Stock symbol: 6442
Market Observation Post System:
http://mops.twse.com.tw
EZconn website: http://www.ezconn.com

EZconn Corporation

2018 Annual Report

Date of Publication: April 12, 2019

I. EZconn's spokesperson, deputy spokesperson, name, title, contact number and e-mail

Spokesperson: Chuang Kuo-An	Deputy spokesperson: Ting Hsiu-Chuan
Title: FA & IT Division Director	Title: Accounting Dept. Manager
Tel.: (02)2895-9777#8668	Tel.: (02)2895-9777#8660
E-mail: allen.chuang@ezconn.com	E-mail: emma.ding@ezconn.com

II. Addresses and phone number of the head office and plant

Head office and plant: No. 10,12, Ln. 121, Lide Rd., Beitou Dist., Taipei City	Tel.: (02)2895-9777
Tamsui Shangda Plant: No.380, Section 3, Danjin Road, Tamsui District, New Taipei City	Tel.: (02)2625-9768
Tamsui Hongshulin Plant: 2F., No.27-3, Sec. 2, Zhongzheng E. Rd., Tamsui District, New Taipei City	Tel.: (02)8809-8389

III. Name, addresses, website and phone number of stock transfer agency

Name: Share administration agency of Taishin International Bank Corp.
Address: B1, No. 96, Sec. 1, Jianguo N. Rd., Taipei City
Website: www.taishinbank.com.tw
Tel.: (02)2504-8125

IV. Name, Accounting firm, address, website and phone number of CPA(s) for the most recent FY

Certified Public Accountant: Huang Hsiu-Chun, Wei Liang-Fa
Accounting firm(s): Deloitte & Touche
Address: 12F., No. 156, Sec. 3, Minsheng E. Rd., Taipei City
Website: www.deloitte.com.tw
Tel.: (02)2545-9988

V. Name(s) of the exchange(s) where our securities are traded offshore, and the method(s) with which the information of the offshore securities is accessed

None.

VI. EZconn website

www.ezconn.com

Contents

One. Letter to the Shareholders

Dear shareholders:

Thank you for participating in the regular shareholders' meeting of EZconn in 2019. We briefly present the operating status in 2018 and the operational plan for 2019 as follows:

I. Operating status in 2018

(I) Result of the operational plan implementation

The net amount of the consolidated operating revenue in 2018 was NT$2,805,106,000 with a 3% decrease compared to 2017. The consolidated gross operating profit margin was 17.07% with a 3% decrease compared to 2017. The consolidated net profit was NT$129,627,000, the consolidated net profit after tax was NT$154,395,000, and the consolidated earnings per share after tax was NT$2.34 while the net value per share was NT$32.10.

(II) Analysis of the financial expenses and receipts and profitability

1. Financial expenses and receipts

The net amount of the consolidated operating revenue in 2018 was NT$2,805,106,000, a decrease by NT$94,844,000 compared to NT$2,899,950,000 in 2017. As for the profit, the consolidated net profit after tax was NT$154,395,000, an increase by NT$107,387,000 compared to NT$47,008,000 in 2017.

2. Analysis of profitability

<table>
<tr><th colspan="3">Analysis item</th><th>2017</th><th>2018</th></tr>
<tr><td rowspan="6">Analysis of profitability</td><td colspan="2">Return on asset (%)</td><td>1.55%</td><td>4.99%</td></tr>
<tr><td colspan="2">Return on equity (%)</td><td>2.16%</td><td>7.35%</td></tr>
<tr><td rowspan="2">Paid-in capital stock (%)</td><td>Operating profit</td><td>22.97%</td><td>19.64%</td></tr>
<tr><td>Profit before tax</td><td>8.28%</td><td>31.20%</td></tr>
<tr><td colspan="2">Net profit margin (%)</td><td>1.62%</td><td>5.50%</td></tr>
<tr><td colspan="2">Basic EPS (NTD)</td><td>0.71</td><td>2.34</td></tr>
</table>

Note: The calculation is based on the consolidated financial statements in 2018

(III) R&D status:

1. The product line of high-frequency connector

Most of the products developed and produced by the Company are classified as high-frequency connector, which have strict requirements for the stability and reliability of the products. The cable television and wired broadband industry are the major applications of various products. To respond to the rapid development of the industry, our technology R&D team improved the product design and development ability via utilizing the Company's resources and actively attending technology conferences held by each research institution. In addition, to be a leading company in the industry and correspond to the product demand of the global customers, we joined product standards institutes to grasp the latest standards of product specifications, planned to develop and improve various products and received the certifications of the safety standard units and the customers in each country.

As for the aspect of product expansion, we deployed the products by adding new types of crimp coaxial connector, optoelectronic integrated product, high-frequency isolator, coaxial filter, high shielding jumper and new type of high-frequency connector for cell sites. Regarding the improvement of production efficiency, we promoted lean plans in all plants and introduced intelligent manufacturing and assembly to effectively improve the production efficiency and yield rate. As for the talent cultivation, we continued to implement the education training in each department to enhance the coherence and the multi-skill training of the employees.

2. Optical component and module product line

Our research and development mainly focused on three application markets of fixed broadband, data center and 5G fronthaul and backhual. For the application of the fixed broadband, our developed products included the XG-PON BOSA on board program, XGS-PON ONU transceiver that entered mass production and 10G-EPON/XGS-PON OLT optical transceiver module that completed the sample submission. Products expected to be developed contains the combo PON to upgrade the coexistence flexibility of GPON /XG-PON and the XGS-PON ONU mini stick applied to the fiber to the home. This mini stick also applies to a wide range of scenarios in the industrial network connection.

For the application of the Data center, the development of QSFP-SR4 AOC was completed and introduced into production due to the new standard of increasing the 25Gps Ethernet interface to 50Gps and the demand of upgrading the data center from 100Gbps to 400Gbps. As for the R&D projects under planning, we had 400G QSFP-DD SR8, SFP28-SR and QSFP56-SR AOC optical transceiver module. Concerning the transmission program of the single mode fiber for long haul, we expected to finish a DML QSFP28-LR4 product program which has a more competitive price in comparison to the traditional EML QSFP28-LR4.

For the 5G fronthaul and backhual application, the related fronthaul products under developing were SFP28-LR and SFP28-BiDi optical transceiver module while backhual product was the XGS-PON mini ONU stick that applies to small cell backhual. It enables the small cell to use existing passive optical network for backhual.

Besides, to fasten the development of the aforementioned products, the R&D team constantly increases the capability of high-frequency circuit design, software and firmware integration and packaging and testing as well as the enhancement of manpower to respond to the R&D demand and the challenges in the future.

II. The outline of the operational plan in 2019

(I) Business policies

1. Stabilizing the basis of existing customer and developing new customers in the targeted industry to expand the market share.
2. Continuing to promote standardized products and increase the commonality of each product to provide convenient designs that meets the cost benefit for customers.
3. Reinforcing the human resource cultivation and implementing the performance assessment.
4. Integrating the customer demand and the manufacturing technology of the critical part suppliers to shorten the R&D time and reduce the cost effectively during the R&D phase of new products.
5. Ensuring the product quality and promoting the service satisfaction of the customers.
6. Continuing to introduce automated equipment into the production to increase the production efficiency and decrease the human capital.

(II) Operational objectives

1. The high-frequency connector
   The goal of the sales volume is estimated to be 177,551,387.
2. The optical component and module
   The goal of the sales volume is estimated to be 52,771,028.

(III) Core policies on production and sales

1. Production policy: We continue to optimize the production process, increase the yield rate and shorten the product delivery time. We also form a manufacturing system with economies of scale and rationalized cost via the vertical integration.
2. Sales policy: We actively establish strategic alliance for marketing or partnerships with key customers to promote our core products and plan marketing project management based on the customer-oriented demand. In addition, we grasp the market dynamic messages and consumer trends to respond to the customer demand for diversified and timely products.

III. The future development strategies of the Company

(I) The product line of high-frequency connector

The Company has development units responsible for the design, production and the introduction of mass production for precision molds and automatic assembly equipment. We are in the leading position compared to other domestic peers in relation to the time efficiency of the product development and the self-control of the key technologies.

(II) The optical component and module product line

A. Optical communication products

Regarding the long-term development strategies in the future, the optical communication business group will adjust to the market and technology trend to promote the internal technology and vertically integrate the process capability and technology. We will also use the developed technology platform to expand the market diversification for our products and find competitive products and programs for our customers in the growing markets of 5G, Data center and IoT. Also by the technological cooperation with domestic and foreign customers and relevant domestic industrial research institutions, we understand the early market and introduce advanced technologies to improve our future competitiveness. As for the technology R&D personnel and organization, in addition to recruiting senior R&D personnel, we reinforce the professional skills and project management ability of the existing R&D personnel via professional on-the-job training.

B. Other optical products

The Company expands the core competitiveness established via integration of the optical communication products and the high-frequency connectors to products and applications that differ from the two industries. We establish related R&D team and deploy the supply chain to focus on the feature of the MEMS laser scanning module and implement the vertical integration of product development and applications from the component, module to the system. The applications of the product include LiDAR (Light Detection And Ranging), HUD (Head Up Display) and 3D depth measuring and the medical developing system. The wide application of ADAS in recent years promoted the commercial opportunity of LiDAR. The demand for high-speed networking of the India market also brings business opportunities for the optical products with different technologies. As the visibility of these market demands gradually increased, it also drives the Company to fasten the mass production deployment of other optical products.

IV. Impact of the external competitive environment, regulation environment and the overall business environment

Due to the rapid rise of the competitors in China and the vertical integration of some competitors, the situation of low-price competition becomes more sever. The Company also faces harsh challenges related to the acquisition cost of critical materials, the inventory management and the production efficiency. However, EZconn’s management team and all employees will behold the spirit to soldier on and break through difficulties to achieve our mission and goal for annual growth and generate the greatest profit for all shareholders and the Company.

Wish good health and all the best to every shareholder!

EZconn Corporation

Chairman: CHEN STEVE

Managerial officer: Li Shih-Cheng

Accounting Manager: Chuang Kuo-An

Two. Company Profile

I. Date of establishment: September 4, 1996.

II. Company history:

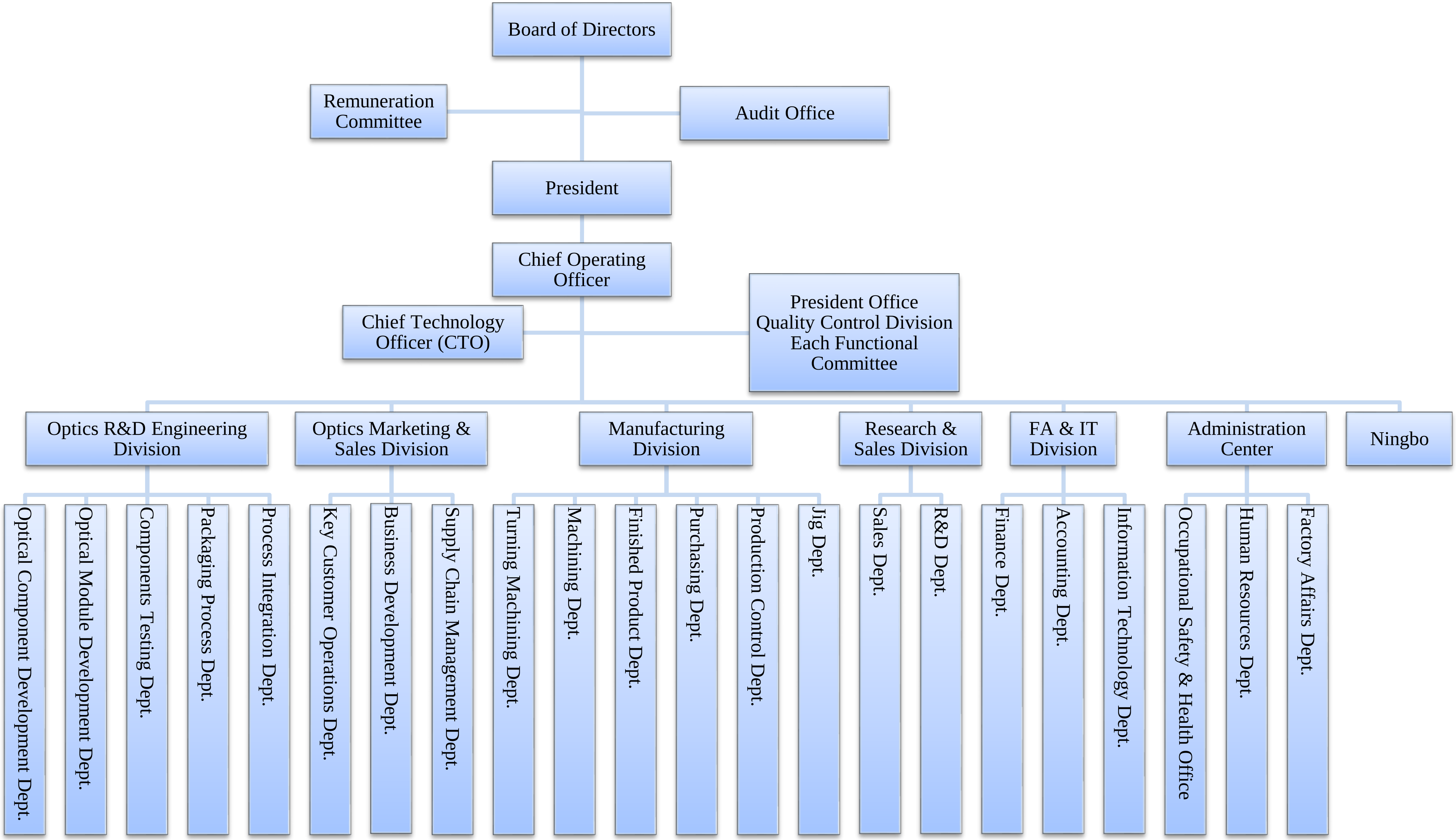
Year	Important events
1996	Set up EZconn Enterprise Inc. with a paid-up capital of NT$25,000,000.
2001	Passed the ISO 9001:2000 certification.
2002	Invested and set up subsidiary, EC-Link Technology Inc. (hereinafter as EC-Link). Reinvested in Light Master Technology Inc. (hereinafter as Light-Master) in order to reinvest in Light Master Technology (Ningbo) Inc. (hereinafter as Light Master Ningbo Inc.) as China's production base. Passed the ISO 14001 Environmental Management System certification. Reinvested in EC-Optic Technology Inc. (hereinafter as EC-Optic) to reinvest in Yilikang International Trade (Shanghai) Limited Company (hereinafter as Shanghai Yilikang) and establish Shanghai marketing base.
2003	Merged and acquired Jian-Sheng Co., Ltd, and renamed it as EZconn Corporation. The cash capital increased NT$275,000,000 and the capital surplus was NT$90,000,000. The paid-up capital was NT$390,000,000. Set up Chiayi Dalin plant to manufacture passive optical communication products.
2004	The cash capital increased NT$110,000,000 and the paid-up capital was NT$500,000,000.
2005	The cash capital increased NT$40,000,000 and the paid-up capital was NT$540,000,000. Merged and acquired Infineon's optical communications department to obtain Infineon FTTx BIDI patent and technologies. Invested and set up German subsidiary company, EZconn Europe GmbH, and took over Infineon's optical communications department.
2006	For the purpose of international development, CabTel Corporation invested in the Company with a 100% shareholding stake and the Company became the subsidiary of eGtran Corp.. Invested in and set up EZconn Czech a.s. to expand the European market.
2007	Set up Tamsui Shangda plant to produce high-frequency connectors.
2008	Began to manufacture EP connectors.
2011	Dissolved and liquidated Shanghai Yilikang.
2012	To meet operations and development requirements, the Company underwent organizational restructuring. By the wholly owned subsidiary, EC-Link Technology Inc., the Company acquired 33.82% Light-Master's share from its ultimate parent company, eGTran Corp..

2013	To meet operations and development requirements, the Company underwent organizational restructuring. After the restructuring, the company share which was originally 100% owned by CabTel was now directly and indirectly owned by the shareholders having the shares of Cabtel and its parent company, eGTran Corp. For the purpose of business development in Europe, we set up EZconn technologies CZ s.r.o.. The initial public offering of the Company.
2014	Listed on Emerging Stock Board. The capital increased NT$60,000,000 by the earning and the paid-up capital was NT$600,000,000. Established the Hongshulin plant.
2015	Became a listed company. The cash capital increased by NT$60,000,000 and the paid-up capital was NT$660,000,000.
2018	Moved the passive optical production line of Chiayi Dalin plant to Tamsui Shangda plant.

Three. Corporate Governance

I. Organization system

(I) Organizational structure:



(II) Tasks of the main divisions:

Department		Main Duty
Audit Office		Establishment of the annual internal audit plan. Implementation of the annual internal audit plan and tracing the improvement of the audited units. Establishment and review of internal management regulations.
Quality Control Division		Quality standard, incoming quality control of raw materials, process quality control and outgoing quality control.
FA & IT Division	Accounting Dept.	Establishment and implementation of the accounting system, accounting management, carry-over and analysis of costs, financial statements analysis and tax reporting management.
	Finance Dept.	Fund planning and the credit line management, cashier operation and banking and the annual budget preparation.
	Information Technology Dept.	Maintenance of the computer equipment and systems, maintenance of the computer data and information security, maintenance and management of the company website and the maintenance and management of the ERP system.
Administration Center	Human Resources Dept.	Personnel affair and salary management, human resources planning, employee education training and occupational safety and health management.
	Factory Affairs Dept.	General affairs, plant equipment and asset management.
Research & Sales Division	Sales Dept.	Budget planning and implementation of the annual operational plan, orders from domestic and foreign customers and shipping matters management, customer management, accounts receivable management and new customer exploration.
	R&D Dept.	Product design and development, preparing the product operation instructions, pilot run of new products and technical supports and the planning and implementation of the production equipment design.
Manufacturing Division	Turning Machining Dept.	Manufacturing of products.
	Machining Dept.	Manufacturing of products.

Department		Main Duty
	Finished Product Dept.	The assembling, sorting and packing of products.
	Purchasing Dept.	The supplier management, procurement of raw materials and machinery equipment and delivery control.
	Production Control Dept.	The planning and implementation of the production plans, production and marketing coordination, outsourcing contractors management, warehousing management of raw materials and receiving and dispatching of raw materials.
	Jig Dept.	The development and improvement of the production technology, jig designing, manufacturing and maintenance and the maintenance of the production equipment.
Marketing & Sales Division	Key Customer Operations Dept.	Budget planning and implementation of the annual operational plan, orders from domestic and foreign customers and shipping matters management, customer management, accounts receivable management and new customer exploration.
	Business Development Dept.	R&D and exploration of domestic and overseas markets, new applications for new products, the introduction of new markets and customers, customer relationship management and strategic alliance arrangement.
	Supply Chain Management Dept.	Introduction and management of the suppliers, bargaining plans of critical materials, sourcing delivery and OTD control, planning of alternative materials and equipment procurement and planning.
Optics R&D Engineering Division	Optical Component Development Dept.	Product design and development of optical components and sub-assemblies, preparing the product operation instructions, pilot run of new products and technical supports.
	Optical Module Development Dept.	Product design and development of optical signal transceiver module, preparing the product operation instructions, pilot run of new products and technical supports.
	Components Testing Dept.	Feature testing of optical/MEMS components, stimulation, MEMS control/application development and supporting each plan with related software, firmware applications.

Department		Main Duty
	Packaging Process Dept.	Design and development of optical packing process (optical communication and MEMS), packing process assessment, design, development and transfer.
	Process Integration Dept.	Arrangement of the production schedule and material plans, product trial run and verification, promotion of production process yield to reach the mass production goal, product standard process and yield technology transfer to mass production bases and supporting other development projects of R&D Dept.

II. Information about directors, supervisors, president, vice president, assistant managers, and supervisors of the departments and branches:

(I) Name, educational background and experience, holding shares and nature of the directors and supervisors:

April 12, 2019 Unit: Share; %

Title	Name	Nationality or country of registration	Gender	Appointment (Inauguration) Date	Term	First appointment date	Shares held at time of appointment		Current shares held		Current shares held by spouse or minor children		Shares held in the name of others		Educational background and experience	Concurrent posts in the Company or other companies	Other supervisors, directors or supervisors in a spousal relationship or within the second degree of kinship		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Chairman	SHC Consolidated Investors LLC	The United States	–	June 22, 2017	3 years	December 7, 2012	2,072,202	3.14%	2,072,202	3.14%	–	–	–	–	–	–	–	–	–
	Representative: Chen, Steve	Republic of China/ the United States	Male	June 22, 2017	–	–	–	–	–	–	–	–	–	–	J.D. of Harvard Law School, the United States	Chairman of eGtran Corp., Chairman of Gtran Inc., Director of FlipChip International Inc., Director of Spatial Digital Systems Inc., Director of SHC Consolidated Investors LLC, Chairman of TriMax & Companies, LLC, Chairman of DNA Asset Management LLC, Director of StemBios Tech, Director of Sercomm Corp. Independent	–	–	–
Director	Jia Jiu Investment Co., Ltd.	Republic of China	–	June 22, 2017	3 years	June 22, 2017	800,000	1.21%	800,000	1.21%	–	–	–	–	–	–	–	–	–

Title	Name	Nationality or country of registration	Gender	Appointment (Inauguration) Date	Term	First appointment date	Shares held at time of appointment		Current shares held		Current shares held by spouse or minor children		Shares held in the name of others		Educational background and experience	Concurrent posts in the Company or other companies	Other supervisors, directors or supervisors in a spousal relationship or within the second degree of kinship		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
	Representative: Chang Ying-Hua (Note 1)	Republic of China	Female	June 22, 2017	—	—	43,666	0.07%	43,666	0.07%	—	—	—	—	Department of Accounting, Hsing Wu University	President of EZconn , Director and Executive Vice President of Light Master Technology (Ningbo) Inc.	—	—	—
Director	Transnational Investment Limited	British Anguilla	—	June 22, 2017	3 years	June 30, 2014	1,488,193	2.25%	1,488,193	2.25%	—	—	—	—	—	—	—	—	—
	Representative: Chen Han-Feng (Note 2)	Republic of China	Male	June 22, 2017	—	—	605,795	0.92%	605,795	0.92%	—	—	—	—	V-Land Land Administration Agent Office	Director of Transnational Investment Limited	—	—	—
	Representative: Chou Wan-Shun (Note 3)	Republic of China	Male	August 8, 2018	—	—					—	—	—	—	Ph.D. in Business Administration, Pacific Western University, the United States	Chairman of I-Chiun Precision, Chairman of I-Zou HI-Tech. (Shenzhen), Chairman of I-Chiun Precision (Nanjing), Chairman of I-Chiun Precision (China), Chairman of I-Chiun Technology(China) Co., Ltd., Chairman of ECOCERA Optronics, Director of AimCore Technology , Chairman of Jiangmen KuoChuan	—	—	—

Title	Name	Nationality or country of registration	Gender	Appointment (Inauguration) Date	Term	First appointment date	Shares held at time of appointment		Current shares held		Current shares held by spouse or minor children		Shares held in the name of others		Educational background and experience	Concurrent posts in the Company or other companies	Other supervisors, directors or supervisors in a spousal relationship or within the second degree of kinship		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Director	Chen Hsiao-Yun	Republic of China	Male	June 22, 2017	3 years	June 30, 2014	3,111	0.00%	3,111	0.00%	–	–	–	–	M.B.A., University of Southern California	Chairman of Zhongchuan Plastic Co., Ltd., Director of Yung Hsing Security Co., Ltd., Director of Sunsino Venture Group, Director of IQ Technology Inc., Director of Telelynx Inc., Supervisor of FICTA Technology Inc., Director of Best Radio Co., Ltd., Director and Investment Manager of General Management Division, Tahsiao Investment Fund Co., Ltd.	–	–	–
Director	Dural Holdings Limited	British Anguilla	–	June 22, 2017	3 years	June 30, 2014	1,246,382	1.89%	1,246,382	1.89%	–	–	–	–	–	–	–	–	–
	Representative: Li Shih-Cheng (Note 4 and 5)	Republic of China/ the United States	Male	June 22, 2017	–	–	361,248	0.55%	361,248	0.55%	–	–	–	–	Ph.D. in Electrical Engineering, Southern Methodist University, the United States GTRAN Inc., President	Vice Chairman of EZconn, Director of CabTel Corp., Director of Light Master Technology (Ningbo) Inc.	–	–	–

Title	Name	Nationality or country of registration	Gender	Appointment (Inauguration) Date	Term	First appointment date	Shares held at time of appointment		Current shares held		Current shares held by spouse or minor children		Shares held in the name of others		Educational background and experience	Concurrent posts in the Company or other companies	Other supervisors, directors or supervisors in a spousal relationship or within the second degree of kinship		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Independent Director	Hsiao Chung-Chiang (Note 6)	Republic of China	Male	June 22, 2017	3 years	June 30, 2014	—	—	—	—	—	—	—	—	Ph.D. in Consumer Sciences & Retailing, Purdue University	Chief Operating Officer of EZconn, Associate Professor of National Taiwan Normal University	—	—	—
Independent Director	Li Chien-Ping	Republic of China	Male	June 22, 2017	3 years	May 15, 2015	—	—	—	—	8,000	0.01%	—	—	Ph.D. in Applied Physics, California Institute of Technology, the United States	Member of EZconn Remuneration Committee, Director of Center for Nano Science & Technology, NCTU, Professor, Chair Professor and Lifetime Chair Professor of Department of Electronics Engineering, NCTU	—	—	—
Supervisor	Ko Yuan-Yu	Republic of China	Male	June 22, 2017	3 years	December 7, 2012	14,222	0.02%	14,222	0.02%	—	—	—	—	Department of Accounting, National Cheng Kung University Founder of Ernst & Young Global Limited	Accountant of Diwan & Company, Director of eGtran Corp., Supervisor of TUNG HO STEEL Enterprise Corp., Independent Director of AVerMedia Technologies, Inc., Supervisor of First Life Insurance Co., Ltd.	—	—	—
Supervisor	Lai Wen-Hsien	Republic of China	Male	June 22, 2017	3 years	June 22, 2017	—	—	—	—	—	—	—	—	M.B.A., Department of Economics, NTU	Director of Yuanta-Polaris Research Institute, Independent Director of Audix Corporation and Member of Remuneration Committee	—	—	—
Supervisor	eGtran Corporation	British Virgin Islands	—	June 22, 2017	3 years	June 22, 2017	3,395,944	5.15%	3,395,944	5.15%	—	—	—	—	—	—	—	—	—

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Nationality or country of registration</th><th rowspan="2">Gender</th><th rowspan="2">Appointment (Inauguration) Date</th><th rowspan="2">Term</th><th rowspan="2">First appointment date</th><th colspan="2">Shares held at time of appointment</th><th colspan="2">Current shares held</th><th colspan="2">Current shares held by spouse or minor children</th><th colspan="2">Shares held in the name of others</th><th rowspan="2">Educational background and experience</th><th rowspan="2">Concurrent posts in the Company or other companies</th><th colspan="3">Other supervisors, directors or supervisors in a spousal relationship or within the second degree of kinship</th></tr>
<tr><th>Number of shares</th><th>Shareholding ratio</th><th>Number of shares</th><th>Shareholding ratio</th><th>Number of shares</th><th>Shareholding ratio</th><th>Number of shares</th><th>Shareholding ratio</th><th>Title</th><th>Name</th><th>Relation</th></tr>
<tr><td></td><td>Representative: Chien Chih-Cheng</td><td>Republic of China</td><td>Male</td><td>June 22, 2017</td><td>—</td><td>—</td><td>606,666</td><td>0.92%</td><td>318,666</td><td>0.48%</td><td>—</td><td>—</td><td>—</td><td>—</td><td>Chairman of EZconn Enterprise Inc.</td><td>Chairman of Optoway Technology Inc., Director of eGtran Corp.,</td><td>—</td><td>—</td><td>—</td></tr>
</table>

Note 1: Inaugurated EZconn's President on April 1, 2019.

