sided PCB	9,000	8,275	1,817,345	9,000	6,950	1,548,186
Multilayer PCB	29,400	26,896	9,010,378	31,700	25,485	9,019,041
Total	38,400	35,171	10,827,723	40,700	32,435	10,567,227

Note 1: Production capacity means after factoring necessary halts and holidays, the quantity that the Company is capable of producing under normal operations with present production equipment.

Note 2: Since production of each layer of product can replace and support each other, hence the overall production capacity is disclosed.

(F) Sales volume for the past two years

Unit: thousands piece; NTD thousands

Major products \ qty/value \ Year	2018				2019			
	Domestic sales		Export		Domestic sales		Export	
	Q'ty	Value	Q'ty	Value	Q'ty	Value	Q'ty	Value
Double-sided PCB	97	33,208	8,977	2,210,890	71	31,817	7,387	1,913,252
Multilayer PCB	935	707,349	24,990	10,069,820	704	676,881	25,976	11,092,826
Others	0	0	0	37,018	0	0	0	2,455
Total	1,032	740,557	33,967	12,317,728	775	708,698	33,363	13,008,533

C. From the most recent two years to the date on the annual report, the number of workers, average years of service, average age, and distribution ratios of education

Year - consolidated		2018	2019	2020/3/31
Number of workers	Direct workers	4,884	4,926	5,252
	Indirect workers	1,958	8,23	815
	Total	6,842	5,749	6,067
Average age		31.13	31.17	31.51
Average years of service		2.44	2.49	2.46
Distribution of education	Ph.D.	3	3	3
	Master	22	15	16
	University	1,111	1,160	1,205
	High school	1,386	986	971
	Below high school	4,320	3,585	3,872
	Total	6,842	5,749	6,067

Note: The Group adjusted and consolidated the human resource structure, functions and production in 2019 to achieve the best allocation of the Group's production capacity of equipment, which was completed by the end of March 2020.

D. Environmental Expenditure Information

(A) Taoyuan plant: Total environmental expenditure of year 2019 was NTD 22.73 mil.

(B) Kunshan plant: Total environmental expenditure of year 2019 was RMB 91.36 mil.

(C) Huangshi plant: Total environmental expenditure of year 2019 was RMB 23.33 mil.

E. Employer and Employee Relations

(A) List out various employee welfare measures, advanced studies, training, retirement plan and its implementation, as well as negotiations between the employers and employees and steps taken to maintain various employee benefits

1. Employee welfare measures

Employees are important Company assets. To provide adequate care to the employees, in addition to full compliance to the Labor Law, the Company has various other measures to take care of its employees.

(1) Offers free meals.
(2) Refined kitchenette with fair trade coffee.
(3) Free uniform.
(4) First-rate dormitories for foreign employees, offering satellite TV, newspapers in their native language, hot water for 24 hours, entertainment facilities, and gym etc.
(5) Free parking lot.
(6) The Company sponsors and encourages students to participate in healthy activities such as marathon.
(7) Routinely hosts carnivals and sports days.
(8) Set up suggestion box for unfair treatment and ensures that suggestions are answered.
(9) Employee group insurance.
(10) Implement year-end bonus, holiday bonuses, performance bonus, and dividend structure.
(11) Whenever an employee of the Company gets married, gives birth, dies or becomes amputated, there is always aid or pension etc.
(12) Employee health check-up on a routine basis every year.
(13) Set up medical grade blood pressure and sphygmic-meters to help employees monitor their health.
(14) Set up library and employees can borrow books for free.
(15) On-site and external skills training program for employees.
(16) Foreign language classes for employees.
(17) Aid for continuing education training for employees, and professional class for senior management.
(18) Various employee activities such as tourism and staff gatherings.
(19) Employees self-organizing clubs of their references, the company grants subsidies, enriches life after work and enhances horizontal communication channels.

2. Continuing studies and training system

Our primary training plan includes educational training for new recruits, managerial capacity training, professional skills training, quality enhancement training, liberal arts class training etc. And the Company also conducts transferred personnel job training and employee job rotation, so that employees can be familiar with different kinds of work and learn different techniques. The actual hours of education training of year 2019 is 14.5 hours per person of Taoyuan plant, 14.2 hours per person of Kunshan plant, 15.0 hours per person of Huangshi plant.

3. Retirement Structure

(1) Since Jul. 1, 2005, The Company has implemented labor retirement policy, and utilizes a defined contribution system. Upon implementation, an employee is able to choose from between retirement policies in the Labor Standards Act, or to use this policy and to keep the working years prior to its implementation. For the employees who choose this new policy, the

Company has entrusted actuaries to calculate, and the Company will be responsible of allocating 2% - 15% of the employee's salary into retirement reserved funds, which is saved in the accounts for retirement funds in the Central Trust under the name of "Committee for Supervising the Employee Retirement Fund." The Company has also attained permission from the Taoyuan City government to host meetings for the Committee for Supervising the Employee Retirement Fund every three months. The Committee is responsible for supervising and verifying tasks such as setting aside the labor retirement reserved funds, savings and expenditures etc. After July 2005, complying with the government policy of using individual retirement reserved fund accounts, the Company sets 6% of labor salary as labor retirement reserved funds, and saves this amount in the individual labor retirement reserved fund account.

(2) In order to offer employees more flexibility in planning their career and life, the Company has successfully established the management policy for the golden handshake, and reported this to the authorities for approval.

(3) Under the planning of the remuneration committee in year 2010, the Company will entrust the manager retirement management policy, in order to establish a more comprehensive personnel retaining system.

4. Other important agreements and various measures to protect employee benefit

(1) The employers and employees of the Company mostly utilize communications to solve various problems and maintain positive communication channels, in order to build mutual understanding and effectively enhance the coherence of all employees.

(2) The Company routinely hosts employer-employee meetings, including various departmental meetings, employee benefit committee meetings, employer-employee meetings, retirement fund supervisory committee, Occupational Safety and Health Committee, and Industrial Safety Conference etc., with the objective of understanding employee needs and attaining mutual understanding.

(3) There were two labor arbitration cases in Kunshan Factory in 2019. One was dismissal dispute. After verification, it was understood that the incident was for the protection of the company’s interests, and is now settled at conciliation stage with the employee. The other was the termination of the labor contract after the work injury. The case was handled in accordance with the Regulation on Work-Related Injury Insurances. The Kunshan factory was not fined for violating the labor laws. In addition, in accordance with the policy requirements, a Labor and Personnel Disputes Conciliation Room has been established in the factory and has been awarded the bronze medal by the Labor bureau of Kunshan Development Zone.

(4) There were two labor arbitration cases in Huangshi Factory in 2019, one was for incomplete procedures for dismissing three employees in a row from a certain department, and the case was referred to arbitration and settled at conciliation. The other was considered work injury since the employee got into a car accident on the way to/from work. However, the employee rushed

to resign and ask for the compensation under the insurance regulation before being fully cured. The case was referred to arbitration.

(B) Clearly list out losses sustained from employee-related disputes from the most recent year to the date on the annual report, and disclose estimates (in dollar amount) of what could happen currently and in the future and their countermeasures. If unable to provide a reasonable estimate, a company should explain the facts that it is unable to rationally estimate.

1. Neither Kunshan Factory nor Huangshi Factory had loss for labor disputes in 2019.
2. In the future, the Company will continue to maintain positive employer-employee relationship through emphasizing employee benefit measures and providing smooth communication channels. The Company does not anticipate that any significant employee-related disputes will occur, nor will it lead to any significant losses in the future.

F. Important Contracts: none.

VI. Financial Overview

A. Concise Balanced Sheet and Income Statement for the past 5 years

(A) Concise Balance Sheet

1. Concise Balance Sheet - Consolidated

Unit: NTD thousands

Item \ Year		Financial Information for the past five years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		6,073,389	6,267,294	6,828,137	7,761,251	7,492,419
Real estate, factories and equipment		4,505,619	3,425,029	4,845,857	5,940,726	5,331,401
Intangible assets		10,183	17,967	24,256	20,836	13,709
Other assets		178,429	467,895	499,141	585,792	681,399
Total assets		10,767,620	10,178,185	12,197,391	14,308,605	13,518,928
Current liabilities	Prior to allocation	5,418,099	5,430,727	5,479,622	7,963,984	8,151,762
	After distribution	5,418,099	5,430,727	5,479,622	7,963,984	(Note 2)
Non-current liabilities		749,963	472,865	2,510,000	2,415,121	1,457,045
Total liabilities	Prior to allocation	6,168,062	5,903,592	7,989,622	10,379,105	9,608,807
	After distribution	6,168,062	5,903,592	7,989,622	10,379,105	(Note 2)
Equity from parent company		4,554,287	4,274,593	4,207,769	3,929,500	3,910,121
Capital stock		2,810,594	2,810,594	2,810,594	2,810,594	2,810,594
Paid-in capital		1,061,873	1,061,873	1,061,873	1,061,873	1,061,873
Retained earnings	Before distribution	555,108	565,366	579,040	340,292	495,598
	After distribution	555,108	565,366	579,040	340,292	(Note 2)
Other equity		126,712	-163,240	-243,738	-283,259	-457,944
Treasury stock		0	0	0	0	0
Non-controlling interest		45,271	0	0	0	0
Total equity	Before distribution	4,599,558	4,274,593	4,207,769	3,929,500	3,910,121
	After distribution	4,599,558	4,274,593	4,207,769	3,929,500	(Note 2)

Note 1: The above annual financial information has been verified by certified public accountant.

Note 2: The resolution is finalized after the resolution of the shareholders meeting.

2. Concise Balance Sheet - Individual

Unit: NTD thousands

Item \ Year		Financial information for the past five years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		2,589,507	2,172,653	1,657,483	1,901,813	2,283,142
Investment using the Equity Method		4,195,000	4,246,831	4,485,504	4,116,359	4,378,416
Real estate, plants and equipment		793,098	650,262	618,245	540,973	10,458
Intangible assets		6,312	13,012	11,298	5,380	359
Other assets		130,697	157,258	199,853	257,645	349,990
Total assets		7,714,614	7,240,016	6,972,383	6,822,170	7,022,365
Current liabilities	Prior to distribution	2,578,138	2,597,306	1,963,885	2,169,308	2,731,815
	After distribution	2,578,138	2,597,306	1,963,885	2,169,308	(Note 2)
Non-current liabilities		582,189	368,117	800,729	723,362	380,429
Total liabilities	Prior to distribution	3,160,327	2,965,423	2,764,614	2,892,670	3,112,244
	After distribution	3,160,327	2,965,423	2,764,614	2,892,670	(Note 2)
Equity from parent company		4,554,287	4,274,593	4,207,769	3,929,500	3,910,121
Capital stock		2,810,594	2,810,594	2,810,594	2,810,594	2,810,594
Paid-in capital		1,061,873	1,061,873	1,061,873	1,061,873	1,061,873
Retained earnings	Before distribution	555,108	565,366	579,040	340,292	495,598
	After distribution	555,108	565,366	579,040	340,292	(Note 2)
Other equity		126,712	-163,240	-243,738	-283,259	-457,944
Treasury stock		0	0	0	0	0
Total equity	Before distribution	4,554,287	4,274,593	4,207,769	3,929,500	3,910,121
	After distribution	4,554,287	4,274,593	4,207,769	3,929,500	(Note2)

Note 1: The above annual financial information has been verified by certified public accountant.
Note 2: The resolution is finalized after the resolution of the shareholders meeting.

(B) Concise Income Statement

1. Concise Income Statement - Consolidated

Unit: NTD thousands

Item \ Year	Financial information for the past five years (Note 1)				
	2015	2016	2017	2018	2019
Revenue	11,150,214	11,791,838	11,646,443	13,058,285	13,717,231
Operating Margin	1,444,855	1,224,561	1,239,845	1,156,213	1,759,060
Operating Income	(160,129)	1,662	41,572	(4,595)	525,757
Non-operating income/expenses	67,159	40,784	(38,536)	(232,227)	(289,121)
Pre-tax net profit	(92,970)	42,446	3,036	(236,822)	236,636
Net profit for this period for continuing operating units	(92,971)	12,828	9,094	(240,885)	155,306
Loss from termination of business unit	0	0	0	0	0
Net profit (loss) for this period	(92,971)	12,828	9,094	(240,885)	155,306
Other accumulated profit/loss for this period (after-tax net value)	(81,314)	(290,394)	(75,918)	(37,384)	(174,685)
Total comprehensive profit (loss) for this period	(174,285)	(277,566)	(66,824)	(278,269)	(19,379)
Net profit for parent company	(93,866)	10,700	9,094	(240,885)	155,306
Net profit for non-controlling interest	895	2,128	0	0	0
Comprehensive profit/loss for parent company	(175,180)	(279,694)	(66,824)	(278,269)	(19,379)
Comprehensive profit/loss for non-controlling interest	895	2,128	0	0	0
Earnings per share	(0.33)	0.04	0.03	(0.86)	0.55

Note 1: The above annual financial information has been verified by certified public accountant.

2. Concise Income Statement - Individual

Unit: NTD thousands

Item \ Year	Financial information for the past 5 years (Note 1)				
	2015	2016	2017	2018	2019
Revenue	7,010,679	5,575,299	4,620,391	4,316,209	5,064,011
Operating Margin	413,154	275,720	173,907	127,809	99,195
Operating Income	(197,033)	(173,979)	(159,751)	(181,510)	(304,103)
Non-operating income/expenses	103,167	184,679	168,845	(97,126)	492,731
Pre-tax net profit	(93,866)	10,700	9,094	(278,636)	188,628
Net profit for this period for continuing operating units	(93,866)	10,700	9,094	(240,885)	155,306
Losses for terminated business unit	0	0	0	0	0
Net profit (loss) for this period	(93,866)	10,700	9,094	(240,885)	155,306
Other accumulated profit/loss for this period (after-tax net value)	(81,314)	(290,394)	(75,918)	(37,384)	(174,685)
Total comprehensive profit (loss) for this period	(175,180)	(279,694)	(66,824)	(278,269)	(19,379)
Earnings per share	(0.33)	0.04	0.03	(0.86)	0.55

Note 1: The above annual financial information has been verified by certified public accountant.

(C) CPA Names and Opinions for the Past Five Years

Year	CPA's Accounting Firm	Names of CPA	Opinion
2015	Ernst & Young Taiwan	Ching-Piao Cheng, Mao-Yi Hung	Unqualified opinion
2016	Ernst & Young Taiwan	Ching-Piao Cheng, Mao-Yi Hung	Unqualified opinion
2017	Ernst & Young Taiwan	Ching-Piao Cheng, Mao-Yi Hung	Unqualified opinion
2018	Ernst & Young Taiwan	Ching-Piao Cheng, Mao-Yi Hung	Unqualified opinion
2019	Ernst & Young Taiwan	Ching-Piao Cheng, Mao-Yi Hung	Unqualified opinion

B. Financial Analysis for the Past Five Years

(A) Financial Analysis - Consolidated

Item to be analyzed (Note 2) / Year		Financial Analysis for the past five years (Note 1)				
		2015	2016	2017	2018	2019
Financial structure	Debt to asset ratio (%)	57.28	58.00	65.50	72.54	71.08
	Long-term funds to fixed asset ratio (%)	118.73	138.61	138.63	106.80	95.79
Debt payback ability	Liquidity ratio (%)	112.09	115.40	124.61	97.45	91.91
	Current ratio (%)	85.60	86.86	86.33	67.58	67.83
	Interest protection multiples	(0.66)	2.03	1.03	(0.21)	2.07
Operational ability	Receivables turnover (times)	3.23	3.42	3.44	3.54	3.35
	Average collection turnovers (days)	113	107	106	103	109
	Inventory turnover (times)	7.25	7.68	7.05	6.58	6.58
	Payables turnover (times)	5.06	4.91	4.60	5.12	4.89
	Average inventory turnover (days)	50	48	52	55	55
	Fixed asset turnover (times)	2.34	2.97	2.82	2.42	2.38
	Total asset turnover (times)	1.02	1.13	1.04	0.99	0.99
Profitability	Return on assets (%)	(0.43)	0.45	0.74	(0.59)	2.44
	Return on equity (%)	(1.97)	0.29	0.21	(5.92)	3.96
	Profit before tax to paid-in capital ratio (%)	(3.31)	1.51	0.11	(8.43)	8.42
	Net Profit Margin (%)	(0.83)	0.11	0.08	(1.84)	1.13
	Earnings per share (NTD)	(0.33)	0.04	0.03	(0.86)	0.55
Cash flow	Cash flow ratio (%)	16.08	9.98	1.53	(5.64)	20.22
	Cash flow adequacy ratio (%)	112.05	106.26	65.24	30.35	46.96
	Cash reinvestment ratio (%)	7.38	5.02	0.65	(3.49)	15.35
Leverage	Operating leverage	(6.23)	759.16	28.52	(282.52)	2.59
	Financial leverage	0.74	(0.04)	(0.88)	0.02	1.73

Explanation of reasons for changes in various financial ratios in the most recent two years (up or down by 20%)

1. Times interest earned (TIE), return on assets(ROA), return on equity(ROE), ratio of before tax net profit to paid-in capital, net profit ratio, earnings per share, operating leverage, and financial leverage: mainly due to the profits earned during the year.
2. Cash flow ratio, cash flow adequacy ratio, cash reinvestment ratio: Mainly due to the net cash inflow from operating activities resulted from profits made in this year.

Note 1: The above annual financial information has been verified by certified public accountant.
Note 2: The calculation formulas of financial ratios are as follows:

1. Financial structure
   (1) Debt to asset ratio = total liabilities / total asset
   (2) Long-term funds to fixed asset ratio (%) = (total equity + non-current liabilities) / net real estate, factory plants and equipment
2. Debt payback ability
   (1) Liquidity = current assets / Current liabilities
   (2) Current ratio = (current assets – inventory – prepaid expense) / Current liabilities
   (3) Interest protection multiple = income tax and net income before interest / interest expense for this period
3. Operational ability
   (1) Receivable (including accounts receivable and bills receivable from operations) turnover ratio = net sales / accounts receivables and outstanding bills receivable
   (2) Average collection turnovers = 365/accounts receivable ratio
   (3) Inventory turnover = cost of goods sold / amount of average stock
   (4) Payables turnover ratio = payables (including accounts payable and bills payable from operations) cost of goods sold / accounts payables and bills payables
   (5) Average inventory turnover = 365 / payables turnover ratio
   (6) Fixed asset turnover = net sales / net fixed asset
   (7) Total asset turnover = net sales / average total asset
4. Profitability
   (1) Return on assets = (profit or loss after tax + interest expense x (1 – interest rate))/average total asset
   (2) Equity ratio = profit or less after tax / average total equity
   (3) Net profit margin = profit or loss after tax / net sales
   (4) Earnings per share (EPS) = (equity from parent company – preferred stock dividend) /weighted average of issued shares (note 3: preferred stock dividend)
5. Cash flow
   (1) Cash flow ratio = net operational cash/Current liabilities
   (2) Net cash flow adequacy ratio (%) = net operating cash flow for the past 5 years / (capital expenditure + increase in inventory + cash dividend for the past 5 years)
   (3) Cash reinvestment ratio = (net operating cash flow – cash dividend) / (fixed asset + long-term investment + other non-current assets + operational funds) (note 4)
6. Leverage
   (1) Operational leverage = (net revenue – changes in operating cost and expenses) /operating profit
   (2) Financial leverage = operational income / (operational income – interest expense)

Note 3: When considering the calculation formula of EPS, please pay special notice to the following:
1. This uses weighted average number of common stock as basis, rather than the issued stock by year end.
2. Those that have increases in cash or treasury stock should consider its circulation period in calculating weighted average number of shares.
3. Those that have reinvestment from earnings or increases in paid-in capital, in calculating EPS for past years and half-year, should adjust retroactively according to the ratio of increases, and do not need to take their release period into consideration.
4. If preferred stocks are accumulated preferred stock that cannot be transferred, then the share dividend (whether paid out) for that year should be subtracted from the profit after tax, or add onto loss after tax. If the preferred stock is non-accumulative in nature, when there is profit after tax, the dividend from preferred stock should be subtracted from profit after tax, but if there is loss, then no adjustment is necessary.

Note 4: When taking cash flow analysis into consideration, please pay special attention to the following:
1. Net operational cash flow refers to the operational net cash flow inflow in the cash flow statement.
2. Capital expenditure refers to the amount of cash outflow of capital investment each year.
3. Inventory increase is not calculated until when the ending inventory is greater than the opening balance. If inventory decreases by year end, this will be counted as zero.
4. Cash dividend includes cash dividend for common and preferred stock.
5. Gross fixed asset refers to the total fixed asset after deducting fixed asset prior to accumulated depreciation.

(B) Financial Analysis - Individual

Item to be analyzed (Note 2) \ Year		Financial Analysis for the past five years (Note 1)				
		2015	2016	2017	2018	2019
Financial structure	Debt to asset ratio (%)	40.97	40.96	39.65	42.40	44.32
	Long-term funds to fixed asset ratio (%)	647.44	713.72	810.12	860.09	35,162.68
Debt payback ability	Liquidity ratio (%)	100.44	83.65	84.40	87.67	83.58
	Current ratio (%)	86.31	71.59	68.68	74.80	80.29
	Interest protection multiples	(3.88)	1.57	1.45	(9.28)	7.15
Operational ability	Receivables turnover (times)	3.07	2.97	3.04	3.15	3.42
	Average collection turnovers (days)	119	123	120	116	107
	Inventory turnover (times)	13.74	16.72	16.09	17.01	29.57
	Payables turnover (times)	3.56	3.61	3.69	4.24	4.64
	Average inventory turnover (days)	27	22	23	21	12
	Fixed asset turnover (times)	8.63	7.73	7.28	7.45	18.31
	Total asset turnover (times)	0.86	0.75	0.65	0.63	0.73
Profitability	Return on assets (%)	(0.96)	0.35	0.36	(3.17)	2.60
	Return on equity (%)	(2.01)	0.24	0.21	(5.92)	3.96
	Profit before tax to paid-in capital ratio (%)	(3.34)	0.38	0.32	(9.91)	6.71
	Net Profit Margin (%)	(1.34)	0.19	0.20	(5.58)	3.07
	Earnings per share (NTD)	(0.33)	0.04	0.03	(0.86)	0.55
Cash flow	Cash flow ratio (%)	7.15	-	6.89	-	-
	Cash flow adequacy ratio (%)	164.35	104.80	122.62	44.96	48.94
	Cash reinvestment ratio (%)	2.97	-	2.19	-	-
Leverage	Operating leverage	(3.18)	(3.43)	(2.94)	(2.36)	(1.01)
	Financial leverage	0.91	0.90	0.89	0.87	0.91

Explanation of reasons for changes in various financial ratios in the most recent two years (up or down by 20%)
1. The ratio of long-term funds to real estate, plant and equipment, turnover ratio(times) of real estate, plant and equipment: mainly due to the disposal of real property, plant and equipment
2. Times interest earned (TIE), return on assets (ROA), return on equity (ROE), ratio of before tax net profit to paid-in capital, net profit ratio, earnings per share: mainly due to the profits earned during the year.
3. Inventory turnover rate (times), average sales days: the main reason is that Taoyuan plant turned into an operation center, and the inventory was cleared.
4. Operating leverage: Mainly due to the increase in operating losses in the current period.

Note 1: The above annual financial information has been verified by certified public accountant.
Note 2: The calculation formulas of financial ratios are the same as above.

C. The audit report from the audit committee for the financial report of the most recent year
   Please see page 157 in this report.

D. The financial statement of the most recent year, including accountant's audit report, balance sheet with two-year comparison, income statement, changes in equity, cash flow statement, and notes and attached tables.
   Please see pages 159 ~ 256 in this report.

E. The Company's individual financial report of the most recent year with CPA's check and verification, excluding detailed table of important accounting items.
   Please see pages 257 ~ 348 in this report.

F. From the most recent year to the date on this report, if any financial difficulties or turnover problems should occur to the Company and its affiliated firms, please list out their impacts on the financial conditions of the Company: none.

VII. Review and Analysis of Financial Conditions and Performance, and Risk Management

A. Analysis of Financial Conditions

Unit: NTD thousands

Year / Item	2018 (Consolidated)	2019 (Consolidated)	Variance Amount	Variance %
Current Assets	7,761,251	7,492,419	(268,832)	(3.46)%
Property, Plant and Equipment	5,940,726	5,331,401	(609,325)	(10.26)%
Other Assets and Intangible Assets (Including Funds and Investments)	606,628	695,108	88,480	14.59%
Total Assets	14,308,605	13,518,928	(789,677)	(5.52)%
Current Liabilities	7,963,984	8,151,762	187,778	2.36%
Non-current liabilities	2,415,121	1,457,045	(958,076)	(39.67)%
Total Liabilities	10,379,105	9,608,807	(770,298)	(7.42)%
Common Stock	2,810,594	2,810,594	0	-
Capital Surplus	1,061,873	1,061,873	0	-
Retained Earnings	340,292	495,598	155,306	45.64%
Other Equity	(283,259)	(457,944)	(174,685)	(61.67)%
Total Equity	3,929,500	3,910,121	(19,379)	(0.49)%

Explanation and analysis on percentage changes:

1. Decrease in non-current liabilities: Mainly due to reclassifying the recognition of long-term loans under loans due within one year.
2. Increase in retained earnings: Mainly due to the profits made this year.
3. Decrease in other equity: Mainly due to exchange rate changes.

B. Analysis of Financial Performance

(A) Main reasons of major changes in revenue, net operating profit and net profit before tax in the most recent two years

Unit: NTD thousands

Item \ Year	2018	2019	Variance	
			Amount	%
Net Operating Revenue	13,058,285	13,717,231	658,946	5.05%
Operating Cost	11,902,072	11,958,171	56,099	0.47%
Gross Profit	1,156,213	1,759,060	602,847	52.14%
Operating Expense	1,160,808	1,233,303	72,495	6.25%
Operating Income (Loss)	(4,595)	525,757	530,352	11,541.94%
Non-Operating Income and Expenses	(232,227)	(289,121)	(56,894)	24.50%
Income Before Tax (Loss)	(236,822)	236,636	473,458	199.92%
Income Tax (Fee) Interests	(4,063)	(81,330)	(77,267)	1,901.72%
Net Income (Loss)	(240,885)	155,306	396,191	164.47%
Other Comprehensive Income (Net Income After Tax)	(37,384)	(174,685)	(137,301)	367.27%
Total Comprehensive Income	(278,269)	(19,379)	258,890	93.04%

Explanation and analysis on percentage changes:

1. Operating gross profit: Due to the increases in production efficiency and the gross profit margin.
2. Operating profit (loss): Due to the improvement in productivity and the increase in the gross profit amount due to the increase in gross profit margin.
3. Non-operating income and expenses: Due to the recognition of losses from equipment disposal of Taoyuan plant.
4. Net profit (loss) before tax, net profit (loss) for the period, and total comprehensive profit and loss for the period: Due to the improvement in productivity and the increase in the gross profit amount due to the increase in gross profit margin.
5. Income tax expense: Mainly due to the increase in profits of reinvestment companies.
6. Other comprehensive gains and losses (net profit after tax) in the current period: Mainly because the exchange rate fluctuations caused a reduction in the exchange differences after conversion in the financial statements of foreign operating agencies.