Note 2: Resigned the legal representative of the corporate director, Transnational Investment Limited, on August 8, 2018.

Note 3: Inaugurated the legal representative of the corporate director, Transnational Investment Limited, on August 8, 2018.

Note 4: Inaugurated the Vice Chairman on March 21, 2019.

Note 5: Retired and resigned EZconn's President on March 31, 2019.

Note 6: Resigned the Independent Director and the member of the Remuneration Committee on August 10, 2018 and inaugurated as the Chief Operating Officer on the same day.

1. Major shareholders of directors and supervisors acting as the corporate shareholders

Table 1: Major shareholders of the corporate shareholders

April 12, 2019

Name of corporate shareholders	Major shareholders of the corporate shareholders and the shareholding ratio
SHC Consolidated Investors LLC	Chen, Steve(100%)
Jia Jiu Investment Co., Ltd.	Pan Sheng-Li (100%)
Transnational Investment Limited	Chen Han-Feng (35.19%), Chen Kuo-Hsing (33.45%), Luan Yu-Chia (31.36%)
Dural Holdings Limited	Lan Chin-Hsing (39.00%), Lan Chen-Tien (33.73%), Yeh Lan-Hung (27.27%)
eGtran Corporation	TMX Consolidated Partners LLC (8.76%) SHC Consolidated Investors LLC (4.24%) Lin Min-Hsiung (4.01%) Weng Sheng-Chia (3.50%) Andreas Bechtolsheim (3.07%) Pan Sheng-Li (3.06%) Transnational Investment Limited (3.05%) Hung Chieh-En (3.02%) Dural Holdings Limited (2.55%) Chien Feng-Yi (2.39%)

Table 2: Major shareholders of the juridical person acting as major shareholders in Table 1

April 12, 2019

Name of the juridical person	Major shareholders of the juridical person	Shareholding ratio
TMX Consolidated Partners LLC	(Note)	—
SHC Consolidated Investors LLC	Chen, Steve	100.00%
Transnational Investment Limited	Chen Han-Feng	35.19%
	Chen Kuo-Hsing	33.45%
	Luan Yu-Chia	31.36%
Dural Holdings Limited	Lan Chin-Hsing	39.00%
	Lan Chen-Tien	33.73%
	Yeh Lan-Hung	27.27%

Note: This means the trustee of the ultimate shareholder or beneficiary.

2. Professional knowledge and independence of directors and supervisors

Qualifications / Name (Note 1)	Work experience of more than 5 years and the following professional qualification			Independence criteria (Note 2)										Number of other public companies where the member also serves as an independent director
	Lecturer or higher position at a public or private university/college in the department of commerce, law, finance, accounting or other fields related to the business	Judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who have passed a national examination and received a certificate in a profession necessary for our business	Work experience in commerce, law, finance, accounting or other field necessary for our business	1	2	3	4	5	6	7	8	9	10	
SHC CONSOLIDATED INVESTORS LLC	—	—	—	✓	—	—	✓	✓	✓	✓	✓	✓	—	None
SHC Representative: Chen, Steve	—	✓	✓	✓	—	✓	✓	—	—	✓	✓	✓	—	1
Jia Jiu Investment Co., Ltd.	—	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	None
Chiachiu Investment Representative: Chang Ying-Hua	—	—	✓	—	—	✓	✓	✓	✓	✓	✓	✓	—	None
Transnational Investment Limited	—	—	—	✓	✓	—	✓	✓	✓	✓	✓	✓	—	None
Transnational Representative: Chen Han-Feng (Note 2)	—	—	✓	✓	✓	—	✓	✓	✓	✓	✓	✓	—	None
Transnational Representative: Chou Wan-Shun (Note 3)	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	None
Chen Hsiao-Yun	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Dural Holdings Limited	—	—	—	✓	✓	—	✓	✓	✓	✓	✓	✓	—	None
Dural Representative: Li Shih-Cheng	—	—	✓	—	—	✓	✓	—	—	✓	✓	✓	—	None
Hsiao Chung-Chiang (Note 4)	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Li Chien-Ping	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Ko Yuan-Yu	—	✓	✓	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	1
Lai Wen-Hsien	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
eGtran Corporation	—	—	—	✓	—	—	✓	✓	✓	✓	✓	✓	—	None
eGtran Corporation Representative: Chien Chih-Cheng	—	—	✓	✓	—	✓	✓	—	—	✓	✓	✓	—	None

Note: 1. Directors and supervisors are requested to mark "✓" in the space beside the number if any of the following requirements are satisfied during the two years before being elected or during the term of office.

(1) The member was or is not an employee of the company or any of its affiliates.

(2) The member was or is not a director or supervisor of the company or any of its affiliates (except for the independent director of the company, its parent, or any subsidiary appointed pursuant to the Act or any local laws and regulations).

(3) The member was or is not a natural-person shareholder who held or holds shares, together with those held by his/her spouse, minor children, or held by the director or supervisor in the name of another person, in an aggregate amount of one percent or more of the total issued shares of the company or was or is ranked as one of the top-ten shareholders.

(4) The member was or is not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) The member was or is not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total issued shares of the company or of a corporate shareholder that ranks among the top-five in shareholdings.

(6) The member was or is not a director, supervisor, managerial officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationships with the company.

(7) The member was or is not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting affairs or consultation to the company or to any affiliate of the company, or a spouse thereof. This does not apply to any member of the remuneration committee who performs his/her duties pursuant to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) The member was or is not in a spousal relationship nor a relative within the second degree of kinship.

(9) The member did or does not meet any of the requirements specified in Article 30 of the Company Act.

(10) The member was not, as a government agency or a juristic person or a representative of any of them, elected pursuant to Article 27 of the Company Act.

Note 2: Resigned the legal representative for the director, Transnational Investment Limited, on August 8, 2018.

Note 3: Inaugurated the legal representative for the director, Transnational Investment Limited, on August 8, 2018.

Note 4: Resigned the independent director on August 10, 2018.

(II) Information of the President, Vice President, Assistant Manager, and Supervisors of departments and branches:

April 12, 2019 Unit: Share; %

Title	Name	Nationality	Gender	Inauguration date	No. of shares held		Shares held by spouse or minor children		Shares held in the name of others		Educational background and experience	Concurrent posts in other companies	Managerial officers in a spousal relationship or within the second degree of kinship		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
President (Note 1)	Li Shih-Cheng	Republic of China/ The United States	Male	October 4, 2006	361,248	0.55%	–	–	–	–	Ph.D. in Electrical Engineering, Southern Methodist University, the United States GTRAN Inc., President	Light Master Technology (Ningbo) Inc. Director, CabTel Corp. Director	–	–	–
President (Note 2)	Chang Ying-Hua	Republic of China	Female	April 1, 2019	43,666	0.07%	–	–	–	–	Department of Accounting, Hsing Wu University	Light Master Technology (Ningbo) Inc. Director and Executive Vice President	–	–	–
Chief Operating Officer (Note 3)	Hsiao Chung-Chiang	Republic of China	Male	August 10, 2018							Ph.D. in Consumer Sciences & Retailing, Purdue University	Associate Professor of National Taiwan Normal University	–	–	–
Director of Manufacturing Division	Kao Yueh-Hui	Republic of China	Female	May 1, 2007	5,777	0.01%	–	–	–	–	Shixin High School Tatung Electronics/Philco Electronics	–	–	–	–
Director of Research & Sales Division	Chien Ming-Feng	Republic of China	Male	June 1, 2011	857	0.00%	–	–	–	–	Mechanical and Electro-Mechanical Engineering, Tamkeng University R & D Engineer of Sun Race Sturmey-Archer Inc.	–	–	–	–
Deputy Director of Quality Control Division	Li Yung-Chuan	Republic of China	Male	October 20, 2010	111	0.00%	–	–	–	–	M.B.A., Department of Mechanical Engineering, National Taiwan University	–	–	–	–

Title	Name	Nationality	Gender	Inauguration date	No. of shares held		Shares held by spouse or minor children		Shares held in the name of others		Educational background and experience	Concurrent posts in other companies	Managerial officers in a spousal relationship or within the second degree of kinship		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relation
Director of Optics R&D Engineering Division	Lan Ching-Ying	Republic of China	Male	March 9, 2018	944,844	1.43%	—	—	—	—	R & D Graduate Program in Electro-Optional Engineering, National Taiwan University of Science and Technology, Department of Engineering and IT, University of Sydney	—	—	—	—
Director of Optics Marketing & Sales Division	Tsou Lung-Ping	Republic of China	Female	March 9, 2018	10,000	0.02%	—	—	—	—	EMBA (Executive Master of Business Administration), National Taiwan Normal University, Focus Electronic	Supervisor of Light Master Technology (Ningbo) Inc.	—	—	—
Chief Technology Officer (CTO)	Hsu Mao-Chieh	Republic of China	Male	March 9, 2018	4,599	0.01%	—	—	—	—	Ph.D. In Graduate Institute of Photonics and Optoelectronics, National Taiwan University, Manager of Technology Division, Walsin Lihwa	—	—	—	—
Director of Title: FA & IT Division Director	Chuang Kuo-An	Republic of China	Male	August 14, 2014	30,461	0.05%	—	—	—	—	M.B.A., EMBA, National Chengchi University CFO of Universal Vision Biotechnology Assistant Manager of Audit Division, Ernst & Young/Diwan & Company	Supervisor of Alishan House Supervisor of Guang-Li Biomedicine	—	—	—
Chief Auditor	Chen Lai-En	Republic of China	Male	November 6, 2012	—	—	—	—	—	—	Department of Tourism Management, Chinese Culture University Audit Manager of Champion Building Materials, Chief Audit Executive of Fusheng Co., Ltd., Audit Manager of Profound Material Technology, Chief Audit Executive of International CSRC	—	—	—	—

Note 1: Retired and resigned the president on March 31, 2019.

Note 2: Inaugurated the president on April 1, 2019.

Note 3: Inaugurated the Chief Operating Officer on August 10, 2018.

III. Remuneration for directors, supervisors, President and Vice President in the most recent year:

(I) Remuneration for directors

Units: NTD 1,000; %

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="8">Remuneration</th><th colspan="2" rowspan="2">The total amount of A, B, C and D in net income after tax (%) (Note 10)</th><th colspan="8">Remuneration for part-time employees</th><th colspan="2" rowspan="2">The total amount of A, B, C, D, E, F and G in net income after tax (%) (Note 10)</th><th rowspan="3">Remuneration from invested businesses other than subsidiaries (Note 11)</th></tr>
<tr><th colspan="2">Remuneration (A) (Note 2)</th><th colspan="2">Retirement pension (B)</th><th colspan="2">Director remuneration (C) (Note 3)</th><th colspan="2">Business execution fee (D) (Note 4)</th><th colspan="2">Salary, bonus and special allowance (E) (Note 5)</th><th colspan="2">Retirement pension (F)</th><th colspan="4">Employee remuneration (G) (Note 6)</th></tr>
<tr><th>EZconn</th><th>All companies in financial report (Note 7)</th><th>EZconn</th><th>All companies in financial report (Note 7)</th><th>EZconn</th><th>All companies in financial report (Note 7)</th><th>EZconn</th><th>All companies in financial report (Note 7)</th><th>EZconn</th><th>All companies in financial report (Note 7)</th><th>EZconn</th><th>All companies in financial report (Note 7)</th><th>EZconn</th><th>All companies in financial report (Note 7)</th><th>EZconn Cash amount</th><th>EZconn Share amount</th><th>All companies in financial report (Note 7) Cash amount</th><th>All companies in financial report (Note 7) Share amount</th><th>EZconn</th><th>All companies in financial report (Note 7)</th></tr>
<tr><td>Chairman</td><td>SHC Consolidated Investors LLC</td><td rowspan="12">972</td><td rowspan="12">972</td><td rowspan="12">—</td><td rowspan="12">—</td><td rowspan="12">2,252</td><td rowspan="12">2,252</td><td rowspan="12">472</td><td rowspan="12">472</td><td rowspan="12">2.39%</td><td rowspan="12">2.39%</td><td rowspan="12">6,474</td><td rowspan="12">6,474</td><td rowspan="12">—</td><td rowspan="12">—</td><td rowspan="12">4,334</td><td rowspan="12">—</td><td rowspan="12">4,334</td><td rowspan="12">—</td><td rowspan="12">9.39%</td><td rowspan="12">9.39%</td><td rowspan="12">—</td></tr>
<tr><td rowspan="2">Chairman's representative</td><td>SHC</td></tr>
<tr><td>Corporate representative: Chen, Steve</td></tr>
<tr><td>Director</td><td>Jia Jiu Investment Co., Ltd.</td></tr>
<tr><td rowspan="2">Director's Representative</td><td>Jia Jiu Investment</td></tr>
<tr><td>Representative: Chang Ying-Hua</td></tr>
<tr><td>Director</td><td>Transnational Investment Limited</td></tr>
<tr><td rowspan="3">Director's Representative</td><td>Transnational</td></tr>
<tr><td>Representative: Chen Han-Feng (Note 2)</td></tr>
<tr><td>Representative: Chou Wan-Shun (Note 3)</td></tr>
<tr><td>Director</td><td>Chen Hsiao-Yun</td></tr>
<tr><td>Director</td><td>Dural Holdings Limited</td></tr>
</table>

Director's Representative	Dural Holdings																					
	Representative: Li Shih-Cheng																					
Independent Director	Hsiao Chung-Chiang (Note 4)																					
Independent Director	Li Chien-Ping																					

Note 1: The proposed distribution of remuneration for directors, supervisors and employees was approved at the Board of Directors meeting on March 21, 2019. However, since it was not actually distributed, the estimated ratio was based on the actual distribution amount of the previous year.

Note 2: Resigned the legal representative for the director, Transnational Investment Limited, on August 8, 2018.

Note 3: Inaugurated the legal representative for the director, Transnational Investment Limited, on August 8, 2018.

Note 4: Resigned the independent director on August 10, 2018.

Remuneration Range Table

<table>
<tr><th rowspan="3">Remuneration range for directors of EZconn</th><th colspan="4">Director name</th></tr>
<tr><th colspan="2">The total amount of the first four remuneration items (A+B+C+D)</th><th colspan="2">The total amount of the first seven remuneration items (A+B+C+D+E+F+G)</th></tr>
<tr><th>EZconn (Note 8)</th><th>All companies in financial report (Note 9) H</th><th>EZconn (Note 8)</th><th>All companies in financial report (Note 9) I</th></tr>
<tr><td>Under NT$2,000,000</td><td>SHC Consolidated Investors LLC
Chen, Steve
Jia Jiu Investment Co., Ltd.
Transnational Investment Limited
Dural Holdings Limited
Chen Han-Feng
Chou Wan-Shun
Chen Hsiao-Yun
Hsiao Chung-Chiang
Li Chien-Ping</td><td>SHC Consolidated Investors LLC
Chen, Steve
Jia Jiu Investment Co., Ltd.
Transnational Investment Limited
Dural Holdings Limited
Chen Han-Feng
Chou Wan-Shun
Chen Hsiao-Yun
Hsiao Chung-Chiang
Li Chien-Ping</td><td>SHC Consolidated Investors LLC
Chen, Steve
Jia Jiu Investment Co., Ltd.
Transnational Investment Limited
Dural Holdings Limited
Chen Han-Feng
Chou Wan-Shun
Chen Hsiao-Yun
Hsiao Chung-Chiang
Li Chien-Ping</td><td>SHC Consolidated Investors LLC
Chen, Steve
Jia Jiu Investment Co., Ltd.
Transnational Investment Limited
Dural Holdings Limited
Chen Han-Feng
Chou Wan-Shun
Chen Hsiao-Yun
Hsiao Chung-Chiang
Li Chien-Ping</td></tr>
<tr><td>NT$2,000,000 (incl.) ~ NT$5,000,000 (not incl.)</td><td>Li Shih-Cheng, Chang Ying-Hua</td><td>Li Shih-Cheng, Chang Ying-Hua</td><td>Li Shih-Cheng, Chang Ying-Hua</td><td>Li Shih-Cheng, Chang Ying-Hua</td></tr>
<tr><td>NT$5,000,000 (incl.) ~ NT$10,000,000 (not incl.)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>NT$10,000,000 (incl.) ~ NT$15,000,000 (not incl.)</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>NT$15,000,000 (incl.) ~ NT$30,000,000 (not incl.)</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>NT$30,000,000 (incl.) ~ NT$50,000,000 (not incl.)</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>NT$50,000,000 (incl.) ~ NT$100,000,000 (not incl.)</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Over NT$100,000,000</td><td>—</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Total</td><td>12</td><td>12</td><td>12</td><td>12</td></tr>
</table>

Note 1: The names of the directors must be listed receptively (for the corporate shareholders, their names and the representatives must be receptively listed) and each payment amount must be disclosed by summarization. The director serving as the president or vice president should fill in this table and the table below (3-1) or (3-2).

Note 2: This refers to the remuneration for the directors in the most recent year (including the directors' salary, differential pay, severance pay, various bonuses and incentive payment).

Note 3: This refers to the distribution of remuneration for directors approved by the Board of Directors in the most recent year.

Note 4: This refers to the related business execution fee of the directors in the most recent year (including traveling expenses, special allowance, various allowances and dormitories and cars in kind). If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If the driver is also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration.

Note 5: This refers to the remuneration for directors serving as the part-time employees (including part-time president, vice president, other managerial officers and employees) in the most recent year, including the salary, differential pay, severance pay, various bonuses, incentive payment, traveling expenses, special allowance, various allowances and dormitories and cars in kind. If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If the driver is also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration. In addition, according to the salaries expense listed in the "Share-Based Payment" of IFRS2, expenses including the employee stock option certificate acquirement, employee restricted stock and employee participation in cash capital increase and stock subscription must be counted in the remuneration.

Note 6: This means the directors serving as the part-time employees (including part-time president, vice president, other managerial officers and employees) and receiving the employee remuneration (including shares and cash) must disclose the distribution amount of remuneration for employees approved by the Board of Directors. If the amount cannot be estimated, the proposed distribution amount of this year should be calculated based on the actual distribution ratio last year. The attached table 1-3 should also be filled out.

Note 7: The total amount of each remuneration paid by all companies (including EZconn) to the Company's directors in the consolidated report must be disclosed.

Note 8: Regarding the total amount of each remuneration paid by EZconn to each director, the names of the paid directors must be disclosed based on the remuneration range in which the remuneration belongs.

Note 9: The total amount of each remuneration paid by all companies (including EZconn) to each director of the Company in the consolidated report must be disclosed. The names of the paid directors must be disclosed based on the remuneration ranges in which the remuneration belongs.

Note 10: Net income after tax refers to the net income after tax in the most recent year. As for those that adopted the IFRS, the net income after tax refers to the net income after tax of EZconn or individual financial reports in the most recent year.

Note 11:
a. This column must clearly specify the related remuneration amount paid to the Company's directors from invested businesses other than subsidiaries.
b. The directors of the Company who receive related remuneration from invested businesses other than subsidiaries must include the remuneration acquired from such businesses to column I in the remuneration range table and the name of this column should be change to "All invested businesses."
c. The remuneration refers to the received remuneration (including the remuneration of employees, directors and supervisors) of the Company's directors serving as the directors, supervisors or managerial officers in the invested businesses other than subsidiaries and the related remuneration of the business execution fee.

* The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. Therefore, this table is used for information disclosure instead of taxation.

(II) Remuneration for supervisors

Units: NTD 1,000; %

Title	Name	Supervisor remuneration: Remuneration (A) (Note 2): EZconn	Supervisor remuneration: Remuneration (A) (Note 2): All companies in financial report (Note 5)	Supervisor remuneration: Remuneration (B) (Note 3): EZconn	Supervisor remuneration: Remuneration (B) (Note 3): All companies in financial report (Note 5)	Supervisor remuneration: Business execution fee (C) (Note 4): EZconn	Supervisor remuneration: Business execution fee (C) (Note 4): All companies in financial report (Note 5)	The total amount of A, B and C in net income after tax (%) (Note 8): EZconn	The total amount of A, B and C in net income after tax (%) (Note 8): All companies in financial report (Note 5)	Remuneration from invested businesses other than subsidiaries (Y/N) (Note 9)
Supervisor	Ko Yuan-Yu	432	432	948	948	112	112	0.97%	0.97%	—
Supervisor	Lai Wen-Hsien									
Supervisor	eGtran Corporation									
Supervisor's Representative	eGtran Corporation Representative: Chien Chih-Cheng									

Note : The proposed distribution of remuneration for directors, supervisors and employees was approved by the Board of Directors meeting on March 31, 2019. However, since it is not actually distributed, the estimated ratio is based on the actual distribution amount of the previous year.

Remuneration Range Table

Remuneration range for supervisors of EZconn	Supervisor name — Total amount of the first three remuneration items (A+B+C): EZconn (Note 6)	Supervisor name — Total amount of the first three remuneration items (A+B+C): All companies in financial report (Note 7) D
Under NT$2,000,000	Ko Yuan-Yu Lai Wen-Hsien eGtran Corporation Chien Chih-Cheng	Ko Yuan-Yu Lai Wen-Hsien eGtran Corporation Chien Chih-Cheng
NT$2,000,000 (incl.) ~ NT$5,000,000 (not incl.)	—	—
NT$5,000,000 (incl.) ~ NT$10,000,000 (not incl.)	—	—
NT$10,000,000 (incl.) ~ NT$15,000,000 (not incl.)	—	—
NT$15,000,000 (incl.) ~ NT$30,000,000 (not incl.)	—	—
NT$30,000,000 (incl.) ~ NT$50,000,000 (not incl.)	—	—
NT$50,000,000 (incl.) ~ NT$100,000,000 (not incl.)	—	—
Over NT$100,000,000	—	—
Total	4	4

Note 1: The names of the supervisors must be listed receptively (for the corporate shareholders, their names and the representatives must be receptively listed) and each payment amount must be disclosed by summarization.

Note 2: This refers to the remuneration for the supervisors in the most recent year (including the supervisors' salary, differential pay, severance pay, various bonuses and incentive payment).

Note 3: This refers to the distribution of remuneration for supervisors approved by the Board of Directors in the most recent year.

Note 4: This refers to the related business execution fee of the supervisors in the most recent year (including traveling expenses, special allowance, various allowances and dormitories and cars in kind). If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If the driver is also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration.

Note 5: The total amount of each remuneration paid by all companies (including EZconn) to the Company's supervisors in the consolidated report must be disclosed.

Note 6: Regarding the total amount of each remuneration paid by EZconn to each supervisor, the names of the paid supervisors must be disclosed in the remuneration ranges in which the remuneration belongs.

Note 7: The total amount of each remuneration paid by all companies (including EZconn) to each supervisor of the Company in the consolidated report must be disclosed. The names of the paid supervisors must be disclosed in the remuneration ranges in which the remuneration belongs.

Note 8: Net income after tax refers to the net income after tax in the most recent year. As for those that adopted the IFRS, the net income after tax refers to the net income after tax of EZconn or individual financial reports in the most recent year.

Note 9: a. This column must clearly specify the related remuneration amount paid to the Company's supervisors from invested businesses other than subsidiaries.

b. The supervisors of the Company who receive related remuneration from invested businesses other than subsidiaries must include the remuneration acquired from invested businesses other than subsidiaries to the D column in the remuneration range table and the name of this column should be change to "All invested businesses."

c. The remuneration refers to the received remuneration (including the remuneration of employees, directors and supervisors) of the Company's supervisors serving as the directors, supervisors or managerial officers in the invested businesses other than subsidiaries and the related remuneration of the business execution fee.

* The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. Therefore, this table is used for information disclosure instead of taxation.