(B) Analysis of changes in gross profit by product type

Unit: NTD thousands

Product Type	Increase/Decrease of Gross Profit	Reason for Difference			
		Price Difference	Cost Difference	Sales Mix Difference	Quantity Difference
Double-sided PCB	$50,175	$100,609	($16,088)	($29,601)	($4,745)
Multi-layer PCB	522,704	643,121	(150,791)	56,042	(25,667)
Total	$572,879	$743,730	($166,880)	$26,441	($30,412)
Cost of goods sold-Inventory Loss	$18,769	favorable	unfavorable	favorable	unfavorable
Other	11,199				
Total	602,847				

To accommodate the changes in the market product demand, it is favorable when price variance and sales mix variance; when the cost variance and quantity variance are negative, it’s unfavorable. On a whole, under the proper control of the production costs of the Kunshan plant in mainland China, the price growth is greater than the increase in cost, and the overall gross profit has increased significantly.

(C) The expected number of sales and its basis, the possible impact on the company's future financial business and the response plan

In year 2020, the overall order is estimated to grow by about 3-5% shared by three plants. The types of technology include conventional boards, HDI boards, high-frequency boards, thick copper boards, rigid-flex boards, and semi-flex boards. Product application types include automotive, servers and Netcom, medical products, storage devices, display panels, consumer electronics, etc. It is expected that there will be a steady growth in sales volume in the year 2020, which will have a positive effect on the company's future financial business.

C. Cash Flow

(A) Analysis of changes in cash flow in the most recent year

Item \ Year	2018	2019	Growth %
Cash flow percentage	(5.64)	20.22	458.51 %
Cash flow adequacy ratio	30.35	46.96	54.73 %
Cash reinvestment ratio	(3.49)	15.35	539.83 %
Analysis of changes in growth percentage: The net cash flow from operating activities in 2019 was an inflow due to the profits, which resulted in an increase in the cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio in year 2019.			

(B) Improvement plan for insufficient cash flow: not applicable

(C) Analysis of cash liquidity for the coming Year

Cash amount from beginning of the period (A)	Projected Net Cash Flow from the Year's Operation (B)	Projected Cash Outflow for the Entire Year (C)	Projected Cash Balance (A + B – C)	Contingency Plans for Projected Insufficient Cash Position	
				Investment Plan	Financial Management Plan
$1,038,492	$2,142,813	$(1,909,978)	$1,271,327	0	0

D. Impacts of Major Capital Expenditures in the Most Recent Year on Financial Operation: Not applicable.

E. Reinvestment Policies, Main Reasons of Profit and Loss and Improvement Plans in the Most Recent Year and Investment Plans for the Coming Year

Unit: NTD thousands

Item \ Description	Amount of reinvestment profit (loss)	Policy	Major reasons of profit or loss	Improvement plan	Investment plan for the coming year
WINTEK (MAURITIUS) CO., LTD.	568,631	Investment Holdings	Recognized as investment income of the reinvested Dynamic (Kunshan) Electronics Co. Ltd. in mainland and Dynamic Electronics Holding Pte. Ltd. in Singapore.	-	-
Dynamic PCB Electronics Co., Ltd.	22	Triangle Trade	Recognition of interest income from saving.	-	-
Dynamic Electronics Co., Ltd. (Seychelles)	66,231	Trading business	Increased sales in the mainland led to profitability of this term.	-	-
Dynamic Electronics Trading Pte. Ltd.	221	Management & operation services	Income from offering management & operation services	-	-
Dynamic Electronics Holding Pte. Ltd.	319,536	Investment business	Recognized as investment profit of the reinvested mainland business-Dynamic Electronics (Huangshi) Co. Ltd.	-	-
Dynamic Electronics (Kunshan) Co., Ltd.	269,543	Production Site	The increase in production efficiency resulted in the increase in gross profit margin.	-	-
Dynamic Electronics (Huangshi) Co., Ltd.	310,320	Production Site	The production capacity increased to an economic scale.	-	-

F. Sources of Risk

(A) Impacts of interest rate, currency exchange rate fluctuation and inflation on the Company’s income and response measures in the future

Unit: NTD thousands

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Impacts on Company’s profit/loss</th><th rowspan="2">Response Measures</th></tr>
<tr><th>Year
Item</th><th>2018</th><th>2019</th></tr>
<tr><td rowspan="2">Interest Rate</td><td>Interest Income</td><td>14,508</td><td>8,358</td><td rowspan="2">The Company periodically observes market interest trends and evaluates capital sources according to bank deposit savings and applicable capital planning to reduce operation risks.</td></tr>
<tr><td>Interest Expense</td><td>195,286</td><td>221,849</td></tr>
<tr><td>Changes in Exchange Rate</td><td>Net profit/loss from Exchange</td><td>(116,783)</td><td>(11,754)</td><td>1. The sales of the company's products are mainly for export, the purchases is mainly the processing charges by Chinese factory, so exchange rate changes have limited impact on the company's revenue and profit.
2. The proportion of the company's overseas business is high, exchange gains and losses can impact the revenue and profit, in order to avoid company’s profit being slashed by excessive fluctuations in exchange rates, the Company strengthened the exchange rate risk control, and to take the following measures:
A. Collect daily exchange rate information in order to fully grasp the exchange rate trend and make timely decision on converting or holding foreign currency to reduce exchange rate risks.
B. In terms of foreign exchange capital allocation, exchange rate risk can be reduced by the offset of foreign currency claims and liabilities through regular export and imported goods transaction.
C. For payables denominated in foreign currencies, determine the exchange rate movements and analyze exchange gains and losses, decide whether to repay early or to pay with a bank loan, in order to avoid the risk of exchange rate fluctuations, and to achieve the purpose of cost savings.
D. Consult with bank foreign exchange sector about hedging strategy, make decision for foreign currency according to funding requirements and the exchange rate situation, in order to reduce operational risk.
E. When the exchange rate has a greater volatility, use other tools to avoid exchange risks, such as the transaction of forward foreign exchange and other manipulations, in order to avoid the risk of changes in exchange rates.</td></tr>
<tr><td>Inflation</td><td>-</td><td>-</td><td>-</td><td>In recent years, domestic and foreign markets are facing the problem of inflation, although both have a negative impact on the overall economy and individual; the company may have the relative change in the product cost, selling price and market demand, but so far, no significant influence has occurred; the company will continue to observe and respond to market changes with appropriate adjustments.</td></tr>
</table>

(B) Major Reasons for Transaction Policies, Profit or Loss from Engaging in High-risk and Hyper-leveraged Investments, Fund Lending, Endorsement/ Guarantee and Derivatives and Correspondent Procedures and Response Measures

1. In the most recent year and as of the publishing date of the annual report to the public, the Company has not been engaged in any high-risk or hyper-leveraged investments. In the future, the Company will focus on development of its main industry focus. Under circumstances without prudent evaluation and decisions made by the board of directors, the Company will not be engaged in any kind of high-risk or hyper-leveraged investments.

2. Situation of the Company's Lending of Funds:

Unit: NTD thousands

Fund Lender	Borrower	Reason for Fund Lending	2019 end of year balance
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	The working capital for the initial plant construction.	428,000
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics (Huangshi) Co., Ltd.	The working capital for the initial plant construction.	1,077,480
Dynamic Electronics Co., Ltd. (Seychelles)	Dynamic Electronics (Huangshi) Co., Ltd.	The working capital for the initial plant construction.	149,650

3. Situation of the Company's Endorsements and Guarantees:

Unit: NTD thousands

Entity making the Endorsement/ Guarantee	Entity for which the Endorsement/Guarantee is made	Reason for Endorsement/ Guarantee	2019 end of year balance	Ways of improvement
Dynamic Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Cross-strait laws and regulations are not able to provide security for local banks in Taiwan.	299,300	In response to the principle of risk control, establish the cross-strait bank financing amount for this subsidiary to balance the risk of bank financing that might resulted from the cross-strait policy.
	Dynamic Electronics (Huangshi) Co., Ltd.	Cross-strait laws and regulations are not able to provide security for local banks in Taiwan.	179,580	In response to the principle of risk control, establish the cross-strait bank financing amount for this subsidiary to balance the risk of bank financing that might resulted from the cross-strait policy.

4. Situation of the Company's Derivatives Trading:
The Company's main derivatives exchange primarily involve forward transactions in order to reduce foreign exchange risks; the Company periodically evaluates risks and reports to the board of directors at every board meeting. In the future, the Company will continue to observe foreign currency exchange rate trends,

conduct forward transaction operations within the board of directors authorized limits, in order to reduce company risks in holding USD capital.

(C) R&D Plans and Estimated Expenses in Coming Years

1. 2020 R&D Plans: mm Wave high frequency 400G high speed hybrid technology, thick copper and buried and embedded copper cooling technology, Mosfet embedded, 1.6mil fine line.
2. It is expected that the R&D budget to be invested in 2020 will be NTD18,716,000. (The increase from year 2019 is mainly due to the transformation of Taoyuan plant into an operational headquarters and R&D center.)

(D) Effects of domestic/foreign policy changes and law amendments on the Company's finance and response measures

1. In terms of regulatory environment in Taiwan, new laws and regulations of year 2019 related to the company are: the research and development expenditures of companies or limited partnerships are applicable to the investment credit; based on industrial innovation, they are encouraged to engage in the innovative activities of products, labor services, service processes or creation by scientific methods or technical means of technology. Childbirth Accident Emergency Relief Act, income tax law, Toxic and Concerned Chemical Substances Control Act, Fire Services law, Regulations for the Collection of Commodity Tax, Labor Pension Act, Labor Standards Act, Act Governing Relations between the People of the Taiwan Area and the Mainland Area, Occupation Safety and Health Act, etc.

2. In terms of regulatory environment in China, new laws and regulations of year 2019 related to the company are: promulgation on March 15th, 2019 of the official implementation of [Foreign Investment Law] on January 1st 2020, actively promoting foreign investment, implementing policy of high-level investment with liberalization and facilitation, creating stable, transparent and predictable investment environment; revise the [Fire Protection Law], mainly based on the system reform and function adjustment of the fire rescue organization, build a new fire protection supervision system; formulate the [Resource Tax Law] which will be implemented from September 1, 2020, stipulating unified tax items, adjust the authority determined by specific tax rates, standardize tax reduction and exemption policies, and levy water resource taxes on a pilot basis.

(E) Effects of technology development and industry changes on the Company's finance and response measures

Following the electronic technology expanding to communications, personal mobile devices and Internet communities, the company's PCB have also been successfully extended to 5G communications, server and networking product, storage devices, electronic vehicle, internet, wearable devices and medical equipment and other fields. The company pays close attention to the changes in technology and industry, while constantly sophisticated our technology development and process capabilities, also to adjust the strategy to cope with the changes in the market at all time.

(F) Effects of changes of corporate images on the Company’s crisis management and response measures: Not applicable

(G) Expected Benefits, Risks and Response Measures in Mergers and Acquisitions: Not applicable

(H) Possible risks and response measures and expected benefits from plant expansion: The Company properly planned and maintained the flexibility of the production capacity when expanding the Huangshi plant. When the demand for products is effectively grasped, the Company will enhance the production process and output to avoid the risk of idle production capacity. The possible risk and response measures are as follows:

1. Risk of raising working capital
   Response measures: own funds, bank loans, mainland government subsidies.
2. Risk of customer orders
   Response measures: Strengthening the yield, quality and technical capacity, developing high-end, high value-added niche-type products, meantime planning alternative products.

(I) Risks and Response Measures in Concentration in Purchase and Sales
In the recent two years, only one of the company’s suppliers account for over 10% of the company’s purchasing net amount, and the highest percentage is 16.25% of the company’s total purchase amount, so there is no risk caused by excessive concentration. In the recent two years, only one of the company’s customers accounts for over 10% of the company’s sales net amount, and the highest percentage is 15.26%, so there is no risk caused by excessive concentration.

(J) Impacts, Risks and Response Measures in Changes or Transfer in Directors, Supervisors and Substantial Shareholders with Shareholdings Greater than 10%: Not applicable.

(K) Impact, Risks and Response Measures in Changes of Ownership: Not applicable.

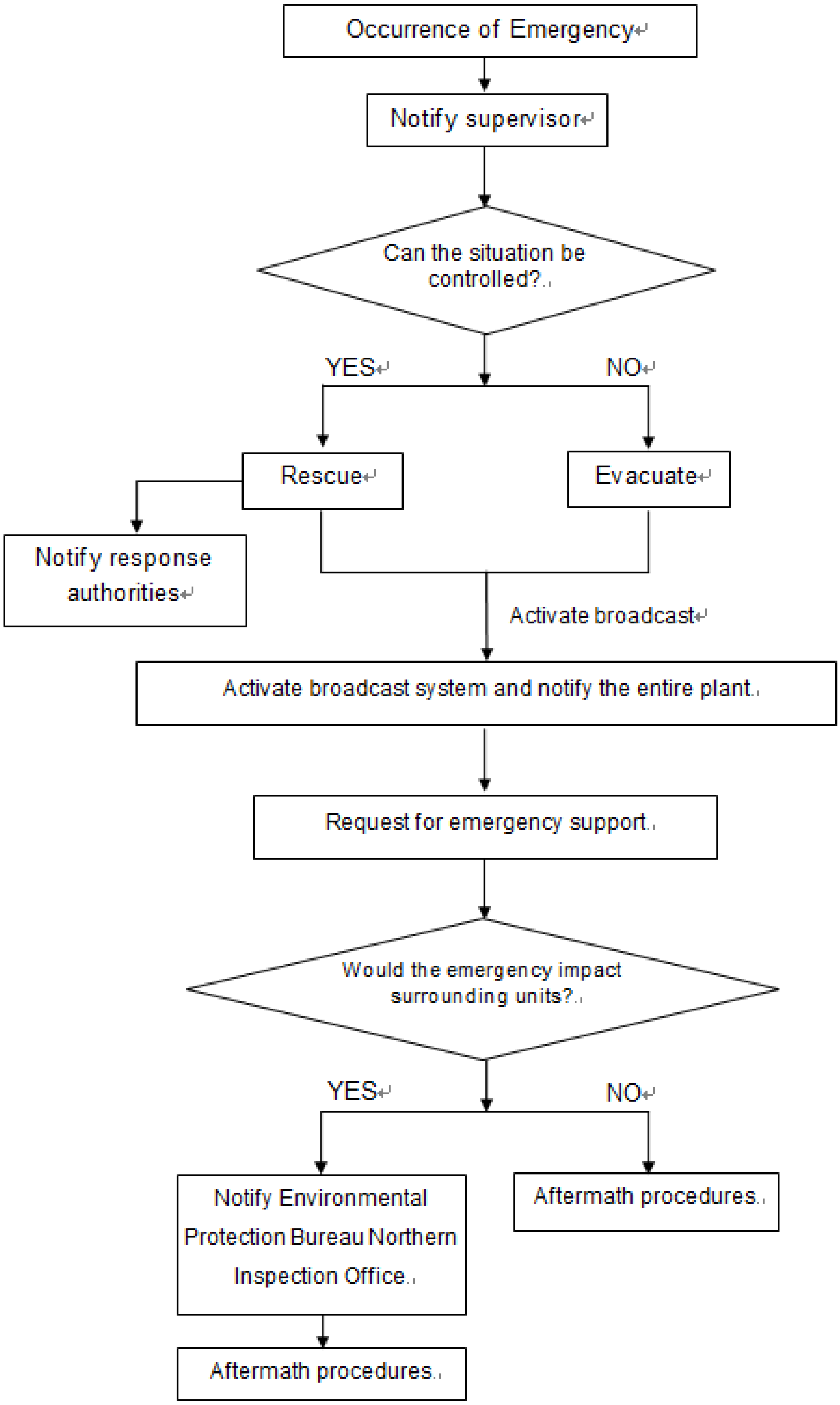
(L) With regard to litigation or non-litigation events, the name of its board directors, supervisors, Presidents, major shareholders holding greater than 1% of outstanding shares and the Company's subsidiaries should be stated. With regard to litigation (whether pending or for which a verdict has been reached), non-litigation or administrative appeals involving the Company, and the results may greatly affect the rights of its shareholders and bond prices, the Company shall disclose the details of the disputes, the amount involved, the litigation starting dates, primary litigants, and the status as of the publishing date of the annual report: Not applicable.

(M) Other Major Risks and Response Measures:

1. Assessment of Risk Issues

Year 2019 Risk Management Committee evaluated 13 risk issues, including: the risk of high investment in new products, the risk of knowledge gap among the professional technical personnel, the virus deployment of equipment, exchange rate fluctuation, the impact of climate change on operational activities, environmental protection and related changes in international regulations, government management of hazardous waste, storage of chemicals, epidemic diseases, natural disasters (typhoons, earthquakes, floods, droughts), fires, chemical disasters, poisonings, etc. Responsible units have all proposed response plans, which will be reported to the board of directors after being reviewed by the audit committee and will be continuously tracked.

2. Preparations and Response Procedures for Emergency Situations



3. Other incidents impacting normal operation:

1	When short on staff	Divided into short-term and long-term responses: 1) Short-term: To flexibly arrange manpower among production lines, outsourcing may be arranged by the production planning depending on the situation to prevent impact on product delivery. 2) Long-term: through application channels, employ foreign labor or contract staff for training and management in order to meet manpower requirements.
2	During production equipment malfunction	1) When malfunction of production equipment occurs, first send the engineering personnel to understand the situation and make analysis, then to shut down the power for the malfunctioning equipment and hang the caution sign for “under maintenance.” 2) If the engineering personnel is unable to handle the problem, the department in requirement is to submit an “Equipment maintenance application/purchase order form” and then the engineering department is responsible for contacting maintenance company to come for repair. 3) After the maintained equipment is confirmed by the manufacturing process supervisor, and has its “Repair/Maintenance record” recorded with its maintenance. If the repair cannot be complete smoothly, the production planning personnel will conduct production coordination. 4) Repair/Maintenance contracts should be signed with main production equipment and manufacturing suppliers. 5) To avoid the impact of major production equipment failure on the production capacity, the maintenance contracts for the key production equipment will be signed with the equipment manufacturers.
3	During supplier emergency situations	1) Check the inventories at factory and at supplier. 2) Seek information for suppliers with substitute products, when necessary buy from foreign suppliers in order to maintain regular product delivery to customers. 3) The Plant President is to assemble a response team to meet and discuss response strategies. 4) Depending on the type of situation, all department supervisors act up to the directions instructed by the response team.
4	During contingencies in public services: water/ electricity outage	1) Keep generators in good condition in order to maintain regular operations during emergency electrical outage. 2) Build additional water storage tank, obtain groundwater rights for temporary use in times of short-term water outage. 3) In times of water/electricity outage, in addition to taking emergency response measures, production modification plans should be made by the production manager or outsourced to legitimate manufacturers. 4) In times of contingencies, the production unit should immediately take control of products in the process of production and have the series labeled for future quality tracking.
5	Sudden environmental pollution incident	1) Formulate emergency plans and reserve emergency disposal supplies and personnel. 2) Ensure the emergency collection pool stays vacant and can be used when an environmental pollution incident occurs and not affect the external environment and the regular production capacity within the plant.
6	Sudden fire and safety accident	1) Formulate corresponding emergency plans and conduct regular dry run to clarify the duties of each participant. 2) Ensure that the fire detecting probe is functioning properly and effectively.

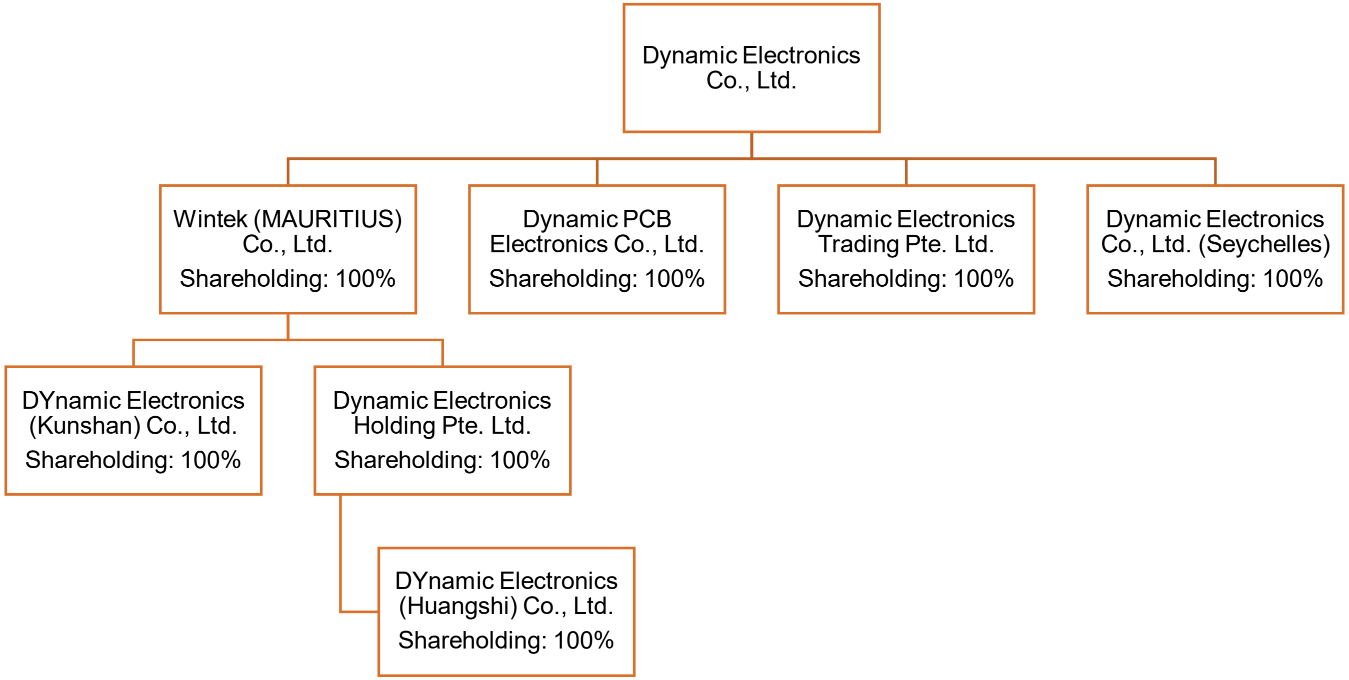
7	Public disaster (food poisoning)	1) The daily restaurant management is performed strictly and the food is sampled. 2) Sign a rescue agreement with the hospital nearby for immediate aid in the event of an accident.

G. Other Important Matters: none.

VIII. Affiliated Companies and Other Special Disclosures

A. Related Information on Affiliated Companies

(A) Subsidiaries and Affiliated Companies Business Organization Structure



(B) Basic Information of Subsidiary and Affiliated Companies:

Unit: thousand shares / thousand NTD; Dec. 31, 2019

Company Name	Date of Incorporation	Address	Paid-in Capital	Major Business Activities
WINTEK (MAURITIUS) CO., LTD.	2001.12	Level3,Alexander House,35 Cybercity,Ebene ,Mauritius	USD 83,500	Investment Holding
Dynamic PCB Electronics Co., Ltd.	2008.01	1st Floor,#5DEKK House,De Zippora Street, P.O.BOX 456 Providence Industrial Estate,Mahe,Republic of Seychelles	USD 50	Trading of Printed Circuit Board
Dynamic Electronics Co., Ltd. (Seychelles)	2015.01	1st Floor,#5DEKK House,De Zippora Street, P.O.BOX 456 Providence Industrial Estate,Mahe,Republic of Seychelles	USD 50	Trading of Printed Circuit Board
Dynamic Electronics Trading Pte. Ltd.	2015.06	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE (169876)	USD 50	Management and operational services
Dynamic Electronics Holding Pte. Ltd.	2015.12	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE (169876)	USD 47,940	Investment holding
Dynamic Electronics (Kunshan) Co., Ltd..	2002.02	No. 1688, Jinshajiang North Rd. Kunshan City, Jiangsu Province 215344, China	USD 80,000	Production and sales of Printed Circuit Board
Dynamic Electronics (Huangshi) Co., Ltd.	2016.03	Economic and Technological Development Zone, Jinshan Road 189, Huangshi, China	USD 47,940	Production and sales of Printed Circuit Board

(C) Companies with Control or Subsidiary Relationships according to Article 369-3 of the R.O.C. Company Law: none

(D) Business Operations within Company Affiliates and their Relationships: Investment, Shareholding, Manufacturing Operation and Trade.

(E) Information about Directors, Supervisors, and Managers of Subsidiary and Affiliates:

Unit: Shares; Dec. 31, 2019

Company Name	Title	Name or Representative	Holding of Shares	
			Shares	%
WINTEK(MAURITIUS) CO., LTD.	Director	Ken Huang	8,350,000	100.00%
Dynamic PCB Electronics Co., Ltd.	Director	Ken Huang	50,000	100.00%
Dynamic Electronics Co., Ltd. (Seychelles)	Director	Ken Huang	50,000	100.00%
Dynamic Electronics Trading Pte. Ltd.	Director	Ken Huang, Jean Liu, Lily Chiang, Wanhui Lim	50,000	100.00%
Dynamic Electronics Holding Pte. Ltd.	Director	Ken Huang, Jean Liu, Lily Chiang, Wanhui Lim	47,940,000	100.00%
Dynamic Electronics (Kunshan) Co., Ltd.	Executive Director Supervisor President	Ken Huang Jean Liu Stephen Tsai	-	100.00%
Dynamic Electronics (Huangshi) Co., Ltd.	Executive Director Supervisor President	Ken Huang Jean Liu Bill Nee	-	100.00%

(F) Operation Results of Affiliated Companies

Unit: thousand NTD; Dec. 31, 2019

Company Name	Paid-In Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income	Net Income	EPS
Dynamic Electronics Co., Ltd.	2,810,594	7,022,365	3,112,244	3,910,121	5,064,011	-304,103	155,306	0.55
WINTEK(MAURITIUS) CO., LTD.	2,716,696	5,362,780	1,081,025	4,281,755	-	-118	568,631	-
Dynamic PCB Electronics Co., Ltd.	1,555	2,665,242	2,663,257	1,985	10,014,470	-35	22	-
Dynamic Electronics Co., Ltd. (Seychelles)	1,556	2,177,894	1,876,698	301,195	6,877,447	45,122	66,231	-
Dynamic Electronics Trading Pte. Ltd.	1,541	2,361	176	2,185	1,369	203	221	-
Dynamic Electronics Holding Pte. Ltd.	1,492,524	1,482,668	1,844	1,480,824	0	-581	319,540	-
Dynamic Electronics (Kunshan) Co., Ltd.	2,398,400	7,601,767	4,785,497	2,816,270	10,087,588	361,308	268,772	-
Dynamic Electronics (Huangshi) Co., Ltd.	1,437,241	5,259,265	3,776,597	1,482,668	3,780,348	458,921	320,122	-

Note 1: Refer to foreign exchange rates to NTD:
For the balance sheet, USD=29.98, RMB=4.297483.
For the income statement, USD=30.926864, RMB=4.476973.

(G) The most recent year's report is prepared according to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". The Company's 2019 report (starting from January 1st , 2019 to December 31st , 2019) "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" should include consolidated business reports and consolidated financial statements of affiliated enterprises, and according to Article 27 of International Accounting Standards, the parent and subsidiary companies' consolidated financial statements should be identical, the consolidated business reports and consolidated financial statements of affiliated enterprises are already stated within the consolidated financial statements for the parent and subsidiary companies, therefore there will be no separate preparation for consolidated business reports and financial statements of affiliated enterprises.

B. Private Placement Securities in the Most Recent Year and as of the Publishing Date of the Annual Report: none.

C. Company's Shares Held or Transferred by Subsidiaries in the Most Recent Year and as of the Publishing Date of the Annual Report: none.

D. Other Supplementary Information: none.

E. Pursuant to the Article 36-2-2 of Security Exchange Act, Event Having Material Impact on Shareholders' Equity or Share Price in the Most Recent Year and as of the Publishing Date of the Annual Report: none.

VIIII. Other Information Disclosures

A. Precautionary Measures for a Safe Working Environment and Personnel Security

(A) To ensure prevention of workers being exposed to hazardous material, for exposed concentration to meet law regulated standards, the Company carries out operation environment inspection once per year in order to implement the supervision and monitor on work environment. Inspection plan is announced before putting it into practice, and the implementation result is disclosed to the public. Also the Company make environmental improvement in accordance with the monitoring results, in the meantime, combine with the staff health check report by the company's annual health check service and the help of occupational disease physician to identify the working conditions that need improvement and develop appropriate improvement measures for it. For the machines and equipment that may cause harm to the operator, the Industrial Safety Department should require the equipment operating unit to carry out periodical inspection on their own besides conducting the regular inspection by facilities standards, so that the occupational accidents due to equipment problem can be avoided; for the potential occurrence of accident and the risk factors that exist in the environment, the staff can know more through the education, training, bulletin board and regular-time announcement, which can remind employees and provide them with prevention solutions.

(B) In order to fully understand the health condition of our employees, assign the most suitable job, and prevent occupational illness, in addition to establishing medical care and emergency personnel according to law regulations, health examinations are conducted for new employees, periodic health examinations for active employees and special health examinations for workers exposed to hazardous operation. For employees with exceptionally abnormal results from the health examination, the plant nurse will provide tracking and care for their health conditions, and when necessary, they may consider adjustments or modifications to their job content.

(C) During the period between June and July every year, Taoyuan Plant would appoint a medical institution that approved by the Occupational Safety and Health Department to implement health check and specific health check for all the staff of Taoyuan plant. After implementation, a comparison report with all previous health status data will be provided for each employee to assist the employee in health management; A series of health talks will be held by appointed factory doctors and external lecturers based on the health check results and the factory characteristics, to enable the staff to acquire more knowledge of occupational disease prevention.

Kunshan plant will have the Industrial Safety and Health Department collect the health conditions comparison charts, exhibiting posters regarding occupational illness prevention and awareness through the exhibition portal every month, promoting employees' prevention and awareness of occupational illness.

Each year, the Huangshi Plant has a hospital accredited by the government's regulatory authorities to conduct occupational disease health checkups for employees involved in occupational hazards throughout the plant. After implementation, each employee's occupational health record is filed to assist in health management; Ministry of Environmental Protection organizes occupational health knowledge education and training to improve employees' occupational health literacy every year.

(D) To enhance the safety awareness of the plants, Industrial Safety/Environment Safety Dept. carry out a monthly security rating of the each class in two plants, as well as taking forward the relevant security activities. Hopefully the purpose of production safety will be achieved by the giving reward or punishment according to the rating result of each month.

(E) In 2019, Kunshan Factory and Huangshi Factory successfully passed the ISO14001 & ISO45001 supervision and audit to ensure the effective operation of the environmental and industrial safety management systems of the two factories.

(F) Year 2019 Industrial Safety Improvement Measures of Taoyuan Plant:

1. Continue to check and repair the fire circuit, take inventory, add additional fire facilities and repair fire doors.
2. Continue to add flame detection sensors and HCN detector.
3. Make chemical storage map.
4. Check all the anti-fall handrails in factory and make improvement accordingly.
5. Inspection and repair for all public safety facilities of buildings.
6. Renewal of old power wiring in wastewater building.
7. Newly purchased nickel-plated silver-gold wire, PPS configuration for air duct.
8. To be equipped with sufficient self-contained breathing apparatus(SCBA) for disaster relief use.

(G) Year 2019 Industrial Safety Improvement Measures of Kunshan Plant:

1. On the basis of the top three work-related injuries in 2018, specific system improvement was carried out, and the number of accidents dropped by 34.7% in 2019.
2. The training of first-aid seed personnel reduced the incidence of casualties by providing immediate effective rescue during the accident.
3. Carrying out safety personnel training for all supervisors of the plant and establishing safety personnel audit mechanism, so that safety personnel can fully utilize their professional knowledge to reduce potential safety hazards within the scope of work.
4. Promoting the second-level standardization of safe production, building a complete safety system under the guidance of third-party technicians to become a role model for safe production in Kunshan Development Zone.
5. Planned hazardous chemicals storage environment in the plant and corresponding safety measures. Increased the supplier's delivery frequency to reduce the volume on single delivery, and ensure that the volume of hazardous chemicals stored in the factory is within the scope of safety control.
6. Strengthening the management of contractors and creating qualification emblem of special operation training to regulate the operation of special operations by dedicated professional and reduce the probability of industrial safety incidents.
7. In response to the epidemic, we prepared epidemic containment resources in advance to deal with the spread of the epidemic, and established complete disease control system to protect the health of factory employees in order to maintain the normal operation of the factory.

(H) Year 2019 Industrial Safety Improvement Measures of Huangshi Plant:

1. Completion of three acceptance examinations for the safety construction and the plant's principle part construction simultaneously including design, construction, and operation, occupational control evaluation examination, and establishment of safety production standardization (level 3).
2. Installation of light curtain sensor and emergency stop facilities for the entire plant.
3. All fire protection facilities and emergency rescue facilities of the whole plant are included in the PAD system checkpoint.
4. Control and improvement in the storage conditions of hazardous chemicals workshops.
5. The monthly safety training of the construction company ensures the safe operation of the construction workers.
6. Established and improved employee level-3 safety education files and occupational health guarding files.
7. Specially-assigned person to supervise the qualification for special equipment and special operations personnel.
8. Added fire sprinkler and emergency stop system to the exhaust gas duct to reduce the risk of fire in the exhaust system.
9. Adding the nursing room and shower room in the factory area.
10. Cyanide concentration increase alarm in ENIG process and monthly environmental monitoring.
11. Including ergonomics in the safety assessment.

B. Material Insider Information Non-Disclosure Procedure

The Company has established the "Material Insider Information Non-Disclosure Procedure", the authority 【Chairman Office】should notify supervisors and employees to be aware of whether there is important information to be disclosed according to law regulations. Furthermore, in order to reduce risks of inside trading, 【Chairman Office】 should annually promote awareness to the supervisors and employees, and request all personnel above the level of management, related personnel of financial and audit departments signing the "Material Information Confidentiality Agreement".

X. Auditor’s Report and 2019 Financial Statement

Dynamic Electronics Co., Ltd.

Statement on Internal Control System

Date: Feb 27, 2020

According to self-inspected results, the Company’s internal control system of 2019 is stated in the following:

1. The Company understands the board of directors and Presidents’ responsibility to establish, implement and maintain the Company’s internal control system. The Company has established such regulations, intending to achieve objectives regarding effectiveness and efficiency (including profit, performance and ensuring asset security etc.) of operations, reliability, timeliness, transparency, and regulatory compliance of reporting, as well as compliance with applicable laws, regulations, and bylaws, providing reasonable guarantee.
2. The internal control system has its intrinsic limits, no matter how complete the design, effective internal control can only provide reasonable guarantee for meeting the three aforementioned objectives; along with environmental and conditional changes, effectiveness of internal control regulations may change also. However, self-inspection mechanisms have been established into the Company’s internal control system, the Company will take actions to fix a deficiency once it has been identified.
3. According to the “Regulations Governing Establishment of Internal Control Systems by Public Companies”, (hereafter referred to as the Guideline) regulating the criteria for internal control systems effectiveness, the Company has assessed the effectiveness of the design and implementation of its internal control system. Intended for management and control processes, the Guideline’s criteria for assessing internal control systems is comprised of five constituent elements: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communications, and 5. Monitoring activities. Every element is comprised of further constituents. Please see “the Guideline “for the aforementioned elements.
4. The Company has assessed the effectiveness of the design and effectiveness of its internal control system according to the aforementioned internal control system criteria.
5. The assessment results show that as of December 31st , 2019, the Company’s internal control system (including inspection and management of its subsidiaries), is effective in its design and implementation, meeting objectives including its effectiveness and efficiency (including profit, performance and ensuring asset security etc.) of operations, reliability, timeliness, transparency, and regulatory compliance of reporting, as well as compliance with applicable laws, regulations, and bylaws, providing reasonable guarantee in achieving the aforementioned objectives.
6. This Statement will become a main content item in the Company’s Annual Report and its public announcements, and will be made public. Contents described above containing fraudulent materials, undisclosed items, or other illegalities, will incur legal responsibility under Articles 20, 32, 171, and 174 of the Securities Transaction Law.
7. This Statement was approved by the directors attending the Company's Board of Directors meeting on Feb. 27, 2020, among the 7 attendees, there were 0 dissenting opinions.

Dynamic Electronics Co., Ltd.

Chairman: Ken Huang Signature

President: Ken Huang Signature

Audit Committee’s Review Report

It is agreed to and resolved by the Audit Committee and the Board of Directors that the company’s 2019 Financial Statement was audited and certified by Ernest & Young, who is designated by the Board of Directors; and an audit report which refers to the Financial Statement was issued.

In addition, the Company’s business report of 2019 and statement of Deficit Compensation which were submitted by The Board of Directors have been considered to be compliant with the relevant regulations of Company Law after having them reviewed by the Audit Committee of Dynamic Electronics Co., Ltd. According to article 219 of Company Law, we hereby submit this report.

To
2020 Annual Meeting of Shareholders of Dynamic Electronics Co., Ltd.

Chairman of the Audit Committee: Yi-chia Chiu

March 30, 2020

MANAGEMENT REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Dynamic Electronics Co., Ltd. as of and for the year ended December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Accounting Standard No. 27, “Consolidated and Separate Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Dynamic Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

DYNAMIC ELECTRONICS CO., LTD.

By

KEN HUANG

Chairman

Mar. 30, 2020

English Translation of Consolidated Financial Statements and a Report Originally Issued in Chinese

AUDIT REPORT OF INDEPENDENT AUDITORS

To: the Board of Directors
Dynamic Electronics Co., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of Dynamic Electronics Co., LTD. (the "Company") and its subsidiaries as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2019 and 2018, and their consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of 2019 consolidated financial statements. These matters were addressed in the context

of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT$13,717,231 thousand for the year ended December 31, 2019 is a significant account to the Company's consolidated financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, Asia and Europe, etc. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, performing analytical review procedures on monthly sale revenues, and executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 4 and 6 to the consolidated financial statements.

Provision against inventory

We determine that provision against inventory is also one of the key audit matters. The Company and its subsidiaries' inventory in amount of NT$1,519,960 thousand, representing 11.24% of consolidated total assets, as of December 31, 2019 is significant to the Company's consolidated financial statements. The application market of the Company's main products, PCB, has been developing and changing rapidly and influenced significantly by end-customers' preference. The management therefore has to closely monitor the status of new products development and market demand for evaluating any significant impairment, including loss from market decline and slow-movement, incurred toward inventory. Also there was significant management judgement involved in determining the sufficiency of inventory loss provision. With respect to the key audit matter – provision against inventory, our audit procedures include, but not limit to, evaluating the appropriateness of inventory provision policy including how to identify the phased-out or slow-moving items, testing the correctness of inventory aging report, analyzing the reasons for slow-moving inventory, performing observation on the Company and its subsidiaries' inventory physical taking, and looking into the status of inventory utilization. Meanwhile, we have evaluated the appropriateness of the related disclosure in Note 5 and 6 to the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements,

whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk

of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, 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 Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion on the parent-company-only financial statements of the Company for the years ended December 31, 2019 and 2018.

Cheng, Ching-Piao
Hong, Mao-Yi
Ernst & Young
March 30th , 2020
Taipei, Taiwan,
Republic of China

Notices to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China on Taiwan.

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, Ernst & Young 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.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			As of December 31, 2019		As of December 31, 2018	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$1,038,492	8	$844,983	6
1136	Financial assets carried at amortized cost	4, 6(2), 8	22,302	-	318,349	2
1150	Notes receivable, net	4, 6(3)	183,613	1	190,183	1
1170	Accounts receivable, net	4, 6(4)	3,940,279	29	3,852,601	27
1200	Other receivables		122,230	1	155,802	1
1310	Inventories, net	4, 6(5)	1,519,960	11	1,892,941	13
1410	Prepayments		443,495	3	486,096	4
1460	Non-current assets held for sale	4, 6(6), 8	217,280	2	-	-
1470	Other current assets		4,768	-	20,296	-
11xx	Total current assets		7,492,419	55	7,761,251	54
	Non-current assets					
1600	Property, plant and equipment	4, 6(7), 8, 9	5,331,401	40	5,940,726	42
1755	Right-of-use assets	4, 6(20), 8	271,650	2	-	-
1780	Intangible assets	4, 6(8)	13,709	-	20,836	-
1840	Deferred tax assets	4, 6(24)	405,293	3	297,188	2
1900	Other non-current assets	6(9), 8	4,456	-	288,604	2
15xx	Total non-current assets		6,026,509	45	6,547,354	46
1xxx	Total assets		$13,518,928	100	$14,308,605	100

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

As of December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2019		As of December 31, 2018	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(10), 8	$2,763,265	21	$3,641,048	26
2130	Contract liability		1,701	-	4,250	-
2170	Accounts payable		2,456,660	18	2,429,566	17
2200	Other payables	6(11)	988,342	7	1,368,019	10
2230	Current tax liabilities	4, 6(24)	10,969	-	9,664	-
2280	Lease liabilities	4, 6(20), 8	1,195	-	-	-
2300	Other current liabilities		32,170	-	28,496	-
2322	Current portion of long-term loans	6(12), 8	1,799,200	13	398,350	3
2355	Lease payable	6(13), 8	-	-	25,092	-
2365	Refund liability	4, 6(14)	98,260	1	59,499	-
21xx	Total current liabilities		8,151,762	60	7,963,984	56
	Non-current liabilities					
2540	Long-term loans	6(12), 8	644,622	5	1,684,200	12
2570	Deferred tax liabilities	4, 6(24)	378,721	3	265,952	2
2580	Lease liabilities	4, 6(20), 8	133	-	-	-
2613	Lease payable	6(13), 8	-	-	52,029	-
2630	Long-term deferred revenue	4, 6(15)	406,659	3	357,590	3
2640	Net defined benefit liability	4	1,575	-	1,359	-
2645	Guarantee deposits		25,335	-	53,991	-
25xx	Total non-current liabilities		1,457,045	11	2,415,121	17
2xxx	Total liabilities		9,608,807	71	10,379,105	73
31xx	Equity attributable to the parent company					
3100	Capital	6(17)				
3110	Common stock		2,810,594	21	2,810,594	20
3200	Capital surplus	6(17)	1,061,873	8	1,061,873	7
3300	Retained earnings	6(17)				
3310	Legal reserve		531,385	4	531,385	4
3320	Special reserve		299,666	2	299,666	2
3350	Accumulated profit or loss		(335,453)	(3)	(490,759)	(4)
3400	Other components of equity		(457,944)	(3)	(283,259)	(2)
3xxx	Total equity		3,910,121	29	3,929,500	27
	Total liabilities and equity		$13,518,928	100	$14,308,605	100

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

			2019		2018	
Code	Accounts	Notes	Amount	%	Amount	%
4000	Operating revenues	4, 6(18)	$13,717,231	100	$13,058,285	100
5000	Operating costs		(11,958,171)	(87)	(11,902,072)	(91)
5900	Gross profit		1,759,060	13	1,156,213	9
6000	Operating expenses	7				
6100	Sales and marketing expenses		(624,358)	(5)	(654,332)	(5)
6200	General and administrative expenses		(594,769)	(4)	(474,681)	(4)
6300	Research and development expenses		(14,227)	-	(27,371)	-
6450	Expected credit gains (losses)	4, 6(19)	51	-	(4,424)	-
	Operating expenses total		(1,233,303)	(9)	(1,160,808)	(9)
6900	Operating income (loss)		525,757	4	(4,595)	-
7000	Non-operating income and expenses	6(22)				
7010	Other income		119,703	1	99,872	1
7020	Other gains and losses		(186,975)	(1)	(136,813)	(1)
7050	Finance costs		(221,849)	(2)	(195,286)	(2)
	Non-operating income and expenses total		(289,121)	(2)	(232,227)	(2)
7900	Income (loss) from continuing operations before income tax		236,636	2	(236,822)	(2)
7950	Income tax expense	4, 6(24)	(81,330)	(1)	(4,063)	-
8200	Net income (loss)		155,306	1	(240,885)	(2)
8300	Other comprehensive income (loss)	6(23)				
8310	Not to be reclassified to profit or loss in subsequent periods					
8311	Remeasurement of defined benefit plans		-	-	2,137	-
8360	May be reclassified to profit or loss in subsequent periods					
8361	Exchange differences arising on translation of foreign operations		(185,503)	(1)	(45,661)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss		10,818	-	6,140	-
	Total other comprehensive income (loss), net of tax		(174,685)	(1)	(37,384)	-
8500	Total comprehensive income (loss)		$(19,379)	-	$(278,269)	(2)
8600	Net income (loss) attributable to:					
8610	Shareholders of the parent		$155,306	1	$(240,885)	(2)
8700	Total comprehensive income (loss) attributable to:					
8710	Shareholders of the parent		$(19,379)	-	$(278,269)	(2)
9750	Earnings (loss) per share - basic (In NT$)	6(25)	$0.55		$(0.86)	
9850	Earnings (loss) per share - diluted (In NT$)	6(25)	$0.55		$(0.86)	

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018

(In Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent						
				Retained Earnings			Components of equtiy	
		Capital	Capital Surplus	Legal Reserve	Special Reserve	Accmulated profit or loss	Exchange differences arising on translation of foreign operations	Total Equity
Code	Items	3110	3200	3310	3320	3350	3410	3XXX
A1	Balance as of January 1, 2018	$2,810,594	$1,061,873	$531,385	$299,666	$(252,011)	$(243,738)	$4,207,769
D1	Net loss for 2018					(240,885)		(240,885)
D3	Other comprehensive income (loss) for 2018					2,137	(39,521)	(37,384)
D5	Total comprehensive income (loss)	-	-	-	-	(238,748)	(39,521)	(278,269)
Z1	Balance as of December 31, 2018	$2,810,594	$1,061,873	$531,385	$299,666	$(490,759)	$(283,259)	$3,929,500
A1	Balance as of January 1, 2019	$2,810,594	$1,061,873	$531,385	$299,666	$(490,759)	$(283,259)	$3,929,500
D1	Net income for 2019					155,306		155,306
D3	Other comprehensive income (loss) for 2019					-	(174,685)	(174,685)
D5	Total comprehensive income (loss)	-	-	-	-	155,306	(174,685)	(19,379)
Z1	Balance as of December 31, 2019	$2,810,594	$1,061,873	$531,385	$299,666	$(335,453)	$(457,944)	$3,910,121

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2019	2018	Code	Items	2019	2018
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income (loss) before tax	$236,636	$(236,822)	B00040	Disposal (acquisition) of financial assets measured at amortized cost	296,047	(318,349)
A20000	Adjustments:			B02700	Acquisition of property, plant and equipment	(1,401,762)	(1,638,337)
A20010	Income and expense adjustments:			B02800	Proceeds from disposal of property, plant and equipment	185,668	10,179
A20300	Expected credit losses (gain)	(51)	4,424	B00600	Acquisition of debt instrument investments for which no active market exists	-	30,201
A20100	Depreciation (inculding right of use assets)	794,543	703,315	B04500	Acquisition of intangible assets	(8,738)	(10,808)
A20200	Amortization	15,644	14,148	B03700	Decrease (increase) in refundable deposits	3,073	1,368
A20900	Interest expense	221,849	195,286	B09900	Increase (dercease) in long-term deferred revenue	101,251	91,181
A21200	Interest revenue	(8,358)	(14,508)	BBBB	Net cash provided by (used in) investing activities	(824,461)	(1,834,565)
A22500	Loss on disposal of property, plant and equipment	118,133	8,685				
A23700	Impairment loss (reversal) on non-financial assets	37,540	(2,793)				
A29900	Earned revenue from government grants	(35,330)	(13,345)	CCCC	Cash flows from financing activities:		
A30000	Changes in operating assets and liabilities:			C00100	Increase in (repayment of) short-term loans	(877,783)	1,573,875
A31130	Notes receivable	6,570	(29,397)	C01600	Increase in long-term loans	1,244,622	153,575
A31150	Accounts receivable	(87,519)	(793,015)	C01700	Repayment of long-term loans	(846,600)	(53,200)
A31180	Other receivables	33,572	(42,954)	C03000	Increase (decrease) in guarantee deposits	(28,656)	(29,922)
A31200	Inventories	372,981	(395,161)	C03900	Increase (decrease) in lease payable	-	77,121
A31230	Prepayments	36,223	113,863	C04020	Payments of lease liabilities	(77,764)	-
A31240	Other current assets	15,528	(7,839)	CCCC	Net cash provided by (used in) financing activities	(586,181)	1,721,449
A31990	Long-term prepaid rent	-	11,463				
A32125	Contract liability	(2,549)	4,250				
A32150	Accounts payable	27,094	206,357				
A32180	Accrued expenses	107,230	24,121				
A32190	Other payables-related parties	-	(47)	DDDD	Effect of exchange rate changes on cash and cash equivalents	(44,372)	57,311
A32230	Other current liabilities	3,674	(5,503)				
A32240	Net defined benefit liability	216	2,353				
A32990	Refund liability	38,761	59,499				
A32000	Cash generated from operations	1,932,387	(193,620)				
A33100	Interest received	8,358	14,508				
A33300	Interest paid	(225,632)	(182,771)	EEEE	Net increase (decrease) in cash and cash equivalents	193,509	(505,032)
A33500	Income tax paid	(66,590)	(87,344)	E00100	Cash and cash equivalents at beginning of period	844,983	1,350,015
AAAA	Net cash provided by (used in) operating activities	1,648,523	(449,227)	E00200	Cash and cash equivalents at end of period	$1,038,492	$844,983

(The accompanying notes are an integral part of the consolidated financial statements.)

1. History and organization

Dynamic Electronics Co., Ltd. ("the Company") was incorporated in August 18, 1988. The main activities of the Company are engaged in the design, development, and manufacture of multi-layers PCB boards and electronics components. The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in March 18, 2009. The Company's registered office and the main business location is at 6F., No. 50, Minquan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries ("the Group") were authorized to be issued in accordance with a resolution of the Board of Directors' meeting held on March 30, 2020.

3. Newly issued or revised standards and interpretations

(1)Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

A.IFRS 16 "Leases"

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

The Group followed the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarised as follows:

a.Please refer to Note 4 for the accounting policies before or after January 1, 2019.

b.For the definition of a lease, the Group elected not to reassess whether a contract was, or contains, a lease on January 1, 2019. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Group need to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract converys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assessed most of the contracts are, or contain, leases and has no significant impact arised.

c.The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

I. Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Group measured and recognized those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019 and; the Group chose, on a lease-by-lease basis, (but adjusted amount associated with prepaid rent or lease payable) to measure the right-of-use asset at either.

For leases that were previously classified as operating leases applying IAS 17 and those who have paid the rent in full, the Group reclassified the long-term rental prepayment of NT$287,453 thousand to the right-of-use asset on January 1, 2019.

In accordance with the transition provision in IFRS 16, the Group used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

ii. Rely on its assessment of whether leases are onerous immediately before January 1, 2019 as an alternative to performing an impairment review.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.

iv. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.

v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

II. Leases previously classified as finance leases

For leases that were previously classified as finance leases applying IAS 17, the Group reclassified the lease asset of NT$123,430 thousand and the lease payable of NT$77,121 thousand as measured by IAS 17 to the right-of-use asset of NT$123,430 thousand and the lease liability of NT$77,121 thousand, respectively, on January 1, 2019.

III. Please refer to Note 4, Note 5 and Note 6 for additional disclosure of lessee which required by IFRS 16.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Definition of a Business - Amendments to IFRS 3	January 1, 2020
b	Definition of Material - Amendments to IAS 1 and 8	January 1, 2020
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

A. Definition of a Business - Amendments to IFRS 3

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

B.Definition of a Material - Amendments to IAS 1 and 8

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

C.Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

a.Highly probable requirement

When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

b.Prospective assessments

When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

c.IAS 39 retrospective assessment

An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

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d.Separately identifiable risk components

For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2020. The standards and interpretations have no material impact on the Group.

(3)Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not endorsed by FSC and also not yet adopted by the Group as at the end of the reporting are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2021
c	Classfication of Liabilities as Current or Non-Current-Amendments to IAS 1	January 1, 2022

A.IFRS 10 Consolidated Financial Statement and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

B.IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

a.Estimates of future cash flows;
b.Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
c.A risk adjustment for non-financial risk.