(III) Remuneration for President and Vice President

Units: NTD 1,000; %

Title	Name	Remuneration (A) (Note 2)		Retirement pension (B)		Bonus and special allowance (C) (Note 3)		Employee remuneration (D) (Note 4)				The total amount of A, B, C and D in net income after tax (%) (Note 8)		Remuneration from invested businesses other than subsidiaries (Note 9)	
		EZconn	All companies in financial report (Note 5)	EZconn	All companies in financial report (Note 5)	EZconn	All companies in financial report (Note 5)	EZconn		All companies in financial report (Note 5)		EZconn	All companies in financial report (Note 5)		
								Cash amount	Share amount	Cash amount	Share amount				
President (Note 2)	Li Shih-Cheng	4,486	4,486	–	–	1,988	1,988	4,334	–	4,334	–	7.00%	7.00%	–	–
President (Note 3)	Chang Ying-Hua														

Note 1: The proposed distribution of remuneration for directors, supervisors and employees was approved by the Board of Directors meeting on March 21, 2019. However, since it is not actually distributed, the estimated ratio is based on the actual distribution amount of the previous year.

Note 2: Retired and resigned the president on March 31, 2019.

Note 3: Inaugurated the president on April 1, 2019.

Remuneration Range Table

Remuneration range for the President and Vice President of EZconn	President and Vice President name	
	EZconn (Note 6)	All companies in financial report (Note 7) E
Under NT$2,000,000	–	–
NT$2,000,000 (incl.) ~ NT$5,000,000 (not incl.)	Li Shih-Cheng, Chang Ying-Hua	Li Shih-Cheng, Chang Ying-Hua
NT$5,000,000 (incl.) ~ NT$10,000,000 (not incl.)	–	–
NT$10,000,000 (incl.) ~ NT$15,000,000 (not incl.)	–	–
NT$15,000,000 (incl.) ~ NT$30,000,000 (not incl.)	–	–
NT$30,000,000 (incl.) ~ NT$50,000,000 (not incl.)	–	–
NT$50,000,000 (incl.) ~ NT$100,000,000 (not incl.)	–	–
Over NT$100,000,000	–	–
Total	2	2

Note 1: The name of the president and vice president must be listed receptively and each payment amount must be disclosed by summarization. For directors serving as the president or vice president, they should fill in this table and the above table (1-1) or (1-2).

Note 2: This refers to the salary, differential pay and severance pay for the president and vice president in the most recent year.

Note 3: This refers to the various bonuses, incentive payment, traveling expenses, special allowance, various allowances, dormitories and cars in kind and other remuneration for the president and vice president in the most recent year. If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If the driver is also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration. In addition, according to the salaries expense listed in the "Share-Based Payment" of IFRS2, expenses including the employee stock option certificate acquirement, employee restricted stock and employee participation in cash capital increase and stock subscription must be counted in the remuneration.

Note 4: This refers to the distribution of the employee remuneration (including shares and cash) for the president and vice president approved by the Board of Directors in the most recent year. If the amount cannot be estimated, the proposed distribution amount of this year should be calculated based on the actual distribution ratio last year. The attached table 1-3 should also be filled out. The net income after tax refers to the net income after tax in the most recent year. As for those that adopted the IFRS, the net income after tax refers to the net income after tax of EZconn or individual financial reports in the most recent year.

Note 5: The total amount of each remuneration paid by all companies (including EZconn) to the president and vice president of the Company in the consolidated report must be disclosed.

Note 6: Regarding the total amount of each remuneration paid by EZconn to the presidents and vice presidents, the names of the paid president and vice president must be disclosed in the remuneration ranges in which the remuneration belongs.

Note 7: The total amount of each remuneration paid by all companies (including EZconn) to the presidents and vice presidents of the Company in the consolidated report must be disclosed. The names of the paid president and vice president must be disclosed in the remuneration ranges in which the remuneration belongs.

Note 8: Net income after tax refers to the net income after tax in the most recent year. As for those that adopted the IFRS, the net income after tax refers to the net income after tax of EZconn or individual financial reports in the most recent year.

Note 9:
a. This column must clearly specify the related remuneration amount paid to the Company's presidents and vice presidents from invested businesses other than subsidiaries.
b. The presidents and vice presidents of the Company who receive related remuneration from invested businesses other than subsidiaries must include the remuneration acquired from invested businesses other than subsidiaries to the E column in the remuneration range table and the name of this column should be change to "All invested businesses."
c. The remuneration refers to the received remuneration (including the remuneration of employees, directors and supervisors) of the Company's president and vice president serving as the directors, supervisors or managerial officers in the invested businesses other than subsidiaries and the related remuneration of the business execution fee.

* The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. Therefore, this table is used for information disclosure instead of taxation.

(IV) Names of the managerial officers distributing employee remunerations and the distributing status

Units: NTD 1,000; %

	Title	Name	Share amount	Cash amount	Total	The total amount in net income after tax (%)
Managerial officer	President	Li Shih-Cheng (Note 2)	—	6,389	6,389	4.14%
	President	Chang Ying-Hua (Note 3)				
	Chief Operating Officer (Note 4)	Hsiao Chung-Chiang (Note 5)				
	Director of Manufacturing Division	Kao Yueh-Hui				
	Director of Research & Sales Division	Chien Ming-Feng				
	Deputy Director of Quality Control Division	Li Yung-Chuan				
	Director of Optics R&D Engineering Division	Lan Ching-Ying				
	Director of Optics Marketing & Sales Division	Tsou Lung-Ping				
	Chief Technology Officer (CTO)	Hsu Mao-Chieh				
	Director of Title: FA & IT Division Director	Chuang Kuo-An				
	Chief Auditor	Chen Lai-En				

Note 1: The proposed distribution of remuneration for directors, supervisors and employees was approved by the Board of Directors meeting on March 21, 2019. However, since it is not actually distributed, the estimated ratio is based on the actual distribution amount of the previous year.

Note 2: Retired and resigned the president on March 31, 2019.

Note 3: Inaugurated the president on April 1, 2019.

Note 4: Corresponding to the Company's organizational restructuring on August 10, 2018.

Note 5: Inaugurated on August 10, 2018.

(V) Comparison and analysis of the total remuneration as a percentage of net income stated in the financial report of EZconn or individual financial reports and paid by EZconn and all the companies in the consolidated report to each of EZconn's directors, supervisors, President, and Vice President in the most recent 2 fiscal years, and description of the policies, standards, and portfolios for payment of the remuneration, the procedures for determining the remuneration, and the association with the operation performance and future risk exposure

(1) Analysis of the total remuneration as a percentage of net income paid by EZconn and all the companies in the consolidated report to each of EZconn's directors, supervisors, President, and Vice President in the most recent 2 fiscal years:

Title	The total amount of 2018 remuneration in net income after tax (%)		The total amount of 2017 remuneration in net income after tax (%)	
	EZconn	All companies in the consolidated report	EZconn	All companies in the consolidated report
Director	9.39%	9.39%	18.73%	18.73%
Supervisor	0.97%	0.97%	1.64%	1.64%
President and Vice President	7.00%	7.00%	14.49%	14.49%

(2) The policies, standards, and portfolios for payment of the remuneration, the procedures for determining the remuneration, and the association with the operation performance and future risk exposure of EZconn and all the companies in the consolidated report:

(a) The presidents and vice presidents are appropriated pursuant to our personnel regulations.

(b) Remuneration for the directors and supervisors is based on regulations set forth in our articles of incorporation.

(c) The remuneration paid by EZconn to the president and vice president in the most recent 2 fiscal years refers to the salary. The salary and employee remuneration is in compliance with the Company Act, our personnel regulations and related regulations of the employee remuneration. Besides, the Remuneration Committee was established by the Company on December 27, 2013. According to the articles, suggestions are proposed by the Committee and summited to the Board of Directors for discussion.

IV. Corporate governance:

(I) Operation status of the Board of Directors:

1. A total of 5 meetings (A) were held by the 8th Board of the Directors during the period from January 1, 2018 to the date on which the annual report was printed. The attendance of the directors and supervisors are as follows:

Title	Name	Number of presence (attendance) (B)	Number of meetings presented by proxy	Actual presence (attendance) rate (%) [B/A]	Remarks
Chairman	SHC Consolidated Investors LLC Representative: Chen, Steve	5	0	100%	Inaugurated on June 22, 2017
Director	Jia Jiu Investment Co., Ltd. Representative: Chang Ying-Hua	5	0	100%	Inaugurated on June 22, 2017
Director	Transnational Investment Limited Representative: Chen Han-Feng (Note 1)	2	0	40%	Inaugurated on June 22, 2017 and resigned on August 8, 2018
Director	Transnational Investment Limited Representative: Chou Wan-Shun (Note 2)	3	0	60%	Inaugurated on August 8, 2018
Director	Chen Hsiao-Yun	5	0	100%	Inaugurated on June 22, 2017
Director	Dural Holdings Limited Representative: Li Shih-Cheng	5	0	100%	Inaugurated on June 22, 2017
Independent Director	Hsiao Chung-Chiang (Note 3)	3	0	60%	Inaugurated on June 22, 2017 and resigned on August 10, 2018
Independent Director	Li Chien-Ping	5	0	100%	Inaugurated on June 22, 2017
Supervisor	Ko Yuan-Yu	5	0	100%	Inaugurated on June 22, 2017
Supervisor	Lai Wen-Hsien	5	0	100%	Inaugurated on June 22, 2017
Supervisor	eGtran Corporation Representative: Chien Chih-Cheng	5	0	100%	Inaugurated on June 22, 2017

Note 1: Resigned the legal representative for the director, Transnational Investment Limited, on August 8, 2018.
Note 2: Inaugurated the legal representative for the director, Transnational Investment Limited, on August 8, 2018.
Note 3: Resigned the Independent Director on August 10,2018.

Other matters to be recorded:

I. Where any of the following circumstances occurs to the meeting of the Board of Directors, the date, term and proposal of the meeting as well as the opinions of all the independent directors and EZconn's action on these opinions shall be described:

(I) The matters referred to in Article 14-3 of the Securities and Exchange Act: None of our independent directors has dissent or reservation.

(II) In addition to the matters mentioned above, any independent director expresses dissent or reservation with respect to a resolution of the Board of Directors, and such dissent or reservation is recorded in the minutes or a written statement: None of our independent directors has dissent or reservation.

II. Where the implementation status of recusal bearing on the interest of a director is involved, the name of the director, proposal, reasons for the recusal, and participation in the voting shall be described:

Proposal	Name of the Director	Reason for the recusal	Voting participation
Proposal for the remuneration distribution for directors, supervisors and employees in 2017	Director recusal due to self-related proposal: Chen, Steve, Li Shih-Cheng, Chang Ying-Hua, Chen Hsiao-Yun, Hsiao Chung-Chiang, Li Chien-Ping	The remuneration of directors, supervisors and employees is self-related	No
Proposal for the remuneration for the directors, supervisors and managerial officers	Director recusal due to self-related proposal: Li Shih-Cheng, Chang Ying-Hua	The director also served as the managerial officer	No
Proposal for Executive-Chief Operating Officer	Director recusal due to self-related proposal: Hsiao Chung-Chiang	The director was one of the candidates for the Chief Operating Officer	No
Proposal for the remuneration for the directors, supervisors and managerial officers	Director recusal due to self-related proposal: Li Shih-Cheng, Chang Ying-Hua	The director also served as the managerial officer	No
Proposal for the remuneration distribution for directors, supervisors and employees in 2018	Director recusal due to self-related proposal: Chen, Steve, Li Shih-Cheng, Chang Ying-Hua, Chen Hsiao-Yun, Li Chien-Ping	The remuneration of directors, supervisors and employees is self-related	No
Proposal for the remuneration for the directors, supervisors and managerial officers	Director recusal due to self-related proposal: Li Shih-Cheng, Chang Ying-Hua	The director also served as the managerial officer	No

III. Evaluation of the goal (such as the establishment of the Audit Committee and promotion of the information transparency) and implementation status with respect to enhancement of the function of the Board of Directors in the current and most recent years: EZconn continued to implement further education for directors and passed related proposals of “Corporate Governance Best Practice Principles,” “Rules Governing the Scope of Responsibilities of Independent Directors,” and “Code of Ethical Conduct for the Directors and Managerial Officers” to enhance the function of the Board of Directors.

(II) Operation status of the Audit Committee or participation of supervisors in the Board of Directors:

1. Operation status of the Audit Committee: EZconn has not established the Audit Committee yet.
2. Operation status of supervisors participating in the Board of Directors:
   (1) A total of 5 meetings (A) were held by the 8th Board of the Directors during the period from January 1, 2018 to the date on which the annual report was printed. The attendance of the supervisors was as follows:

Title	Name	Number of persons attended (B)	Actual presence rate (%) (B/A)	Remarks
Supervisor	Ko Yuan-Yu	5	100%	Inaugurated on June 22, 2017
Supervisor	Lai Wen-Hsien	5	100%	Inaugurated on June 22, 2017
Supervisor	eGtran Corporation Representative: Chien Chih-Cheng	5	100%	Inaugurated on June 22, 2017

Other matters to be recorded:

I. Responsibilities and formation of the supervisors:

Formation: The Company has appointed 3 supervisors at the shareholders' meeting. At least one of the supervisors must have a domestic dwelling.

Responsibilities: The supervisors are responsible for supervising the implementation of corporate business. They should always investigate the corporate business and financial status, audit books and documents and request the Board of Directors or managerial officers to submit reports. The supervisors must attend the meetings of the Board of Directors and provide comments.

(I) Communication of supervisors with the employees and shareholders of the Company:
1. Communication can be done by telephone, e-mail or other written information. Face-to face communication is required when necessary.
2. We have smooth and good communication channels.

(II) Communication of supervisors with the chief internal auditor and CPA (including the important matters, methods and results with respect to communication of the company finances and operation status).
1. The chief auditor reports the audit affairs regularly to the supervisors and submits the audit report and follow-up report of the previous month to the supervisors for reference.
2. If any material violation is discovered or the Company may suffer from serious damage, the chief auditor shall immediately make reports for review and notify the supervisors.
3. The supervisors shall require the chief auditor to execute project audit and reports at all times.
4. The accountant shall hold audit meeting for communication with the governing body after the audit is completed every year.

II. Where any supervisors attending the Board of Directors meetings have comments, the date, term and proposal and the resolution of the Board of Directors and EZconn's action on these opinions: None.

(III) Corporate governance and differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons:

Item for evaluation	Status of implementation (Note 1)			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
I. Does the Company establish and disclose the corporate governance practices pursuant to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	✓		The BoD of EZconn has established the “Corporate Governance Best Practice Principles” pursuant to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.	In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
II. Shareholding structure and shareholder’s equity (I) Does the Company have an internal procedure and act accordingly for handling of the suggestions, doubts, disputes, and lawsuits of the shareholders? (II) Does the Company have the lists of major shareholders who actually control the company and the ultimate controller list of major shareholders? (III) Does the Company establish and implement a firewall mechanism to control the risks between the Company and the affiliates? (IV) Does the Company have internal regulations to prohibit insiders from using undisclosed information in the market for securities trading?	✓		(I) EZconn have a spokesperson, a deputy spokesperson and the shareholder service agent is responsible for managing the problems of the shareholders. In addition, EZconn’s website has the “Stakeholder Relations” and the “Investor Relations” area to disclose the contact number and e-mail of the spokesperson, the deputy spokesperson and the shareholder service agent. (II) EZconn has the roster of shareholders provided by the shareholder service agent and regularly discloses major shareholders and the ultimate controller list of major shareholders in accordance with the laws. (III) For affiliates having a business relationship with EZconn, we have the price terms and payment based on the principles of fairness and reasonableness and established the “Regulations Governing the Supervision and Management of Subsidiaries” to control all the trading with the affiliates. (IV) EZconn has an “Internal Important Information Handling Operation Procedures” and “Integrity Code of Conduct” to prohibit insiders from using undisclosed information in the market for securities	(I) No material differences. We will review and establish related procedure in the future. (II) In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. (III) In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. (IV) In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEx

Item for evaluation	Status of implementation (Note 1)			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			trading and personal interest.	Listed Companies.
III. Responsibilities of the Board of Directors and its formation (I) Does the Company have a policy of diversity for the formation of the Board of Directors and implement it thoroughly? (II) Does the Company voluntarily form other functional committees similar to the Remuneration Committee and Audit Committee set up pursuant to relevant laws and regulations? (III) Does the Company have guidelines for evaluating the performance of the Board of Directors and conduct regular performance evaluation every year? (IV) Does the Company assess the CPAs for their independence on a regular basis?	✓		(I) The members of EZconn's Board of Directors were of diverse background including operation, laws, management and technology to implement the policy of diversity. (II) EZconn has not set up other functional committees. (III) EZconn has not established the performance evaluation for the Board of Directors but we have "Regulations Governing the Payment of Remuneration to Directors, Supervisors and Members of the Functional Committee" for the remuneration payment. The Remuneration Committee is responsible for evaluating the remuneration of the directors based on their performance. (IV) The CPAs of EZconn served in one of the member firms of the international Big Four in Taiwan. Their commissioned matters have no material interest with EZconn and they have strictly complied with the independence. We regularly discuss the employment matters by the Board of Directors.	(I) No material differences. We will review and establish related procedure in the future. (II) We will establish the committees according to the needs of corporate governance in the future. (III) No material differences. We will review and establish related procedure in the future. (IV) No material differences.
IV. Do TWSE/TPEx Listed Companies set up designated (concurrent) corporate governance units or personnel responsible for related matters (including but not limited to providing information required for directors and supervisors to perform their duties, handling matters related to Board of Directors' and shareholders' meetings, dealing with company and change registration, and making minutes of Board of Directors' and shareholders' meetings)?	✓		The President Office of EZconn is responsible for related corporate governance matters.	No material differences.

Item for evaluation	Status of implementation (Note 1)			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
V. Does the Company establish channels for communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), design special web pages for the stakeholders on the website, and appropriately respond to important CSR issues concerned about by the stakeholders?	✓		EZconn has established service line for customers and suppliers and the employee complaint system and spokesperson system as the channels of communication. We have Stakeholder Relations area on the company website with contact method for the stakeholders to keep contact with the Company at all times and have CSR area on the website.	No material differences.
VI. Does the Company commission a professional registrar to deal with the affairs of the shareholders' meeting?	✓		EZconn has commissioned the share administration agency of Taishin International Bank Corp to deal the affairs of the shareholders' meeting.	In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
VII. Information disclosure (I) Does the Company have a website to disclose the financial and corporate governance information of the Company? (II) Does the Company adopt other information disclosure methods (such as setting up an English website, designating a person for collection and disclosure of information, implementing a spokesperson system, and publishing the process of investor conferences on the website)?	✓		(I) EZconn has established a Company website and designated personnel for maintenance to disclose the financial and corporate governance information of the Company. EZconn's website: http://www.ezconn.com. (II) EZconn has established the spokesperson and deputy spokesperson system and designated personnel for the regular and irregular reporting of each financial information on the Market Observation Post System.	(I) In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies. (II) In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
VIII. Does the Company have additional important information that is helpful to understand the operation of the corporate governance (including but not limited to the rights and care of employees, investor relationship, supplier relationship, rights of stakeholders, further education of directors and supervisors, implementation of risk management policies and measurement criteria, implementation of customer policies and liability insurance coverage for directors and supervisors)?	✓		1. EZconn has good employee welfare to ensure the employee's rights, provide regular health examinations at each plant and the Head Office every year and hold hiking activities to promote the physical and mental health of the employees. We observe the principle of equal employment opportunity and recognized the contribution of diverse talents to the corporate culture and innovative spirit. We recruit talents through an open selection process and designated them to the	In compliance with the regulations of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Item for evaluation	Status of implementation (Note 1)			Differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			appropriate position. 2. The directors and supervisors of EZconn all have professional background and actively finished related advanced studies. 3. EZconn has good performance in the director attendance at the meeting and the supervisor attendance at the Board of Directors' meeting. 4. EZconn has established units designated for the implementation of risk management policies and risk assessment standards. 5. EZconn has good performance in maintaining smooth communication channels with our customers. 6. The directors of EZconn all complied with the laws and regulations and avoid participation in the discussion and voting of proposals due to personal interest. 7. EZconn has liability insurance coverage for directors and supervisors.	
IX. On the basis of the result of corporate governance evaluation released by TWSE's Corporate Governance Center in the most recent year, please describe the matters to which improvements have been made. Regarding the matters to which improvements have yet to be made, please list those which have been selected as priorities and the measures to be taken (Companies not listed in the evaluation do not have to answer this part): In the future, EZconn will continue to implement the enhancement according to the category of Enhancing Board Composition and Operation and Increasing Information Transparency in the indicators of Corporate Governance Evaluation to make progress in the result of the corporate governance evaluation.				

(IV) If the company has a remuneration committee, the composition, responsibilities and operation of the committee shall be disclosed:

1. Information of the members of the Remuneration Committee

Member type (Note 1)	Qualifications / Name	Work experience of more than 5 years and the following professional qualification			Independence criteria (Note 2)								Number of other public companies where the member also serves in a remuneration committee	Remarks (Note 3)
		Lecturer or higher position at a public or private university/college in the department of commerce, law, finance, accounting or any other fields related to our business	Judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who have passed a national examination and received a certificate in a profession necessary for our business	Work experience in commerce, law, finance, accounting or any other fields necessary for our business	1	2	3	4	5	6	7	8		
Others	Peng Hsieh-Ju	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	–
Independent Director	Hsiao Chung-Chiang (Note 3)	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	–
Others	Tsai Hsing-Chuan (Note 4)	–	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	–
Independent Director	Li Chien-Ping	✓	–	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	–

Note 1: For the member type, please write the director, independent director or others.

Note 2: Members are requested to mark "✓" in the space beside the number if any of the following requirements are satisfied during the two years before being elected or during the term of office.

(1) The member was or is not an employee of the company or any of its affiliates.

(2) The member was or is not a director or supervisor of the company or any of its affiliates. This does not apply to the independent director of the company, its parent, or any subsidiary appointed pursuant to the Act or any local laws and regulations.

(3) The member was or is not a natural-person shareholder who held or holds shares, together with those held by his/her spouse, minor children, or held by the director or supervisor in the name of another person, in an aggregate amount of one percent or more of the total issued shares of the company or was or is ranked as one of the top-ten shareholders.

(4) The member was or is not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) The member was or is not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total issued shares of the company or of a corporate shareholder that ranks among the top-five in shareholdings.

(6) The member was or is not a director, supervisor, managerial officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company.

(7) The member was or is not a professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting affairs or consultation to the company or to any affiliate of the company, or a spouse thereof;

(8) The member did or does not meet any of the requirements specified in Article 30 of the Company Act.

Note 3: Resigned the member of the remuneration committee on August 10, 2018.

Note 4: Inaugurated as the member of the Remuneration Committee on November 13, 2018.

2. Information of the operation of the Remuneration Committee

(1) Our Remuneration Committee is composed of 3 members.

(2) A total of 3 meetings (A) were held by the 3rd Remuneration Committee during the period from January 1, 2018 to the date on which the annual report was printed. The titles of the members and their attendance are as follows:

Title	Name	Number of actual attendance (B)	Number of meetings presented by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Li Chien-Ping	3	0	100%	Member of the 3rd committee. Appointed by Board of the Directors on August 10, 2017 and inaugurated the convener on August 10, 2018
Convener	Hsiao Chung-Chiang	1	0	33%	Convener of the 3rd committee. Appointed by Board of the Directors on August 10, 2017 and resigned on August 10, 2018.
Member	Tsai Hsing-Chuan	1	0	33%	Member of the 3rd committee. Appointed by Board of the Directors through the by-selection on November 13, 2018
Member	Peng Hsieh-Ju	3	0	100%	Member of the 3rd committee. Appointed by Board of the Directors on August 10, 2017
Other matters to be recorded: I. If the Board of the Directors does not adopt or revise the suggestions of the Remuneration Committee, the decision must indicate the date of Board of the Directors meeting, term, contents of the proposal, Board of the Directors resolution and how the Company handle the Committee’s opinions (if the amount of remuneration approved by the Board of the Directors is higher than that suggested by the Committee, the differences and reasons must be indicated):					

None.

II. In the event that any member of the Remuneration Committee has expressed dissent or reservation over the Committee's decisions, and that the dissent or reservation has been recorded or delivered in writing, the decision shall indicate the date of the Committee's meeting, term, contents of the proposal, opinions of all the members, and how the opinions of a member is handled: None.

Note: After the Company has commissioned the 3rd Remuneration Committee on August 10, 2017, the convener is elected by the members of the Committee. Besides, the member Li Chien-Ping was elected as the new convener by the members of the Committee on August 10, 2018 in compliance with the regulations.

(V) Fulfillment of social responsibility:

Item for evaluation	Description			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
I. Implementation of corporate governance	✓			
(I) Does the Company develop CSR policies or systems, and review their implementation?			(I) EZconn has established the CSR Best Practice Principles in November 2014 and will continue to promote and review the results of implementation in the future.	No material differences.
(II) Does the Company regularly hold education and training sessions regarding CSR?			(II) EZconn holds regular employee education training and promotions.	No material differences.
(III) Does the Company have a special unit or designate an existing unit for the task of CSR promotion? Does EZconn's Board of Directors authorize the management to handle relevant matters and report to the Board of Directors?			(III) EZconn has designated an existing unit for the task of CSR promotion to irregularly report the results of implementation to the senior management personnel and the chairman.	No material differences.
(IV) Does the Company develop reasonable remuneration policies? Does the Company integrate CSR policies into the employee performance assessment systems, and establish clear and effective systems of reward and punishment?			(IV) EZconn has developed reasonable remuneration policy to evaluate the reasonableness of the remuneration irregularly. We also have remuneration management regulations as well as the employee performance assessment and systems of reward and punishment as the indicators of performance evaluation. Meanwhile, to encourage employees to participate in activities of public interests, we offer 2 days of leave for public interests every year to collectively fulfill the concept of CSR.	No material differences.