The carrying amount of a company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

C.Classification of Liabilities as Current or Non-current - Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Group assesses all standards and interpretations have no material impact on the Group.

4.Summary of significant accounting policies

(1)Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2019 and 2018 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2)Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

(3)Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

(a)Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b)Exposure, or rights, to variable returns from its involvement with the investee, and
(c)The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a)The contractual arrangement with the other vote holders of the investee

(b)Rights arising from other contractual arrangements

(c)The Company’s voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

(a) Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b) Derecognizes the carrying amount of any non-controlling interest;
(c) Recognizes the fair value of the consideration received;
(d) Recognizes the fair value of any investment retained;
(e) Recognizes any surplus or deficit in profit or loss; and
(f) Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

			Percentage of ownership (%)	
Investor	Subsidiary	Main businesses	2019.12.31	2018.12.31
The Company	WINTEK (MAURITIUS) CO., LTD.	Investing activities	100.00%	100.00%
The Company	Dynamic PCB Electronics Co., Ltd.	PCB and business which relates to import and export	100.00%	100.00%

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The Company	Dynamic Electronics Co., Ltd. (Seychelles)	PCB and business which relates to import and export	100.00%	100.00%
The Company	Dynamic Electronics Trading Pte. Ltd.	Management operations services	100.00%	100.00%
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics (Kunshan) Co., Ltd.	Manufacturing and selling of PCB	100.00%	100.00%
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics Holding Pte. Ltd.	Investing activities	100.00%	100.00%
Dynamic Electronics Holding Pte. Ltd	Dynamic Electronics (Huangshi) Co., Ltd.	Manufacturing and selling of PCB	100.00%	100.00%

(4)Foreign currency transactions and translation of financial statements in foreign currency

The Group’s consolidated financial statements are presented in NT$, which is also the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

(a)Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b)Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.

(c)Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5)Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of the foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the NCIs in that foreign operation, instead of recognized in profit or loss. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6)Current and non-current distinction

An asset is classified as current when:

(a)The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b)The Group holds the asset primarily for the purpose of trading
(c)The Group expects to realize the asset within twelve months after the reporting period
(d)The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a)The Group expects to settle the liability in its normal operating cycle
(b)The Group holds the liability primarily for the purpose of trading
(c)The liability is due to be settled within twelve months after the reporting period
(d)The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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.

All other liabilities are classified as non-current.

(7)Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and 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 (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(8)Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. The Group's business model for managing the financial assets and
B. The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

A. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
B. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

A. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

B. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

A. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
B. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(b)Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
B. The time value of money; and

C. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

D. For lease receivables arising from transactions within the scope of IFRS 16 (before January 1, 2019: IAS 17), the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(c) Derecognition of financial assets

Financial asset is derecognized when:

A. The rights to receive cash flows from the asset have expired
B. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
C. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
B. A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9)Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10)Inventories

Inventories are valued at lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Raw materials - By actual purchase cost with weighted average method
Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(11) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 "Property, plant and equipment". When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10~40 years
Machinery and equipment	1~10 years
Transportation equipment	4~6 years
Office equipment	3~6 years
Right-of-use assets/leased assets (Note)	3~5 years
Other equipment	1~9 years

Note: The Group reclassified the lease assets to right-of-use assets after the adoption of IFRS 16 from January 1, 2019.

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Leases

The accounting policy from January 1, 2019 as follow:

For contracts entered on or after January 1, 2019, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

A.the right to obtain substantially all of the economic benefits from use of the identified asset; and
B.the right to direct the use of the identified asset.

The Group elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

A.fixed payments (including in-substance fixed payments), less any lease incentives receivable;

B.variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
C.amounts expected to be payable by the lessee under residual value guarantees;
D.the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
E.payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

A.the amount of the initial measurement of the lease liability;
B.any lease payments made at or before the commencement date, less any lease incentives received;
C.any initial direct costs incurred by the lessee; and
D.an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

The accounting policy before January 1, 2019 as follow:

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software	Technology Expertise
Useful lives	1~5 years	3~6 years
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16)Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(17)Revenue recognition

The Group’s revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follow:

Sale of goods

The Group mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is PCB and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Group's sale of goods is from 60 to 150 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(18)Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(19)Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant.

(20)Post-employment benefits

All regular employees of Dynamic and its domestic subsidiaries are entitled to pension plans that are managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with Dynamic and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, Dynamic and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations and the contribution is expensed as incurred.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a)the date of the plan amendment or curtailment, and
(b)the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(21)Income tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

(b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a)The Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flow model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b)Accounts receivables-estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(c)Inventory

Inventories are valued at the lower of cost and net realizable value item by item. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The change of market may also significantly influence the evaluation of inventory. For inventory details, please refer to Note 6 to the consolidated financial statements.

(d)Pension benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(e)Revenue recognition-sale returns and allowance

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Please refer to Note 6 for more details.

(f)Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company’s domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. Contents of significant accounts

(1)Cash and cash equivalents

	2019.12.31	2018.12.31
Cash on hand	$580	$759

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Checking and savings	1,036,023	842,289
Fixed-term deposits	1,889	1,935
Total	$1,038,492	$844,983

(2)Financial assets measured at amortized cost

	2019.12.31	2018.12.31
Restricted cash - current	$18,584	$314,540
Fixed-term deposits	3,718	3,809
Total	$22,302	$318,349
Current	$22,302	$318,349
Non-current	$-	$-

The Group transacts with financial institutions with good credit rating. Consequently, there is no significant credit risk.

Please refer to Note 8 for more details on financial assets measured at amortized cost pledged as collaterals.

(3)Notes receivable, net

	2019.12.31	2018.12.31
Notes receivables arising from operating activities	$183,613	$190,183
Less: loss allowance	-	-
Total	$183,613	$190,183

Notes receivables were not pledged.

The Group follows the requirment of IFRS 9 to assess the impairment. Please refer to Note 6(19) for more details on loss allowance and Note 12 for details on credit risk.

(4)Accounts receivable

(a) Accounts receivable, net consist of the follow :

	2019.12.31	2017.12.31
Accounts receivable from operating activities	$3,956,068	$3,870,789

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Less: loss allowance	(15,789)	(18,188)
Total	$3,940,279	$3,852,601

(b)Accounts receivable were not pledged.

(c)Accounts receivable are generally on 60 to 150 day terms. The total carrying amount for the years ended December 31, 2019 and 2018, are NT$3,956,068 thousand and NT$3,870,789 thousand, respectively. Please refer to Note 6(19) for more details on loss allowance of accounts receivable for year ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

(5)Inventories

(a)Details of inventories are as below :

	2019.12.31	2018.12.31
Raw materials	$164,189	$162,753
Supplies & parts	17	4,347
Work in progress	321,004	372,133
Finished goods	1,034,750	1,353,708
Total	$1,519,960	$1,892,941

(b)The cost of inventories recognized in expenses amounts to NT$11,958,171 thousand for the year ended December 31, 2019 while NT$11,902,072 thousand for the year ended December 31, 2018. The following losses were included in cost of sales :

	For the year ended December 31,	
Item	2019	2018
Inventory valuation losses	$25,781	$44,397
Physical inventory losses (gain)	(2,024)	6,771
Total	$23,757	$51,168

(c)Inventories were not pledged.

(6)Non-current assets held for sale

The Company has entered into a contract with Tungwei Construction. Co., LTD. on October 18, 2019 for selling its plant and property located at No. 356, Shanying Rd., Guishan Dist., Taoyuan City, Taiwan (R.O.C.) in a total of NT$735,000 thousand following a resolution from the Company's board meeting held on August 13, 2019. The selling price was mutual agreed by the Company and the buyer in reference with the appraisal reports from both CCIS Real Estate Joint Appraiser Firm and Hongda Real Estate Appraiser Firm. The title of underlying plant and property was successfully passed on January 8, 2020 and the payment has fully been received as of the issuance date of the financial statements.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The property and plant were accounted for as non-current assets held for sale as of December 31, 2019 as the transfer procedure could be completed in 12 months. There was no impairment loss incurred from this transaction since the realization price was greater than its carrying values.

	2019.12.31	2018.12.31
Land	$137,171	$-
Buildings	80,109	-
Total	$217,280	$-

Please refer to Note 8 for more details on non-current assets held for sale under pledge.

(7)Property, plant and equipment

	2019.12.31(Note)	2018.12.31
Owner occupied property, plant and equipment	$5,331,401	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(a)Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Lease asset	Construction in progress and equipment to be examined	Total
Cost:									
2019.01.01	$137,171	$2,261,710	$7,734,637	$27,089	$168,223	$1,448,368	$133,647	$1,151,578	$13,062,423
Additions	-	18,424	8,043	-	2,703	147,392	-	745,738	922,300
Disposals	-	-	(1,812,988)	(1,337)	(2,408)	(331,369)	-	(17,741)	(2,165,843)
Transfer	-	274,099	446,928	-	76,127	58,720	-	(855,874)	-
Exchange differences	-	(82,881)	(237,050)	(936)	(6,318)	(45,111)	(5,222)	(42,399)	(419,917)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reclassified to non-current assets held for sale	(137,171)	(175,947)	-	-	-	-	-	-	(313,118)
Reclassified	-	-	116,585	-	-	9,616	(126,201)	-	-
Reclassified to right-of-use asset	-	-	-	-	-	-	(2,224)	-	(2,224)
2019.12.31	$-	$2,295,405	$6,256,155	$24,816	$238,327	$1,287,616	$-	$981,302	$11,083,621
Depreciation and impairment:									
2019.01.01	$-	$531,410	$5,510,916	$15,009	$67,409	$986,736	$10,217	$-	$7,121,697
Depreciation	-	99,928	409,892	3,723	43,849	229,289	-	-	786,681
Impairment loss	-	-	37,540	-	-	-	-	-	37,540
Disposals	-	-	(1,550,546)	(600)	(2,287)	(308,609)	-	-	(1,862,042)
Transfer	-	-	-	-	-	-	-	-	-
Exchange differences	-	(21,313)	(172,594)	(636)	(4,079)	(36,078)	(377)	-	(235,077)
Reclassified to non-current assets held for sale	-	(95,838)	-	-	-	-	-	-	(95,838)
Reclassified	-	-	8,011	-	-	1,088	(9,099)	-	-
Reclassified to right-of-use asset	-	-	-	-	-	-	(741)	-	(741)
2019.12.31	$-	$514,187	$4,243,219	$17,496	$104,892	$872,426	$-	$-	$5,752,220
Net carrying amount as at:									
2019.12.31	$-	$1,781,218	$2,012,936	$7,320	$133,435	$415,190	$-	$981,302	$5,331,401

(b)Property, plant and equipment (prior to the application of IFRS 16)

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Lease asset	Construction in progress and equipment to be examined	Total
Cost:									
2018.01.01	$137,171	$1,281,539	$6,724,819	$23,207	$83,714	$1,217,803	$-	$2,190,106	$11,658,359
Additions	-	-	116,555	3,268	14,368	245,125	1,324	1,500,014	1,880,654
Disposals	-	-	(120,950)	(6,002)	(8,803)	(172,573)	-	-	(308,328)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Transfer	-	999,392	1,110,433	6,865	80,093	173,583	132,323	(2,502,689)	-
Exchange differences	-	(19,221)	(96,220)	(249)	(1,149)	(15,570)	-	(35,853)	(168,262)
Other changes	-	-	-	-	-	-	-	-	-
2018.12.31	$137,171	$2,261,710	$7,734,637	$27,089	$168,223	$1,448,368	$133,647	$1,151,578	$13,062,423
Depreciation and impairment:									
2018.01.01	$-	$471,244	$5,336,206	$17,310	$52,357	$935,385	$-	$-	$6,812,502
Depreciation	-	68,021	370,674	3,423	23,859	236,597	741	-	703,315
Impairment loss	-	-	(2,793)	-	-	-	-	-	(2,793)
Disposals	-	-	(107,199)	(5,502)	(7,745)	(169,018)	-	-	(289,464)
Transfer	-	-	-	-	-	-	-	-	-
Exchange differences	-	(7,855)	(77,473)	(222)	(1,062)	(15,074)	(177)	-	(101,863)
Other changes	-	-	(8,499)	-	-	(1,154)	9,653	-	-
2018.12.31	$-	$531,410	$5,510,916	$15,009	$67,409	$986,736	$10,217	$-	$7,121,697
Net carrying amount as at:									
2018.12.31	$137,171	$1,730,300	$2,223,721	$12,080	$100,814	$461,632	$123,430	$1,151,578	$5,940,726

For the year ended December 31, 2019, the NT$37,540 thousand impairment loss represented the write down of certain property, plant and equipment in the Group to the recoverable amount to NT$6,300 thousand. This has been recognized in the statement of comprehensive income.

Certain idle property, plant and equipment have been sold in 2018, resulting in a gain on reversal of impairment of NT$2,793 thousand. This has been recognized in the statement of comprehensive income.

Significant components of building include main building structure and additional expansion construction, which are depreciated over useful lives of 30~40 years and 20 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(8)Intangible assets

Computer	Technology	Total

	software	expertise	
Cost:			
2019.01.01	$43,287	$-	$43,287
Additions – acquired separately	8,703	35	8,738
Derecognized upon retirement	(12,574)	-	(12,574)
Exchange differences	(1,015)	-	(1,015)
2019.12.31	$38,401	$35	$38,436
2018.01.01	$42,899	$750	$43,649
Additions – acquired separately	10,808	-	10,808
Derecognized upon retirement	(10,085)	(750)	(10,835)
Exchange differences	(335)	-	(335)
2018.12.31	$43,287	$-	$43,287
Amortization and impairment:			
2019.01.01	$22,451	$-	$22,451
Amortization	15,634	10	15,644
Derecognized upon retirement	(12,574)	-	(12,574)
Exchange differences	(794)	-	(794)
2019.12.31	$24,717	$10	$24,727
2018.01.01	$18,720	$673	$19,393
Amortization	14,071	77	14,148
Derecognized upon retirement	(10,085)	(750)	(10,835)
Exchange differences	(255)	-	(255)
2018.12.31	$22,451	$-	$22,451
Net carrying amount as at:			
2019.12.31	$13,684	$25	$13,709
2018.12.31	$20,836	$-	$20,836

Amortization of intangible assets is as follows:

	For the year ended December 31,	
	2019	2018
Operating costs	$3,629	$2,784
Operating expenses	12,015	11,364

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Total	$15,644	$14,148

(9)Other non-current assets

	2019.12.31	2018.12.31
Refundable deposits	$4,456	$7,529
Long-term prepaid rent－land use right	(Note)	281,075
Total	$4,456	$288,604

Long-term prepaid rent include land use rights in the amount of NT$281,075 thousand as at December 31, 2018.

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

Please refer to Note 8 for more details on Long-term prepaid rent under pledge.

(10)Short-term loans

(a) Short-term loans consist of the following:

	Interest Rates(%)	2019.12.31	2018.12.31
Unsecured bank loans	1.35%～4.785%	$2,763,265	$2,708,199
Secured bank loans	4.785%	-	932,849
Total		$2,763,265	$3,641,048

(b) The Group’s unused short-term lines of credits amounts to NT$1,031,584 thousand and NT$3,284,365 thousand as of December 31, 2019 and 2018, respectively.

(c) Please refer to Note 8 for more details on short-term loans under pledge.

(11)Other payables

Other payables consist of the following:	2019.12.31	2018.12.31
Accrued expenses	$743,392	$636,162
Accrued interest payable	8,857	16,302
Payables to equipment suppliers	236,093	715,555

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Total	$988,342	$1,368,019

(12)Long-term loans

(a) Details of long-term loans as of December 31, 2019 and 2018 are as follows:

Lenders	2019.12.31	Interest Rate (%) (Note2)	Maturity and terms of repayment
Sunny Bank － Nangang Branch－ Secured bank loans (Note1)	$600,000	Sunny Bank's one-year fixed reserve rate (monthly adjustment) + 0.58% annual interest rate	The loan is repaid in 60 monthly installments, each at NT$8,500 thousand and last repayment NT$98,500 thousand, within 7 years with a grace period of 24 months.
E. Sun Bank and credit unions	1,079,280	Interest is at LIBOR 3M+1.7%. If 3M TAIFX3 is higher than LIBOR 3M0.3%, interest is at 3M TAIFX3-0.3%+1.7% and subject to adjustments due to financial ratio.	The loan principal is repaid starting 24 months from the first usage date. The un-repaid loan shall be fully repaid in 3 semi-annual installments, 10% of unpaid balance for first and second and 80% for the third. Any portion of the repayments, if granted of a 2-year extension, shall be repaid starting 3 years from the first usage date in 5 semi-annual installments, 15% for first 4 and 40% for the fifth.
E. Sun Bank and credit unions	119,920	Interest is at LIBOR 3M+1.7%. If 3M TAIFX3 is higher than LIBOR 3M0.3%, interest is at 3M TAIFX3-0.3%+1.7% and subject to adjustments due to financial ratio.	The loan principal is repaid in 3 semi-annual installments, 10% for first and second and 80% for the third starting 24 months from the first usage date. Any portion of the repayments, if granted of a 2-year extension, shall be repaid starting 3 years from the first usage date in 5 semi-annual installments, 15% for first 4 and 40% for the fifth.

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Bank of Communications Co., Ltd. － Huangshi Branch－Secured bank loans	644,622	People's Bank of China benchmark interest rate rises by 10%	The loan is due to be settled.
Total	2,443,822		
Less: Current portion of long-term loans	(1,799,200)		
Non-current portion of long-term loans	$644,622		

Lenders	2018.12.31	Interest Rate (%) (Note2)	Maturity and terms of repayment
JihSun Bank － Taoyuan Branch－Secured bank loans (Note1)	$249,067	The interest shall not be lower than Jihsun Bank's mortgage index interest rate plus 0.67%	The loan is repaid in 78 monthly installments, each at NT$3,462 thousand and last repayment NT$6,741, within 7 years with a grace period of 6 months.
JihSun Bank － Taoyuan Branch－Secured bank loans (Note1)	297,733	The interest shall not be lower than Jihsun Bank's mortgage index interest rate plus 0.67%	The loan is repaid in 78 monthly installments, each at NT$4,138 thousand and last repayment NT$8,059, within 7 years with a grace period of 6 months.
E. Sun Bank and credit unions	1,382,175	Interest is at LIBOR 3M+1.7%. If 3M TAIFX3 is higher than LIBOR 3M0.3%, interest is at 3M TAIFX3-0.3%+1.7% and subject to adjustments due to financial ratio.	The loan principal is repaid starting 24 months from the first usage date. The un-repaid loan shall be fully repaid in 3 semi-annual installments, 10% of unpaid balance for first and second and 80% for the third. Any portion of the repayments, if granted of a 2-year extension, shall be repaid starting 3 years from the first usage date in 5 semi-annual installments, 15% for first 4 and 40% for the fifth.
E. Sun Bank and credit unions	153,575	Interest is at LIBOR 3M+1.7%. If 3M TAIFX3 is higher than LIBOR 3M0.3%, interest is at 3M TAIFX3-0.3%+1.7%	The loan principal is repaid in 3 semi-annual installments, 10% for first and second and 80% for the third starting 24 months from the first usage date. Any portion of the repayments, if granted of a 2-year extension, shall be repaid starting

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		and subject to adjustments due to financial ratio.	3 years from the first usage date in 5 semi-annual installments, 15% for first 4 and 40% for the fifth.
Total	2,082,550		
Less: Current portion of long-term loans	(398,350)		
Non-current portion of long-term loans	$1,684,200		

Note1: Please refer to Note 8 for more details regarding certain property, plant and equipment pledged for secured bank loans.

Note2: Interest rates of long-term loans are as follows:

	2019.12.31	2018.12.31
Interest Rates (%)	1.65%~4.785%	1.75%~4.68%

(b)The Group entered into an agreement of syndicated loans in credit line of USD50,000 thousand with E.Sun Bank, Mega International Commercial Bank and 7 other banks on March 17, 2017. According to the agreement, the Company's liquidity ratio, debt ratio and interest expenditure coverage derived from annual consolidated financial statements should meet certain criteria.

In the event that the Group's financial statements do not meet with any of the criteria or restrictions specified, the Company shall improve it in 9 months after the end of the fiscal year. The improvement documentation proposed by the Company shall also be reviewed by certified public accountants. During the period of improvement, (1) the unused credit line of underlying loan agreement shall be suspended from further usage until the Group's financial ratio meet the required criteria.；(2) the interest shall be increased by 0.15% from the immediate interest payment date as notified by the managing bank to the interest payment date immediately after the issue has been improved. The borrower's right to utilize the credit line shall be suspended and punished in accordance with related covenants in the agreement immediately when the managing banks discover any breach of loan contract.

(13)Finance lease commitments

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group has finance leases for certain machinery. Theses leases contain purchase options. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2019.12.31(Note)		2018.12.31	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Not later than one year			$29,010	$25,092
Later than one year and not later than five years			55,185	52,029
Total minimum lease payments			84,195	77,121
Less: finance charges on finance lease			(7,074)	-
Present value of minimum lease payments			$77,121	$77,121
Current			$25,092	$25,092
Non-current			52,029	52,029

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(14)Refund liability

	2019.12.31	2018.12.31
Refund liability	$98,260	$59,499

(15)Long-term deferred revenue

Government grants

	For the year ended December 31,	
	2019	2018
Beginning balance	$357,590	$286,158
Received during the period	101,251	91,181

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Released to the statement of comprehensive income	(35,330)	(13,345)
Exchange differences	(16,852)	(6,404)
Ending Balance	$406,659	$357,590

	2019.12.31	2018.12.31
Non-current deferred revenue - government grants related to assets	$406,659	$357,590

Government grants have been received for purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to the grants.

(16)Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 amounted to NT$16,611 thousand and NT$18,169 thousand, respectively.

Additional pension expenses recognized for the executives commissioned by the Group amounted to NT$216 thousand both for the years ended December 31, 2019 and 2018.

Defined benefits plan

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19.

As of December 31, 2018, the maturities of the Company's defined benefit plan was expected in 2026.

Pension costs recognized in profit or loss:

	For the year ended December 31,	
	2019	2018
Current period service costs	$-	$-
Interest income or expense	-	(561)
Past service cost	-	7,831
Payments from the plan	35,216	-

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Total	$35,216	$7,270

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	2019.12.31	2018.12.31	2018.01.01
Defined benefit obligation	$-	$42,040	$38,477
Plan assets at fair value	-	(77,256)	(78,826)
Other non-current liabilities - Accrued pension liabilities recognized on the consolidated balance sheets	$-	$(35,216)	$(40,349)

Reconciliation of liability (asset) of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
2018.01.01	$38,477	$78,826	$(40,349)
Current period service costs	-	-	-
Net interest expense (income)	535	1,096	(561)
Past service cost and gains and losses arising from settlements	7,831	-	7,831
Subtotal	8,366	1,096	7,270
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	35	-	35
Actuarial gains and losses arising from changes in financial assumptions	1,323	-	1,323
Experience adjustments	(1,211)	-	(1,211)
Return on plan assets	-	2,284	(2,284)
Subtotal	147	2,284	(2,137)
Payments from the plan	(4,950)	(4,950)	-
Contributions by employer	-	-	-
Effect of changes in foreign exchange rate	-	-	-
2018.12.31	42,040	77,256	(35,216)
Current period service costs	-	-	-
Net interest expense (income)	-	-	-

Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	-	-	-
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	-	-	-
Experience adjustments	-	-	-
Return on plan assets	-	-	-
Subtotal	-	-	-
Payments from the plan	(42,040)	(77,256)	35,216
Contributions by employer	-	-	-
Effect of changes in foreign exchange rate	-	-	-
2019.12.31	$-	$-	$-

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	2019.12.31	2018.12.31
Discount rate	-	0.86%
Expected rate of salary increases	-	1.00%

A sensitivity analysis for significant assumption is shown as below:

	For the year ended December 31,			
	2019		2018	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	$-	$-	$-	$(1,258)
Discount rate decrease by 0.5%	-	-	1,619	-
Expected salary level increased by 0.5%	-	-	1,602	-
Expected salary level decreased by 0.5%	-	-	-	(1,262)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant.

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The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(17)Equities

(a)Common stock

As of December 31, 2019 and 2018, the Company's authorized capital and issued capital were NT$4,000,000 thousand and NT$2,810,594 thousand, respectively, each share at par of NT$10, divided into 281,059,335 shares.

(b)Capital surplus

	2019.12.31	2018.12.31
Additional paid-in capital	$989,014	$989,014
Treasury share transactions	32,214	32,214
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	15,531	15,531
Gain on sale of assets	155	155
Employee stock option	5,249	5,249
Share options	19,710	19,710
Total	$1,061,873	$1,061,873

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made either in cash or in the form of share dividend to its shareholders in proportion to the number of shares being held by each of them.

(c)Retained earnings and dividend policies

(1)Earning distribution

The Company's shareholders meeting held on May 24, 2019 resolved an amendment on the Company's Articles of Incorporation. According to the revised Articles of Incorporations, current year's earnings, if any, shall be distributed in the following order:

a.Payment of all taxes and dues;
b.Offseting prior years' operation losses;
c.Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d.Set aside or reverse special reserve in accordance with law and regulations; and
e.The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The Company may resolve by a special majority vote at a Board meeting to distribute in cash the above-mentioned dividends or capital reserve or/and legal reserve in compliance with the Taiwan Company Act and shall report the distribution in the most recent shareholder's meeting.

(2)Dividend policy

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, financial structures and earnings etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 90% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

(3)According to the Company Act, the Company shall set aside legal reserve from earnings unless where the amount of legal reserve reaches the total authorized capital. The legal reserve can be used to make good the deficit of the Company.

When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by shareholders.

(4)Following the adoption of T-IFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the T-IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the T-IFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

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As of January 1, 2013, special reserve set aside for the first-time adoption of T-IFRS amounted to NT$349,310 thousand. Furthermore, the Company has reversed special reserve in the amount of NT$49,644 thousand to retained earnings during the year ended December 31, 2013 due to the use, disposal or reclassification of related assets.
As of December 31, 2019 and 2018, special reserve set aside for the first-time adoption of T-IFRS reduced to NT$299,666 thousand accordingly.

(5)There was no earnings distribution for the years ended December 31, 2019 and 2018.

Please refer to Note 6(21) for details on employees' compensation and remuneration to directors and supervisors.

(18)Operating revenues

	For the year ended December 31,	
	2019	2018
Revenue from contracts with customers		
Sales of goods	$13,712,326	$12,992,531
Other revenue	4,905	65,754
Total	$13,717,231	$13,058,285

Analysis of revenue from contracts with customers during the years ended December 31, 2019 and 2018 are as follows:

A.Disaggregation of revenue

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the year ended December 31,	
	2019	2018
	Single Department	Single Department
Sale of goods	$13,712,326	$12,992,531
Other	4,905	65,754
Total	$13,717,231	$13,058,285
The timing for revenue recognition:		
At a point in time	$13,717,231	$13,058,285

B.Contract balances

(a)Contract liabilities – current

	2019.12.31	2018.12.31	2018.01.01
Sale of goods	$1,701	$4,250	$12,804

For the years ended December 31, 2019 and 2018, contract liabilities decreased because certain performance obligations were satisfied and therefore recognized for revenues.

(19)Expected credit losses (gains)

	For the year ended December 31,	
	2019	2018
Operating expenses – Expected credit losses (gains)		
Account receivables	$(51)	$4,424

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2019 and 2018 are as follow:

A. The Group considers the grouping of trade receivables by counter parties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follow:

2019.12.31

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

		Past due					
	Not yet due (Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$4,062,004	$61,888	$14,501	$888	$49	$351	$4,139,681
Loss ratio	-%	-%	100%	100%	100%	100%	
Lifetime expected credit losses	-	-	(14,501)	(888)	(49)	(351)	(15,789)
Carrying amount of trade receivables	$4,062,004	$61,888	$-	$-	$-	$-	$4,123,892

2018.12.31

		Past due					
	Not yet due (Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	Total
Gross carrying amount	$3,895,529	$147,255	$4,942	$6,992	$487	$5,767	$4,060,972
Loss ratio	-%	-%	100%	100%	100%	100%	
Lifetime expected credit losses	-	-	(4,942)	(6,992)	(487)	(5,767)	(18,188)
Carrying amount of trade receivables	$3,895,529	$147,255	$-	$-	$-	$-	$4,042,784

Note: all the Group's notes receivable were not past due.

B. The movement in the provision for impairment of notes receivable and accounts receivable for the years ended December 31, 2019 and 2018 are as follows:

	Notes receivable	Accounts receivable
Beginning balance as of January 1, 2019	$-	$18,188
Addition/ (reversal) for the current period	-	(51)

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Write off	-	(2,240)
Effect of exchange rate changes	-	(108)
Ending balance as of December 31, 2019	$-	$15,789
Beginning balance as of January 1, 2018 (in accordance with IAS 39)	$-	$13,683
Transition adjustment to retained earnings as at January 1, 2018	-	-
Beginning balance as of January 1, 2018 (in accordance with IFRS 9)	-	13,683
Addition, (reversal) for the current period	-	4,424
Effect of exchange rate changes	-	81
Ending balance as of December 31, 2018	$-	$18,188

(20)Leases

(a)Group as a lessee (applicable to the disclosure requirement under IFRS 16)

The Group leases various properties, including real estate such as land and buildings, machinery and equipment. The lease terms range from 2 to 50 years. The Group is not allowed to loan, sublease or sell without obtaining the consent from the lessors.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

Amounts recognized in the balance sheet

a.Right-of-use assets

	Land	Buildings	Machinery and equipment	Total
Cost :				
2019.01.01	$318,867	$-	$-	$318,867
Transferred from property, plant and	-	-	133,647	133,647

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

equipment				
Additions	696	1,047	-	1,743
Exchange differences	(12,671)	-	(5,222)	(17,893)
Transferred to property, plant and equipment	-	-	(126,201)	(126,201)
2019.12.31	$306,892	$1,047	$2,224	$310,163
Depreciation and impairment:				
2019.01.01	$31,414	$-	$-	$31,414
Transferred from property, plant and equipment	-	-	10,217	10,217
Depreciation	6,728	393	741	7,862
Exchange differences	(1,504)	-	(377)	(1,881)
Transferred to property, plant and equipment	-	-	(9,099)	(9,099)
2019.12.31	$36,638	$393	$1,482	$38,513
Net carrying amount:				
as at 2019.12.31	$270,254	$654	$742	$271,650

b.Lease liabilities

	2019.12.31	2018.12.31(Note)
Lease liabilities	$1,328	
Current	$1,195	
Non-current	133	
Total	$1,328	

Please refer to Note 6(22)(c) for the interest on lease liabilities recognized during the year ended December 31, 2019 and refer to Note12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2019.

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

A.Income and costs relating to leasing activities

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the year ended December 31,	
	2019	2018 (Note)
The expenses relating to short-term leases	$21,011	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

The portfolio of short-term leases of the Group to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expenses disclosed above, and the amount of its lease commitments is NT$0.

B.Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Group's total cash outflows for leases amounting to NT$98,775 thousand.

(b)Operating lease commitments – Group as a lessee (applicable to the disclosure requirement in IAS 17)

The Group has entered into commercial leases on certain motor vehicles. These leases have an average life of three years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases. Otherwise, the Group has also entered into operating leases on certain land and buildings. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at December 31, 2018 and 2019 are as follows:

	2019.12.31(Note)	2018.12.31
Not later than one year		$4,612
Later than one year and not later than five years		2,034
Total		$6,646

Operating lease expenses recognized are as follows:

	For the year ended December 31,	
	2019 (Note)	2018

Minimum lease payments		$32,881

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(21)Summary of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2019 and 2018 is as follows:

Function / Nature	2019			2018		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$1,932,990	$288,220	$2,221,210	$2,084,439	$253,278	$2,337,717
Labor and health insurance	27,993	6,061	34,054	36,338	5,472	41,810
Pension	11,411	40,632	52,043	20,835	4,820	25,655
Other employee benefits	7,953	54,584	62,537	6,337	4,449	10,786
Depreciation	750,172	44,371	794,543	669,549	33,766	703,315
Amortization	3,629	12,015	15,644	2,784	11,364	14,148

According to the resolution, 10%~18% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

For the years ended December 31, 2019 and 2018, the Group incurred accumulated losses and therefore did not intend to accrue the employees' compensation and remuneration to directors.

(22)Non-operating income and expenses

(a)Other income

	For the year ended December 31,	
	2019	2018
Interest income		

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Financial assets measured at amortized cost	$8,358	$14,508
Other income－others	111,345	85,364
Total	$119,703	$99,872

(b)Other gains and losses

	For the year ended December 31,	
	2019	2018
Gain (loss) on disposal of property, plant and equipment	$(118,133)	$(8,685)
Foreign exchange gains (losses), net	(11,754)	(116,783)
Impairment reversal (loss) on non-financial assets	(37,540)	2,793
Others losses－others	(19,548)	(14,138)
Total	$(186,975)	$(136,813)

(c)Finance costs

	For the year ended December 31,	
	2019	2018
Interest on borrowings from bank	$218,458	$195,286
Interest on lease liabilities	3,391	(Note)
Total	$221,849	$195,286

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(23)Components of other comprehensive income (loss)

For the year ended December 31, 2019

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent periods:					

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
Exchange differences arising on translation of foreign operations	$(185,503)	$-	$(185,503)	$10,818	$(174,685)

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$2,137	$-	$2,137	$-	$2,137
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(45,661)	-	(45,661)	6,140	(39,521)
Total	$(43,524)	$-	$(43,524)	$6,140	$(37,384)

(24)Income tax

(a)Based on an amendment to the Income Tax Act announced on February 7, 2018, the Company’s applicable corporate income tax rate changes from 17% to 20% and the surtax rate on undistributed earnings from 10% to 5% effective the year of 2018.

(b)The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,	
	2019	2018

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Current income tax expense (income):		
Current income tax charge	$65,282	$67,312
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	32,458	(86,903)
Adjustments in respect of current income tax of prior periods	566	16,927
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	(16,976)	6,727
Total income tax expense	$81,330	$4,063

Income tax relating to components of other comprehensive income

	For the year ended December 31,	
	2019	2018
Deferred tax expense (income):		
Exchange differences arising on translation of foreign operations	$(10,818)	$(6,140)

(c)A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2019	2018
Accounting profit (loss) before tax from continuing operations	$236,636	$(236,822)
Tax at the domestic rates applicable to profits in the country concerned	$133,261	$(37,800)
Tax effect of expenses not deductible for tax purposes	6,152	9,193
Tax effect of deferred tax assets/liabilities	(58,649)	15,743
Prior years' tax adjustments	566	16,927
Total income tax expense recognized in profit or loss	$81,330	$4,063

(d) Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Beginning balance as of January 1, 2019	Deferred tax income (expense) recognized in profit or loss	Effect of tax rate change	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2019
Temporary differences					
Unrealized loss on inventory valuation	$4,670	$(2,936)	$-	$-	$1,734
Loss on inventory written-off and obsolescence	2,213	(2,213)	-	-	-
Investments accounted for using the equity method	(265,940)	(123,599)	-	10,818	(378,721)
Over 2 years payables	86	-	-	-	86
Gain on disposal of property, plant and equipment	2,749	34,087	-	-	36,836
Impairment loss on assets	-	7,265	-	-	7,265
Unrealized exchange loss (gain)	(12)	1,940	-	-	1,928
Sales returns and allowances	8,291	1,633	-	-	9,924
Commission expense	13,822	(1,900)	-	-	11,922
Unused tax losses	221,068	53,813	-	-	274,881
Employee benefits	1,864	(1,412)	-	-	452
Government grants revenue	42,425	864	16,976	-	60,265
Deferred tax income (expense)		$(32,458)	$16,976	$10,818	
Net deferred tax assets (liabilities)	$31,236				$26,572
Reflected in balance sheet as follows:					
Deferred tax assets	$297,188				$405,293
Deferred tax liabilities	$(265,952)				$(378,721)

For the year ended December 31, 2018

Beginning balance as of January 1, 2018	Deferred tax income (expense) recognized in profit or	Effect of tax rate change	Deferred tax income (expense) recognized in other	Ending balance as of December 31, 2018

		loss		comprehensive income	
Temporary differences					
Unrealized loss on inventory valuation	$2,899	$1,259	$512	$-	$4,670
Loss on inventory written-off and obsolescence	337	1,816	60	-	2,213
Investments accounted for using the equity method	(252,786)	22,324	(41,618)	6,140	(265,940)
Over 2 years payables	73	-	13	-	86
Gain on disposal of property, plant and equipment	2,164	203	382	-	2,749
Unrealized exchange loss (gain)	355	(430)	63	-	(12)
Sales returns and allowances	6,956	108	1,227	-	8,291
Commission expense	8,514	3,806	1,502	-	13,822
Bad debt expense	294	(346)	52	-	-
Unused tax losses	174,530	15,738	30,800	-	221,068
Employee benefits	1,584	-	280	-	1,864
Government grants revenue	-	42,425	-	-	42,425
Deferred tax income (expense)		$86,903	$(6,727)	$6,140	
Net deferred tax assets (liabilities)	$(55,080)				$31,236
Reflected in balance sheet as follows:					
Deferred tax assets	$197,706				$297,188
Deferred tax liabilities	$(252,786)				$(265,952)

(e)Unrecognized deferred tax assets

As of December 31, 2019 and 2018, deferred tax assets that have not been recognized amounts to NT$30,368 thousand and NT$115,987 thousand, respectively.

(f) The following tables contain information of the net operating losses of the Company:

Year incurred	Net Operating Loss	Expiration year
2013	$357,540	2023
2014	224,933	2024
2015	82,157	2025
2016	138,185	2026
2017	194,926	2027

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2018	127,096	2028
2019(estimated)	243,418	2029
Total	$1,368,255	

(g) The assessment of income tax returns

As of December 31, 2019, the tax assessments on the Company's tax filings have been approved up to the year of 2017.

(25)Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the year ended December 31,	
	2019	2018
(a) Basic earnings per share		
Profit (loss) attributable to ordinary equity holders of the Company (in thousand NT$)	$155,306	$(240,885)
Weighted average number of ordinary shares outstanding for basic earnings (loss) per share (in thousand shares)	281,059	281,059
Basic earnings (loss) per share (in NT$)	$0.55	$(0.86)
(b) Diluted earnings per share		
Profit (loss) attributable to ordinary equity holders of the Company (in thousand NT$)	$155,306	$(240,885)
Profit (loss) attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$155,306	$(240,885)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	281,059	281,059
Weighted average number of ordinary shares outstanding	281,059	281,059

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

after dilution (in thousand shares)		
Diluted earnings (loss) per share (in NT$)	$0.55	$(0.86)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7.Related party transactions

(1)Information of the related parties that had transactions with the Group during the financial reporting period is as follows：

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Honglan Electronic CO., LTD.	Other related party

(2)Significant transactions with related parties

(a)Operating expenses incurred by the Group recognized from related parties in 2018 amounted to NT$1,420 thousand.

(b)Key management personnel compensation

	For the year ended of December 31,	
	2019	2018
Short-term employee benefits	$36,727	$35,898
Post-employment benefits	983	939
Total	$37,710	$36,837

8. Assets pledged as collateral

As of December 31, 2019 and 2018, the assets pledged for the Group's loans consist of the following:

Assets	Book value	Purpose of pledge
2019.12.31		
Non-current assets held for sale – land	$137,171	Secured loans
Non-current assets held for sale – buildings	80,109	Secured loans

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Property, plant and equipment – buildings	1,170,458	Secured loans
Construction in progress	247,463	Secured loans
Right-of-use assets (Note)	238,219	Secured loans
Financial assets carried at amortized cost	16,584	Secured loans
Financial assets carried at amortized cost	2,000	Security deposit to custom authority
Total	$1,892,004	

Assets	Book value	Purpose of pledge
2018.12.31		
Property, plant and equipment – land	$137,171	Secured loans
Property, plant and equipment – buildings	1,059,194	Secured loans
Property, plant and equipment – lease assets (Note)	121,947	Lease payable
Construction in progress	212,905	Secured loans
Land use right	253,431	Secured loans
Financial assets carried at amortized cost	307,150	Secured loans
Financial assets carried at amortized cost	7,390	Security deposit to custom authority
Total	$2,099,188	

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

9. Significant contingencies and unrecognized contract commitments

As of December 31, 2019, the Group's outstanding contracts relating to purchased property, plant and equipment were as follows:

Type of Asset	Total Amount	Amount paid	Amount unpaid
Machinery and construction contracts	$694,418	$434,344	$260,074

Amount paid was recorded under construction in progress and equipment to be examined.

10. Losses due to major disasters

None.

11. Significant subsequent events

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

None.

12 .Others

(1)Categories of financial instruments

Financial assets

	2019.12.31	2018.12.31
Financial assets measured at amortized cost	$5,306,336	$5,361,159

Financial liabilities

	2019.12.31	2018.12.31
Financial liabilities at amortized cost:		
Short-term loans	$2,763,265	$3,641,048
Payables	3,445,002	3,797,585
Long-term loans (including current portion)	2,443,822	2,082,550
Lease payable (including current portion)	(Note)	77,121
Lease liabilities (including current portion)	1,328	(Note)
Total	$8,653,417	$9,598,304

Note: The Group adopted IFRS 16 since January 1, 2019. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(2)Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before the Group enters into significant transactions, the Board of Directors and Audit Committee must carry out due approval process based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3)Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency. The information of the sensitivity analyses is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the years ended December 31, 2019 and 2018 is decreased/increased by NT$10,202 thousand and NT$10,232 thousand, respectively.

When NTD strengthens/weakens against RMB by 1%, the profit for the years ended December 31, 2019 and 2018 is increased /decreased by NT$33,550 thousand and NT$22,895 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2019 and 2018 to decrease/increase by NT$4,382 thousand and NT$5,281 thousand, respectively.

Equity price risk

As of December 31, 2019 and 2018, the Group does not hold equity securities at fair value; therefore the Group is not subject to equity price risk.

(4)Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2019 and 2018, accounts receivable from top ten customers represent 58.25%and 57.80% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5)Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
2019.12.31					
Loans	$4,678,636	$675,468	$-	$-	$5,354,104
Payables	3,445,002	-	-	-	3,445,002
Lease liabilities	1,342	133	-	-	1,475
2018.12.31					
Loans	$4,168,146	$1,482,848	$190,366	$92,389	$5,933,749
Payables	3,797,585	-	-	-	3,797,585
Lease payable	29,010	55,185	-	-	84,195

(6)Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2019:

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Short-term loans	Long-term loans	Refundable deposits	Lease libilities	Total liabilities from financing activities
As of January 1, 2019	$3,641,048	$2,082,550	$53,991	$77,121	$5,854,710
Cash flows	(877,783)	398,022	(28,656)	(77,764)	(586,181)
Non-cash changes					
Lease modification	-	-	-	1,743	1,743
Interest of lease liabilities	-	-	-	3,391	3,391
Foreign exchange movement	-	(36,750)	-	(3,163)	(39,913)
As of December 31, 2019	$2,763,265	$2,443,822	$25,335	$1,328	$5,233,750

Reconciliation of liabilities for the year ended December 31, 2018:

	Short-term loans	Long-term loans	Refundable deposits	Lease payable	Total liabilities from financing activities
As of January 1, 2018	$2,067,173	$1,939,200	$83,913	$-	$4,090,286
Cash flows	1,573,875	100,375	(29,922)	77,121	1,721,449
Foreign exchange movement	-	42,975	-	-	42,975
As of December 31, 2018	$3,641,048	$2,082,550	$53,991	$77,121	$5,854,710

(7)Fair values of financial instruments

(a)The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

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.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b)Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. And the Group does not have assets or liabilities that are measured at fair value on a recurring basis.

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

(9)Significant assets and liabilities denominated in foreign currencies (in thousand dollars)

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	2019.12.31			2018.12.31		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary items:						

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

USD	$126,621	29.98	$3,796,112	$139,557	30.715	$4,286,494
RMB	$329,847	4.2975	$1,417,513	$221,434	4.4753	$990,989
Financial liabilities						
Monetary items:						
USD	$90,278	29.98	$2,706,533	$153,833	30.715	$4,724,987
RMB	$1,110,533	4.2975	$4,772,496	$733,028	4.4753	$3,280,534

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Since there were varieties of foreign currency transactions of the Group, the Group was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact. The Group recognized exchange gain (loss) amounted to NT$(11,754) thousand and NT$(116,783) thousand for the years ended December 31, 2019 and 2018, respectively.

(10) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosures

(1) The following are additional disclosures for the Company as required by the R.O.C. Securities and Futures Bureau:

a. Financing provided to others for the year ended December 31, 2019: None.

b. Endorsement/Guarantee provided to others for the year ended December 31, 2019: Please refer to Attachment 1.

c. Securities held as of December 31, 2019 (excluding subsidiaries, associates and joint ventures): None.

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2019: None.

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2019: None.

f. Disposal of individual real estate with amount exceeding the lower of NT$300 million s or 20% of capital stock for the year ended December 31, 2019: None.

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20% of capital stock for the year ended December 31, 2019: Please refer to Attachment 2.

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock as of December 31, 2019: None.

i. Financial instruments and derivative transactions: None.

j. Significant intercompany transactions between the parent with subsidiaries or among subsidiaries: Please refer to Attachment 8.

(2) Information on investees :

A. If an investor controls operating, investing and financial decisions of an investee or an investor has the ability to exercise the ability to exercise significant influence over operating and financial policies of an investee, the related information for the investee is disclosed (not including investment in Mainland China): Please refer to Attachment 3.

B. An investor controls operating; investing and financial decisions of an investee, the related information Note13(1) for the investee shall be disclosed as below:

(a) Financing provided to others for the year ended December 31, 2019: Please refer to Attachment 4.

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2019: None.

(c) Securities held as of December 31, 2019 (excluding subsidiaries, associates and joint ventures): None.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2019: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2019: Please refer to Attachment 5.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2019: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20% of capital stock for the year ended December 31, 2019: Please refer to Attachment 6.

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock as of December 31, 2019: Please refer to Attachment 7.

(i) Financial instruments and derivative transactions: None.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Information on investments in Mainland China:

a. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow									
Dynamic Electronics (Kunshan) Co., Ltd.	Manufacturing and selling of PCB	$2,398,400 (Note 2, 3, 6)	(Note 1)	$2,260,265	$-	$-	$2,260,265	$260,543 (Note 2)	100%	$260,543 (Note 2, 4, 5, 12)	$2,816,260 (Note 2, 4, 5, 12)	$1,807,974 (Note 2)	$2,260,265	$2,260,265	No upper limit (Note 11)
Dynamic Electronics (Huangshi) Co., Ltd.	Manufacturing and selling of PCB	$1,437,241 (Note 2, 7, 8)	(Note 9)	$444,530	$-	$-	$444,530	$310,320 (Note 2)	100%	$310,320 (Note 2, 4, 10, 12)	$1,482,668 (Note 2, 4, 10, 12)	$-	$444,530	$444,530	

Note 1: Investment in Mainland China through companies in the third area established WINTEK (MAURITIUS) CO., LTD.

Note 2: Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.

Note 3: Total amount of paid-in capital is USD 80,000 thousand.

Note 4: The investment income (loss) recognized under equity method and by calculation was based on audited financial statements.

Note 5: Recognized investment income and carrying value by WINTEK (MAURITIUS) CO., LTD.

Note 6: The difference between investments remitted from Taiwan in amount of USD 69,500 thousand and the received paid-in capital of USD 80,000 thousand was a capital injection of USD 10,500 thousand made by WINTEK (MAURITIUS) CO., LTD.

Note 7: The difference between the original investment of USD14,000 thousand remitted from Taiwan and the paid-in capital of USD47,940 thousand is a capital injection of USD33,940 thousand by using cash dividends received from Dynamic Electronics (Kunshan) Co. Ltd.

Note 8: Total amount of paid-in capital is USD47,940 thousand.

Note 9: The Company indirectly invested in its China subsidiary, Dynamic Electronics (Huangshi) Co. Ltd., through WINTEK (MAURITIUS) CO., LTD. and Dynamic Holding Pte. Ltd.

Note 10: WINTEK (MAURITIUS) CO., LTD. indirectly, through the holding on Dynamic Holding Pte. Ltd., recognized the investment income of Dynamic Electronics (Huangshi) Co. Ltd.

Note 11: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

Note 12: Transactions between consolidated entities are eliminated in the consolidated financial statements.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

b. Purchases and accounts payable with the related parties: Please refer to Attachment 8.

c. Sales and accounts receivable with the related parties: None.

d. The profit and loss produced by transaction of the property:

Type of Assets	Name of Related Parties	Book Value	Selling price	Gain	Price reference
Machinery	Dynamic Electronics (Kunshan) Co. Ltd.	$127,562	$300,656	$173,094	Negotiated

On 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, the Company respectively wrote off the profit of property, plant and equipment amounted to NT$ 173,094 thousand, NT$ 3,358 thousand, NT$ 8,472 thousand, NT$ 1,217 thousand, NT$ 2,672 thousand, NT$ 2,167 thousand and NT$ 5,537 thousand because of unrealized under the investment balance using the equity method.

e. The purpose and balance of a note guarantee and a guarantee endorsement or providing for secure: Please refer to Attachment 1.

f. The amount of maximum financing, the balance interest rates, and lump sum interest expense: Please refer to Attachment 4.

g. The other events impact over current profit or loss or have the significant influence over the financial conditions, such as provided service or received service: Please refer to Attachment 8.

h.The aforementioned transaction had been eliminated in the consolidated financial statements. Please refer to Attachment 8.

14. Segment information

(1) For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

Taiwan PCB segment: The segment is primarily responsible for the manufacturing of PCBs and selling them to electronic producers.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

China (Kunshan) PCB segment: This segment is primarily responsible for the manufacturing of PCBs and selling them to the parent company as well as electronic producers.

China (Huangshi) PCB segment: This segment is primarily responsible for the manufacturing of PCBs and selling them to the parent company as well as electronic producers.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements.

Reportable segment information for the years ended December 31, 2019 and 2018 were as follows:

	Taiwan PCB segment	China (Kunshan) PCB segment	China (Huangshi) PCB segment	Sub-total	Adjustments and eliminations (Note1)	Consolidated
2019						
Revenues						
External customers	$11,927,746	$1,459,301	$330,184	$13,717,231	$-	$13,717,231
Inter-segment	13,712	8,628,287	3,450,164	12,092,163	(12,092,163)	-
Interest revenue	62,366	13,892	845	77,103	(68,745)	8,358
Total	$12,003,824	$10,101,480	$3,781,193	$25,886,497	$(12,160,908)	$13,725,589
Segment income (loss)	$(396,884)	$251,661	$300,529	$155,306	$-	$155,306
2018						
Revenues						
External customers	$11,275,692	$1,751,852	$30,741	$13,058,285	$-	$13,058,285
Inter-segment	25,394	8,029,399	2,231,185	10,285,978	(10,285,978)	-
Interest revenue	66,425	13,731	1,317	81,473	(66,965)	14,508
Total	$11,367,511	$9,794,982	$2,263,243	$23,425,736	$(10,352,943)	$13,072,793
Segment income (loss)	$(21,154)	$(163,047)	$(56,684)	$(240,885)	$-	$(240,885)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note : Inter-segment revenues are eliminated upon consolidation and recorded under the "adjustments and eliminations" column.

Details of operational asset-related information as of December 31, 2019 and 2018 are as follows:

	Taiwan PCB segment	China (Kunshan) PCB segment	China (Huangshi) PCB segment	Sub-total	Adjustments and eliminations	Consolidated
2019.12.31						
Segment assets	$8,575,012	$7,601,741	$5,259,265	$21,436,018	$(7,917,090)	$13,518,928
2018.12.31						
Segment assets	$8,719,722	$7,513,263	$4,681,516	$20,914,501	$(6,605,896)	$14,308,605

(2) Geographical information

(a) Revenues from external customers (Note)

	For the year ended December 31, 2019	For the year ended December 31, 2018
China	$4,549,400	$5,475,582
Thailand	1,368,728	1,187,246
Germany	820,129	1,025,054
Other countries	6,978,974	5,370,403
Total	$13,717,231	$13,058,285

Note: The revenue information above is based on the location of the customer.

(b) Non-current assets

	2019.12.31	2018.12.31
Taiwan	$15,779	$549,235
China	5,605,437	5,700,931
Total	$5,621,216	$6,250,166

(3) Information about major customers

	For the year ended December 31,	
	2019	2018
Customer A	$2,092,990	(Note)

Note: Revenue generated from sales to individual customer for the year 2018 did not achieve 10% of the operating revenue of the Group, it was not disclosed.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Endorsement/Guarantee Provided to Others

For the Year Ended December 31, 2019

Attachment 1

(In Thousands of New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note 1)	Name	Name	Relationship (Note2)										
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics (Huangshi) Co., Ltd.	2	$3,910,121	$280,000	$179,580	$179,580	$-	4.59%	$3,910,121	Y	N	Y
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics Co., Ltd. (Seychelles)	2	$3,910,121	$153,850	$-	$-	$-	-%	$3,910,121	Y	N	N
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics (Kunshan) Co., Ltd.	2	$3,910,121	$613,700	$299,300	$149,650	$-	7.65%	$3,910,121	Y	N	Y

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".