Item for evaluation	Description			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
II. Development of environmental sustainability	✓			
(I) Does the Company put effort into enhancing the efficiency of resource usage and use recycled materials which have a low impact on the environmental load?			(I) EZconn has promoted a paperless office through digitization and donated recycled resources to charities like Tzu Chi to achieve the waste reduction and lower the environmental impact.	No material differences.
(II) Does the Company have environmental management systems which fit the industrial characteristics of the company?			(II) EZconn has passed ISO 14001 Environmental Management System certification and continued our improvement.	No material differences.
(III) Does the Company pay attention to the effects of climate change on its operations? Does the Company maintain a greenhouse gas inventory and develop policies regarding energy saving and carbon/greenhouse gas reduction?			(III) EZconn has control over the light wattage and the temperature of air conditioning for energy saving and carbon reduction. The management unit gathers statistics every month for the analysis and review of the electricity and water consumption and uses it as the basis of improvement. Furthermore, we promote and enhance the employees' awareness of environment protection and energy saving. The specific evidence is as follows: (1) Turning off lights when leaving and promoting water saving. (2) Encouraging the employees to take the stairs to reduce the usage of the elevators. (3) Maintaining a comfortable and appropriate temperature of the indoor air conditioning to reduce the power consumption. (4) The employees have to bring their own cups. (5) Recycling and reusing of papers and promoting electronic forms. (6) We have changed with 410 9-28W LED lights in 2018 and replaced the 50HP air compressors with high efficient units in Shangda	No material differences.

Item for evaluation	Description			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
			plant. The above-mentioned improvements will expectedly save 362,097kw of the power consumption every year.	
III. Protection of public interests	✓			
(I) Does the Company have management policies and procedures in accordance with relevant regulations and international bill of human rights?			(I) EZconn has labor and health insurance, appropriates the labor retirement reserve and ensures group accident insurance to ensure the rights of the employees in accordance with related labor laws and regulations.	No material differences.
(II) Does the Company have mechanisms and channels for employee complaints and properly handle any such complaints?			(II) EZconn has established channels for employee complaints to enable employees give opinions via e-mail, written messages or phone calls.	No material differences.
(III) Does the Company provide a safe and healthy work environment to its employees? Does the Company regularly provide safety and health education for the employees?			(III) The work environment of EZconn meets the standard of the occupational safety and health policy. We also holds regular on-the-job training for occupational safety and employee health examinations.	No material differences.
(IV) Does the Company have mechanisms for regular employee communication? Does the Company notify its employees of any changes in operations that may have major impact on them through appropriate ways?			(IV) EZconn holds regular meetings to announce and communicate with the employees about the direction and strategies of the Company's operation and development.	No material differences.
(V) Does the Company have effective programs for development and training regarding employees' career skills?			(V) EZconn holds regular employee education training to cultivate employees' multiple talents.	No material differences.
(VI) Does the Company have policies for consumer rights protection and complaint procedure regarding the R&D, procurement, production, operation and service			(VI) Products of EZconn has passed the ISO 9001 certification and we voluntarily provides satisfaction survey for the customers. When customers have compliant about the products, the production unit can handle the complaint	No material differences.

Item for evaluation	Description			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
processes? (VII) Do the marketing and labeling of the Company's products and services conform to relevant regulations and international standards? (VIII) Does the Company assess the past records of a supplier regarding its environmental and social impacts before conducting business with such supplier? (IX) Does the contract between the Company and any of its main suppliers include any clause stipulating that if the supplier violates its CSR policies and the violation has a significant impact on the environment and society, the Company may terminate or cancel the contract?			immediately. (VII) The marketing and labeling of EZconn's products and services all conforms to relevant regulations and international ISO standards. (VIII) EZconn has a review system and executes necessary assessment for new suppliers. (IX) When EZconn signs contracts with main suppliers, the compliance with each parties' CSR policy shall be specified in the contract. For example, the suppliers shall not bribe the employees of EZconn for expected promises and the Company may cancel the contract at any time if any violation is discovered. Besides, the suppliers shall comply with related environmental protection laws. If the suppliers violate related regulations, the Company may claim for damage compensation.	No material differences. No material differences. No material differences.
IV. Increasing disclosure of information (I) Does the Company disclose relevant and reliable CSR information on its website and the Market Observation Post System?	✓		(I) Relevant CSR information is disclosed on the "CSR area" of EZconn website and the implementation status is reported in the annual report of the shareholders.	No material differences.
V. In the event the Company has established its own CSR principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe the differences between the actual implementation of CSR and the Company's own CSR principles: No material differences.				
VI. Other important information helpful for understanding the actual implementation of CSR: 1. EZconn's related regulations and systems not only complied with the laws and regulations but also treated the employees as equal and protected their rights regardless of nationality. 2. We established the "Working Regulations of Safety and Health" to protect the safety and health of our employees in accordance with the Occupational Safety and Health Act. 3. EZconn has passed ISO 14001 Environmental Management System certification and continued to improve our environment.				

Item for evaluation	Description			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
VII. If the Company’s CSR reports have been verified by relevant validating agencies, please describe: EZconn’s CSR report has been certified by British Standards Institution according to the AA 1000 AS (Assurance Standard): 2008. 1. Quality Management System: ISO9001:2015 2. Environmental Management System: ISO14001:2015 3. Occupational Safety and Health Management System: OHSAS 18001:2007 4. Taiwan Occupational Health and Safety Management Systems: CNS15506:2011 5. Talent Quality-management System: Silver medal of TTQS-Enterprise Version				

(VI) Implementation of corporate ethical management and measures taken:

Item for evaluation	Description			Differences with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
I. Development of ethical management policies and programs (I) Does the Company clearly specify, in its regulations and external documents, the ethical management policies and practice and the commitment of the Board of Directors and the management to rigorous and thorough implementation of those policies? (II) Does the Company have programs in place for the prevention of unethical conduct, and specify in such programs the operational procedures, code of conduct, punishment for violations and complaint systems? Have such programs been implemented? (III) Does the Company take preventive measures against all types of unethical conduct specified in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", or against any business activity within the company's business scope with a higher risk of involving unethical conduct?	✓		EZconn has established the Ethical Corporate Management Best Practice Principles as a basic premise to implement the ethical management. We also complied with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, related regulations for TWSE/GTSM listed companies or other laws related to business activity	No material differences.

Item for evaluation	Description			Differences with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
II. Implementation of ethical management (I) Does the Company assess the past records of the counterparties regarding ethics? Do contracts between the Company and the counterparties include clear clauses governing ethical conduct? (II) Does the Company have a special unit or designated an existing unit as subordinate to the Board of Directors for the implementation of corporate ethical management? Does the unit regularly report to the Board of Directors regarding the implementation? (III) Does the Company have policies against conflicts of interest and provide proper channels through which explanations may be given? Has the Company implemented them? (IV) Does the Company have effective systems for accounting and internal control to ensure the implementation of ethical management? Have audits been regularly conducted by internal auditing units or entrusted CPAs? (V) Does the Company regularly hold internal and external education training regarding ethical management?	✓		(I) EZconn has established the internal control for sales and receipts, procurement and payment to conduct the business activities in a fair and transparent way. If the counterparties or manufacturers with strategic alliance violate the ethical conduct, the Company must terminate its business relationship immediately to implement the ethical management principles. (II) Prior to any commercial transactions, EZconn has taken into consideration and has credit checks for the legality of the agents, suppliers, clients, or other trading counterparts and whether any of them are involved in unethical conduct to avoid any dealings with persons so involved. The contract signed with the counterparts shall include the compliance with the ethical management policy. If the trading counterpart involves in any unethical conduct, the Company may terminate or cancel the contract. (III) EZconn has not established a special unit or designated an existing unit as subordinate for the implementation of corporate ethical management. However, the auditing unit regularly or irregularly conducts business activity audits and the commodity transaction matters are submitted to the Board of Directors for discussion and approval according to the laws and regulations. (IV) To implement the ethical management, EZconn has established effective systems for accounting and internal control to effectively review and audit related operation. (V) EZconn regularly holds education training to convey ethical principles via different themes.	No material differences.

Item for evaluation	Description			Differences with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary	
III. Functioning of whistleblowing systems (I) Does the Company have concrete systems for whistleblowing and rewards? Does the Company have convenient channels in place for whistleblowing and has it appointed appropriate personnel to deal with the persons who are the subject of whistleblowing? (II) Does the Company have standard operating procedures (SOPs) for investigation of matters reported by whistleblowers and relevant mechanisms for confidentiality? (III) Does the Company take any measures to protect whistleblowers from improper treatment as a result of their whistleblowing?	✓		EZconn has not established concrete complaint system and whistleblowing channel yet. However, the audit office will immediately conduct reviews after being informed about the complaints. If any violation of ethical conduct is discovered, the punishment shall be imposed by the human resource unit based on related regulations and the work rules of the Company.	No material differences.
IV. Increasing disclosure of information (I) Does the Company disclose the contents of its ethical management principles and outcome of implementation on its website and the Market Observation Post System?	✓		The internal website of EZconn timely discloses information of the contents and handling in relation to the violation.	No material differences.
V. In the event the Company has established its own ethical management best practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the differences between the implementation of ethical management and the Company's own ethical management best practice principles: No material differences.				
VI. Other important information helpful for understanding the implementation of the Company's ethical management: (such as review and amendment of the Company's own ethical management best practice principles): None.				

(VII) If the Company has established the corporate governance best practice principles and relevant regulations, the ways through which they can be searched for must be disclosed:

EZconn has established and implemented the corporate governance best practice principles. Relevant information is disclosed on the Company's website and the Market Observation Post System for reference.

(VIII) Other important information helpful for increasing understanding of the company's corporate governance may be disclosed along with the above information:

1. Interests and care of employees

   EZconn beholds the principle that talents are the most valuable asset and the foundation of the Company to establish comprehensive measures of welfare and education training along with the updating of the occupational safety software and hardware equipment for the employees. Please refer to section 5. Labor relations on Page 103-105 of the annual report.

2. Relationship of investors and suppliers and rights of stakeholders

   EZconn has set up both Chinese and English websites with each business contact window to provide a channel for the investors, suppliers and stakeholders to leave messages and give opinions.

3. Liability insurance coverage for directors, supervisors and managerial officers of the Company

   EZconn has liability insurance coverage for all directors, supervisors and managerial officers since September 1, 2015. The following is the most recent status of insurance:

Insured	Insurer	Insured amount	Insurance coverage period (Note 1)
All directors, supervisors and managerial officers	Nan Shan General Insurance Company, Ltd.	USD3,000,000	From September 1, 2018 to September 1, 2019

Note 1: Since the coverage period is one year, the previous coverage period started from September 1, 2017 to September 1, 2018. The disclosed coverage period in the table above refers to the renewal period in 2018.

4. Continuing education participation of the accounting manager and internal auditor in 2018

Title/Name	Date of course	Hour(s) of course taken	Course title	Institution
Accounting manager Chuang Kuo-An	From October 25, 2018 to October 26, 2018	12 hours	Continuing education program for accounting managers of issuers, securities firms, and securities exchanges	Accounting Research and Development Foundation
Chief Auditor Chen Lai-En	September 4, 2018	6 hours	Audit Control Practice with Corporate Cost Reduction and Competitive Strategy	Accounting Research and Development Foundation
	October 30, 2018	6 hours	The Impact and Response of the Latest Amendment of the Company Act on the Practice of Internal Audit and Control	Accounting Research and Development Foundation

(IX) The status of the implementation of internal control systems shall include the disclosure of the following matter(s):

1. Declaration on the Internal Control System: Please refer to Page 129.
2. If review of the internal control system has been conducted by entrusted CPAs, the CPAs' review report must be disclosed: None.

(X) Considering the punishment received by the Company or its internal personnel in accordance with the laws and the punishment received by the Company's internal personnel for violating the requirements of the internal control system during the most recent FY as of the date on which the annual report was printed, please describe any defect found during the same period and its status of improvement: None.

(XI) Important resolutions of the Shareholders' Meeting and Board of Directors' meetings during the most recent FY as of the date on which the annual report was printed:

1. Important resolutions of the Shareholders' Meeting:

Date of meeting	Important resolutions
May 29, 2018	(1) Proposal for the business report, individual and consolidated financial statements in 2017. (2) Proposal for the distribution of the profits in 2017. Implementation: July 3, 2018 was set as the record date for distribution, and July 18, 2018 was set as the pay date. (The distributed amount of cash dividend was NT$2.00 per share). (3) Proposal for the amendment to partial articles of "Procedures for Acquisition or Disposal of Assets". Implementation: Conducted according to the amended procedure.

2. Important resolutions of the Board of Directors' meetings:

Date of meeting	Important resolutions
March 9, 2018	(1) Adoption of the proposal for distribution of the remuneration for employees, directors and supervisors in 2017. (2) Adoption of the proposal for the business report, individual and consolidated financial statements in 2017. (3) Adoption of the proposal for the distribution of the profits in 2017. (4) Adoption of the proposal for the "Declaration on the Internal Control System" and "Self-evaluation Report on Corporate Governance."

Date of meeting	Important resolutions
	(5) Adoption of the proposal for the internal organization restructuring. (6) Adoption of the proposal for the continuing usage of the existing salary structure for the managerial officers. (7) Adoption of the proposal for the remuneration for the directors, supervisors and managerial officers. (8) Adoption of the proposal for the bank credit line and transaction limit for financial products in 2018. (9) Adoption of the proposal for the procurement of new machinery equipment, the CNC automatic lathe. (10) Adoption of the proposal for the amendment of the "Procedures for Acquisition or Disposal of Assets." (11) Adoption of the proposal for the initial assessment result and opinions of the CPAs concerning the possible impact of IFRS 16 "Leases". (12) Adoption of the proposal for the regular shareholders' meeting in 2018.
May 4, 2018	(1) Adoption of the proposal for the quarterly consolidated financial report in the first quarters in 2018.
August 10, 2018	(1) Adoption of the proposal for the quarterly consolidated financial report in the second quarters in 2018. (2) Adoption of the proposal for the Executive-Chief Operating Officer.
November 13, 2018	(1) Adoption of the proposal for the quarterly consolidated financial report in the third quarters in 2018. (2) Adoption of the proposal for the audit plan in 2019. (3) Adoption of the proposal for the repeal of the endorsement and guarantee for the subsidiary Light Master Technology Inc. (4) Adoption of the proposal for the supplementation of the Remuneration Committee members. (5) Adoption of the proposal for the operational plan and budgets in 2019. (6) Adoption of the proposal for the remuneration for the directors, supervisors and managerial officers.
March 21, 2019	(1) Adoption of the proposal for distribution of the remuneration for employees, directors and supervisors in 2018. (2) Adoption of the proposal for the business report, individual and consolidated financial statements in 2018. (3) Adoption of the proposal for the distribution of the profits in 2018. (4) Adoption of the proposal for the new share issuance by the capitalization of retained earnings. (5) Adoption of the proposal for the "Declaration on the Internal Control System" and "Self-evaluation Report on Corporate Governance." (6) Adoption of the proposal for the continuing usage of the existing salary structure for the managerial officers. (7) Adoption of the proposal for the remuneration for the directors, supervisors and managerial officers. (8) Adoption of the proposal for the retirement and resignation of the incumbent president and the commission of the newly elected president. (9) Adoption of the proposal for the Vice Chairman election.

Date of meeting	Important resolutions
	(10) Adoption of the proposal for the bank credit line and transaction limit for financial products in 2019. (11) Adoption of the proposal for the amendment of the "Articles of Incorporation." (12) Adoption of the proposal for the amendment of the "Procedures for Acquisition or Disposal of Assets." (13) Adoption of the proposal for the amendment of the "Procedures for Loaning Funds to Others." (14) Adoption of the proposal for the amendment of the "Procedures for Endorsements/Guarantees." (15) Adoption of the proposal for changing the CPAs of the financial statements and the assessment of the CPAs' independence. (16) Adoption of the proposal for the by-election of one independent director. (17) Adoption of the proposal for the nomination and review of the independent director candidates. (18) Adoption of the proposal for the exemption of the newly elected directors from non-compete restrictions. (19) Adoption of the proposal for the exemption of the FA officers from non-compete restrictions. (20) Adoption of the proposal for the regular shareholders' meeting in 2019.

(XII) In the event that any director or supervisor expressed a dissenting opinion regarding any of the important resolutions adopted at the Board of Directors' meeting during the most recent FY as of the date on which the annual report was printed, and that the opinion was recorded or delivered in writing, please describe its main content: None.

(XIII) Summary of resignation or dismissal of the company's chairman, president, accounting manager(s), financial manager(s), internal audit manager(s) and R&D manager(s) during the most recent FY as of the date on which the annual report was printed: None.

Title	Name	Inauguration date	Resignation date	Reason for resignation or dismissal
Chief Operating Officer	Hsiao Chung-Chiang	August 10, 2018	—	—
President	Li Shih-Cheng	October 4, 2006	March 31, 2019	Retirement
President	Chang Ying-Hua	April 1, 2019	—	—

V. Information on professional fees for CPAs:

Name of Accounting firm	Name of CPA		Audit period	Remarks
Deloitte & Touche	Huang Hsiu-Chun	Wei Liang-Fa	January 1 - December 31, 2018	

Unit: NTD thousands

Amount range \ Item of professional fees		Audit professional fees	Non-audit professional fees
1	Under NT$2,000,000	-	✓
2	NT$2,000,000 (incl.) ~ NT$4,000,000 (not incl.)	-	-
3	NT$4,000,000 (incl.) ~ NT$6,000,000 (not incl.)	✓	-
4	NT$6,000,000 (incl.) ~ NT$8,000,000 (not incl.)	-	-
5	NT$8,000,000 (incl.) ~ NT$10,000,000 (not incl.)	-	-
6	Over 10,000,000 (incl.)	-	-

(I) In the event the amount of non-audit professional fees paid to a CPA, the CPA’s firm and any of its affiliates is at least 25% of that of audit professional fees, the amounts of audit and non-audit professional fees and the contents of non-audit service must be disclosed: None.

(II) In the event that the accounting firm has been changed and that the amount of audit professional fees paid during the FY when the change occurs is lower than that paid during the previous FY, the amounts before and after the change and the reasons must be disclosed: None.

(III) In the event the amount of audit professional fees is reduced by at least 15% in comparison with the previous FY, the amount, percentage and reasons of reduction must be disclosed: None.

VI. Information on changing CPAs:

(I) On the predecessor CPAs

<table>
<tr><td>Date of change</td><td colspan="5">March 21, 2019</td></tr>
<tr><td>Reasons and description of change</td><td colspan="5">Deloitte & Touche executes internal job rotation to ensure the independence of the CPAs. Since the first quarter of 2019, EZconn’s CPAs of the financial statements changed from Huang Hsiu-Chun and Wei Liang-Fa to Chen Chun-Hung and Huang Hsiu-Chun.</td></tr>
<tr><td rowspan="3">The commissioner or CPA terminates or declines the commission</td><td colspan="3">Parties
Circumstance</td><td>CPA</td><td>Commissioner</td></tr>
<tr><td colspan="3">Commission was terminated on his/her initiative</td><td colspan="2" rowspan="2">N/A</td></tr>
<tr><td colspan="3">(Extension of) Commission was declined</td></tr>
<tr><td>Opinions and reasons for audit reports issued during the most recent two years, excluding those issued without reservations</td><td colspan="5">None</td></tr>
<tr><td rowspan="7">Any differences in opinions with the issuers?</td><td rowspan="5">Yes</td><td></td><td colspan="3">Accounting principles or practice</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial reports</td></tr>
<tr><td></td><td colspan="3">Scope or steps of audits</td></tr>
<tr><td></td><td colspan="3">Others</td></tr>
<tr><td></td><td colspan="3"></td></tr>
<tr><td>None</td><td colspan="4">V</td></tr>
<tr><td colspan="5">Description</td></tr>
<tr><td>Other matters for disclosure (Matters covered in item 1-4 to 1-7, subparagraph 6, Article 10 of the regulations should be disclosed)</td><td colspan="5">None</td></tr>
</table>

(II) On the successor CPAs

Accounting firm	Deloitte & Touche
Name of CPA	Chen Chun-Hung, Huang Hsiu-Chun
Date of commissioning	March 21, 2019
Matters regarding which the successor CPAs were consulted, and which were related to the accounting treatment or accounting principles of specific transactions; matters regarding which the successor CPAs were consulted, and which were related to the opinions that might be issued on financial reports; results of these matters.	N/A
Written opinions of the successor CPAs on matters regarding which the predecessor CPAs have expressed dissenting opinions	N/A

(III) Letters of reply from the predecessor CPAs concerning item 1, 2-3, subparagraph 6, article 10 of the regulations: N/A.

VII. The company's chairman, president, or financial/accounting manager served in the CPAs' firm(s) or any affiliate during the most recent year: None.

VIII. Change of shares transferred and pledged for directors, supervisors, managerial officers and any shareholder holding more than 10% of the Company's shares during the most recent FY until the date on which the annual report was printed:

(I) Change of shares for directors, supervisors, managerial officers and major shareholders:

Title	Name	2018		2019, until April 12	
		No. of increase (decrease) of shares held	No. of increase (decrease) of shares pledged	No. of increase (decrease) of shares held	No. of increase (decrease) of shares pledged
Chairman	SHC Consolidated Investors LLC	–	–	–	–
Chairman's representative	Chen, Steve	–	–	–	–
Director	Jia Jiu Investment Co., Ltd. (Note 1)	–	–	–	–
Director's Representative , President (Note2)	Chang Ying-Hua (Note 2)	–	–	–	–
Director	Dural Holdings Limited (Note 1)	–	–	–	–
Director's Representative , President (Note 3)	Li Shih-Cheng (Note 3)	–	–	–	–
Director	Transnational Investment Limited (Note 4)	–	–	–	–
Director's Representative	Chen Han-Feng (Note 5)	–	–	–	–
Director's Representative	Chou Wan-Shun (Note 6)	–	–	–	–
Director	Chen Hsiao-Yun (Note 4)	–	–	–	–
Chief Operating Officer, Independent director	Hsiao Chung-Chiang (Note 7)	–	–	–	–
Independent director	Li Chien-Ping (Note 8)	–	–	–	–
Supervisor	Ko Yuan-Yu	–	–	–	–
Supervisor	Lai Wen-Hsien (Note 9)	–	–	–	–
Supervisor	eGtran Corporation (Note 10)	–	–	–	–
Supervisor's Representative	Chien Chih-Cheng (Note 11)	(198,000)	–	–	–
Director of Manufacturing Division	Kao Yueh-Hui	–	–	–	–
Director of Research & Sales Division	Chien Ming-Feng	–	–	–	–

Title	Name	2018		2019, until April 12	
		No. of increase (decrease) of shares held	No. of increase (decrease) of shares pledged	No. of increase (decrease) of shares held	No. of increase (decrease) of shares pledged
Deputy Director of Quality Control Division	Li Yung-Chuan	–	–	–	–
Director of Optics R&D Engineering Division	Lan Ching-Ying	–	–	–	–
Director of Optics Marketing & Sales Division	Tsou Lung-Ping	500	–	–	–
Chief Technology Officer (CTO)	Hsu Mao-Chieh	–	–	–	–
Director of FA & IT Division	Chuang Kuo-An	–	–	–	–
Chief Auditor	Chen Lai-En	–	–	–	–

Note 1: Served as the corporate director after the new election of the regular shareholders' meeting on June 22, 2017.
Note 2: Served as the representative of the corporate director Jia Jiu Investment Co., Ltd. after the new election at the regular shareholders' meeting on June 22, 2017. Inaugurated as the president of EZconn on April 1, 2019.
Note 3: Served as the representative of the corporate director Dural Holdings after the new election at the regular shareholders' meeting on June 22, 2017. Retired and resigned the president of EZconn on March 31, 2019.
Note 4: Served in this position after the new election at the regular shareholder's meeting on June 30, 2014 to date.
Note 5: Resigned the representative of the corporate director Transnational Investment Limited on August 8, 2018.
Note 6: Inaugurated as the representative of the corporate director Transnational Investment Limited on August 8, 2018.
Note 7: Resigned the independent director on August 10, 2018 and inaugurated as the Chief Operating Officer on the same day.
Note 8: Served in this position after the new election at the regular shareholder's meeting on May 5, 2015 to date.
Note 9: Inaugurated as the supervisor after the new election at the regular shareholders' meeting on June 22, 2017.
Note 10: Inaugurated as the corporate supervisor after the new election at the regular shareholders' meeting on June 22, 2017.
Note 11: Served as the representative of the corporate supervisor eGtran Corporation after the new election at the regular shareholders' meeting on June 22, 2017.

(II) Information on the counterparty as related party in shares transfer for directors, supervisors, managerial officers and major shareholders: None.

(III) Information on the counterparty as related party in the pledge of shares for directors, supervisors, managerial officers and major shareholders: None.