2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note2: The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

1.The company with business contacts.

2.The company directly and indirectly holds more than 50% of the shares with voting rights.

3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.

4.The company directly and indirectly holds more than 90% of the shares with voting rights.

5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.

6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.

7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note 3: According to the procedures of Endorsement and Guarantee, the limitation of endorsement or guarantee for other subsidiaries shall not exceed the current net value of the Company. Also, the limitation of endorsement or guarantee for one of the subsidiaries shall not exceed the current net value of Company.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Related Party Transactions for Purchases amd Sales Amounts exceeding the lower of NT$100 Million or 20% of Capital Stock

For the Year Ended December 31, 2019

Attachment 2

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchase	$3,627,389	88.06%	90~100 days after monthly closing	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 60~120 days after monthly closing	Accounts payable $1,141,257	93.81%	Note1

Note1: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Investees over Which the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of December 31, 2019

Attachment 3

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2019	As of December 31, 2018	Shares	%	Carrying Value			
Dynamic Electronics Co., Ltd.	WINTEK (MAURITIUS) CO., LTD.	Suite 802, St James Court, St Denis Street, Port Louis, Mauritius	Investing activities	$2,716,696	$2,716,696	8,350,000	100.00%	$4,257,229	$568,631	$551,521 (Note 1)	Note4
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	$1,555	$1,555	50,000	100.00%	$1,985	$22	$22	Note4
Dynamic Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	$1,556	$1,556 (Note 3)	50,000	100.00%	$301,195	$66,231	$66,231	Note4
Dynamic Electronics Co., Ltd.	Dynamic Electronics Trading Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Management operations services	$1,541	$1,541	50,000	100.00%	$2,185	$221	$221	Note4
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics Holding Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Investing activities	$1,492,524	$1,492,524	47,940,000	100.00%	USD 48,731	USD 10,332	USD 9,698 (Note 2)	Note4

Note1: Including investment profit recognized under equity method amounted to NT$568,631 thousand, realized profit on transaction between subsidiaries amounted to NT$7,416 thousand and unrealized profit on transaction between subsidiaries amounted to NT$24,526 thousand .

Note2: Including investment loss recognized under equity method amounted to USD10,332 thousand, realized profit on transaction between subsidiaries amounted to USD29 thousand and unrealized profit on transaction between subsidiaries amounted to USD663 thousand .

Note3: The Company's original investment in Dynamic Electronics Co., Ltd. (Seychelles) is USD7,200 thousand (NT$224,005thousand), Dynamic Electronics Co., Ltd. (Seychelles) reduced capital by cash in amount of USD7,150 thousand (NT$222,449 thousand) in January 2018.

Note4: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Financing provided to others

For the year ended December 31, 2019

Attachment 4

(In Thousands of New Taiwan Dollars)

NO. (Note1)	Lender	Counter-party	Financial accounting account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 2)	Amount of sales to(purchases from) counter-party	Reason for financing	Loss Allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables -related parties	Yes	$669,650	$428,000	$214,000 (Note 6)	4.35%	2	$-	Business turnover	$-	-	$-	$1,689,762 (Note 3)	$1,689,762 (Note 3)
2	WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables -related parties	Yes	$1,419,750	$1,077,480	$1,077,480 (Note 6)	3.88%~3.9%	2	$-	Business turnover	$-	-	$-	$2,569,053 (Note 4)	$2,569,053 (Note 4)
3	Dynamic Electronics CO., LTD. (Seychelles)	Dynamic Electronics (Huangshi) Co., Ltd.	Other receivables -related parties	Yes	$157,750	$149,650	$149,650 (Note 6)	3.2026%	2	$-	Business turnover	$-	-	$-	$301,195 (Note 5)	$301,195 (Note 5)

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".

2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of financing is coded as follows:

1.Need for operating is coded "1".

2.Need for short term financing is coded "2".

Note 3: Limit of total financing amount shall not exceed 60% of the lender's net assets of value as of December 31, 2019.

Limit of financing amount for individual counter-party shall not exceed 60% of the lender's net assets value as of December 31, 2019.

Note 4: Limit of total financing amount shall not exceed 60% of the lender's net assets of value as of December 31, 2019.

Limit of financing amount for individual counter-party shall not exceed 60% of the lender's net assets value as of December 31, 2019.

Note 5: Limit of total fiancing amount shall not exceed the lender's net assets of value as of December 31, 2019.

Limit of financing amount for individual counter-party shall not exceed the lender's net assets value as of December 31, 2019.

Note 6: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Acquisition of Individual Real Estate with Amount exceeding the lower of NT$300 Million or 20% of Capital Stock

For the Year ended December 31, 2019

Attachment 5

(In Thousands of Foreign Currency)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party: Owner	Prior Transaction of Related Counter-party: Relationship with the Company	Prior Transaction of Related Counter-party: Transfer Date	Prior Transaction of Related Counter-party: Amount	Price Reference	Purpose and Use of Acquisition	Other Terms
Dynamic Electronics (Huangshi) Co. Ltd.	Buildings Construction of Huangshi Plant	2016.06.20	RMB 167,568	RMB 165,473 thousand was paid as of December 31, 2019.	Fujian Huidong Construction Engineering Co., Ltd.	None	None	None	None	None	Bidding	Production expansion and operation planning	None

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT$100 Million or 20% of Capital Stock

For the Year Ended December 31, 2019

Attachment 6

(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Sales	RMB 1,927,963	85.56%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 60~150 days after monthly closing.	Accounts receivable RMB 550,691	75.20%	Note1
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Subsidiary	Purchases	RMB 457,922	31.85%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90~120 days after monthly closing.	Accounts payable RMB 133,522	25.45%	Note1
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	Sales	RMB 457,922	54.23%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 120 days after monthly closing.	Accounts receivable RMB 133,522	50.82%	Note1
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Sales	RMB 312,963	37.06%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 120 days after monthly closing.	Accounts receivable RMB 69,161	26.32%	Note1
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Subsidiary	Purchases	USD 45,270	13.98%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts payable USD 9,913	11.16%	Note1
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd (Seychelles)	Subsidiary	Sales	USD 206,522	63.78%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 50,767	57.15%	Note1
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	Sales	USD 117,289	36.22%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 38,067	42.85%	Note1
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	Purchases	USD 278,541	86.02%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts payable USD 78,921	88.84%	Note1
Dynamic Electronics Co., Ltd (Seychelles)	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchases	USD 206,522	98.05%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90 days after monthly closing.	Accounts payable USD 50,767	96.57%	Note1

Note1: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Receivables from Related Parties with Amounts exceeding the lower of NT$100 Million or 20% of Capital Stock

As of December 31, 2019

Attachment 7

(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue Amount	Overdue Action Taken	Amount Received in Subsequent Periods	Loss Allowance
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	RMB 550,691 (Note1, 2)	3.76	$-	-	$-	$-
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	USD 38,067 (Note1, 2)	3.92	$-	-	$-	$-
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd (Seychelles)	Subsidiary	USD 50,767 (Note1, 2)	3.92	$-	-	$-	$-
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	RMB 69,161 (Note1, 2)	5.25	$-	-	$-	$-
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	RMB 133,522 (Note1, 2)	4.42	$-	-	$-	$-

Note1: Accounts receivable.

Note2: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Intercompany relationships and significant intercompany transactions

For the year Ended December 31, 2018

Attachment 8

(In Thousands of Foreign Currency / New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction: Financial Statement Account	Amount		Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
	Year 2019							
0	Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1	Purchases		$3,627,389	90 days after monthly closing	26.44%
0	Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1	Accounts payable		1,141,257	90 days after monthly closing	8.44%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	1	Accounts receivable		9,438	90 days after monthly closing	0.07%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	1	Other receivables		313,360	-	2.32%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	1	Processing revenue		12,773	90 days after monthly closing	0.09%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics Holding Pte. Ltd.	1	Other receivables		1,540	-	0.01%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	1	Other receivables		181	-	-%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	1	Other operating revenue		939	-	0.01%
1	Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	3	Purchases	USD	278,541	90 days after monthly closing	60.88%
1	Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	3	Accounts payable	USD	78,921	90 days after monthly closing	18.05%
1	Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Purchases	USD	45,270	90 days after monthly closing	9.89%
1	Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Accounts payable	USD	9,913	90 days after monthly closing	2.27%
2	Dynamic Electronics Co., Ltd (Seychelles)	Dynamic PCB Electronics Co., Ltd.	3	Purchases	USD	206,522	90 days after monthly closing	45.14%
2	Dynamic Electronics Co., Ltd (Seychelles)	Dynamic PCB Electronics Co., Ltd.	3	Accounts payable	USD	50,767	90 days after monthly closing	11.61%
2	Dynamic Electronics Co., Ltd (Seychelles)	Dynamic Electronics Trading Pte. Ltd.	3	Other managing expenses	USD	44	-	0.01%
2	Dynamic Electronics Co., Ltd (Seychelles)	Dynamic Electronics (Huangshi) Co., Ltd.	3	Other receivables	USD	20	-	-%
2	Dynamic Electronics Co., Ltd (Seychelles)	Dynamic Electronics (Huangshi) Co., Ltd.	3	Other receivables	USD	5,000	-	1.14%
2	Dynamic Electronics Co., Ltd (Seychelles)	Dynamic Electronics (Huangshi) Co., Ltd.	3	Interest income	USD	191	-	0.04%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Purchases	RMB	457,922	90 days after monthly closing	14.35%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Accounts payable	RMB	133,522	90 days after monthly closing	4.42%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Other receivables	RMB	4,047	-	0.13%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Other receivables	RMB	50,000	-	1.66%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Interest income	RMB	1,924	-	0.06%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Other operating revenue	RMB	3,100	-	0.10%
4	Wintek (Mauritius) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Other receivables	USD	54	-	0.01%
4	Wintek (Mauritius) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Other receivables	USD	36,000	-	7.98%
4	Wintek (Mauritius) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Interest income	USD	1,754	-	0.40%

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows：

1. Investor to investee
2. Investee to investor.
3. Investee to investee.

Note 3: The percentage base with respect to the total consolidated revenue-weighted average (about income statement accounts) or total assets (about balance sheet accounts).

Note 4: Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.

English Translation of a Report Originally Issued in Chinese

AUDIT REPORT OF INDEPENDENT AUDITORS

To: the Board of Directors
Dynamic Electronics Co., LTD.

Opinion

We have audited the accompanying parent-company-only balance sheets of Dynamic Electronics Co., LTD. (the "Company") as of December 31, 2019 and 2018, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including the summary of significant accounting policies (together "the parent-company-only financial statements").

In our opinion, the parent-company-only financial statements referred to above present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2019 and 2018, and their parent-company-only financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of parent-company-only financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's revenue amounting to NT$5,064,011 thousand for the year ended December 31, 2019 is a significant account to the Company's financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, Asia and Europe, etc. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, performing analytical review procedures on monthly sale revenues, and executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 4 and 6 to the financial statements.

Provision against inventory

We determine that provision against inventory is also one of the key audit matters. The Company's inventory in amount of NT$74,525 thousand, representing 1.06% of total assets, as of December 31, 2019 is significant to the Company's financial statements. The application market of the Company's main products, PCB, has been developing and changing rapidly and influenced significantly by end-customers' preference. The management therefore has to closely monitor the status of new products development and market demand for evaluating any significant impairment, including loss from market decline and slow-movement, incurred toward inventory. Also there was significant management judgement involved in determining the sufficiency of inventory loss provision. With respect to the key audit matter - provision against inventory, our audit procedures include, but not limit to, evaluating the appropriateness of inventory provision policy including how to identify the phased-out or slow-moving items, testing the correctness of inventory aging report, analyzing the reasons for slow-moving inventory, performing observation on the Company's inventory physical taking, and looking into the status of inventory utilization. Meanwhile, we have evaluated the appropriateness of the related disclosure in Note 5 and 6 to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent-company-only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the accompanying notes, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2019 parent-company-only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, wedetermine 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.

Cheng, Ching-Piao
Hong, Mao-Yi
Ernst & Young
March 30th, 2020
Taipei, Taiwan,
Republic of China

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY BALANCE SHEETS

As of December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			As of December 31, 2019		As of December 31, 2018	
Code	Accounts	Notes	Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4, 6(1)	$213,036	3	$103,166	2
1136	Financial assets carried at amortized cost	4, 6(2), 8	2,000	-	-	-
1150	Notes receivable, net	4, 6(3)	1,237	-	2	-
1170	Accounts receivable, net	4, 6(4)	1,428,833	21	1,476,484	22
1180	Accounts receivable - related parties, net	4, 6(4), 7	9,438	-	15,819	-
1200	Other receivables		3,819	-	9,097	-
1210	Other receivables - related parties	7	315,081	5	6,844	-
1310	Inventories, net	4, 6(5)	74,525	1	229,287	3
1410	Prepayments		15,332	-	49,777	1
1460	Non-current assets held for sale	4, 6(6), 8	217,280	3	-	-
1470	Other current assets		2,561	-	11,337	-
	Total current assets		2,283,142	33	1,901,813	28
15xx	Non-current assets					
1550	Investment accounted for under equity method	4, 6(7)	4,378,416	62	4,116,359	60
1600	Property, plant and equipment, net	4, 6(8), 8,	10,458	-	540,973	8
1755	Right-of-use assets	4, 6(20)	1,744	-	-	-
1780	Intangible assets, net	4, 6(9)	359	-	5,380	-
1840	Deferred tax assets	4, 6(24)	345,028	5	254,763	4
1900	Other non-current assets	6(10)	3,218	-	2,882	-
	Total non-current assets		4,739,223	67	4,920,357	72
	Total Assets		$7,022,365	100	$6,822,170	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY BALANCE SHEETS(Continued)

As of December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2019		As of December 31, 2018	
Code	Accounts	Notes	Amount	%	Amount	%
21xx	Current liabilities					
2100	Short-term loans	6(11)	$729,780	10	$913,793	13
2170	Accounts payable		75,245	1	254,959	4
2180	Accounts payable - related parties	7	1,141,257	16	667,480	10
2200	Other payables	6(12)	124,484	2	187,208	3
2280	Lease liabilities	4, 6(20)	1,195	-	-	-
2300	Other current liabilities		10,230	-	12,770	-
2322	Current portion of long-term loans	6(13), 8	600,000	9	91,200	1
2355	Lease payable	6(14)	-	-	441	-
2365	Refund liability	4, 6(15)	49,624	1	41,457	1
	Total current liabilities		2,731,815	39	2,169,308	32
25xx	Non-current liabilities					
2540	Long-term loans	6(13), 8	-	-	455,600	6
2570	Deferred tax liabilities	4, 6(24)	378,721	5	265,952	4
2580	Lease liabilities	4, 6(20)	133	-	-	-
2613	Lease payable	6(14)	-	-	451	-
2640	Net defined benefit liabilities	4	1,575	-	1,359	-
	Total non-current liabilities		380,429	5	723,362	10
	Total liabilities		3,112,244	44	2,892,670	42
31xx	Equity					
3100	Capital	6(17)				
3110	Common stock		2,810,594	40	2,810,594	41
3200	Capital surplus	6(17)	1,061,873	15	1,061,873	16
3300	Retained earnings	6(17)				
3310	Legal reserve		531,385	8	531,385	8
3320	Special reserve		299,666	4	299,666	4
3350	Accumulated profit or loss		(335,453)	(5)	(490,759)	(7)
3400	Other components of equity		(457,944)	(6)	(283,259)	(4)
	Total equity		3,910,121	56	3,929,500	58
	Total liabilities and equity		$7,022,365	100	$6,822,170	100

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	2019 Amount	2019 %	2018 Amount	2018 %
4000	Operating revenues	4, 6(18), 7	$5,064,011	100	$4,316,209	100
5000	Operating costs	6(5), 7	(4,964,816)	(98)	(4,188,400)	(97)
5900	Gross profit		99,195	2	127,809	3
6000	Operating expenses	7				
6100	Sales and marketing expenses		(157,995)	(3)	(169,111)	(4)
6200	General and administrative expenses		(240,245)	(5)	(139,504)	(3)
6300	Research and development expenses		(5,109)	-	(704)	-
6450	Expected credit gains (losses)	4, 6(19)	51	-	-	-
	Operating expenses total		(403,298)	(8)	(309,319)	(7)
6900	Operating loss		(304,103)	(6)	(181,510)	(4)
7000	Non-operating income and expenses	6(22), 7				
7010	Other income		35,991	1	27,079	1
7020	Other gains and losses		(130,576)	(2)	14,508	-
7050	Finance costs		(30,679)	(1)	(27,097)	(1)
7070	Share of profit or loss of subsidiaries, associates and joint ventures	4, 6(7)	617,995	12	(111,616)	(2)
	Non-operating income and expenses total		492,731	10	(97,126)	(2)
7900	Income (loss) from continuing operations before income tax		188,628	4	(278,636)	(6)
7950	Income tax benefit (expense)	4, 6(24)	(33,322)	(1)	37,751	-
8200	Net income (loss)		155,306	3	(240,885)	(6)
8300	Other comprehensive income (loss)	6(23)				
8310	Not to be reclassified to profit or loss in subsequent periods					
8311	Remeasurements of defined benefit plans		-	-	2,137	-
8360	May be reclassified to profit or loss in subsequent periods					
8361	Exchange differences arising on translation of foreign operations		(185,503)	(3)	(45,661)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss		10,818	-	6,140	-
	Total other comprehensive income (loss), net of tax		(174,685)	(3)	(37,384)	-
8500	Total comprehensive income (loss)		$(19,379)	-	$(278,269)	(6)
9750	Earnings (loss) per share - basic (in NT$)	6(25)	$0.55		$(0.86)	
9850	Earnings (loss) per share - diluted (in NT$)	6(25)	$0.55		$(0.86)	

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

				Retained Earnings			Other Components of equity	
		Capital	Capital Surplus	Legal Reserve	Special Reserve	Accumulated profit or loss	Exchange differences arising on translation of foreign operations	Total Equity
Code	Items	3100	3200	3310	3320	3350	3410	3XXX
A1	Balance as of January 1, 2018	$2,810,594	$1,061,873	$531,385	$299,666	$(252,011)	$(243,738)	$4,207,769
D1	Net loss for 2018					(240,885)		(240,885)
D3	Other comprehensive income (loss) for 2018					2,137	(39,521)	(37,384)
D5	Total comprehensive income (loss)	-	-	-	-	(238,748)	(39,521)	(278,269)
Z1	Balance as of December 31, 2018	$2,810,594	$1,061,873	$531,385	$299,666	$(490,759)	$(283,259)	$3,929,500
A1	Balance as of January 1, 2019	$2,810,594	$1,061,873	$531,385	$299,666	$(490,759)	$(283,259)	$3,929,500
D1	Net income for 2019					155,306		155,306
D3	Other comprehensive income (loss) for 2019						(174,685)	(174,685)
D5	Total comprehensive income (loss)	-	-	-	-	155,306	(174,685)	(19,379)
Z1	Balance as of December 31, 2019	$2,810,594	$1,061,873	$531,385	$299,666	$(335,453)	$(457,944)	$3,910,121

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2019	2018
AAAA	Cash flows from operating activities:		
A10000	Net income (loss) before tax	$188,628	$(278,636)
A20000	Adjustments:		
A20010	Profit or loss not effecting cash flows:		
A20100	Depreciation(inculding right-of-use assets)	96,511	139,326
A20200	Amortization	5,841	6,221
A20300	Expected credit losses (gain)	(51)	-
A20900	Interest expense	30,679	27,097
A21200	Interest income	(687)	(3,920)
A22400	Share of profit or loss of subsidiaries, associates and joint ventures	(617,995)	111,616
A22500	Loss (gain) on disposal of property, plant and equipment	76,882	(2,614)
A23700	Impairment loss on non-financial assets	36,327	-
A30000	Changes in operating assets and liabilities:		
A31130	Notes receivable	(1,235)	8,714
A31150	Accounts receivable	47,702	(304,013)
A31160	Accounts receivable - related parties	6,381	(15,617)
A31180	Other receivables	5,278	5,407
A31190	Other receivables - related parties	(308,237)	(5,984)
A31200	Inventories	154,762	23,923
A31230	Prepayment	34,445	5,741
A31240	Other current assets	8,776	(355)
A32150	Accounts payable	(179,714)	(63,070)
A32160	Accounts payable - related parties	473,777	(69,756)
A32180	Accrued expenses	(47,974)	(18,674)
A32190	Other payables - related parties	-	(4,057)
A32230	Other current liabilities	(2,540)	1,716
A32240	Net defined benefit liabilities	216	2,353
A32990	Refund liability	8,167	41,457
A32000	Cash generated from operations	15,939	(393,125)
A33100	Interest received	687	3,920
A33300	Interest paid	(31,193)	(26,168)
AAAA	Net cash provided by (used in) operating activities	(14,567)	(415,373)

Code	Items	2019	2018
BBBB	Cash flows from investing activities:		
B00040	Disposal (acquisition) of financial assets at amortised cost	(2,000)	-
B02400	Proceeds from capital reduction of investments accounted for under equity method	-	210,853
B02700	Acquisition of property, plant and equipment	(78,007)	(54,918)
B02800	Proceeds from disposal of property, plant and equipment	337,755	4,577
B04500	Acquisition of intangible assets	(820)	(303)
B03700	Decrease (increase) in refundable deposits	(336)	(735)
BBBB	Net cash provided by (used in) investing activities	256,592	159,474
CCCC	Cash flows from financing activities:		
C00200	Increase in (repayment of) short-term loans	(184,013)	270,353
C01600	Increase in long-term loans	600,000	-
C01700	Repayment of long-term loans	(546,800)	(53,200)
C03900	Increase (decrease) in lease payable	-	892
C04020	Payments of lease liabilities	(1,342)	-
CCCC	Net cash provided by (used in) financing activities	(132,155)	218,045
EEEE	Net Increase (decrease) in cash and cash equivalents	109,870	(37,854)
E00100	Cash and cash equivalents at beginning of period	103,166	141,020
E00200	Cash and cash equivalents at end of period	$213,036	$103,166

(The accompanying notes are an integral part of the parent-company-only financial statements.)

1. History and organization

Dynamic Electronics Co., Ltd. ("the Company") was incorporated in August 18, 1988. The main activities of the Company are engaged in the design, development, and manufacture of multi-layers PCB boards and electronics components. The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in March 18, 2009. The Company's registered office and the main business location is at 6F., No. 50, Minquan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)

2. Date and procedures of authorization of financial statements for issue

The financial statements of the Company were authorized to be issued in accordance with a resolution of the Board of Directors' meeting held on March 30, 2020.

3. Newly issued or revised standards and interpretations

(1)Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2019. The nature and the impact of each new standard and amendment have no material effect on the Company is described below:

A.IFRS 16 "Leases"

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

The Company followed the transition provision in IFRS 16 and the date of initial application was January 1, 2019. The impacts arising from the adoption of IFRS 16 are summarised as follows:

a.Please refer to Note 4 for the accounting policies before or after January 1, 2019.

b.For the definition of a lease, the Company elected not to reassess whether a contract was, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after January 1, 2019, the Company need to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract converys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessed most of the contracts are, or contain, leases and has no significant impact arised.

c.The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

I. Leases previously classified as operating leases

In accordance with the transition provision in IFRS 16, the Company used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

ii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of January 1, 2019.

iii. Exclude initial direct costs from the measurement of the right-of-use asset on January 1, 2019.

iv. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

II. Leases previously classified as finance leases

For leases that were previously classified as finance leases applying IAS 17, the Company reclassified the lease asset of NT$1,483 thousand and the lease payable of NT$892 thousand as measured by IAS 17 to the right-of-use asset of NT$1,483 thousand and the lease liability of NT$892 thousand, respectively, on January 1, 2019.

III.Please refer to Note 4, Note 5 and Note 6 for additional disclosure of lessee which required by IFRS 16.

(2)Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Definition of a Business - Amendments to IFRS 3	January 1, 2020
b	Definition of Material - Amendments to IAS 1 and 8	January 1, 2020
c	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020

A.Definition of a Business - Amendments to IFRS 3

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

B.Definition of a Material - Amendments to IAS 1 and 8

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

C.Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments include a number of exceptions, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is directly affected if the interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. Hence, the entity shall apply the exceptions to all hedging relationships directly affected by the interest rate benchmark reform.

The amendments include:

a.Highly probable requirement

When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the interest rate benchmark reform.

b.Prospective assessments

When performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

c.IAS 39 retrospective assessment

An entity is not required to undertake the IAS 39 retrospective assessment (i.e. the actual results of the hedge are within a range of 80–125%) for hedging relationships directly affected by the interest rate benchmark reform.

d.Separately identifiable risk components

For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

The amendments also include the end of application of the exceptions requirements and the related disclosures requirements of the amendments.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2020. The Company assesses all standards and interpretations have no material impact on the Company.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3)Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not endorsed by FSC and also not yet adopted by the Company as at the end of the reporting are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2021
c	Classfication of Liabilities as Current or Non-Current-Amendments to IAS 1	January 1, 2022

A.IFRS 10 Consolidated Financial Statement and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

B.IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

a.Estimates of future cash flows;
b.Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
c.A risk adjustment for non-financial risk.

The carrying amount of a company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation reatures (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

C.Classification of Liabilities as Current or Non-current - Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company assesses all standards and interpretations have no material impact on the Company.

4.Summary of significant accounting policies

(1)Statement of Compliance

The Company's parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (Regulations).

(2)Basis of Preparation

The Company prepared parent-company-only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent-company-only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent-company-only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent-company-only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent-company-only financial statements are expressed in thousand of New Taiwan Dollars (“NT$”) unless otherwise stated.

(3)Foreign Currency Transactions

The Company’s parent-company-only financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the parent-company-only financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following.

(a)Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

(b)Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instrument.

(c)Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4)Translation of Financial Statements in Foreign Currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and the income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5)Current and non-current distinction

An asset is classified as current when:

(a)The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
(b)The Company holds the asset primarily for the purpose of trading;
(c)The Company expects to realize the asset within twelve months after the reporting period;
(d)The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a)The Company expects to settle the liability in normal operating cycle
(b)The Company holds the liability primarily for the purpose of trading
(c)The liability is due to be settled within twelve months after the reporting period
(d)The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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.