IX. Information on the top-10 shareholders who are related parties to each other:

April 12, 2019 Unit: Share; %

Name (Note 1)	Shares held by the shareholder		Shares held by spouse or minor children		Shares held in the name of others		The title or name and relation in case of the top-10 shareholders who are related parties to each other, in a spousal relationship or within the second degree of kinship (Note 3)		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relation	
CabTel Corporation	5,995,767	9.08%	—	—	—	—	eGTran Corporation	Parent company and its subsidiary	—
CabTel Corporation Representative: Li Shih-Cheng	361,248	0.55%	—	—	—	—	—	—	—
TMX LLC Investment Accounts commissioned to CTBC Bank	4,278,884	6.48%	—	—	—	—	—	—	—
TMX LLC Investment Accounts commissioned to CTBC Bank Representative: Scott Lai	—	—	—	—	—	—	—	—	—
eGtran Corporation	3,395,944	5.15%	—	—	—	—	SHC Consolidated Investors LLC	The representative is the same person	—
							CabTel Corporation	Parent company and its subsidiary	
eGtran Corporation Representative: Chen, Steve	—	—	—	—	—	—	SHC Consolidated Investors LLC	The representative is the same person	—
SHC Consolidated Investors LLC	2,072,202	3.14%	—	—	—	—	eGtran Corporation	The representative is the same person	—
SHC Consolidated Investors LLC Representative: Chen, Steve	—	—	—	—	—	—	eGtran Corporation	The representative is the same person	—
Lin Min-Hsiung	1,959,999	2.97%	—	—	—	—	—	—	—
Shin Tai Industry Co.,Ltd	1,871,000	2.83%	—	—	—	—	—	—	—
Shin Fong Trading Co., LTD	1,601,000	2.43%	—	—	—	—	—	—	—
Transnational Investment Limited	1,488,193	2.25%	—	—	—	—	—	—	—
Transnational Investment Limited Representative: Chen Han-Feng	605,795	0.92%	—	—	—	—	—	—	—
Hung Chieh-En	1,474,497	2.23%	—	—	—	—	—	—	—
Camarillo Beneficiaries LLC	1,427,599	2.16%	—	—	—	—	—	—	—
Camarillo Beneficiaries LLC Representative: Caroline	—	—	—	—	—	—	—	—	—

Name (Note 1)	Shares held by the shareholder		Shares held by spouse or minor children		Shares held in the name of others		The title or name and relation in case of the top-10 shareholders who are related parties to each other, in a spousal relationship or within the second degree of kinship (Note 3)		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or name)	Relation	
Merker									

Note 1: The top 10 shareholders must all be listed in the table. For the corporate shareholders, their titles and the representatives must be receptively listed.

Note 2: The calculation of shares ratio means that the shares ratio is respectively calculated according to the shares held by the shareholder, spouse or minor children and in the name of others.

Note 3: The listed shareholders disclosed previously includes both juridical and natural persons. The relationship between each other shall be disclosed in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. The total number of shares held in the same invested business by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company, and the calculation of the combined shareholding ratio:

April 12, 2019 Unit: NTD/foreign currency thousands; thousand shares

Invested business (Note)	Company's investment		Investments of directors, supervisors, managerial officers and directly or indirectly controlled business		Total investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
EC-Link Technology Inc.	21,417	100%	—	0%	21,417	100%
EZconn Europe GmbH	- (Note 1)	100%	- (Note 1)	0%	- (Note 1)	100%
Light-Master Techonology Inc.	—	0%	15,050	100%	15,050	100%
EZconn Czech a.s.	- (Note 2)	0%	- (Note 2)	100%	- (Note 2)	100%
EZconn Technologies CZ s.r.o.	- (Note 1)	0%	- (Note 1)	100%	- (Note 1)	100%
Light Master Technology (Ningbo) Inc.	- (Note 1)	0%	- (Note 1)	100%	- (Note 1)	100%

Note: These are the investments made by the Company via the equity method.

Note 1: No shares are held by these limited liability companies.
Note 2: Since all previous capital increase shares had different par value when issued, the number of shares cannot be listed.

Four. Offering Status

I. Capital and shares:

(I) Source of capital stock:

1. Capital sources

April 12, 2019 Unit: thousand shares/ thousands

Year	Month	Issued price (dollar)	Authorized capital stock		Paid-in capital stock		Remarks		
			Number of shares	Amount	Number of shares	Amount	Capital sources	Property other than cash as substitute for share price	Others
1996	9	NT$10	2,500	25,000	2,500	25,000	Cash establishment	None	Note 1
2003	1	NT$10	30,000	300,000	30,000	300,000	Cash capital increase	None	Note 2
2003	12	NT$10	39,000	390,000	39,000	390,000	Capital surplus	Capital surplus	Note 3
2004	8	NT$10	50,000	500,000	50,000	500,000	Cash capital increase	None	Note 4
2005	9	NT$10	54,000	540,000	54,000	540,000	Cash capital increase	None	Note 5
2012	12	NT$10	100,000	1,000,000	54,000	540,000	—	—	Note 6
2014	9	NT$10	100,000	1,000,000	60,000	600,000	Capital surplus	Capital surplus	Note 7
2015	8	NT$10	100,000	1,000,000	66,000	660,000	Cash capital increase	None	Note 8

Note 1: Jian-Yi-Zi No. 85333456 on September 4, 1996

Note 2: Jing-Shou-Shang-Zi No. 09201013670 on January 16, 2003

Note 3: Fu-Jian-Shang-Zi No. 09226463220 on December 30, 2003

Note 4: Jing-Shou-Shang-Zi No. 09301159300 on August 31, 2004

Note 5: Jing-Shou-Shang-Zi No. 09401185040 on September 21, 2005

Note 6: Jing-Shou-Shang-Zi No. 10101256670 on December 18, 2012

Note 7: Jing-Shou-Shang-Zi No. 10301202620 on September 23, 2014

Note 8: Jing-Shou-Shang-Zi No. 10401156730 on August 11, 2015

2. Type of shares

April 12, 2019; Unit: Share

Type	Authorized capital stock			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common stock	66,000,000	34,000,000	100,000,000	Shares of listed companies

3. Information on general declaration systems: None.

(II) Structure of shareholders

April 12, 2019 Unit: Share; Person

Structure / Number	Government agency	Financial institution	Other juridical persons	Individual	Foreign institutions and foreign persons	Total
No. of person(s)	—	4	20	3,762	30	3,816
No. of shares held	—	113,032	8,467,041	34,924,515	22,495,412	66,000,000
Shareholding ratio	—	0.17%	12.83%	52.92%	34.08%	100.00%

Shareholding ratio of mainland enterprises: None.

(III) Status of ownership distribution

April 12, 2019
NT$10 per share

Share	Shareholders	No. of shares held	Shareholding ratio (%)
1 - 999	206	42,059	0.06%
1,000 - 5,000	2,954	5,840,608	8.85%
5,001 - 10,000	347	2,823,883	4.28%
10,001 - 15,000	89	1,176,327	1.78%
15,001 - 20,000	61	1,153,531	1.75%
20,001 - 30,000	37	963,392	1.46%
30,001 - 50,000	36	1,461,952	2.21%
50,001 - 100,000	23	1,648,401	2.50%
100,001 - 200,000	12	1,756,072	2.66%
200,001 - 400,000	17	4,868,147	7.38%
400,001 - 600,000	8	4,362,210	6.61%
600,001- 800,000	7	4,592,667	6.96%
800,001 - 1,000,000	4	3,661,174	5.55%
More than 1,000,001	15	31,649,577	47.95%
Total	3,816	66,000,000	100.00%

(IV) Major shareholders

April 12, 2019 Unit: Share; %

Name of major shareholder / Shares	No. of shares held	Shareholding ratio (%)
CabTel Corporation	5,995,767	9.08%
TMX LLC Investment Accounts commissioned to CTBC Bank	4,278,884	6.48%
eGTran Corporation	3,395,944	5.15%
SHC Consolidated Investors LLC	2,072,202	3.14%
Lin Min-Hsiung	1,959,999	2.97%
Shin Tai Industry Co., Ltd	1,871,000	2.83%
Shin Fong Trading Co., LTD	1,601,000	2.43%
Transnational Investment Limited	1,488,193	2.25%
Hung Chieh-En	1,474,497	2.23%
Camarillo Beneficiaries LLC (Note)	1,427,599	2.16%

Note: Due to the ownership adjustment during 2012 and 2013 and to enable non-ROC shareholders to hold shares, Camarillo Beneficiaries LLC becomes the trustee of the ultimate shareholder or beneficiary.

(V) Information on the market price, net value, earnings, and dividend per share in the recent two years

Units: NTD/thousand shares

<table>
<tr><th colspan="3">Item / Year</th><th>2017</th><th>2018</th><th>Current year until March 31, 2019</th></tr>
<tr><td rowspan="3">Market price per share (Note 1)</td><td colspan="2">Maximum</td><td>66.50</td><td>43.80</td><td>44.95</td></tr>
<tr><td colspan="2">Minimum</td><td>39.55</td><td>27.00</td><td>37.30</td></tr>
<tr><td colspan="2">Average</td><td>46.88</td><td>36.70</td><td>40.68</td></tr>
<tr><td rowspan="2">Net value per share</td><td colspan="2">Before allocation</td><td>31.60</td><td>32.10</td><td>-</td></tr>
<tr><td colspan="2">After allocation</td><td>31.60</td><td>- (Note 2)</td><td>-</td></tr>
<tr><td rowspan="3">Earnings per share</td><td colspan="2">Weighted average shares (thousand shares)</td><td>66,000</td><td>66,000</td><td>-</td></tr>
<tr><td rowspan="2">Earnings per share</td><td>Before adjustment</td><td>0.71</td><td>2.34</td><td>-</td></tr>
<tr><td>After adjustment</td><td>0.71</td><td>- (Note 2)</td><td>-</td></tr>
<tr><td rowspan="4">DPS (Note 2)</td><td colspan="2">Cash dividend</td><td>2.00</td><td>1.50 (Note 2)</td><td>-</td></tr>
<tr><td rowspan="2">Issuance of bonus shares</td><td>Retained earnings</td><td>-</td><td>0.50 (Note 2)</td><td>-</td></tr>
<tr><td>Capital reserve</td><td>-</td><td>- (Note 2)</td><td>-</td></tr>
<tr><td colspan="2">Accumulated unpaid dividend</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">ROI analysis</td><td colspan="2">PE (Note 3)</td><td>66.03</td><td>15.68</td><td>-</td></tr>
<tr><td colspan="2">PD (Note 4)</td><td>23.44</td><td>24.47</td><td>-</td></tr>
</table>

	Cash dividend yield % (Note 5)	4.27%	4.09%	-

Note 1: The table listed highest and lowest market price per share of common stock for each year and the average market price of each year is calculated based on the annual actual transaction value and volume. The information of 2017, 2018 until March 31, 2019 came from the listed information of Taiwan Stock Exchange Corporation.

Note 2: The listed proposal for the distribution of the profits in 2018 was the resolution of the Board of Directors and was to be the approved at the regular shareholders' meeting in 2019.

Note 3: PE = Average closing price per share of the current year / EPS.

Note 4: PD = Average closing price per share of the current year / cash dividend per share.

Note 5: Cash dividend yield = Cash dividend per share / average closing price per share of the current year.

(VI) Dividend policy of the company and implementation status

1. Regulations of EZconn's Articles of Incorporation:

Article 24: EZconn's dividend policy is specified as follows:

Where there is profit in any final annual account, the remuneration appropriated shall not be less than 5% of the profit for employees and shall be no more than 5% of the profit for directors and supervisors. After the distribution is approved by the Board of the Directors, the taxes are paid according to the laws. 10% of the profit is appropriated as legal reserve, except when the legal reserve of the Company has already reached the total capital. After parts of the balance is provided or reserved as a special reserve pursuant to laws and regulations, the proposal for the distribution of the profits concerning the balance along with the accumulative undivided profit is formulated by the Board of Directors and submitted to the shareholder's meeting to decide the distribution or reservation.

If the Company has accumulated losses of the previous year, the profit shall cover the losses before appropriating the remunerations for the employees, directors and supervisors. The balance is appropriated based on the above-mentioned item. The remuneration for the employees is distributed in the form of shares or cash and the employees eligible for the distribution may include the employees of the affiliated companies that meets certain requirements.

The dividend policy of the Company shall be based on the shareholder's equity and then consider the present and future industrial status, stages of development, future financial plans, capital needs and satisfaction of the shareholders' cash plans. According to the principle of dividend balancing, the cash dividend for shareholders must not be less than 10% of the total dividends for shareholders and the actual amount distributed shall be based on the amount approved at the shareholder's meeting.

2. Dividend distribution proposed at the current shareholders' meeting

The proposal for the distribution of the profits in 2018 was approved at the Board of Directors on March 21, 2019. A cash dividend of NT$99,000,000 will be distributed (the cash dividend was NT$1.50 per share) and the stock dividend appropriated will be NT$33,000,000 (the stock dividend was NT0.5 per share). The proposal will be handled pursuant to relevant regulations after the approval at the regular shareholders' meeting on June 10, 2019.

3. Description of any material changes in the expected dividend policy: None.

(VII) The influence of the bonus shares issuance proposed at the current shareholders' meeting on the operation performance and EPS of the Company:

The Company is not required to make the 2019 financial prediction information public according to the "Regulations Governing the Publication of Financial Forecasts of Public Companies." Therefore, related information of changes in operation performance, Pro forma EPS and PE is not applicable.

(VIII) Remuneration for employees, directors and supervisors

1. Percentages or ranges with respect to employee, director, and supervisor remuneration according to the Articles of Incorporation

According to the Articles of Incorporation approved at the Board of Directors but to be approved at the shareholders' meeting, where there is profit in any final annual account, the remuneration appropriated shall not be less than 5% of the profit for employees and shall be no more than 5% of the profit for directors and supervisors. After the distribution is approved by the Board of the Directors, the taxes are paid according to the laws. 10% of the profit is appropriated as legal reserve, except when the legal reserve of the Company has already reached the total capital. After parts of the balance is provided or reserved as a special reserve pursuant to laws and regulations, the proposal for the distribution of the profits concerning the balance along with the accumulative undivided profit is formulated by the Board of Directors and submitted to the shareholder's meeting to decide the distribution or reservation.

2. The current basis for estimating the remuneration amount and calculating the distribution of dividends for employees, directors and supervisors, and the accounting treatment for handling the difference between actually distributed and estimated amounts:

For the estimated amount of remuneration for employees, directors and supervisors, if the distribution and appropriation of the profits for employees, directors and supervisors are approved at the Board of Directors' meeting at the year-end, the amount is recognized as expenses of the current year. If the amount changes at the shareholder's meeting, it will be adjusted based on the changes in accounting estimates and will be recognized as expenses of 2019.

3. Status of the distribution of remuneration approved by the Board of Directors

(1) The Board of Directors' meeting has passed the distribution of remuneration of NT$3,200,000 for the directors and supervisors and NT$12,160,000 for the employees on March 21, 2019. The distribution amount has no discrepancy in the estimated amount of 2018.

(2) EZconn has no proposal for the distribution of dividends for employees.

(3) After the proposed distribution of remunerations for employees, directors and supervisors, the imputed earnings per share was NT$2.34. The remuneration for

employees, directors and supervisors have been stated in the salaries expense account.

4. The actual distribution of remunerations for employee, directors and supervisors in the previous year (including the distributed number of shares, amount and share price). If there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor remuneration, please describe the discrepancy, cause, and management.

   The Board of Directors' meeting has passed the remuneration distribution of NT$680,000 for the directors and supervisors and NT$3,300,000 for the employees on March 9, 2018. The distribution amount has no discrepancy compared to the estimated amount of 2017. This no discrepancy result was also approved at the shareholder's meeting on May 29, 2018.

(IX) Status of share repurchases: None.

II. Status of corporate bonds: None.

III. Status of preferred shares: None.

IV. Status of overseas depositary receipts: None.

V. Status of employee stock option certificates: None.

VI. Status of employee restricted stock: None.

VII. Status of new shares issuance in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.

VIII. Status of capital allocation plans and implementation: None.

Five. Overview of business operation

I. Business activities

(I) Business scope

1. The major business of the Company:
   (1) Designing, developing, manufacturing and selling of relevant electronic devices like the RF connectors and filters.
   (2) Designing, developing, manufacturing and selling of optical communication products like the sub-assembly of optical connector (including the sub-assembly of optical transmitter and receiver), sub-assembly with pigtail and non-pluggable and pluggable optical transceiver module.
   (3) Providing necessary assistance and services regarding the inspection, maintenance, processing and installation of the aforementioned products and related business.
   (4) Representing, trading and investment in relation to the aforementioned products and related business.

2. Operating proportion:

Unit: NTD thousands

Department/Product type	2017		2018	
	Operating revenue	Operating proportion	Operating revenue	Operating proportion
RF connectors	1,617,069	56%	1,477,012	53%
Optical communication products	1,282,881	44%	1,328,094	47%
Total	2,899,950	100%	2,805,106	100%

3. Current products (services) of the Company
   (1) Designing of RF connectors and the designing and processing of precision machinery for manufacturers' products.
   (2) Designing, processing and production of precision molds and jigs.
   (3) The supplier of active components and modules (TO-CAN packing, OSA, transceiver and AOC), photoelectric passive components (optical couplers and splitters, connectors, patch-cord and adapters) and the agency of related fiber optics communication equipment.
   (4) Most of our customers are manufactures that designs and manufactures optical communication equipment like transceivers. They directly provide products for the companies of system production or operation. Considering factors of the product technology upgrade and cost reduction, we excelled among the competitors to directly sell the optical transceiver sub-assemblies to manufacturers of communication device, causing this model to become the mainstream in the market. The customers of our photoelectric passive

components mostly are manufacturers for the connection equipment of the communication network.

4. New products planned for development

RF connectors

Type of plan	Product name
Short-term development plan	1. Development of new metal compression RF connectors series
	2. Development of new isolator
	3. Development of new filter
	4. Development of F-type RF jumper with high shielding
	5. Development of connectors for 5G communication
	6. Development of SEMI-RIGID RF connectors
	7. Development of photoelectric integrated product
Long-term development plan	1. Completing the product line and design library of the filter
	2. Completing the product line and design library of the connector for base stations
	3. Developing the connector for automotive signal application
	4. 400G High speed transmission connector

Optical communication products

Type of plan	Product name
Short-term development plan	1. XG-PON/G-PON combo OLT XFP Transceiver
	2. XGS-PON mini ONU stick
	3. XGS-PON OLT optical transceiver module
	4. 5G fronthaul SFP28-SR Transceiver (100m)
	5. 5G fronthaul SFP28-LR Transceiver (10km)
	6. 5G fronthaul SFP28-Bidi Transceiver (10km)
	7. 5G fronthaul SFP28-ER Transceiver (20km)
Long-term development plan	1. NG PON2 10G/10G ONU Transceiver module
	2. 400G QSFP28-DD SR8
	3. High speed connection products for optical communication among consumer products
	4. Development of spectrum inspection equipment for biomedical industry

(II) Overview of the industry

1. Current status and development of the industry

The main products of EZconn has two major categories, one is related to the radio frequency coaxial connector (hereinafter abbreviated as “RF connectors”) and the other is the receiver and component in relation to OP (Optical fiber component, hereinafter abbreviated as optical communication). The following will separately analyze the current status of the industries related to each product.

RF connectors

The RF connectors of EZconn is a niche product that have seldom manufacturers in Taiwan. Therefore, we briefly introduce this product in the following paragraphs. RF is the abbreviation of Radio Frequency. According to the electronics, a magnetic field appears around the conductor when the current passes the conductor while an alternating electromagnetic field appears around the conductor when the alternating current passes the conductor. This electromagnetic field is named the electromagnetic wave. When the frequency of the electromagnetic wave is lower than 100khz, it will be absorbed into the surface of the earth without forming an effective transmission. Nevertheless, when the frequency is higher than 100khz, the electromagnetic wave can travel through air. RF refers to the radio frequency electromagnetic wave with long distance transmission ability. Besides being widely used in the field of wireless communication, the radio frequency technology is also used in the cable television system via the utilization of the RF transmission.

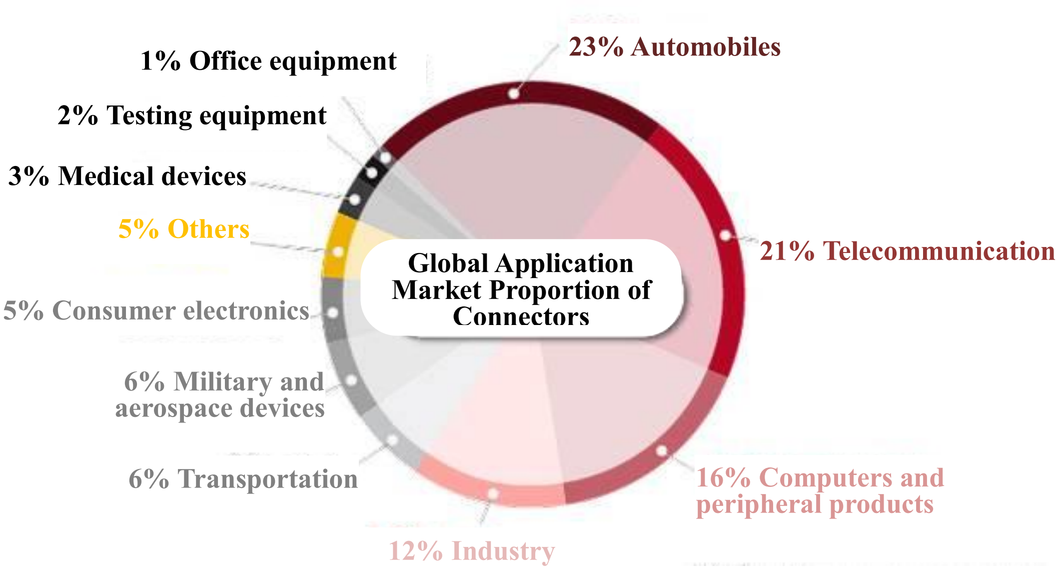
RF connector is a component installed on the coaxial cables or instrument to enable the connection or disconnection of cable electric. It is classified as a product of mechatronics. The coaxial cables offer a closed medium with controllable resistance to enable the transmission of the RF energy. In addition, it is equipped with good electric property in RF environment to provide inherent EMI control and shielding. The RF connector is designed to preserve the performance advantages mentioned above and can be used in any fields involving in RF transmission and any interface with compact electric contact.

Most of the major connector manufacturers were mold manufacturers that gone through transformation in the early days. Since the mold technique is the mother of manufacturing, our country has a good foundation for the development of connector industry. In 1975, E. I. du Pont de Nemours and Company of the United states established plants to manufacture connectors in Taiwan. The company not only introduced more advanced machinery equipment and a production system with a certain scale but also became the pioneer of Taiwan connector industry. In the 1980s, the rise of personal computer industry drove the establishment of a complete computer industrial chain in Taiwan. The domestic connection industry benefited from the clustering effect of the computer industry and rose quickly in the international market. Though the domestic connector manufacturers occupied certain position in the computer related applications, they gradually applied the diversification strategy to operate their business in consideration of the risk of single application products. Currently, the network, communication and consumer electronic products are the main development directions. The domestic connector industry structure roughly remained the same even if the development directions were different. The mold technology of domestic manufacturers were recognized by overseas connector manufacturers in the early days. They received great amount of OEM orders for molds that indirectly integrated the front-end mold designing and main process of the domestic connector industry. However, the connector manufacturers in Taiwan adopted low price to expand their share in the market in the past, causing a lower common requirement in the quality of the connector. To adjust to the international requirement of the quality, the back-end testing was gradually emphasized by the manufacturers.

The main process of the connector generally comprised three sub-processes of metal stamping, plastic injection and plating. Considering the problems of the technology and the cost, domestic connector industry in the early days used to outsource some sub-process to professional OEM. To meet the demand of international delivery within a short period, domestic manufacturers continued to perform the vertical integration of the main process by setting up departments of metal stamping, plastic injection and plating or investing in professional plants to shorten the transportation and inspection time between professional plants.

The PC model change trend is still ongoing. Apple launched its new iPhone and iPad products. The IoT, cloud computing and relative intelligent application industries rise abruptly. All the events contribute to the need for all kinds of connectors. Besides, the manufactures continue to put efforts in the non 3C application markets. Moreover, we are hoping this would bring us the continuous growth of production value. In addition to being widely used in the cable television system, radio frequency transmission is used in other wired or wireless transmission field. The details of its application field distribution is in the figure below.

Application area distribution of the RF connectors



Source of information: Bishop & Associates, Inc.

From the figure above, we can learn that one of the main application areas for RF connectors is the telecommunication. With the rapid growth of technology, the communication network upgrade around the globe becomes more and more frequent. Take Taiwan for example, the goal of the telecoms companies at the end of 2018 was to improve their mobile broadband services, aim at the mass market standard, and launch the Non-Standalone 5G NR technology standard that was compatible with 4G LTE. They were hoping the 5G NR network establishment would be largely supported in 2019 and this would speed up the development of 5G application services. Meanwhile, they expected completion of the Standalone 5G standard, which was not compatible with current LTE technology, in the middle of 2018. The execution in both ways will prepare the growth of 5G technology in 2020. The Industrial Technology Research Institute IEK predicted the production value of the component industry in Taiwan in 2017 would grow by 17.8% and reached NTD$1.72 trillion. The PMI of the manufacture industry in the USA and the euro area has become more stable. With the support of external needs, it was predicted that the output volume of the electronic end products in 2018 would be more than that in 2017. This would help the electronic product value reach NTD$6.47 trillion, increasing by 3.96%.

In the future, with the gradual expansion of the application field of RF connectors, the market research organization, Bishop & Associates, Inc, predicted that the RF connector industry would grow by 5.6% annually in the next 5 years.

The following is the market trend description of the RF connector end application relative to EZconn:

(1) Cable television market

RF connector are used on cable televisions in the North America market. Since each cable television Multiple system operator (MSO) uses a different connector, end customers have to change all RF connectors when they use products from different system operators. Besides, human resource costs in the area are higher; thus, system operators usually will change all connectors in a house during establishment or repair. The transmission amount from a local family is not high, so most system operators lay coaxial cables to save the costs. All the factors above contribute to a stable demand of RF connectors from the system operators in the North America every year.

For long distance cabling, fiber optics has more advantages compared with coaxial cables. Usually, lots of information is gathered together for long distance transmission, resulting in a large transmission amount. Signals fade away with distance becomes longer, and fiber optics adoption allows higher transmission amount and decreasing signal decay. Yet for short distance transmission, cable extension or shifting is often needed; thus, coaxial cables have more advantages compared with fiber optics due to the price. Coaxial cables are thus laid in most applications. The main stream in the cable television and network around the world is to adopt the Hybrid Fiber and Coaxial (HFC). It combines the advantages of fiber optics and coaxial cables, use fiber optics as the backbone to provide high speed connection to fiber nodes. The optical receiver then turns the optical signal into TV signal and coaxial cables will send the signal to the users' ends. Recently, most countries have been actively laying fiber optics. The use of RF connectors grow stably with its complement to the fiber optics.

(2) Cable broadband market/communication application

Cable broadband service is mainly provided by cable television system operators. Countries in the emerging markets mainly use fiber optics for network establishment, resulting in the abrupt rise of optical communication. While in the developed countries in the North America, the structure of the network foundation is cable broadband. Therefore, the need for RF connectors is still stable. Wireless transmission and fiber optics transmission both use connectors connected to the antennas of the data modems or mobile networking devices of the client. The connector is a kind of RF connectors. The RF connector field can thus grow for its complement to optical communication field. The trend of optical communication and wireless transmission will not decrease the need of RF connectors.

Optical communication products

Currently, optical communication adopts optical fibers for data transmission. The transmission is a kind of cable transmission. Optical fiber is usually known as "fiber optics". It takes the idea of total reflection to transmit light through the fiber made from glasses or plastics. The transmitter on one end of the fiber optics is usually a LED or a beam of laser that pulse transits the light to the fiber optics. The receiver on the other end of the fiber optics adopts the photosensitive element to detect the impulse. By turning on and off the signal flashlight, a series of flashing light image is produced, and it is called the "optical signal". The light can form shorter impulses, giving it the ability to form the image with higher density and more information. By combining the image units, "stacks" can be formed and a large volume of information can be contained in one fiber for transmission. Fiber optics has the advantages of high speed and capacity, long transmission distance and lower signal disturbance. Fiber optics is also light; therefore, optical communication has always been the communication technology with great development. Many telecom companies adopt a large amount of optical communication devices as the backbones for network transmission.

Advantage and Disadvantage of Optical Communication

Advantage	Disadvantage
1. Great communication capacity. The bandwidth can reach above 1~2GHz and will not be disturbed by electromagnetic wave. 2. It communicates to a long distance and this can help lower the costs. 3. It is light and small, which will save the space. 4. It can be highly secured, allowing it to be used in the military field.	1. The cost of its components is higher. 2. Fiber optics is more fragile and easier to get damage. 3. Higher construction cost. 4. It requires finer cutting and connecting technology

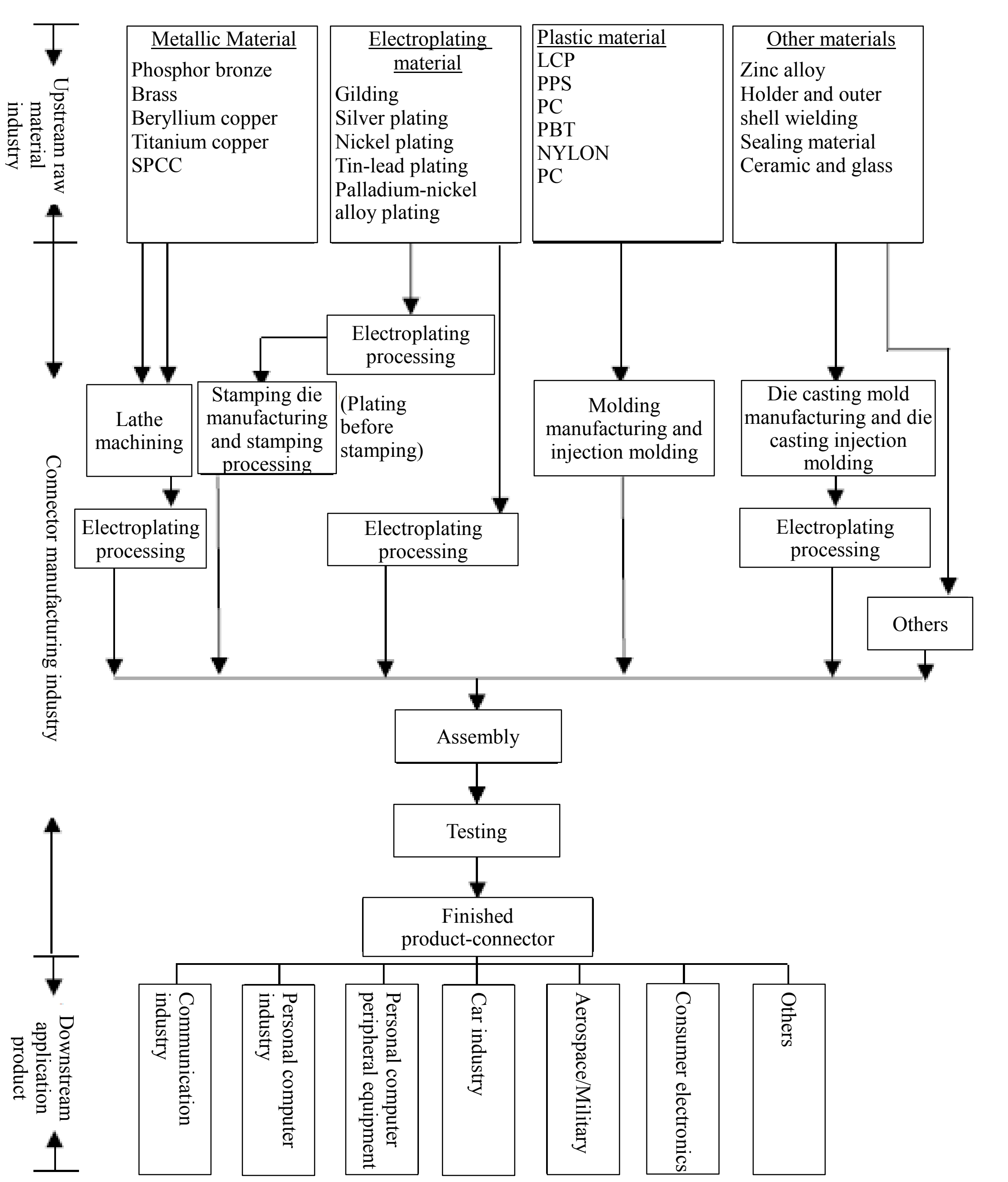
Source of information: Taiwan Institute of Economic Research

Generally, optical communication products can be divided into the following categories: Raw materials (fiber optics and optical cable), components (photoelectric active component and passive component) and optical communication devices. The increasing demand from the end market contributes to the stable growth of the optical communication industry. The opening of Facebook to the public in September 2006, represented a gradual change in the users' habits on the Internet. The users have gradually transformed into information senders instead of just information receivers in the beginning. More and more social network platforms such as YouTube, Twitter and Weibo focus on the interactions between users. In addition, with the rise of online games, Internet users started to have higher demand on the transmission amount and speed. The first iPhone started its sale in June 2007, and this sped up the popularity of smart phones, tablets, smart TV and other intelligent devices. It deepened the customers' dependency on the Internet as well. Customers started to have more and more demand on the Internet bandwidth. The recent rise of cloud computing, the establishment of data center and the concept of the IoT are still the trends. Companies and customers' needs toward big data transmission and storage have increased greatly. They foster the USA, Japan, China and other countries to actively establish fiber optics network infrastructures to cope with the increasing demand for big data transmission like media video transmission.

2. The relation between the upstream, midstream and downstream companies in the industry

<u>RF connectors</u>

EZconn Corporation is a manufacturer that manufactures professional connectors. The raw materials needed are bronze and plastics and they come from the upstream companies in the cooper industry and plastic industry. Our end products are widely used in the electronics industry, communication industry, consumer electronics industry and transportation industry. We listed the relation between the upstream, midstream and downstream companies in the figure below:

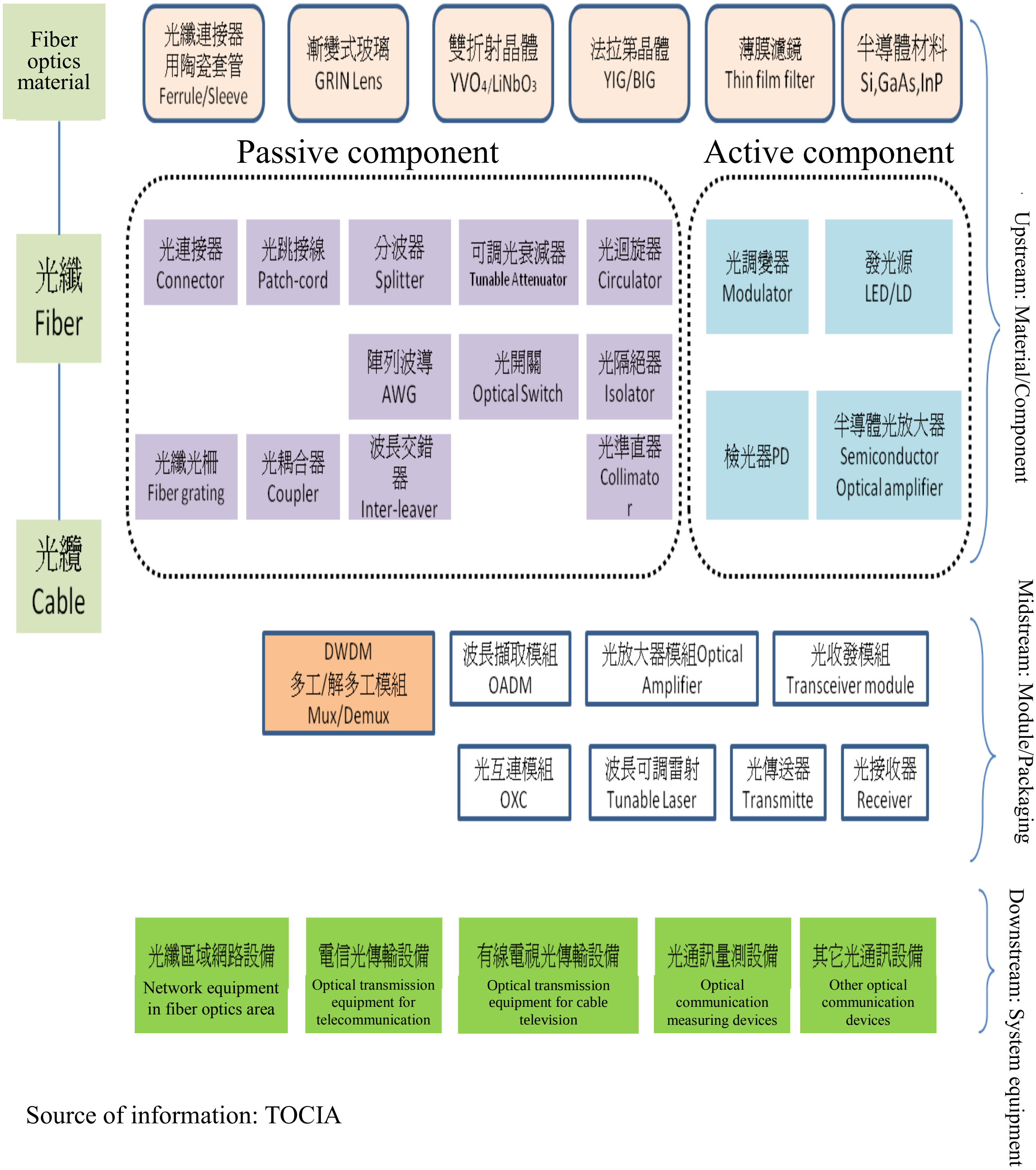


Source of information: IT IS program of the Industrial Technology Research Institute

The upstream raw material companies of the connector industry are suppliers of metals, plating plastics and other materials. The midstream companies are companies that design, assemble and manufacture connectors. The downstream companies are suppliers of all kinds of electronics. For the upstream raw materials, metal, plating and plastic materials are mainly used. Metal material is used for its mechanical strength, great conductivity and heat tolerance. Domestic connector manufacturers adopt the cooper alloy lead frames mainly made from brass and phosphor bronze. Although the international laws have no definite regulations for the “green product”, presenting the certificate stating the product does not use any forbidden material has become a trend. When unreliable materials are used in the products, customers might return the connectors. It will cause the distrust between the customers and the connector manufacturers as well. The downstream customers are trying to eliminate the connector suppliers they cooperate with. It is highly possible a supplier will be replaced. The trust we and long-term cooperation we have with the upstream suppliers are the best protection we have for the fine raw material supply. They also stand for the credibility of the certificate proving no forbidden materials are used. As for the downstream application industry in Taiwan, industry of computer and its peripheral products is the main industry that adopts connectors. Our RF connectors mainly are used in the system establishment of cable TV and the infrastructure of cable broadband.

Optical communication products

Fiber optics transmission equipment can be divided into 3 main categories: Raw materials (fiber optics and optical fiber), photoelectric active components and passive components. Photoelectric active components are the photoelectric components that need electricity for optical to electrical signal conversion or electrical to optical signal conversion and optical signal amplifying. Photoelectric passive components are the components responsible for optical signal transmission and modulation and are not related to photoelectric power conversion. The relation between the upstream, midstream and downstream companies in the industry is listed down below:



Source of information: TOCIA

3. Product development trend

RF connectors

With the development of electronic industry and technology, the RF connector type has become more and more diverse. Besides, people are pursuing the electronics to have higher speed, to become miniaturized and even to save more energy when using them. Some of the demand for the performance of the connectors is higher than it ever was and this leads to the development difficulty nowadays. Yet it is the key for manufacturers to survive in the industry as well. Each connector manufacturer has its own expertise, but it is still very important to know the general development trend of the connectors.

Connectors are widely used in the industries of car, computer and its peripheral products, communication and data application, military and aerospace, transportation, consumer electronics, healthcare, instrument, and business equipment. After our analysis, the industries that grow the most are car application, communication device and consumer electronic industries. Other industries such as the computer industry or the instrument market are almost saturated. Unless other novel application turns up, or the 3 industries growing the most should be the focus of the connector manufacturers.

The development trend of connectors is based on the trend of consumer products - higher speed, miniaturized and against harsh environment. If we observe the automobile, communication device and consumer electronic industries, we can see that they need more and more smaller components of higher speed and anti-interference functionality (including the interference resulted from high-speed transmission and the external physical and chemical damage or wear from the harsh environment to the connectors). Therefore, adopting new materials or technology to satisfy the need or resist the damage becomes the development trend for the connector manufacturers to work on.

As for making the connectors miniaturized, the trend for the main information or consumer electronic connector includes shortening the component clearance and reducing the connector itself. The former has always been the development trend in the connector industry. For example, shortening the component clearance from 0.5mm to 0.4mm or even to 0.3mm. Lowering the profile by adopting FPC or the board to board technology. Each connector manufacturer adopts its own technology to reduce the size of connectors but some variables are often ignored. For example, many consumer electronic devices require multiple connectors to meet the function of the devices. Improvement can be made in the design. Connectors used on the phones contain ground clamps, antenna, speaker and a vibrator. If too many different types of connectors are used, unbalanced elasticity, non-standard, or loose contact resistance might happen. Besides, quality inspection needs to be performed on multiple components. If the single contact connector design that can be utilized in all functions is adopted, reliability can be improved significantly, and the cost can be reduced as much as possible.

Carefully choosing the material and the material quality can achieve smaller design with less effort and obtain more benefits. Using the design to strengthen the connectors, such as the copper-beryllium alloy is often used as the material for the contacts of the connectors for it bears memory capacity and is highly conductive. Same material with a different thickness and beam column length will present different parameter changes.

Besides the adopted materials, complying with the International Protection Marking, IP66, IP67 and IP69, so that the connectors are water-proof and impact-resisting or have the sealing that can tolerate water pressure, and the UL certification are indispensable for the reliability of the connectors. To provide higher reliability for the cell phone circuit, force fit the contact in the module of the injected glass and use ceramic composites to seal the contact.

The main process of connectors in Taiwan is highly integrated. In addition, with our mature technology of computer connectors, international companies have considerable trust on our products. Benefited from the international low price trend of the electronics, huge international companies have been releasing orders to domestic manufacturers. Yet there are still potential risks regarding the cooperation between the domestic connector manufacturers and the upstream suppliers.

If we analyze the domestic connector industry structure, we can see the domestic connector industry lacks for material supply from upstream. High-end material is mostly imported from international suppliers, leading to insufficient bargain room and the pressure on cost for domestic connector manufacturers. We should also pay attention to the international requirement for “green products”. Without considering the foreign materials existing in the recycled materials, connectors usually only contain “lead” as a raw material. However, to comply with lead free plating requirement, the trend now is to adopt tin cooper or plate thin nickel before tin is plated. Japan controls the tin/cooper plating technology and plating thin nickel before tin will lead to higher cost. High-end plastic materials of reflow are controlled by international companies. The “green product” trend will definitely affect our low price strategy. As a result, strengthening the domestic upstream material supply becomes very important for the development of the domestic connector industry in the future.

Technology trend for the domestic RF coaxial connectors

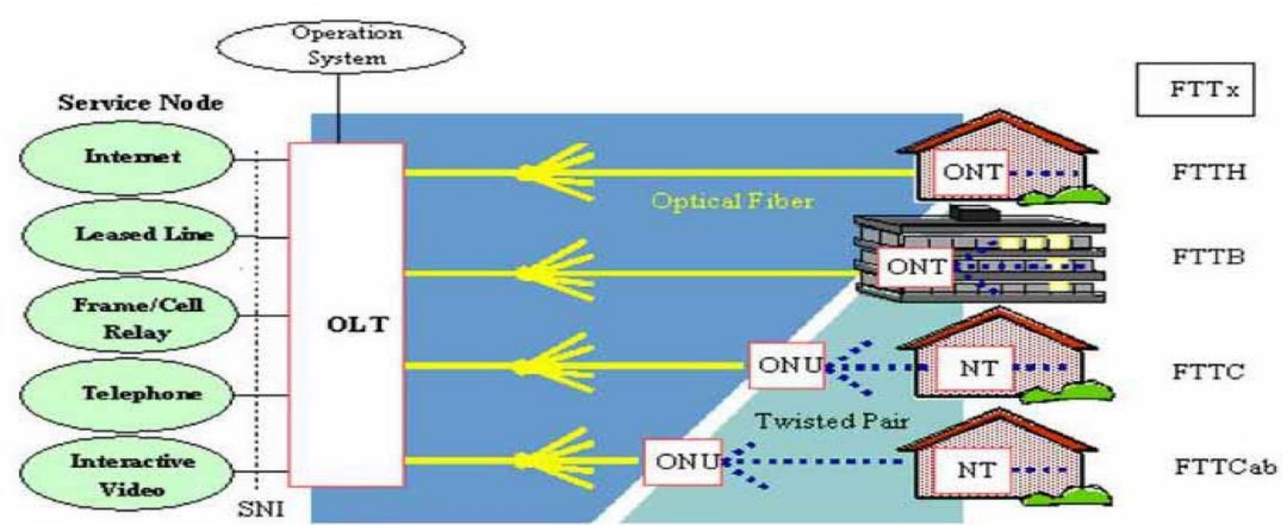
Technology Trend	Description
Multifunctional	It connects the signal and process filter, mixing, attenuation and phase modulation.
Highly stable	SMT, press-in mounting
Miniaturized	Stamping only once. The connector height is only 2-3 mm.
Modularization	Available for close packing, blind mating and surface mounting
Affordable	Adopting composite material and affordable structure

Source of information: Industrial Technology Research Institute (IEK)

Optical communication products

The digital era has led to the strong demand for network bandwidth around the globe. The diverse development of media application, including network TV, VoIP, P2P movie and music downloading, will result in the network bandwidth upgrade globally. IBTS states that since the current bandwidth is not enough to satisfy the huge data demand, the need of media application from the users now will trigger the bandwidth upgrade. The choice with the most attention is the FTTH network service. IBTS also states that with customers' potential need for bandwidth upgrade, telecom companies will be more active to lay fiber optics and establish relative triple play application services. For the network communication device companies and optical communication component companies around the globe, this is their best chance to expand business opportunity and improve operational profits.

FTTx Diagram



Source of information: Emerson.com

To satisfy the strong need, the Company has developed several kinds of bi-directional or triplexer optical sub-assembly designs for the FTTx application. The designs include RFOG BOSA, SC/APC Receptacle BOSA, Compact BOSA (1/2 size of current BOSA), BOSA with OTDR and OLT BOSA which doesn't need isolators for the central office. Moreover, to cope with the increasingly growing need in the future 1 to 2 years, we developed 10G GPON BOSA. And multi-fibers armored optical fiber patch-cord (MPO/MTP) is developed for the bandwidth demand of data center.

4. Market Competitive Landscape

RF connectors

The development direction for the connector companies was well-separated in the early days. However, under the trend of "Market Globalization" and "Product Maturity Stage", companies started to compete with each other in the overlapping fields. Although Japanese companies occupy almost the entire high-end market, the FPC and the Board to Board technology for connectors has reached the limit. They are now forced to satisfy the customers' need in the low-to-mid-end market. American companies have started the price war due to the low price trend of electronics as well, threatening the place of Taiwanese companies in their main market.

In order to survive, Taiwanese companies stepped out the computer application market with little profit and started to develop network communication products, consumer products and other mid-to-high-end products, gradually orienting to total solution services. Regardless of Taiwanese connector companies' place in the global computer connector market, the mid-to-high end product yield rate of the companies still needs to be improved. The supply of high-end FPC and Board to Board connectors still relies on production in Japan and the USA. Most Taiwanese companies still cannot provide effective total solution services.

While the technology of Taiwanese companies has improved in recent years. They will quickly gain the market share of the market dominated by the USA now. Since companies have started to compete with each other in the overlapping fields, mass-production ability, yield rate control ability, capacity for providing products on-site around the world and total solution services will all be the factors deciding whether a company stands.

Competitive landscape the domestic RF connector industry faces:

(1) Inadequate capacity and a scale that's too small.

(2) Obsolete idea for market competitive landscape leads to manufactures selling products at a price lower than the cost. Other unfair competition events have occurred too.
(3) Poor globalization consciousness. Unable to satisfy the need for the new economic era.
(4) Less developed digital and electronic commerce management.
(5) Lack of professions related to RF connectors in the college and university, causing the lack of professionals.
(6) The emergence of new competitors and local production.
(7) Less developed technology for precision connector and SMT connector.

To meet the market need, EZconn adopts low cadmium and lead materials on our products to comply with the RoHS and REACH requirements. Besides, we purchased professional detecting instruments (detecting instrument for hazardous substances) to perform control starting from the raw material stage. Relative products have gained value from the customers. The Company successfully developed the materials complied with the EU requirement (RoHS) and imported them into relative processes. In addition, we perform production control in the whole plant and ensure to use eco-friendly materials. We thus gained the trust of global renowned companies.

The development trend for the end application of our products is moving toward miniaturization. To follow the trend, EZconn has been sparing no efforts on creating the difference from other companies in the field and improve our competitive edge. We strengthen the R&D of the market and the certificates to make sure we are in the leading position in the industry.

Optical communication products

The key component technology is still controlled in the hands of large Japanese manufacturers; therefore, the vertical technology integration with the upstream optoelectronic companies is not complete yet. With our core technology that has been developed for years and the fine processing capacity, the quality of the optical transceiver sub-assemblies and fiber optic passive components we produce has great reputation and word-of-mouth publicity. We have gained the trust of large Japanese companies and have long-tern cooperation with them. We not only produce products of our own brand, but also try to get business from several ODM/OEM companies and build agency business of relevant equipment. By adopting flexible diversification strategy to operate the business, we are hoping to improve our overall competitiveness.

(III) Technology and research development status

1. The R&D expenses in the recent years

Units: NTD thousands; %

Year	2014	2015	2016	2017	2018
R&D Expenses (A)	83,763	102,475	107,369	123,606	122,297
Net Operating Revenues (B)	3,919,141	4,312,879	4,350,570	2,899,950	2,805,106
R&D Expenses Percentage (A)/(B)	2%	2%	2%	4%	4%

2. Successfully developed technology or product

(1) Successfully developed technology or product

The products manufactured by the Company and its subsidiaries can be divided into 2 categories, RF connectors and optical communication products. R&D of the 2 categories has different outcomes and benefits with different product characteristics and customers' needs. 2018 main R&D outcomes of different products are listed down below:

Category	R&D Outcome
RF connectors	New RF isolator
	New RF press-in RF connector series
	New connector for high frequency amplifier with specific specifications
	New high frequency transmission line series
	New high power splitter for 5G transmission base units
	New RF connector for 5G communication antenna
	High speed transmission connector for server
	New 75OHM SEMI-RIGID high frequency patch-cord
	New filter that can separate low frequency voice

Category	R&D Outcome
Optical communication products	GPON mini stick
	G-PON OLT Transceiver (Class C)
	100G QSFP28-eSR4 Transceiver (300m)
	RGB Laser Module
	25Gbps BOSA
	25Gbps TOSA/ROSA
	XGS PON ONU TRI-DI (1550nm video overlay)
	100G CWDM ROSA
	NG-PON2 ONU (2.5G upload/10G download) technology

(2) R&D patent

R&D patents of the Company and the subsidiaries: (information by March 31, 2019)

Category	Patent Amount	Country Issuing the Patent					
		Taiwan	China	Japan	The United States	Germany	EU
Issued							
RF connectors	118	33	28	12	44	—	1
Optical communication products	58	20	18	—	20	—	—
Total	176	53	46	12	64	—	1
Applying							
RF connectors	8	—	1	—	7	—	—
Optical communication products	9	1	2	1	3	1	1
Total	17	1	3	1	10	1	1

Category	Purpose of Use
RF connectors	New attenuator used in CATV
	New tool free and water-proof connector used in CATV
	Other use
Optical communication products	The design that can reduce optical power loss when optical transmission sub-assembly is transmitting
	10Gbps lighting unit is assembled using the coaxial structure
	Application that can change the path of light during optical transmission
	Improve the connector of the fiber optics to make the structure simpler and reduce the cost
	Shrinking the size of the optical transmission module to increase the

Category	Purpose of Use
	module density in the facilities
	Using Si substrate to manufacture a micro module that can split wave to realize BOSA packaging by single TO
	Adding new function to make it easier for the OTDR (time domain reflectometry) to examine whether the transmission and the connection are normal
	Miniaturized and dense LAN-WDM or CWDM Mux/Demux assemble design integrated by TOSA/ROSA
	Optical fiber junction box that can be used in the high speed and density environment. Improve the installation of the high density fiber optics connector
	Other use

(3) Collaboration plan

The Company has technology collaboration plan with several companies like Furukawa and Whitaker. However, the collaborated technology adopted on the products only takes up a small amount of operating revenue percentage and the royalty amount is low. The core technology of the Company and the subsidiaries comes from the manufacturing experience in the years. It is developed by ourselves or with clients in the collaborated project. Therefore, it is not necessary to pay the remuneration or royalty. With the collaboration plan mentioned above, EZconn can have a good knowledge of the latest technology trend in the field and improve our competitiveness.