All other liabilities are classified as non-current.

(6)Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and 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 (include fixed-term deposits that have matures of 3 months from the date of acquisition).

(7)Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

A. The Company's business model for managing the financial assets and
B. The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

A. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
B. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

A. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

B. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

A. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
B. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

(ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

(b)Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Company measures expected credit losses of a financial instrument in a way that reflects:

A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
B. The time value of money; and
C. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.

B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

D. For lease receivables arising from transactions within the scope of IFRS 16 (before January 1, 2019: IAS 17), the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

(c) Derecognition of financial assets

A financial asset is derecognized when:

A. The rights to receive cash flows from the asset have expired
B. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
C. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d)Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
B. A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – By actual purchase cost with weighted average method.
Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(10)Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

In the statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

(11)Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IAS 10 “Consolidated and Separate Financial Statements” and the different IFRSs adopted from different reporting entity’s perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a prorate basis.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

(a) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows form the operations of the associate and the proceeds on the ultimate disposal of the investment; or
(b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(12)Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. 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 is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Buildings	10~40 years
Machinery and equipment	1~10 years
Transportation equipment	4~6 years
Office equipment	3~6 years
Right-of-use asset/leased assets (Note)	3 years
Other equipment	1~9 years

Note : In accordance with IFRS 16, the company has reclassified leased assets to right-of-use asset since January 1, 2019.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13)Leases

<u>The accounting policy from January 1, 2019 as follow:</u>

For contracts entered on or after January 1, 2019, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

A.the right to obtain substantially all of the economic benefits from use of the identified asset; and

B.the right to direct the use of the identified asset.

The Company elected not to reassess whether a contract is, or contains, a lease on January 1, 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

A.fixed payments (including in-substance fixed payments), less any lease incentives receivable;
B.variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
C.amounts expected to be payable by the lessee under residual value guarantees;
D.the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
E.payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

A.the amount of the initial measurement of the lease liability;
B.any lease payments made at or before the commencement date, less any lease incentives received;
C.any initial direct costs incurred by the lessee; and
D.an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

The accounting policy before January 1, 2019 as follow:

Company as a lessee

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(14)Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.
Gains or losses arising from derecognition of an intangible asset are measured as the difference

between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Company's intangible assets is as follows:

	Computer software	Technology expertise
Useful lives	3~5 years	5~6 years
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

(15)Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companys of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash-generating unit, or Companys of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (Company of units), then to the other assets of the unit (Company of units) pro rata on the basis of the carrying amount of each asset in the unit (Company of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16)Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(17)Revenue Recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follow:

Sale of goods

The Company mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is PCB and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Company's sale of goods is from 60 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

(18)Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(19) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Company's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employee subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a)the date of the plan amendment or curtailment, and
(b)the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(20)Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

(a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgments, estimates and assumptions

The preparation of the Company's parent company only financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) The Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Accounts receivables-estimation of impairment loss

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(c) Inventory

Inventories are valued at the lower of cost and net realizable value item by item. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The change of market may also significantly influence the evaluation of inventory. For inventory details, please refer to Note 6 to the financial statements.

(d) Pension benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(e) Revenue Recognition-Sales retruns and allowance

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the aforementioned sales returns and allowance, trevenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Please refer to Note 6 for more details.

(f) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company’s domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

6. Contents of significant accounts

(1) Cash and cash equivalents

	2019.12.31	2018.12.31
Cash on hand	$-	$200
Checking and savings	213,036	102,966
Total	$213,036	$103,166

(2) Financial assets measured at amortized cost

	2019.12.31	2018.12.31
Restricted deposits - current	$2,000	$-
Current	$2,000	$-
Non-current	$-	$-

The Company transacts with financial institutions with good credit rating. Consequently, there is no significant credit risk.

Please refer to Note 8 for more details on financial assets measured at amortized cost pledged as collaterals.

(3) Notes receivables

	2019.12.31	2018.12.31
Notes receivables arising from operating activities	$1,237	$2
Less: loss allowance	-	-
Total	$1,237	$2

Notes receivables were not pledged.

The Company follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(19) for more details on loss allowance and Note 12 for details on credit risk.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Accounts receivable and Accounts receivable - related parties

(a) Accounts receivable, net consist of the follow:

	2019.12.31	2018.12.31
Accounts receivable, gross	$1,440,225	$1,490,167
Less: loss allowance	(11,392)	(13,683)
Net of allowances	1,428,833	1,476,484
Accounts receivable - related parties, gross	9,438	15,819
Less: loss allowance	-	-
Net of allowances	9,438	15,819
Total accounts receivable, net	$1,438,271	$1,492,303

(b) Accounts receivables were not pledged.

(c) Accounts receivable are generally on 60-120 day terms. The total carrying amount for the year ended December 31, 2019 and 2018, are NT$1,449,663 and NT$1,505,986, respectively. Please refer to Note 6 (19) for more details on loss allowance of accounts receivable for the years ended December 31, 2019 and 2018. Please refer to Note 12 for more details on credit risk management.

(5) Inventories

(a) Details of inventories are as below:

	2019.12.31	2018.12.31
Raw materials	$-	$15,452
Supplies & parts	17	4,347
Work in progress	-	86,066
Finished goods	74,508	123,422
Total	$74,525	$229,287

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) The cost of inventories recognized in expenses amounts to NT$4,964,816 thousand for the year ended December 31, 2019 while NT$4,188,400 thousand for the year ended December 31, 2018. The following losses were included in cost of sales:

	For the year ended December 31,	
Item	2019	2018
Inventory valuation losses	$25,330	$33,095
Physical inventory losses (gain)	(2,024)	6,771
Total	$23,306	$39,866

(c) Inventories were not pledged.

(6) Non-current assets held for sale

The Company has entered into a contract with Tungwei Construction. Co., LTD. on October 18, 2019 for selling its plant and property located at No. 356, Shanying Rd., Guishan Dist., Taoyuan City, Taiwan (R.O.C.) in a total of NT$735,000 thousand following a resolution from the Company's board meeting held on August 13, 2019. The selling price was mutual agreed by the Company and the buyer in reference with the appraisal reports from both CCIS Real Estate Joint Appraiser Firm and Hongda Real Estate Appraiser Firm. The title of underlying plant and property was successfully passed on January 8, 2020 and the payment has fully been received as of the issuance date of the financial statements.

The property and plant were accounted for as non-current assets held for sale as of December 31, 2019 as the transfer procedure could be completed in 12 months. There was no impairment loss incurred from this transaction since the realization price was greater than its carrying values.

	2019.12.31	2018.12.31
Land	$137,171	$-
Buildings	80,109	-
Total	$217,280	$-

Please refer to Note 8 for more details on non-current assets held for sale under pledge.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(7) Investments accounted for under the equity method

Investee companies	2019.12.31 Amount	2019.12.31 Percentage of Ownership	2018.12.31 Amount	2018.12.31 Percentage of Ownership
Investments in subsidiaries:				
WINTEK (MAURITIUS) CO., LTD.	$4,257,229	100.00%	$3,883,269	100.00%
Dynamic PCB Electronics Co., Ltd.	1,985	100.00%	2,011	100.00%
Dynamic Electronics Co., Ltd. (Seychelles)	301,195	100.00%	242,803	100.00%
Dynamic Electronics Trading Pte. Ltd.	2,185	100.00%	2,019	100.00%
Minus: Unrealized Profit	(184,178)		(13,743)	
Total	$4,378,416		$4,116,359	

(a) The Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary valuations and adjustments.

(b) No investment accounted for under the equity method was pledged as collaterals.

(8) Property, plant and equipment

	108.12.31(Note)	107.12.31
Owner occupied property, plant and equipment	$10,458	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(a)Owner occupied property, plant and equipment (applicable under IFRS 16 requirements)

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Lease asset	Construction in progress and equipment to be examined	Total
Cost:									
2019.01.01	$137,171	$175,947	$1,434,915	$3,543	$8,553	$157,926	$2,224	$84,571	$2,004,850
Additions	-	-	-	-	-	-	-	63,806	63,806
Disposals	-	-	(1,388,436)	(1,337)	(1,741)	(177,550)	-	(17,741)	(1,586,805)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Transfer	-	-	107,483	-	-	19,624	-	(127,107)	-
Reclassified to non-current assets held for sale	(137,171)	(175,947)	-	-	-	-	-	-	(313,118)
Reclassified to right-of-use asset	-	-	-	-	-	-	(2,224)	-	(2,224)
2019.12.31	$-	$-	$153,962	$2,206	$6,812	$-	$-	$3,529	$166,509
Depreciation and impairment:									
2019.01.01	$-	$90,904	$1,223,373	$2,422	$8,336	$138,101	$741	$-	$1,463,877
Depreciation	-	4,934	72,561	313	118	17,103	-	-	95,029
Impairment loss		-	36,327	-	-	-	-	-	36,327
Disposals	-	-	(1,185,057)	(601)	(1,741)	(155,204)	-	-	(1,342,603)
Transfer	-	-	-	-	-	-	-	-	-
Reclassified to non-current assets held for sale	-	(95,838)	-	-	-	-	-	-	(95,838)
Reclassified to right-of-use asset	-	-	-	-	-	-	(741)	-	(741)
2019.12.31	$-	$-	$147,204	$2,134	$6,713	$-	$-	$-	$156,051
Net carrying amount as at:									
2019.12.31	$-	$-	$6,758	$72	$99	$-	$-	$3,529	$10,458

(b)Property, plant and equipment (prior to the application of IFRS 16)

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Lease asset	Construction in progress and equipment to be examined	Total
Cost:									
2018.01.01	$137,171	$175,947	$1,399,574	$4,604	$10,316	$154,692	$-	$127,867	$2,010,171
Additions	-	-	-	-	-	-	1,324	61,678	63,002
Disposals	-	-	(50,447)	(1,983)	(1,888)	(14,005)	-	-	(68,323)
Transfer	-	-	85,788	922	125	17,239	900	(104,974)	-

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2018.12.31	$137,171	$175,947	$1,434,915	$3,543	$8,553	$157,926	$2,224	$84,571	$2,004,850
Depreciation and impairment:									
2018.01.01	$-	$84,324	$1,162,963	$3,826	$9,941	$130,872	$-	$-	$1,391,926
Depreciation	-	6,580	110,019	469	283	21,234	741	-	139,326
Disposals	-	-	(49,609)	(1,873)	(1,888)	(14,005)	-	-	(67,375)
Transfer	-	-	-	-	-	-	-	-	-
2018.12.31	$-	$90,904	$1,223,373	$2,422	$8,336	$138,101	$741	$-	$1,463,877
Net carrying amount as at:									
2018.12.31	$137,171	$85,043	$211,542	$1,121	$217	$19,825	$1,483	$84,571	$540,973

For the year ended December 31, 2019, the NT$36,327 thousand impairment loss represented the write down of certain property, plant and equipment in the Company to the recoverable amount to NT$6,300 thousand. This has been recognized in the statement of comprehensive income.

Significant components of building include main building structure and additional expansion construction, which are depreciated over useful lives of 40 years and 20 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(9) Intangible assets

	Computer software	Technology expertise	Total
Cost:			
2019.01.01	$17,738	$-	$17,738
Additions – acquired separately	820	-	820
Derecognized upon retirement	(12,513)	-	(12,513)
2019.12.31	$6,045	$-	$6,045
2018.01.01	$23,631	$750	$24,381
Additions – acquired separately	303	-	303
Derecognized upon retirement	(6,196)	(750)	(6,946)
2018.12.31	$17,738	$-	$17,738

Amortization and Impairment:

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2019.01.01	$12,358	$-	$12,358
Amortization	5,841	-	5,841
Derecognized upon retirement	(12,513)	-	(12,513)
2019.12.31	$5,686	$-	$5,686
2018.01.01	$12,412	$671	$13,083
Amortization	6,142	79	6,221
Derecognized upon retirement	(6,196)	(750)	(6,946)
2018.12.31	$12,358	$-	$12,358
Net carrying amount as at:			
2019.12.31	$359	$-	$359
2018.12.31	$5,380	$-	$5,380

Amortization of intangible assets is as follows:

	For the year ended December 31,	
	2019	2018
Operating costs	$2,612	$2,404
Operating expenses	3,229	3,817
Total	$5,841	$6,221

(10) Other non-current assets

	2019.12.31	2018.12.31
Refundable deposits	$3,218	$2,882

(11) Short-term loans

(a) Short-term loans consist of the following:

	Interest Rates (%)	2019.12.31	2018.12.31
Unsecured bank loans	1.35%～4.03%	$729,780	$913,793

(b) The Company's unused short-term lines of credits amounts to NT$107,930 thousand and NT$493,558 thousand as of December 31, 2019 and 2018, respectively.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(12) Other payables

Other payables consist of the following:	2019.12.31	2018.12.31
Accrued expenses	$115,077	$163,051
Accrued interest payable	1,319	1,868
Payables to equipment suppliers	8,088	22,289
Total	$124,484	$187,208

(13) Long-term loans

(a)Details of long-term loans as of December 31, 2019 and 2018 are as follows:

Lenders	2019.12.31	Interest Rate (%) (Note 2)	Maturity and terms of repayment
Sunny Bank — Nangang Branch — Secured bank loans (Note1)	$600,000	Sunny Bank's one-year fixed reserve rate (monthly adjustment) + 0.58% annual interest rate	The loan is repaid in 60 monthly installments, each at NT$8,500 thousand and last repayment NT$98,500 thousand, within 7 years with a grace period of 24 months.
Less: Current portion of long-term loans	(600,000)		
Non-current portion of long-term loans	$-		

Lenders	2018.12.31	Interest Rate (%) (Note 2)	Maturity and terms of repayment
JihSun Bank — Taoyuan Branch— Secured bank loans (Note1)	$249,067	The interest shall not be lower than Jihsun Bank's mortgage index interest rate plus 0.67%	The loan is repaid in 78 monthly installments, each at NT$3,462 thousand and last repayment NT$6,741 thousand, within 7 years with a grace period of 6 months.
JihSun Bank — Taoyuan Branch— Secured bank loans	297,733	The interest shall not be lower than Jihsun Bank's	The loan is repaid in 78 monthly installments, each at NT$4,138 thousand and last repayment

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(Note1)		mortgage index interest rate plus 0.67%	NT$8,059 thousand, within 7 years with a grace period of 6 months.
Total	546,800		
Less: Current portion of long-term loans	(91,200)		
Non-current portion of long-term loans	$455,600		

Note1: Please refer to Note 8 for more details regarding certain property, plant and equipment pledged for secured bank loans.

Note2: Interest rates of long-term loans are as follows:

	2019.12.31	2018.12.31
Interest Rates (%)	1.65%	1.75%

(b)The Company entered into an agreement of syndicated loans in credit line of USD50,000 thousand with E.Sun Bank, Mega International Commercial Bank and 7 other banks on March 17, 2017. According to the agreement, the Company's liquidity ratio, debt ratio and interest expenditure coverage derived from annual consolidated financial statements should meet certain criteria.

In the event that the Company's financial statements do not meet with any of the criteria or restrictions specified, the Company shall improve it in 9 months after the end of the fiscal year. The improvement documentation proposed by the Company shall also be reviewed by certified public accountants. During the period of improvement, (1) the unused credit line of underlying loan agreement shall be suspended from further usage until the Gompany's financial ratio meet the required criteria. ；(2) the interest shall be increased by 0.15% from the immediate interest payment date as notified by the managing bank to the interest payment date immediately after the issue has been improved. The borrower's right to utilize the credit line shall be suspended and punished in accordance with related covenants in the agreement immediately when the managing banks discover any breach of loan contract.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(14) Finance lease commitments

The Company has finance leases for certain machinery. Theses leases contain purchase options. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2019.12.31(Note)		2018.12.31	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Not later than one year			$456	$441
Later than one year and not later than five years			456	451
Total minimum lease payments			912	892
Less: finance charges on finance lease			(20)	-
Present value of minimum lease payments			$892	$892
Current			$441	$441
Non-current			451	451

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(15) Refund liability

	2019.12.31	2018.12.31
Refund liability	$49,624	$41,457

(16) Post-employment benefits

Defined contribution plan

The Company adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of

no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.
Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2019 and 2018 amounted to NT$16,611 thousand and NT$18,169 thousand, respectively.

Additional pension expenses recognized for the executives commissioned by the Company amounted to NT$216 thousand both for the years ended December 31, 2019 and 2018.

Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19.

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As of December 31, 2018, the maturities of the Company's defined benefit plan was expected in 2026.

Pension costs recognized in profit or loss for the years ended December 31, 2019 and 2018:

	For the year ended December 31,	
	2019	2018
Current period service costs	$-	$-
Interest income or expense	-	(561)
Past service cost	-	7,831
Payments from the plan	35,216	-
Total	$35,216	$7,270

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	2019.12.31	2018.12.31	2018.01.01
Defined benefit obligation	$-	$42,040	$38,477
Plan assets at fair value	-	(77,256)	(78,826)
Other non-current liabilities - Accrued pension liabilities recognized on the balance sheets	$-	$(35,216)	$(40,349)

Reconciliation of liability (asset) of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
2018.01.01	$38,477	$78,826	$(40,349)
Current period service costs	-	-	-
Net interest expense (income)	535	1,096	(561)
Past service cost and gains and losses arising from settlements	7,831	-	7,831
Subtotal	8,366	1,096	7,270
Remeasurements of the net defined benefit			

liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	35	-	35
Actuarial gains and losses arising from changes in financial assumptions	1,323	-	1,323
Experience adjustments	(1,211)	-	(1,211)
Return on plan assets	-	2,284	(2,284)
Subtotal	147	2,284	(2,137)
Payments from the plan	(4,950)	(4,950)	-
Contributions by employer	-	-	-
Effect of changes in foreign exchange rate	-	-	-
2018.12.31	42,040	77,256	(35,216)
Current period service costs	-	-	-
Net interest expense (income)	-	-	-
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	-	-	-
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	-	-	-
Experience adjustments	-	-	-
Return on plan assets	-	-	-
Subtotal	-	-	-
Payments from the plan	(42,040)	(77,256)	35,216
Contributions by employer	-	-	-
Effect of changes in foreign exchange rate	-	-	-
2019.12.31	$-	$-	$-

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	2019.12.31	2018.12.31
Discount rate	-	0.86%
Expected rate of salary increases	-	1.00%

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A sensitinivity analysis for significant assumption is shown as below:

	For the year ended December 31,			
	2019		2018	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased by 0.5%	$-	$-	$-	$(1,258)
Discount rate decreased by 0.5%	-	-	1,619	-
Expected salary level increased by 0.5%	-	-	1,602	-
Expected salary level decreased by 0.5%	-	-	-	(1,262)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(17) Equities

(a)Common stock

As of December 31, 2019 and 2018, the Company's authorized capital and issued capital were NT$4,000,000 thousand and NT$2,810,594 thousand, respectively, each share at par value of NT$10, divided into 281,059,335 shares.

(b)Capital surplus

	2019.12.31	2018.12.31
Additional paid-in capital	$989,014	$989,014
Treasury share transactions	32,214	32,214
Increase (decrease) through changes in	15,531	15,531

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ownership interests in subsidiaries that do not result in loss of control		
Gain on sale of assets	155	155
Employee stock option	5,249	5,249
Share options	19,710	19,710
Total	$1,061,873	$1,061,873

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made either in cash or in the form of share dividend to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

(1)Earning distribution

The Company's shareholders meeting held on May 24, 2019 resolved an amendment on the Company's Articles of Incorporation. According to the revised Articles of Incorporations, current year's earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues;
b. Offseting prior years' operation losses;
c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
d. Set aside or reverse special reserve in accordance with law and regulations; and
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The Company may resolve by a special majority vote at a Board meeting to distribute in cash the above-mentioned dividends or capital reserve or/and legal reserve in compliance with the Taiwan Company Act and shall report the distribution in the most recent shareholder's meeting.

(2)Dividend policy

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, financial structures and earnings etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 90% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

(3)According to the Company Act, the Company shall set aside legal reserve from earnings unless where the amount of legal reserve reaches the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by shareholders.

(4)Following the adoption of T-IFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the follow-ing provisions for compliance:

On a public company's first-time adoption of the T-IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the T-IFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of January 1, 2013, special reserve set aside for the first-time adoption of T-IFRS amounted to NT$349,310 thousand. Furthermore, the Company has reversed special reserve in the amount of NT$49,644 thousand to retained earnings during the year ended December 31, 2013 due to the use, disposal or reclassification of related assets.

As of December 31, 2019 and 2018, special reserve set aside for the first-time adoption of T-IFRS reduced to NT$299,666 thousand accordingly.

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(5)There was no earnings distribution for the years ended December 31, 2019 and 2018.

Please refer to Note 6(21) for details on employees' compensation and remunevation to directors and supervisors.

(18) Operating revenues

	For the year ended December 31,	
	2019	2018
Revenue from contracts with customers		
Sale of goods	$5,047,843	$4,254,645
Other revenue	16,168	61,564
Total	$5,064,011	$4,316,209

Analysis of revenue from contracts with customers during the year ended December 31, 2019 and 2018 are as follows:

Disaggregation of revenue

	For the year ended December 31,	
	2019	2018
	PCB	PCB
Sale of goods	$5,047,843	$4,254,645
Other	16,168	61,564
Total	$5,064,011	$4,316,209
The timing for revenue recognition:		
At a point in time	$5,064,011	$4,316,209

(19) Expected credit losses(gains)

	For the year ended December 31,	
	2019	2018

Operating expenses – Expected credit losses/(gains)		
Accounts receivable	$(51)	$-

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2019 and 2018 are as follow:

A. The Company condsiders the grouping of trade receivables by counter parties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follow:

108.12.31

	Not yet due	Overdue					
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=120 days	Total
Gross carrying amount	$1,403,218	$36,290	$10,222	$770	$49	$351	$1,450,900
Loss ratio	-%	-%	100%	100%	100%	100%	
Lifetime expected credit losses	-	-	(10,222)	(770)	(49)	(351)	(11,392)
Carrying amount of trade receivables	$1,403,218	$36,290	$-	$-	$-	$-	$1,439,508

107.12.31

	Not yet due	Overdue					
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=120 days	Total
Gross carrying amount	$1,433,708	$58,597	$5,263	$2,224	$429	$5,767	$1,505,988
Loss ratio	-%	-%	100%	100%	100%	100%	
Lifetime expected credit losses	-	-	(5,263)	(2,224)	(429)	(5,767)	(13,683)
Carrying amount of trade receivables	$1,433,708	$58,597	$-	$-	$-	$-	$1,492,305

Note: all the Company's notes receivable were not overdue.

B. The movement in the provision for impairment of notes receivable and accounts receivable for the years ended December 31, 2019 and 2018 are as follows:

	Notes receivable	Accounts receivable
Beginning balance as of January 1, 2019	$-	$13,683

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Addition/(reversal)for the current period	-	(51)
Write off	-	(2,240)
Effect of exchange rate changes	-	-
Ending balance as of December 31, 2019	$-	$11,392
Beginning balance as of January 1, 2018 (in accordance with IAS 39)	$-	$13,683
Transition adjustment to retained earnings as at January 1, 2018	-	-
Beginning balance as of January 1, 2018 (in accordance with IFRS 9)	-	-
Addition/(reversal) for the current period	-	-
Effect of exchange rate changes	-	-
Ending balance as of December 31, 2018	$-	$13,683

(20) Leases

(a)Company as a lessee (applicable to the disclosure requirement under IFRS 16)

The Company leases various properties, including real estate such as land and buildings, machinery and equipment. The lease terms range from 2 to 3 years. The Company is not allowed to loan, sublease or sell without obtaining the consent from the lessors.

The Company’s leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts recognized in the balance sheet

a.Right-of-use assets

	Land	Buildings	Machinery and equipment	Total
Cost :				
2019.01.01	$-	$-	$-	$-
Transferred from property, plant and equipment	-	-	2,224	2,224
Additions	696	1,047	-	1,743
Disposals	-	-	-	-

Transfer	-	-	-	-
2019.12.31	$696	$1,047	$2,224	$3,967
Depreciation and impairment:				
2019.01.01	$-	$-	$-	$-
Transferred from property, plant and equipment	-	-	741	741
Depreciation	348	393	741	1,482
Impairment loss	-	-	-	-
Disposals	-	-	-	-
Transfer	-	-	-	-
2019.12.31	$348	$393	$1,482	$2,223
Net carrying amount :				
as at 2019.12.31	$348	$654	$742	$1,744

b.Lease liabilities

	2019.12.31	2018.12.31(Note)
Lease liabilities	$1,328	
Current	$1,195	
Non-current	133	
Total	$1,328	

Please refer to Note 6(22)(c) for the interest on lease liabilities recognized during the year ended 31 December 2019 and refer to Note12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as at December 31, 2019.

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

B. Income and costs relating to leasing activities

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the year ended December 31,	
	2019	2018 (Note)
The expenses relating to short-term leases	$7,489	

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

The portfolio of short-term leases of the Company to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expenses disclosed above, and the amount of its lease commitments is NT$0.

C. Cash outflow relating to leasing activities

During the year ended December 31, 2019, the Company's total cash outflows for leases amounting to NT$8,831 thousand.

(b) Operating lease commitments - Company as a lessee (applicable to the disclosure requirement in IAS 17)

The Company has entered into commercial leases on certain motor vehicles. These leases have an average life of three years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases. Otherwise, the Company has also entered into operating leases on certain land and buildings. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at December 31, 2019 and 2018 are as follows:

	2019.12.31(Note)	2018.12.31
Not later than one year		$1,771
Later than one year and not later than five years		2,026
Total		$3,797

Operating lease expenses recognized are as follows:

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	For the year ended December 31,	
	2019 (Note)	2018
Minimum lease payments		$11,870

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(21) Summary of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2019 and 2018 are as follows:

Function / Nature	2019			2018		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$235,344	$102,064	$337,408	$338,056	$93,402	$431,458
Labor and health insurance	27,993	6,060	34,053	36,338	5,472	41,810
Pension	11,411	40,632	52,043	20,835	4,820	25,655
Directors' remuneration	-	2,410	2,410	-	1,665	1,665
Other employee benefits	7,818	54,277	62,095	6,147	4,143	10,290
Depreciation	94,638	1,873	96,511	136,413	2,913	139,326
Amortization	2,612	3,229	5,841	2,404	3,817	6,221

Note:

1. The headcounts of the Company amounted to 510 and 752, respectively, as of December 31, 2019 and 2018. Among the Company's directors, there were 4 who were not the employees.