(IV) Long-term and short-term business development plans

1. Short-term development plan

<u>RF connectors</u>

(1) Marketing strategy

A. We stabilize the basis of existing customers and developing new customers in the targeted industry to expand the market share.

B. We base our foundation in Taiwan, establish the marketing center in Taiwan and manufacturing sites overseas, and keep up our competitiveness with mass production and the advantage of costs to ensure the continuous growth of business.

C. A strategic alliance for marketing or partnerships with main customers is established to promote our core products and plan marketing project management based on the customer-oriented idea. We grasp the market trends to respond to the customer demand for diversified and timely products.

D. The Company is dedicated to providing the complete service before and after the sale for customers with our series products and overseas business locations. This will help us gain more orders that are international and increase our market share.

E. We pro-actively promote standardized products and increase the commonality of each product to provide convenient designs that meets the cost benefit for customers.

F. By following the business operating goal, we search for new products and make efforts to develop different product markets to increase sales and profits.

G. Reinforcing human resource cultivation and performance assessment.

(2) Production strategy

A. Mass and flexible production capacity.

B. Ensuring the product quality and promoting the service satisfaction of the customers.

C. Improving the production efficiency in the production base in China. Reaching scale economies and forming a low-cost production system with vertical integration.

D. Improving efficiency and product yield rate. Following the forecast from the customer's end to schedule the manufacturing for orders. This will help decrease the loss due to inactivity and increase productivity effect.

E. After specification of products in each plant, logistics will take over to increase productivity and reduce cost.

F. Production management means manufacturing based on plans and orders to control mode and increase production efficiency.

(3) Product strategy

A. Increase R&D capacities and capacity of FILTER product.

B. Improve the R&D, production verification and promotion of photoelectric integrated products.

C. Collaborating with international companies on product development and design, launching niche products that meet the market needs rapidly.

D. Forecasting hot products in the future market and develop them first.

(4) Finance strategy

A. Continuing to implement the information integration for the Group. Effectively utilizing domestic and overseas plant resources.

B. Helping subsidiaries overseas build a fine financial relationship with local banks to increase the flexibility of capital movement.

C. Establishing close cooperation and mutually beneficial relationship with the financial institutions with which we collaborate. Grasping the financial market trends to improve the financial utilization performance.

D. Adopting pay-as-you-go strategy to perform natural hedging and use financial products appropriately to avoid exchange risks.
E. Strengthening the Company's financial management and risk management.

Optical communication products

(1) Marketing strategy

A. Continuing to expand the growing GPON market in Europe and America to satisfy the market needs and stabilize the market share.
B. Actively obtaining the opportunity to supply the 10G PON of the next generation to the main customers.
C. Continuing the close cooperation with the equipment suppliers to develop customized products with additional value, and increasing product profits to create a win-win situation.
D. Cooperating with certain customers to provide 10G, 25G OSA or OEM/ODM services for modules.
E. Importing the QSFP products that the data center needs and multi-fibers armored patch-cord (MPO/MTP) to satisfy its bandwidth need.
F. Cooperating with clients closely to develop highly customized products so that we can stand out among other competitors.

(2) Production and purchase strategies

With the rapid growth of the communication network service demand in China, the demand for fiber optics communication parts and components will rise in the future. The trend will lead to the increase of production and the rapid decline of the price. The Company will be more active on stabilizing material acquisition and quality management, improving cost control and production efficiency. We will speed up the import of automatic machines to decrease the human resource cost.

The Company's short-term purchase strategy is based on the demand of current customers, the price and the internal inventory amount that can be managed effectively. To achieve the goal, the Company will form a reliable partnership with key component suppliers.

(3) Research strategy

The focus of the Company's short-term development strategy: Designing customized optical sub-assembly to meet the requirements of the customers in the development cost and time of optical sub-assembly components. By improving and standardizing product design and process technology, we can decrease the cost of use for our customers.

2. Long-term development plan

RF connectors

(1) Marketing strategy
   A. Vertical integration in the Group.
   B. Stabilizing customer relationship.
   C. Integrating core products with the strategic partners and expand the product line to gain business opportunity.
   D. Establishing the professional image for the Company to build brand authority.
   E. With the advantage of having complete product series, we integrate the channel systems between the Company and customers, establish brand marketing strategies and improve brand awareness.
   F. Complying with the international trend and the customer's demand, we promote the EICC (Electronic Industry Code of Conduct). Improving the employees' rights and welfare to catch up with the international trend. These will not only strengthen the Company's image around the globe, but also satisfy the requirements or our international customers.

(2) Production strategy
   A. Automatic production and process improvement will decrease the cost and increase our competitiveness.
   B. Strengthening the supply chain.
   C. Investing the production device and testing equipment with high accuracy to ensure the quality.
   D. Effectively integrating the suppliers to establish complete and efficient SCM (Supplier Channel Management), helping increase production value and reduce the cost.
   E. In addition to the role of a producer, the production base in China must support the development of the market to expand the market in China.

(3) Product strategy
   A. Develop products in the new field.
   B. Expanding the usage field and product specification of our current core products and continuing to develop the products with high additional value to meet the demand of the market in the future.
   C. Cooperating with international companies with the idea of Time to Market and Time to Volume and developing new products simultaneously.
   D. Developing RF and high speed transmission connectors.

E. Developing connectors for cellphones and radio communication.

F. Searching for technological cooperation partners to develop connectors for optical communication.

(4) Finance strategy

A. Stay friendly with financial institutions to well manage the capital needs and make plans for mid-long term funding according to the needs of capital transfer and domestic market exploration. Raising long-term capital at a lower cost from the capital market to increase the working capital and complete the financial structure.

B. Considering the operation scale, business performance growth and capacity expansion, the Company should not only support the financial plan with own funds and the loans from banks, but also make use of the wealth management tools on the capital market. We will rise capitals from the capital market when it's appropriate and strengthen the Company's financial structure in the hope to ensure sustainable operation and long-term growth of the Company.

<u>Optical communication products</u>

(1) Marketing strategy

A. Actively integrating the upstream product line to control key components. This will not only help lower the cost of the current GPON product and control the market share, but also benefit the development of the product next generation, “Chip On Board” or “TO-BiDi”.

B. Actively involving with device suppliers to work on strategy alliance. Improving the customer service level from “sub-assembly component” to “system module”.

C. Speeding up the product line deployment on the 10G and 25G optical transceiver module end and the client end to get ready for the situation when the 2.5G market is saturated.

D. Cooperating with telecom companies to enter their supply chain and connect with the product line of EZconn.

E. Establishing the complete marketing channels and separating customer source through exhibitions.

(2) Production and purchase strategies

The demand for fiber optics communication components production capacities is increasing, the product price is decreasing rapidly and customized product trend is rising. All of these factors will lead the Company to the severe challenge of key material acquisition costs, inventory management and production efficiency. The Company's strategies are:

A. In the respect of manufacturing and production, the Company will continue striving for a balance between internal production and OEM service to create most profits for the Company.

B. As for the purchase strategy, the Company will effectively manage the supply chain and the internal need of the supplier. We will continue the long-term and stable supply contract with the suppliers of key components, making them reliable partners to reduce the risk of material acquisition and inventory.

(3) Research strategy

A. Vertical technology integration. Expanding from optical sub-module design to chip packaging and high-speed module design.

B. Collaborating with domestic/international customers and research institutions to develop new products together and improve our product technology.

C. Planning the optical communication products development related to data center, 5G communication and the need of IoT.

D. Integrating the customer's demand and the manufacturing technology of the critical part suppliers and working with them to shorten the R&D time and reduce the cost at the R&D phase of new products.

E. Developing non-optical communication application products based on the core optical communication technology.

II. Market and production and sales

(I) Market analysis

1. Revenue percentage analysis in sales area

Unit: NTD thousands

Area	2017		2018	
	Amount	%	Amount	%
Domestic sales	311,145	11%	211,630	8%
International sales	2,588,805	89%	2,593,476	92%
Total	2,899,950	100%	2,805,106	100%

2. Market share

The net revenue of the Company and subsidiaries' RF connector in 2018 was NTD$1,477,012,000 (USD$48,990,000) based on the information from Bishop & Associates, Inc. The global RF connector market earned USD$2.8 billion in 2017. Bishop & Associates, Inc. predicted the market would grow by 5.6% annually from 2016 to 2021. The global market share of the Company and subsidiaries' RF connectors was about 1.66%. The net revenue of the Company and subsidiaries' optical communication products in 2018 was NTD$1,328,094,000 (USD$44,051,000). According to the information from OVUM, the global market of optical communication access and datacom components earned USD$4,495 million in 2018. The global market share of the Company and subsidiaries' optical communication products was about 0.98% that year. The bread-earning product PON ONU (BOSA and transceiver) earned USD$693 million from the global market and the market share of the Company and subsidiaries was 6.3%.

3. Market supply and demand status and growth in the future

<u>RF connectors</u>

One of the main application fields for RF connectors is the telecommunication field. With the rapid growth of technology, the communication network upgrade around the globe becomes more and more frequent. Take Taiwan for example, the goal of the telecoms companies at the end of 2018 was to improve their mobile broadband services, aim at the mass market standard, and launch the Non-Standalone 5G NR technology standard that was compatible with 4G LTE. They were hoping the 5G NR network establishment would be largely supported in 2019 and this would speed up the development of 5G application services. Meanwhile, they expected completion of the Standalone 5G standard, which was not compatible with current LTE technology, in the middle of 2018. The execution in both ways will prepare the growth of 5G technology in 2020. The Industrial Technology Research

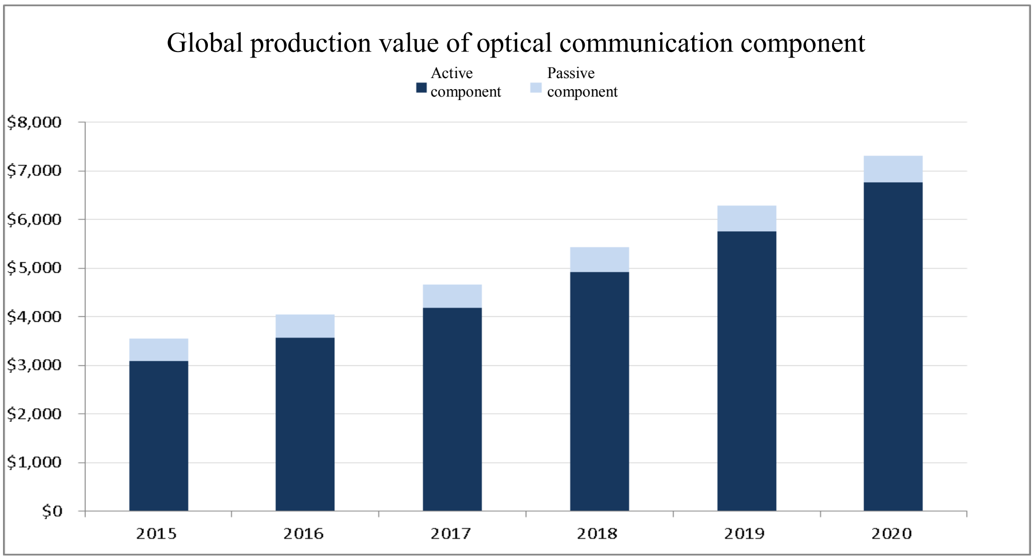
Institute IEK predicted the global market scale of 5G will increase from USD$4.283 billion in 2019 to USD$230.264 billion in 2023 with a compound annual growth rate of 171%. The PMI of the manufacture industry in the USA and the euro area has become more stable. With the support of external needs, it was predicted that the output volume of the electronic end products in 2019 would be more than that in 2018. This would help the electronic product value reach NTD$6.83 trillion, increasing by 3.1%.

In the future, with the gradual expansion of the application field of RF connectors, the market research organization, Bishop & Associates, Inc, predicted that the RF connector industry would grow by 5.6% annually in the next 5 years.

Optical communication products

The benefit the optical communication industry gains from the end market's need is increasing. The recent rise of cloud computing, the establishment of data center and the concept of the IoT are still the trends. Companies and customers' needs toward big data transmission and storage have increased greatly. They drive the USA, Japan, China and other countries to actively establish fiber optics network infrastructures to cope with the increasing demand for big data transmission like media video transmission. As the following figure shows, both the active and passive components in the optical communication field benefit from the strong need on the end market and grow rapidly. Overall, the production value of the active and passive components will have a compound annual growth rate of 13% and reach USD$7,313 million in 2020 from the USD$3,548 million in 2015.

Unit: USD 1 million



Source of information: Ovum, Organized by the Company.

4. Competition niches

(1) Strong R&D design and production capacity

The R&D teams of the Company and subsidiaries have been devoted to research in the fields of production process design, process simplification and automatic testing for a long time. With the experience in the R&D and mass production for many years, the Company owns outstanding optical, electrical and mechanism designs and many international design patents. We can develop and manufacture customized components according to the customers' needs, and improve the simplified process and the product quality from the design end. We also develop automatic machines, such as the laser optical coupling device and the coaxial connector automatic bounding machine. This not only effectively increases the product production stability, but also controls the material and production cost, making our product price more competitive in the market. By integrating the efficiency of different products, we can schedule the delivery to meet customer's requirements. The production mechanism adopted by the Company and subsidiaries has gained the ISO 9001 and ISO 14001 certificates, and our products has obtained the IECQ QC080000 environmental certificate.

(2) Developing products with downstream customers and participating in product specification formulation

The Company and subsidiaries have been working with downstream international companies on collaborated projects for years; thus, comparing with our competitors, we are more likely to be able to provide customized production or the total solution service for our customers. And by working with customers on collaborated development, we will have more chances to be more involved in the development of the industry trend than our competitors. The Multi Source Agreement (MSA) is an agreement established for the communication interface development. It establishes a standard for the components used in the communication system and provides the index value and other specific parameters, and the device suppliers can design systems in accordance with MSA to ensure the interoperability and interchangeability between interfaces and modules. Taking optical communication module as an example, MSA defines the standards for the light and electrical characteristics, external size of the mechanism, transmission and receiving of pin. If an optical transceiver module complies with MSA, it is the product with a certain degree of market recognition. Point to point transmission is an important field in optical communication products. In this application field, the Company and subsidiaries established the MSA of CSFP (compact SFP) with NEC/Fujikura. The MSA provides a solution with the port density twice than a traditional SFP. Therefore, the MSA has been adopted by lots of international companies and its market scale is growing every year. Following the MSA, the Company and subsidiaries successfully developed a miniaturized optical sub-assembly Compact OSA. We have thus become one of the few module suppliers that can develop optical sub-assemblies independently.

(3) Advanced technologies and products in the industry

A. C-band/ L-band DWDM Tunable laser

Dense wavelength division multiplexing allows the information with different wavelengths to be transmitted in the same fiber optics, and this will effectively increase the information transmission amount. With the increasing demand for the network bandwidth recently, the demand for dense wavelength division multiplexing is increasing as well. The technology and application are becoming more mature. C-band/ L-band DWDM Tunable laser is used in the tunable laser of dense wavelength division multiplexing. Tunable laser is the main lighting source of the 40G/100G/400G optical communication module. The Company and subsidiaries are one of the few manufacturers in Asia that have the external cavity tunable laser technology. The channel spacing supports 25GHz (about 0.2nm) for the current highest density application.

B. LAN-WDM and MUX/DEMUX

The 100G technology has become the main stream of the current fiber optics network. LAN-WDM (local area network –wavelength-division multiplexing) is the wavelength division multiplexing technology used in the 100G fiber optics network and is an application in the 100G CFP/CFP2 module. The Company and subsidiaries' LAN-WDM and MUX/DEMUX (multiplexer/demultiplexer) products adopt the optical machine developed by ourselves and the packaging technology of wafer assembly. We have the advantage of mass production and miniaturization. With the core technology, the Company and subsidiaries successfully developed 100G ROSA (Receiver Optical Sub-Assembly). We plan to extend the technology to the development of the 100G QSFP28 optical machine, providing application on the cloud data center for the product.

5. Favorable and unfavorable factors of development and countermeasures

(1) Favorable factors

A. Countries around the globe actively promote plans to improve information and communication transmission systems

Recently, the global economy is getting better, and the governments, businesses and consumers have increasing needs for big data transmission and storage. For this, the governments of lots of countries are proposing the policies to upgrade the information and communication transmission systems and structures (details in the figure below). With the government taking the lead, many business opportunities emerge. The opportunities drive telecom companies and cable television companies to strive for a place in the market. To make the transmission system satisfy the goals of transmission including higher speed, larger amount and more stable system, the original transmission system is either eliminated or upgraded and the establishment of new transmission systems is in full swing. These arouse the need for communication transmission facilities, devices and components. The 2 types of products the Company and subsidiaries produce are used in the RF transmission system and fiber optics transmission system. Therefore, both systems can obtain benefits from the trend. Fiber optics networks in most countries are mostly newly established transmission system; thus, they have higher demand for optical communication components and devices.

Communication Infrastructure Development Plans in the Countries around the World

2015 Gigabit City Challenge in the USA	Making the Gigabit City the creative center in the USA. Using high speed wideband infrastructure to create opportunities for starting a business and adopting Giga application
2015 Fibre-to-the-Premises in the UK	Let the UK own the best ultra high-speed wideband network among other European countries. The coverage of the ultra high-speed wideband network is 95%, and the coverage of 4G service in the city is 98%.
Europe 2020 Plan in the EU	High speed wideband network will speed up economic and society growth, reduce digital divide, enable introduction of ICT in small and medium enterprises, and create digital assets.
2020 ICT Growth Strategy in Japan	Creating an industry with new additional value, solving social problems and integrating ICT infrastructure, and making good use of big data to create new additional value
2015 China's 12th Five-year Plan	smart city, wideband popularization, tri-networks integration, 5G mobile wideband, 3D/SmartTV, 3D/UHD content
2025 Inforcom Media Sector Industry Transformation Maps, ICM ITM, in Singapore	Promoting start-ups/starting businesses in smart cities and ensuring a good life. Promoting heterogeneous networks, public IoT, time exchange platform in the community
2017 Information Infrastructure Plan in South Korea	Korea is hoping to realize national happiness by digital creativity with the foundation of creative economy integrating information/communication technology and creativity
The Digital 21 Strategy in Hong Kong	With the vision of "Smarter Hong Kong, Smarter Living", the government promotes the start-up/innovation and R&D bases for the smart life and e-government.

Source of information: Government websites of the countries; Organizer: Institute for Information Industry FIND

B. The rise of IoT and smart family

The concept of IoT (Internet of Things) is that all people and things can connect to the Internet through sensor components, information technology and wireless network are all getting more mature. Relative application includes car driving, security monitoring, logistics, medical care, entertainment and energy. The connection range can be small or large, from smart vehicles, smart families, smart buildings to smart cities. Its impact on people's lives is also increasing. Comparing to smart buildings and cities and other larger connection range applications, the development and application of smart family is becoming more common now. With the technology upgrade of the microprocessor, the data amount the smart family devices can process has greatly increased, and the manufacturing cost of smart appliances has dropped considerably as well. These lead to the popularization of smart family. Besides being applied to family entertainment, IoT is applied to automatic chore assistance, safety monitoring and energy management. In addition, the trend of aging society makes the application of smart family to home care of elderly people become more important. It is common for an ordinary family to have TV in the life. With the large screen and connecting cables, TV is like a stepping stone and key item to the development of smart family.

The RF connector produced by the Company and subsidiaries is mainly used in cable TV transmission system. With the development of smart family in the future, we can expect the demand for wireless transmission from each terminal will increase in the aspect of home beautification and having a convenient life.

(2) Unfavorable factors and countermeasures

A. The price in the field is becoming more competitive

With the expansion of market scale, many competitors have emerged. Some of the companies in the field adopt a low price strategy to get more business in order to take up a place in the market. This results in a more competitive market price, and it might further reduces the product profit.

<u>Countermeasures:</u>

Some companies in the field choose to utilize cheaper materials and adopt standard production technology to perform mass production and manufacture products with the same function but poor quality, so that they may become more competitive at a lower price. However, the Company and subsidiaries choose to provide high-quality and customized products and services to distinguish ourselves from the low-end products. This can help us effectively raise the product price. The Company and subsidiaries have been working with downstream international companies on projects for years. Comparing with our competitors, we are more likely to be able to provide customized products or total solution services for our customers. We can also assist customers and develop business products that can be put into mass production. Besides, we help customers improve their product performance index such as reducing return loss and insertion loss of the coaxial cables. The Company and subsidiaries not only strengthen the competitiveness of product price but also work hard on reducing production cost. With the long experience in the field, extraordinary R&D and production capacity, the Company and subsidiaries can simplify the process from design and maintain the quality of products. We further upgrade the automatic level of the production line by developing automatic machines on our own, such as the automatic laser optical coupling device and the coaxial connector automatic bounding machine.

This way, the human resource cost can be reduced and the process efficiency can increase effectively as well.

B. Risks of concentrated sales of goods

We strive to obtain business orders from the first-rank companies in Europe and America for our RF connectors. The main end users for RF connectors are cable television companies. The development of the industry is mature and the company with more resources will only get bigger. Therefore, we mainly sell our products to large cable television companies in Europe and America, which is a kind of concentrated sale of goods. Our optical communication products are mainly sold to renowned equipment companies in the world. With the product integration in recent years, companies with more resources tend to grow bigger. Downstream optical communication equipment companies usually have stable cooperation with system suppliers and the upstream supplier chain. Unless major event regarding product quality or delivery occurs, they won’t change the certificated suppliers easily. In addition, this is the reason the situation of concentrated sales of goods happens. The sales percentages of our products to the top 10 main customers in the 3 recent fiscal years are 73.98%, 64.77% and 61.40%. The situation of concentrated sales of goods can be observed.

<u>Countermeasures:</u>

(A) RF connectors

We strive to obtain business orders from the first-rank companies in Europe and America for our RF connectors. In addition, our business partners are mainly large companies in Europe and America. The development of the industry is mature; thus, most companies in the industry are large companies, and this lead to a situation of concentrated sale of goods. With our outstanding module and jig manufacturing ability, we obtain long-term and stable cooperation relationship with customers for our exceptional delivery time and terms. Despite the sales increase and reduction among the end customers, we still manage to decrease the risk of losing business by obtaining business from other customers.

(B) Optical communication products

The Company and subsidiaries spare no efforts to improve our product quality and strengthen the manufacturing capacity. We became the main supplier of HUAWEI and other large companies for our exceptional product quality and service. We have a stable and fine cooperation relationship with HUAWEI and were awarded as an excellent supplier by HUAWEI. To cope with the situation of concentrated sales of goods, we are working hard on vertical integration with equipment suppliers. Besides providing complete product line and service, we actively acquire customers such as communication companies in Europe and America to increase our core customer amount. Meanwhile, we continue the development of new products and technology in order to satisfy demand for quality, cost and delivery from the customer’s end. Furthermore, the our outstanding technology allows us to meet the customer’s special manufacturing need, and this will reduce the risk of concentrated sales of goods.

Overall, for the stable operation of the Company, we endeavor to upgrade our technology and improve the process continuously. We also satisfy the customer’s need with flexible manufacturing methods. Besides having a good cooperation relationship with the original customers, we acquire new customers to expand our sales and reduce the risk of concentrated sale of goods by doing so.

C. Risks of concentrated procurement of goods

The main materials to produce our RF connectors are brass rod, relative barring components and stamping components. Since the supply is sufficient and there are many other suppliers in the market, there should be no risk of concentrated procurement of goods. The main materials for our optical communication products are laser diode (LD), and we mainly purchase it from Koryo Electronics Co., Ltd. We also purchase avalanche photodiode (APD) from it. Koryo is our biggest supplier in the 3 recent fiscal years. Koryo Electronics is the agent for Mitsubishi Electric and the latter is the main LD supplier in the world. This industry characteristic results in the fact that we concentrate the procurement of LD material from Koryo Electronics Co., Ltd.

Countermeasures:

To make our material supply more diverse, we actively develop other suppliers of LD. Meanwhile, we collaborate with customers to look for substitute material for APD to rule out the risk of insufficient supply and shortage. After our analysis, we should be able to handle the material shortage risk.

D. Profits affected by the floating exchange rate

We sell most of our products in dollars. Moreover, we use dollars to make purchase to be our natural hedging method. However, the sales amount is higher than the purchase amount, so the floating exchange rate will still affect profits to a certain degree.

Countermeasures:

To cope with the risk of exchange gains and losses, our Finance Dept. collects international financial information from the market so we can learn about the market capital movement trend and know the measures and attitude of the competent authorities toward exchange rate change. Moreover, we stay in close touch with the banks we work with to learn the exchange rate trend as use the rate as the reference for foreign exchange settlement. The Sales Dept. takes the impact of floating exchange rate on the sales price into consideration when it offers quotation. It will take future exchange rate into account and adjust the product price to ensure the profits. In addition, the Company and subsidiaries conduct purchase with the same currency to obtain natural hedging effect. We will adjust our foreign currency assets and debt positions as appropriate to reduce the risk of exchange rate fluctuation.