2. Companies who have been listed on Taiwan Stock Exchange or Taiwan Over-The Counter Securities Exchange should disclose the following information:

(1) Average employee benefits of 2019 and 2018 are NT$781 thousand and NT$680 thousand respectively.
(2) Average salaries of 2019 and 2018 are NT$666 thousand and NT$576 thousand respectively.
(3) Changes in average salaries are 16%.

According to the resolution, 10%~18% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

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For the years ended December 31, 2019 and 2018, the Company incurred accumulated losses and therefore did not intend to accrue the employees' compensation and remuneration to directors.

(22)Non-operating income and expenses

(a)Other income

	For the year ended December 31,	
	2019	2018
Interest income		
Financial assets measured at amortized cost	$687	$3,920
Other income－others	35,304	23,159
Total	$35,991	$27,079

(b)Other gains and losses

	For the year ended December 31,	
	2019	2018
Gain (loss) on disposal of property, plant and equipment	$(76,882)	$2,614
Foreign exchange gains (losses), net	(8,752)	15,274
Impairment loss on non-financial assets	(36,327)	-
Others losses-others	(8,615)	(3,380)
Total	$(130,576)	$14,508

(c)Finance costs

	For the year ended December 31,	
	2019	2018

Interest on borrowings from bank	$30,644	$27,097
Interest on lease liabilities	35	(Note)
Total	$30,679	$27,097

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(23) Components of other comprehensive income (loss)

For the year ended December 31, 2019

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	$(185,503)	$-	$(185,503)	$10,818	$(174,685)

For the year ended December 31, 2018

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$2,137	$-	$2,137	$-	$2,137
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(45,661)	-	(45,661)	6,140	(39,521)
Total	$(43,524)	$-	$(43,524)	$6,140	$(37,384)

(24) Income tax

(a)Based on an amendment to the Income Tax Act announced on February 7, 2018, the

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Company's applicable corporate income tax rate changes from 17% to 20% and the surtax rate on undistributed earnings from 10% to 5% effective the year of 2018.

(b)The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,	
	2019	2018
Current income tax expense (income):		
Current income tax charge	$-	$-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	33,322	(44,478)
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	-	6,727
Total income tax expense (income)	$33,322	$(37,751)

Income tax relating to components of other comprehensive income

	For the year ended December 31,	
	2019	2018
Deferred tax expense (income):		
Exchange differences arising on translation of foreign operations	$(10,818)	$(6,140)

(c)A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2019	2018
Accounting profit (loss) before tax from continuing operations	$188,628	$(278,636)
Tax payable at the enacted tax rates	$37,726	$(55,727)
Tax effect of expenses not deductible for tax purposes	725	32
Tax effect of deferred tax assets/liabilities	(5,129)	17,944

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Total income tax expense (income) recognized in profit or loss	$33,322	$(37,751)

(d)Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2019

	Beginning balance as of January 1, 2019	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2019
Temporary differences				
Unrealized loss on inventory valuation	$4,670	$(2,936)	$-	$1,734
Loss on inventory written-off and obsolescense	2,213	(2,213)	-	-
Investments accounted for using the equity method	(265,940)	(123,599)	10,818	(378,721)
Over 2 years payables	86	-	-	86
Gain on disposal of property, plant and equipment	2,749	34,087	-	36,836
Impairment loss on assets	-	7,265	-	7,265
Unrealized exchange loss (gain)	(12)	1,940	-	1,928
Sales returns and allowances	8,291	1,633	-	9,924
Commission expense	13,822	(1,900)	-	11,922
Unused tax losses	221,068	53,813	-	274,881
Employee benefits	1,864	(1,412)	-	452
Deferred tax income/ (expense)		$(33,322)	$10,818	
Net deferred tax assets/(liabilities)	$(11,189)			$(33,693)
Reflected in balance sheet as follows:				
Deferred tax assets	$254,763			$345,028
Deferred tax liabilities	$(265,952)			$(378,721)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2018

	Beginning balance as of January 1, 2018	Deferred tax income (expense) recognized in profit or loss	Effect of tax rate change	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2018
Temporary differences					
Unrealized loss on inventory valuation	$2,899	$1,259	$512	$-	$4,670
Loss on inventory written-off and obsolescense	337	1,816	60	-	2,213
Investments accounted for using the equity method	(252,786)	22,324	(41,618)	6,140	(265,940)
Over 2 years payables	73	-	13	-	86
Gain on disposal of property, plant and equipment	2,164	203	382	-	2,749
Unrealized exchange loss (gain)	355	(430)	63	-	(12)
Sales returns and allowances	6,956	108	1,227	-	8,291
Commission expense	8,514	3,806	1,502	-	13,822
Bad debt expense	294	(346)	52	-	-
Unused tax losses	174,530	15,738	30,800	-	221,068
Employee benefits	1,584	-	280	-	1,864
Deferred tax income/ (expense)		$44,478	$(6,727)	$6,140	
Net deferred tax assets/(liabilities)	$(55,080)				$(11,189)
Reflected in balance sheet as follows:					
Deferred tax assets	$197,706				$254,763
Deferred tax liabilities	$(252,786)				$(265,952)

(e) Unrecognized deferred tax assets

As of December 31, 2019 and 2018, deferred tax assets that have not been recognized amounts to NT$0 and NT$13,918 thousand, respectively.

(f) The following table contains information of the net operating loss of the Company:

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Year incurred	Net operating loss	Expiration year
2013	$357,540	2023
2014	224,933	2024
2015	82,157	2025
2016	138,185	2026
2017	194,926	2027
2018	127,096	2028
2019(estimated)	243,418	2029
Total	$1,368,255	

(g) The assessment of income tax returns

As of December 31, 2019, the tax assessments on the Company's tax filings have been approved up to the year of 2017.

(23) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the year ended December 31,	
	2019	2018
(a) Basic earnings per share		
Profit (loss) attributable to ordinary equity holders of the Company (in thousand NT$)	$155,306	$(240,885)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	281,059	281,059
Basic earnings (loss) per share (in NT$)	$0.55	$(0.86)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Diluted earnings per share

Profit (loss) attributable to ordinary equity holders of the Company (in thousand NT$)	$155,306	$(240,885)
Profit (loss) attributable to ordinary equity holders of the Company after dilution (in thousand NT$)	$155,306	$(240,885)
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	281,059	281,059
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	281,059	281,059
Diluted earnings (loss) per share (in NT$)	$0.55	$(0.86)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7. Related party transactions

(1)Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Dynamic PCB Electronics Co., Ltd.	Subsidiary
Dynamic Electronics Co., Ltd. (Seychelles)	Subsidiary
Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary
Dynamic Electronics (Huangshi) Co., Ltd.	Subsidiary
Dynamic Electronics Holding Pte. Ltd.	Subsidiary
HONG LAN ELECTRONICS CO., LTD.	Other related party

(2) Significant transactions with related parties

(a)Purchases

	For the year ended December 31,	
	2019	2018
Dynamic PCB Electronics Co.,Ltd.	$3,627,389	$2,469,661

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As the specifications of merchandise purchased from the subsidiaries are different from those from other third-party companies in 2019 and 2018, the purchasing prices to subsidiaries were not comparable. Payment terms for subsidiaries were 90~100 days after monthly closing while 60~120 days after monthly closing for general suppliers.

(b) The Company recognized operating revenue of processing performed for subsidiaries amounted to NT$12,773 thousand and NT$23,125 thousand for the years ended December 31, 2019 and 2018, respectively.

(c) The Company recognized other operating revenue, due to procurement on behalf of subsidiaries in amount of NT$939 thousand and NT$2,269 thousand for the years ended December 31, 2019 and 2018, respectively.

(d) The Company recognized operating expenses for services provided by other related parties of NT$1,420 thousand for the years ended December 31, 2018.

(e) Transaction of assets

Type of Assets	Related Parties	Book Value	Selling Price	Gain	Price Reference
2019					
Machine and equipment	Subsidiary	$127,562	$300,656	$173,094 (Note)	Negotiated
2018					
Machine and equipment	Subsidiary	$-	$3,358	$3,358 (Note)	Negotiated

Note: The gains were recorded as unrealized profits.

(f) Accounts receivable-related parties

	2019.12.31	2018.12.31
Dynamic Electronics (Kunshan) Co., Ltd.	$9,438	$15,819
Less: loss allowance	-	-
Total	$9,438	$15,819

(g) Other receivables from related parties (not inculding financing)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2019.12.31	2018.12.31
Dynamic Electronics (Kunshan) Co., Ltd.	$313,360	$3,654
Dynamic Electronics (Huangshi) Co., Ltd.	181	2,150
Dynamic Electronics Holding Pte. Ltd.	1,540	1,040
	$315,081	$6,844

(h) Accounts payable to related parties

	2019.12.31	2018.12.31
Dynamic PCB Electronics Co.,Ltd.	$1,141,257	$667,480

(i) Loan to related parties (not provided endorsement)

Other receivables	The highest balance (Dr)	Balance at year end (Dr)	Interest rate	Total interest for the year
2018				
Subsidiaries	$153,325	$-	3.05%-3.65%	$3,397

(j) As of December 31, 2019 and 2018, the Company provided endorsement/guarantee to its subsidiaries in total of NT$632,205 thousand and NT$886,230 thousand, respectively.

(k) Key management personnel compensation

	For the year ended December 31,	
	2019	2018
Short-term employee benefits	$32,712	$31,983
Post-employment benefits	983	939
Total	$33,695	$32,922

8. Assets pledged as collateral

Assets	Book value 2019.12.31	Book value 2018.12.31	Purpose of pledge
Property, plant and equipment – land	$-	$137,171	Secured loans
Non-current assets held for sale – land	137,171	-	Secured loans
Property, plant and equipment – buildings	-	85,043	Secured loans
Non-current assets held for sale – buildings	80,109	-	Secured loans

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial assets measured at amortized cost	2,000	-	Customs security deposit
Total	$219,280	$222,214	

9. Significant contingencies and unrecognized contract commitments

None

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1)Categories of financial instruments

Financial assets

	2019.12.31	2018.12.31
Financial assets measured at amortized cost	$1,973,444	$1,611,212

Financial liabilities

	2019.12.31	2018.12.31
Financial liabilities at amortized cost:		
Short-term loans	$729,780	$913,793
Payables	1,340,986	$1,109,647
Lease payable (including current portion)	(Note)	$892
Lease liabilities (including current portion)	1,328	(Note)
Long-term loans (including current portion)	600,000	546,800
Total	$2,672,094	$2,571,132

Note: The Company adopted IFRS 16 since January 1, 2019. The Company elected not to restate prior periods in accordance with the transition provison in IFRS 16.

(2)Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before the Company enters into significant transactions, the Board of Directors and Audit Committee must carry out due approval process based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3)Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the years ended December 31, 2019 and 2018 is decreased/increased by NT$4,034 thousand and NT$5,232 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2019 and 2018 to decrease/increase by NT$1,118 thousand and NT$1,358 thousand, respectively.

Equity price risk

As of December 31, 2019 and 2018, the Company does not hold equity securities at fair value; therefore the Company is not subject to equity price risk.

(4)Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2019 and 2018 accounts receivable from top ten customers represent 64.46% and 65.50% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks and other financial instruments is managed by the Company's finance division in accordance with the Company's policy. The counterparties that the Company transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions with investment-grade credit ratings. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5)Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings and finance leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
2019.12.31					
Loans	$1,333,061	$-	$-	$-	$1,333,061
Payables	1,340,986	-	-	-	1,340,986
Lease liabilities	1,342	133	-	-	1,475
2018.12.31					
Loans	$1,018,087	$196,750	$190,366	$92,389	$1,497,592
Payables	1,109,647	-	-	-	1,109,647
Lease payable	456	456	-	-	912

(6)Reconciliation of liabilities arising from financing activities

Reconciliation schedule of liabilities for the year ended December 31, 2019:

	Short-term loans	Long-term loans	Lease liabilities	Total liabilities from financing activities
As of January 1, 2019	$913,793	$546,800	$892	$1,461,485
Cash flows	(184,013)	53,200	(1,342)	(132,155)
Non-cash changes				
Acquisition				
Lease modification	-	-	1,743	1,743
Interest of lease liabilities	-	-	35	35
As of December 31, 2019	$729,780	$600,000	$1,328	$1,331,108

Reconciliation schedule of liabilities for the year ended December 31, 2018:

	Short-term loans	Long-term loans	Lease payable	Total liabilities from financing activities
As of January 1, 2018	$643,440	$600,000	$-	$1,243,440
Cash flows	270,353	(53,200)	892	218,045
As of December 31, 2018	$913,793	$546,800	$892	$1,461,485

(7)Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.

ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Company.

(8)Fair value measurement hierarchy

(a)Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b)Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. And the Company does not have assets or liabilities that are measured at fair value on a recurring basis.

<u>Transfers between Level 1 and Level 2 during the period</u>

During the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(9)Significant assets and liabilities denominated in foreign currencies (in thousand dollars)

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	2019.12.31			2018.12.31		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
Financial assets						
Monetary tems:						
USD	$63,549	29.98	$1,905,200	$51,481	30.715	$1,581,226
Financial liabilities						
Monetary tems:						
USD	$50,093	29.98	$1,501,777	$34,446	30.715	$1,058,022

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

Since there were varieties of foreign currency transactions of the Company, the Company was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact. The Company recognized exchange gain (loss) amounted to NT$(8,752) thousand and NT$15,274 thousand for the years ended December 31, 2019 and 2018, respectively.

(10) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosures

(1) The following are additional disclosures for the Company as required by the R.O.C. Securities and Futures Bureau:

a. Financing provided to others for the year ended December 31, 2019: None.

b. Endorsement/Guarantee provided to others for the year ended December 31, 2019: Please refer to Attachment 1.

c. Securities held as of December 31, 2019 (excluding subsidiaries, associates and joint ventures): None.

d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2019: None.

e. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2019: None.

f. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2019: None.

g. Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20% of capital stock for the year ended December 31, 2019: Please refer to Attachment 2.

h. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock as of December 31, 2019: None.

i. Financial instruments and derivative transactions: None.

(2) Information on investees :

A. If an investor controls operating, investing and financial decisions of an investee or an investor has the ability to exercise the ability to exercise significant influence over operating and financial policies of an investee, the related information for the investee is disclosed (not including investment in Mainland China): Please refer to Attachment 3.

B. An investor controls operating, investing and financial decisions of an investee. The related information for the investee shall be disclosed Note13(1) as below:

(a) Financing provided to others for the year ended December 31, 2019: Please refer to Attachment 4.

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2019: None.

(c) Securities held as of December 31, 2019 (excluding subsidiaries, associates and joint ventures): None.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2019: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2019: Please refer to Attachment 5.

(f) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of capital stock for the year ended December 31, 2019: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT$100 million or 20% of capital stock for the year ended December 31, 2019: Please refer to Attachment 6.

(h) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock as of December 31, 2019: Please refer to Attachment 7.

(i) Financial instruments and derivative transactions: None.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Information on investments in Mainland China:

a. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow									
Dynamic Electronics (Kunshan) Co., Ltd.	Manufacturing and selling of PCB	$2,398,400 (Note 2, 3, 6)	(Note1)	$2,260,265	$-	$-	$2,260,265	$260,543 (Note 2)	100%	$260,543 (Note 2, 4, 5)	$2,816,260 (Note 2, 4, 5)	$1,807,974 (Note 2)	$2,260,265	$2,260,265	No upper limit (Note 11)
Dynamic Electronics (Huangshi) Co., Ltd.	Manufacturing and selling of PCB	$1,437,241 (Note 2, 7, 8)	(Note 9)	$444,530	$-	$-	$444,530	$310,320 (Note 2)	100%	$310,320 (Note 2, 4,10)	$1,482,668 (Note 2, 4,10)	$-	$444,530	$444,530	

Note 1: Investment in Mainland China through companies in the third area established Dynamic Electronics (Kunshan) Co. Ltd.

Note 2: Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.

Note 3: Total amount of paid-in capital is USD80,000 thousand.

Note 4: The investment income (loss) recognized under equity method and by calculation was based on audited financial statements.

Note 5: Recognized investment income and carrying value by WINTEK (MAURITIUS) CO., LTD.

Note 6: The difference between investmants remitted from Taiwan in amount of USD69,500 thousand and the received paid-in capital of USD80,000 thousand was a result of a capital injection of USD10,500 thousand made by WINTEK (MAURITIUS) CO., LTD.

Note 7: The difference between the original investment of USD14,000 thousand remitted from Taiwan and the paid-in capital of USD47,940 thousand is a capital injection of USD33,940 thousand by using cash dividends received from Dynamic Electronics (Kunshan) Co. Ltd.

Note 8: Total amount of paid-in capital is USD47,940 thousand.

Note 9: The Company indirectly invested in its China subsidiary, Dynamic Electronics (Huangshi) Co. Ltd., through WINTEK (MAURITIUS) CO., LTD. and Dynamic Holding Pte. Ltd.

Note 10: WINTEK (MAURITIUS) CO., LTD. indirectly, through the holding on Dynamic Holding Pte. Ltd., recognized the investment income of Dynamic Electronics (Huangshi) Co. Ltd.

Note 11: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

b. Purchase and accounts payable with the related parties:

	Purchase		Accounts payable	
	Amount	%	Amount	%
Dynamic PCB Electronics Co., Ltd.	$3,627,389	88.06%	$1,141,257	93.81%

As the specifications of merchandise purchased from the subsidiaries are different from those from other third-party companies, the purchasing prices to subsidiaries were not comparable. Payment terms for subsidiaries were 90~100 days after monthly closing while 60~120 days after monthly closing for general suppliers.

c. Sales and accounts receivable with the related parties: None.

d. The profit and loss produced by transaction of the property:

Type of Assets	Name of Related Parties	Book Value	Selling price	Gain	Price reference
2019					
Machinery and equipment	Dynamic Electronics (Kunshan) Co., Ltd.	$127,562	$300,656	$173,094 (Note)	Negotiated

On 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, the Company respectively wrote off the profit of poperty, plant and equipment amounted to NT$173,094 thousand, NT$3,358 thousand, NT$8,472 thousand, NT$1,217 thousand, NT$2,672 thousand, NT$2,167 thousand and NT$5,537 thousand because of unrealized under the investment balance using the equity method.

e. The purpose and balance of a note guarantee and a guarantee endorsement or providing for secure: Please refer to Attachment 1.

f. The amount of maximum financing, the balance interest rates, and lump sum interest expense: Please refer to Attachment 4.

g. The other events impact over current profit or loss or have the significant influence over the financial conditions, such as provided service or received service:

The Company recognized operating revenue of processing performed for Dynamic Electronics (Kunshan) Co., Ltd. amounting to NT$12,773 thousand for the year of 2019. As of December 31, 2019, accounts receivable amounted to NT$9,438 thousand.

For the year ended December 31,2019, the Company recognized other operating revenue due to procurement on behalf of and Dynamic Electronics (Huangshi) Co., Ltd. in amount of NT$939 thousand. As of December 31, 2019, other receivables amounted to NT$181 thousand.

14. Segment information

The Company has provided the operating segments disclosure in the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Endorsement/Guarantee Provided to Others

For the Year Ended December 31, 2019

Attachment 1

(In Thousands of New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement /Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note 1)	Name	Name	Relationship (Note2)										
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics (Huangshi) Co., Ltd.	2	$3,910,121	$280,000	$179,580	$179,580	$-	4.59%	$3,910,121	Y	N	Y
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics Co., Ltd. (Seychelles)	2	$3,910,121	$153,850	$-	$-	$-	-%	$3,910,121	Y	N	N
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics (Kunshan) Co., Ltd.	2	$3,910,121	$613,700	$299,300	$149,650	$-	7.65%	$3,910,121	Y	N	Y

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".

2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note2：The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

1.The company with business contacts.

2.The company directly and indirectly holds more than 50% of the shares with voting rights.

3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.

4.The company directly and indirectly holds more than 90% of the shares with voting rights.

5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.

6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.

7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note 3: According to the procedures of Endorsement and Guarantee, the limitation of endorsement or guarantee for other subsidiaries shall not exceed the current net value of the Company. Also, the limitation of endorsement or guarantee for one of the subsidiaries shall not exceed the current net value of Company.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Related Party Transactions for Purchases amd Sales Amounts exceeding the lower of NT$100 Million or 20% of Capital Stock

For the Year Ended December 31, 2019

Attachment 2

(In Thousands of New Taiwan Dollars)

			Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		
Company Name	Related Party	Nature of Relationship	Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	Note
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchase	$3,627,389	88.06%	90~100 days after monthly closing	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 60~120 days after monthly closing	Accounts payable $1,141,257	93.81%	

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Investees over Which the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of December 31, 2019

Attachment 3

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2019			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2019	As of December 31, 2018	Shares	%	Carrying Value			
Dynamic Electronics Co., Ltd.	WINTEK (MAURITIUS) CO., LTD.	Suite 802, St James Court, St Denis Street, Port Louis, Mauritius	Investing activities	$2,716,696	$2,716,696	8,350,000	100.00%	$4,257,229	$568,631	$551,521 (Note 1)	
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	$1,555	$1,555	50,000	100.00%	$1,985	$22	$22	
Dynamic Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	$1,556	$1,556 (Note 3)	50,000	100.00%	$301,195	$66,231	$66,231	
Dynamic Electronics Co., Ltd.	Dynamic Electronics Trading Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Management operations services	$1,541	$1,541	50,000	100.00%	$2,185	$221	$221	
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics Holding Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Investing activities	$1,492,524	$1,492,524	47,940,000	100.00%	USD 48,731	USD 10,332	USD 9,698 (Note 2)	

Note1: Including investment loss recognized under equity method amounted to NT$568,631 thousand, realized profit on transaction between subsidiaries amounted to NT$7,416 thousand and unrealized profit on transaction between subsidiaries amounted to NT$24,526 thousand .

Note2: Including investment loss recognized under equity method amounted to USD10,332 thousand, realized profit on transaction between subsidiaries amounted to USD29 thousand and unrealized profit on transaction between subsidiaries amounted to USD663 thousand .

Note3: The Company's original investment in Dynamic Electronics Co., Ltd. (Seychelles) is USD7,200 thousand (NT$224,005thousand), Dynamic Electronics Co., Ltd. (Seychelles) reduced capital by cash in amount of USD7,150 thousand (NT$222,449 thousand) in January 2018.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Financing provided to others

For the year ended December 31, 2019

Attachment 4

(In Thousands of New Taiwan Dollars)

NO. (Note1)	Lender	Counter-party	Financial accounting account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 2)	Amount of sales to(purchases from) counter-party	Reason for financing	Loss Allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables -related parties	Yes	$669,650	$428,000	$214,000	4.35%	2	$-	Business turnover	$-	-	$-	$1,689,762 (Note 3)	$1,689,762 (Note 3)
2	WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables -related parties	Yes	$1,419,750	$1,077,480	$1,077,480	3.88%~3.9%	2	$-	Business turnover	$-	-	$-	$2,569,053 (Note 4)	$2,569,053 (Note 4)
3	Dynamic Electronics CO., LTD. (Seychelles)	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables -related parties	Yes	$157,750	$149,650	$149,650	3.2026%	2	$-	Business turnover	$-	-	$-	$301,195 (Note 5)	$301,195 (Note 5)

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".

2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of financing is coded as follows:

1.Need for operating is coded "1".

2.Need for short term financing is coded "2".

Note 3: Limit of total financing amount shall not exceed 60% of the lender's net assets of value as of December 31, 2019.

Limit of financing amount for individual counter-party shall not exceed 60% of the lender's net assets value as of December 31, 2019.

Note 4: Limit of total financing amount shall not exceed 60% of the lender's net assets of value as of December 31, 2019.

Limit of financing amount for individual counter-party shall not exceed 60% of the lender's net assets value as of December 31, 2019.

Note 5: Limit of total fiancing amount shall not exceed the lender's net assets of value as of December 31, 2019.

Limit of financing amount for individual counter-party shall not exceed the lender's net assets value as of December 31, 2019.

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DYNAMIC ELECTRONICS CO., LTD.

Acquisition of Individual Real Estate with Amount exceeding the lower of NT$300 Million or 20% of Capital Stock

For the Year ended December 31, 2019

Attachment 5

(In Thousands of Foreign Currency)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	with the Company	Transfer Date	Amount			
Dynamic Electronics (Huangshi) Co. Ltd.	Buildings Construction of Huangshi Plant	2016.06.20	RMB 167,568	RMB 165,473 thousand was paid as of December 31, 2019.	Fujian Huidong Construction Engineering Co., Ltd.	None	None	None	None	None	Bidding	Production expansion and operation planning	None

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DYNAMIC ELECTRONICS CO., LTD.
Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT$100 Million or 20% of Capital Stock
For the Year Ended December 31, 2019

Attachment 6
(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Sales	RMB 1,927,963	85.56%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 60~150 days after monthly closing.	Accounts receivable RMB 550,691	75.20%	
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Subsidiary	Purchases	RMB 457,922	31.85%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90~120 days after monthly closing.	Accounts payable RMB 133,522	25.45%	
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	Sales	RMB 457,922	54.23%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 120 days after monthly closing.	Accounts receivable RMB 133,522	50.82%	
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Sales	RMB 312,963	37.06%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 120 days after monthly closing.	Accounts receivable RMB 69,161	26.32%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Subsidiary	Purchases	USD 45,270	13.98%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts payable USD 9,913	11.16%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd (Seychelles)	Subsidiary	Sales	USD 206,522	63.78%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 50,767	57.15%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	Sales	USD 117,289	36.22%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 38,067	42.85%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	Purchases	USD 278,541	86.02%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts payable USD 78,921	88.84%	
Dynamic Electronics Co., Ltd (Seychelles)	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchases	USD 206,522	98.05%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90 days after monthly closing.	Accounts payable USD 50,767	96.57%	

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Receivables from Related Parties with Amounts exceeding the lower of NT$100 Million or 20% of Capital Stock

As of December 31, 2019

Attachment 7

(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Loss Allowance
					Amount	Action Taken		
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	RMB 550,691 (Note1)	3.76	$-	-	$-	$-
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	USD 38,067 (Note1)	3.92	$-	-	$-	$-
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd (Seychelles)	Subsidiary	USD 50,767 (Note1)	3.92	$-	-	$-	$-
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	RMB 69,161 (Note1)	5.25	$-	-	$-	$-
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	RMB 133,522 (Note1)	4.42	$-	-	$-	$-

Note1: Accounts receivable.

Dynamic Electronics Co., Ltd.

Chairman : Ken Huang

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