(II) Important uses and production processes of our main products

1. Important uses of the main products

RF connectors

The function of connectors is to provide an interface that can be separated to connect the 2 sub-systems within the electric system and transfer signals or electricity successfully. A RF connector is an electromechanical component that connects the wires of electronics. It enables electrical connection or disconnection of cables and it is a kind of mechatronic product with a more complicated failure mechanism.

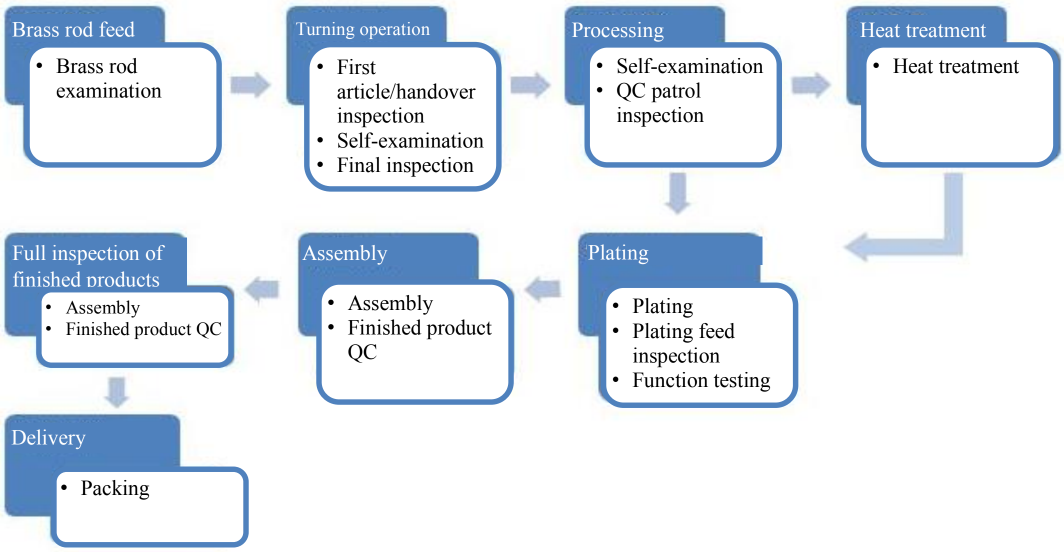
It is usually deemed as a component installed in the cable or instrument, used to enable the electrical connection or disconnection of cables. Its main application field includes the cable TV system, wideband network, antenna and cell site.

<u>Optical communication products</u>

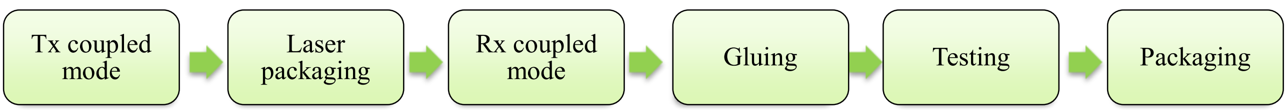
Main Product	Application Range
Transceiver module	Fiber optics communication transceiver module is mainly used for network and communication devices, data transmission devices and cable TV network devices.
Fiber optics transceiver component (sub-assembly)	Fiber optics communication transceiver module is mainly used for network and communication devices, data transmission devices and cable TV network devices.
Optical patch-cord, optical connector	Relative components for optical communication devices.

2. Production and manufacture process of products

<u>RF connector</u>



<u>Optical communication products</u>



(III) Main raw material supply status

Main raw material	Suppliers	Supply situation
Laser diode (LD)	Koryo Electronics Co., Ltd.	Great and stable
Brass rod	Kuon Chen Hardware, Yi Sheng Hardware Industrial Co.,Ltd.	Great and stable

(IV) The name of the top 10 purchase/sales customers and the purchase/sales amount and percentage in the recent 2 years

1. List of suppliers accounting for more than 10% of the total procurement amount in either of the last two years

Unit: NTD thousands

	2017				2018			
Item	Name	Amount	Annual net procurement ratio [%]	Relationship with the issuer	Name	Amount	Annual net procurement ratio [%]	Relationship with the issuer
1	Koryo Electronics Co., Ltd.	266,759	19.26%	None	Koryo Electronics Co., Ltd.	250,882	16.75%	None
	Others	1,117,969	80.74%	–	Others	1,246,901	83.25%	–
	Total	1,384,728	100.00%	–	Total	1,497,783	100.00%	–

Increase/decrease reason:

The supplier supplying more than 10% of the procurement amount of the Company and subsidiaries in the recent 2 years is Koryo Electronics. The purchase amount is stable without substantial fluctuation.

2. List of customers accounting for more than 10% of total sales amount in either of the last two years

Unit: NTD thousands

	2017				2018			
Item	Name	Amount	Annual net sales ratio [%]	Relationship with the issuer	Name	Amount	Annual net sales ratio [%]	Relationship with the issuer
1	HOLLAND	547,182	18.87%	None	HOLLAND	476,830	17.00%	None
2	Corning Group	535,897	18.48%	None	Corning Group	375,723	13.39%	None
	Others	1,816,871	62.65%	–	Others	1,952,553	69.61%	–
	Total	2,899,950	100.00%	–	Total	2,805,106	100.00%	–

Increase/decrease reason:

Our sales targets in 2017 and 2018 did not have major changes.

(V) Production value over the past two years

Unit: NTD thousands; thousand pieces

Main department \ Annual production value	2017			2018		
	Capacity	Volume	Value	Capacity	Volume	Value
RF connectors	357,583	295,681	1,495,477	297,541	238,811	1,349,313
Optical communication	57,489	41,699	982,061	55,375	52,220	1,112,169
Total	415,072	337,380	2,477,538	352,916	291,031	2,461,482

Increase/decrease reason:

The production volume and value of RF connectors decreased in 2018 with the reduction of the market demand. The production volume and value of optical communication products increased in 2018 with the reduction of the market demand.

(VI) Sales volume and value over the past two years

Unit: NTD thousands; thousand pieces

Department/Product \ Annual sales value	2017				2018			
	Domestic sales		International sales		Domestic sales		International sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
RF connectors	28,127	160,139	220,037	1,456,930	22,505	131,699	167,792	1,345,313
Optical communication	1,092	151,006	40,331	1,131,875	2,800	79,931	48,827	1,248,163
Total	29,219	311,145	260,368	2,588,805	25,305	211,630	216,619	2,593,476

Increase/decrease reason:

The main sales of the Company are done through exportation. The exportation percentage in 2017 and 2018 were 89% and 92%, respectively. The percentage increased because the market share of optical communication products in China rose and the sales volume of the RF connector and optical communication products in Taiwan dropped slightly.

III. Employee information in the recent 2 years and to the date on which the annual report was printed

Year		2017	2018	As of March 31, 2019
Number of employees	Direct employee	900	1,079	1,047
	Indirect employee	300	262	258
	Total	1,200	1,341	1,305
Average age		32	31	32
Average years of service		5.5	5.1	5.0
Degree distribution ratio	Doctoral degree	5	7	6
	Master's degree	29	33	35
	College	371	315	301
	Senior high school	480	608	577
	Below senior high school	315	378	386

IV. Environmental protection expenditure

The total loss (including compensation paid) and penalty for polluting the environment in recent years and to the date on which the annual report was printed were listed. The future countermeasures (including improvement measures) and potential expenses (including estimated amount of loss, penalty and compensation for not implementing the countermeasure. If the amount cannot be estimated appropriately, the reason and fact shall be explained) shall be disclosed:

The Company has not suffered from loss due to pollution in recent years and to the date on which the annual report was printed.

V. Labor relations

(I) Employee welfare measures:

1. Our welfare measures include the measures provided by the Company and the measures provided by the Employee Welfare Committee.
2. Welfare measures provided by the Company: Group insurance, employee health

check-up, business trip insurance, year-end dinner, dividend distribution, employee stock option, year-end bonus, public interest leave, prenatal check-up leave, pension, recommendation bonus, nursing room, health center, subsidy of employment check-up, subsidy of labor insurance and national health insurance deductible, additional annual leave, internal lecturer allowance, allowance for public-used private car, business cell phone allowance, QCC bonus, LEAN bonus, improvement proposal bonus, false alarm reporting bonus, parking lot, salary account discount and meal allowance.

3. Welfare measures provided by the Employee Welfare Committee: Company trip, holiday cash gift/coupons, birthday cash gift, year-end party, wedding/funeral allowance, dinner allowance, collaborated company discount, scholarship, emergency allowance, club allowance and family day.

(II) Staff education and training and their implementation:

The Company provides various training courses and in-service training, including training for new and existing employees, professional courses and internal and external training courses related to the job. In addition, we established regulations for in-service training to g rant allowance for tuition and miscellaneous fees, encouraging employees to go on training.

(III) Retirement system and implementation

1. The Company complied with the regulations of the Labor Act to regularly contribute the employee retirement funds to an individual account in Bank of Taiwan before July 1, 2005. In accordance with the law, we also established a Workers' Retirement Reserve Fund Supervision Committee to supervise and manage the workers' retirement reverse fund.
2. Starting from July 1, 2005, the government's new pension system was established. In accordance with the regulations of the Labor Pension Act, companies have to contribute no less than 6% of the income of employees to the retirement funds account. Relative retirement affairs are processed in accordance with the regulations of the Labor Pension Act.
3. We established the Regulations for Retirement Management and reported it to get approval for reference. The regulations provide the employees with excellent options.

(IV) Agreements between labor and management

The Company established the Employee Welfare Committee and employee opinion mailbox in accordance with the laws. The Company held a labor-management meeting in compliance with the law to operate. The employees can use their rights mentioned above to have affairs handled fairly and appropriately. The labor-management relationship in the Company has always been peaceful since the Company was founded. 2 labor disputes happened in 2018. One of them was deemed legal by the Labor Affairs Bureau, New Taipei City Government, and the other was handled appropriately.

We set up the Occupational Safety & Health Committee in accordance with the laws.

The representatives of the laborers take up more than 1/3 of all members. It carries out relative occupational safety and health policies of the Company to prevent occupational disaster from happening and establish a fine and healthy working environment.

(V) Protection of employees' rights and interests

The Company and subsidiaries have a complete document control system, clearly stating all management regulations and the rights, obligations and welfare of the employees. We regularly go through the welfare of the employees to protect their rights.

We established the work rules, safety and health work rules, regulations for prevention of sexual harassment at workplace, and regulations governing the employee complaint system to fully protect the rights of employees.

(VI) The loss the Company suffers due to labor-management dispute in recent years and to the date on which the annual report was printed were listed. The estimated amount of loss and countermeasures for current and potential events shall be disclosed. If the amount cannot be estimated appropriately, the reason and fact shall be explained:

The Company and subsidiaries have not suffered from loss event due to labor-management dispute in recent years and to the date on which the annual report was printed.

VI. Important contracts

Nature of contract	Parties	Contract date	Main content	Restrictive covenants
Credit extension loan	Chang Hwa Commercial Bank	From November 30, 2018 to November 30, 2019	Credit loan	None
Credit extension loan	Taishin International Bank	From January 31, 2019 to January 31, 2020	Credit loan	None
Credit extension loan	HWATAI Bank,Ltd.	From January 31, 2019 to January 31, 2020	Credit loan	None
Credit extension loan	CTBC Bank Co.,Ltd.	From September 30, 2018 to September 30, 2019	Credit loan	None
Credit extension loan	Bank SinoPac	From August 22, 2018 to August 31, 2019	Credit loan	None
Procurement contract	Koryo Electronics Co., Ltd.	From June 28, 2016 to June 28, 2019	Raw material procurement	None
Lease contract	Elitegroup Computer Systems	From December 16, 2016 to September 15, 2023	Lease for the Danshui Plant	None
Lease contract	Pan Sheng-Li (natural person)	From January 1, 2019 to December 31, 2020	Lease for the Beitou Plant	None
Lease contract	Lin Ching-Xiang(natural person)	From November 15, 2016 to October 31, 2019	Lease for the Hongshulin Plant	None

Six. Financial Status

I. Summarized balance sheet and composite income sheet in the recent 5 years. The names and the audit opinion of the CPAs shall be noted.

(I) Summarized consolidated balance sheet

Unit: NTD thousands

Item \ Year		Financial information in the recent 5 years (Note 1)				
		2014	2015	2016	2017	2018
Current assets		2,484,947	2,709,998	2,709,244	2,449,896	2,670,887
Property, plant and equipment		440,519	474,781	422,045	404,757	395,581
Intangible assets		13,637	10,341	7,277	8,516	10,532
Other assets		176,806	254,658	168,686	156,840	166,282
Total assets		3,115,909	3,449,778	3,307,252	3,020,009	3,243,282
Current liabilities	Before distribution	1,177,857	1,042,930	877,755	785,689	958,293
	After distribution	1,297,857	1,240,930	1,095,555	917,689	Note 2
Non-current liabilities		129,068	136,308	154,457	148,929	166,622
Total liabilities	Before distribution	1,306,925	1,179,238	1,032,212	934,618	1,124,915
	After distribution	1,426,925	1,377,238	1,250,012	1,066,618	Note 2
Attributed to the equity of the owner of the parent company		1,808,984	2,270,540	2,275,040	2,085,391	2,118,367
Share capital		600,000	660,000	660,000	660,000	660,000
Capital surplus		13,036	234,872	234,872	234,872	234,872
Retained Earnings	Before distribution	1,138,049	1,333,355	1,415,483	1,241,092	1,287,775
	After distribution	1,018,049	1,135,355	1,197,683	1,109,092	Note 2
Other equities		57,899	42,313	(35,315)	(50,573)	(64,280)
Total equity	Before distribution	1,808,984	2,270,540	2,275,040	2,085,391	2,118,367
	After distribution	1,688,984	2,072,540	2,057,240	1,953,391	Note 2

Note 1: The above financial information from 2014 to 2018 was audited by the CPA.

Note 2: The 2018 profit distribution has not been approved at the regular shareholders' meeting.

(II) Individual simplified balance sheet

Unit: NTD thousands

Item \ Year		Financial information in the recent 5 years (Note 1)				
		2014	2015	2016	2017	2018
Current assets		1,977,053	2,066,982	2,035,483	1,780,796	1,877,864
Property, plant and equipment		57,805	107,528	106,092	121,127	121,173
Intangible assets		12,340	9,428	5,815	6,381	6,957
Other assets		1,108,320	1,325,078	1,293,934	1,246,416	1,296,449
Total assets		3,155,518	3,509,016	3,441,324	3,154,720	3,302,443
Current liabilities	Before distribution	1,227,814	1,112,059	1,020,682	928,839	1,025,513
	After distribution	1,347,814	1,310,059	1,238,482	1,060,839	Note 2
Non-current liabilities		118,720	126,417	145,602	140,490	158,563
Total liabilities	Before distribution	1,346,534	1,238,476	1,166,284	1,069,329	1,184,076
	After distribution	1,466,534	1,436,476	1,384,084	1,201,329	Note 2
Attributed to the equity of the owner of the parent company		1,808,984	2,270,540	2,275,040	2,085,391	2,118,367
Share capital		600,000	660,000	660,000	660,000	660,000
Capital surplus		13,036	234,872	234,872	234,872	234,872
Retained Earnings	Before distribution	1,138,049	1,333,355	1,415,483	1,241,092	1,287,775
	After distribution	1,018,049	1,135,355	1,197,683	1,109,092	Note 2
Other equities		57,899	42,313	(35,315)	(50,573)	(64,280)
Total equity	Before distribution	1,808,984	2,270,540	2,275,040	2,085,391	2,118,367
	After distribution	1,688,984	2,072,540	2,057,240	1,953,391	Note 2

Note 1: The above financial information from 2014 to 2018 was audited by the CPA.

Note 2: The 2018 profit distribution has not been approved at the regular shareholders' meeting.

(III) Summarized consolidated composite income sheet

Unit: NTD thousands

Item \ Year	Financial information in the recent 5 years (Note 1)				
	2014	2015	2016	2017	2018
Operating revenue	3,919,141	4,312,879	4,350,570	2,899,950	2,805,106
Gross profit	722,759	849,748	881,702	508,072	478,741
Operating income (loss)	234,864	370,198	393,267	151,610	129,627
Non-operating income and expenses	64,834	62,761	13,876	(96,962)	76,265
Net profit before tax	299,698	432,959	407,143	54,648	205,892
Net profit of the continuing operation	232,921	317,565	289,964	47,008	154,395
Other comprehensive income for the period (income after tax)	41,163	(17,845)	(87,464)	(18,857)	(13,822)
Comprehensive income for the period	274,084	299,720	202,500	28,151	140,573
Net profit attributed to the owner of the parent company	232,921	317,565	289,964	47,008	154,395
Net profit attributed to the equity of the pre-investor under joint control	—	—	—	—	—
Comprehensive income attributed to the owner of the parent company	274,084	299,720	202,500	28,151	140,573
Comprehensive income attributed to the equity of the pre-investor under joint control	—	—	—	—	—
Earnings per share	3.88	5.05	4.39	0.71	2.34

Note 1: The above financial information from 2014 to 2018 was audited by the CPA.

(IV) Summarized individual composite income sheet

Unit: NTD thousands

Item \ Year	Financial information in the recent 5 years (Note 1)				
	2014	2015	2016	2017	2018
Operating revenue	3,719,297	4,092,278	4,116,193	2,627,008	2,494,537
Gross profit	535,010	583,484	580,634	392,354	334,066
Operating income (loss)	177,757	252,522	237,503	147,023	86,825
Non-operating income and expenses	106,486	144,181	121,152	(87,585)	101,396
Net profit before tax	284,243	396,703	358,655	59,438	188,221
Net profit of the continuing operation	232,921	317,565	289,964	47,008	154,395
Other comprehensive income for the period (income after tax)	41,163	(17,845)	(87,464)	(18,857)	(13,822)
Comprehensive income for the period	274,084	299,720	202,500	28,151	140,573
Net profit attributed to the owner of the parent company	232,921	317,565	289,964	47,008	154,395
Net profit attributed to the equity of the pre-investor under joint control	—	—	—	—	—
Comprehensive income attributed to the owner of the parent company	274,084	299,720	202,500	28,151	140,573
Comprehensive income attributed to the equity of the pre-investor under joint control	—	—	—	—	—
Earnings per share	3.88	5.05	4.39	0.71	2.34

Note 1: The above financial information from 2014 to 2018 was audited by the CPA.

(V) The names and audit opinion of the CPAs in the recent 5 years

Year	Accounting firm	Name of CPA	Opinion
2014	Deloitte & Touche	Chen Chun-Hung, Huang Hsiu-Chun	Unmodified opinion
2015	Deloitte & Touche	Chen Chun-Hung, Wei Liang-Fa	Unmodified opinion
2016	Deloitte & Touche	Chen Chun-Hung, Wei Liang-Fa	Unmodified opinion
2017	Deloitte & Touche	Huang Hsiu-Chun, Wei Liang-Fa	Unmodified opinion
2018	Deloitte & Touche	Huang Hsiu-Chun, Wei Liang-Fa	Unmodified opinion

II. Financial analyses in the recent 5 years

(I) Consolidated financial analysis

Analysis item (Year)		Financial analyses in the recent 5 years				
		2014	2015	2016	2017	2018
Capital structure analysis (%)	Debt ratio	41.94	34.18	31.21	30.95	34.68
	Long term funds to property, plant and equipment	439.95	506.94	575.65	552.02	577.63
Liquidity analysis (%)	Current ratio	210.97	259.84	308.66	311.81	278.71
	Quick ratio	151.75	176.88	228.50	232.93	195.65
	Interest protection multiples	85.80	178.37	284.33	21.91	86.22
Operating performance analysis	Receivables turnover (times)	3.16	2.92	3.12	2.91	3.68
	Average collection days	116	125	116	125	99
	Average inventory turnover (times)	4.55	4.16	4.12	3.38	3.15
	Payables turnover (times)	5.46	5.27	5.68	5.59	5.86
	Average days in sales	80	87	88	107	115
	Property, plant and equipment turnover (times)	9.12	9.42	9.70	7.01	7.01
	Total assets turnover (times)	1.35	1.31	1.29	0.92	0.90
Return on investment analysis	Return on asset (%)	8.11	9.74	8.62	1.55	4.99
	Return on equity (%)	13.71	15.57	12.76	2.16	7.35
	Pre-tax income to capital (%)	49.95	65.60	61.69	8.28	31.20
	Profit ration (%)	5.94	7.36	6.66	1.62	5.50
	Earnings per share (NTD$)	3.88	5.05	4.39	0.71	2.34
Cash flow	Cash flow ratio (%)	15.05	20.57	77.80	42.84	15.22
	Cash flow adequacy ratio (%)	107.92	116.30	119.68	134.22	110.17
	Cash reinvestment ratio (%)	4.42	2.86	14.52	3.75	0.43
Leverage	Operating leverage	1.34	1.23	1.21	0.96	1.07
	Financial leverage	1.02	1.01	1.00	1.02	1.02

The change of the financial ratio change reached 20% in the recent 2 years:

1. Interest protection multiples increase because the pre-tax profit in the current period increases.
2. Receivables turnover increases and average collection days decrease because the average receivables in the current period decrease.
3. Return on asset, return on equity, profit ration and earnings per share increase because the net income after tax increases.
4. Pre-tax income to capital increases because the pre-tax profit increases.
5. Cash flow ratio and cash reinvestment ratio decrease because the net cash flow in operating activities decreases.

Note 1: All the above financial ratios are estimated based on the financial statements audited by the CPA.

Note 2: The above calculation formula lists the detailed individual financial analyses - IFRS (Note 2).

(II) Individual financial analysis

Analysis item (Note 2) \ Year		Financial analyses in the recent 5 years				
		2014	2015	2016	2017	2018
Capital structure analysis (%)	Debt ratio	42.67	35.29	33.89	33.90	35.85
	Long term funds to property, plant and equipment	3,334.84	2,229.15	2,281.64	1,837.64	1,879.07
Liquidity analysis (%)	Current ratio	161.02	185.87	199.42	191.72	183.11
	Quick ratio	128.15	142.98	167.96	154.82	140.39
	Interest protection multiples	84.28	171.19	280.11	25.07	84.21
Operating performance analysis	Receivables turnover (times)	3.14	2.90	3.11	2.87	3.73
	Average collection days	116	125	117	127	97
	Average inventory turnover (times)	7.99	7.32	7.54	5.69	4.83
	Payables turnover (times)	4.79	4.28	4.26	3.36	3.70
	Average days in sales	45	49	48	64	75
	Property, plant and equipment turnover (times)	71.85	49.50	38.54	23.12	20.59
	Total assets turnover (times)	1.28	1.23	1.18	0.80	0.77
Return on investment analysis	Return on asset (%)	8.13	9.59	8.37	1.49	4.84
	Return on equity (%)	13.71	15.57	12.76	2.16	7.35
	Pre-tax income to capital (%)	47.37	60.11	54.34	9.01	28.52
	Profit ration (%)	6.26	7.76	7.04	1.79	6.19
	Earnings per share (NTD$)	3.88	5.05	4.39	0.71	2.34
Cash flow	Cash flow ratio (%)	17.86	12.49	53.53	21.82	4.62
	Cash flow adequacy ratio (%)	181.93	134.11	128.23	119.75	89.89
	Cash reinvestment ratio (%)	7.14	0.67	12.27	(0.57)	(3.12)
Leverage	Operating leverage	1.15	1.13	1.15	0.71	0.70
	Financial leverage	1.02	1.01	1.01	1.02	1.03

The change of the financial ratio change reached 20% in the recent 2 years:

1. Interest protection multiples increase because the pre-tax profit in the current period increases.
2. Receivables turnover increases and average collection days decrease because the average receivables in the current period decrease.
3. Return on asset, return on equity, profit ration and earnings per share increase because the net income after tax increases.
4. Pre-tax income to capital increases because the pre-tax profit increases.
5. Cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio decrease because the net cash flow in operating activities decreases.

Note 1: All the above financial ratios are estimated based on the financial statements audited by the CPA.

Note 2: The calculation formula of the analysis items are listed below:

1. Capital structure analysis
   (1) Debt ratio = Total liabilities / total assets.
   (2) Long term funds to property, plant and equipment = (total equity + non-current liabilities) / net value of property, plant and equipment.
2. Liquidity analysis
   (1) Current ratio = Current assets / current liabilities.
   (2) Quick ratio = (Current assets - inventory - prepaid expense) / current liabilities.
   (3) Interest protection multiples = Net income before income tax and interest / interest expense this period.
3 Operating performance analysis
   (1) Receivables (including receivables and notes receivable generated for operation) turnover = Net sales / balance of average receivables (including receivables and notes receivable generated for operation).
   (2) Average collection days = 365 / receivables turnover.
   (3) Average inventory turnover = Cost of sales / average inventory amount.
   (4) Payables (including payables and notes payable generated for operation) turnover = Cost of sales / balance of average payables (including payables and notes payable generated for operation).
   (5) Average days in sales = 365 / Average inventory turnover.
   (6) Property, plant and equipment turnover = Net sales / net value of property, plant and equipment.
   (7) Total assets turnover = Net sales / average total assets.
4. Return on investment analysis
   (1) Return on asset = [Profit or loss after tax + interest fee × (1- tax rate)] / average total assets.
   (2) Return on equity = Profit or loss after tax / average total equity.
   (3) Pre-tax income to capital = Pre-tax income / paid-in capital at end of FY
   (4) Profit ration = Profit or loss after tax / net sales.
   (5) Earnings per share = (Income attributed to owner of the parent company - preferred stock dividend)/weighted average issued shares.
5. Cash flow
   (1) Cash flow ratio = Net cash flow in operating activities / current liabilities.
   (2) Cash flow adequacy ratio = Net cash flow in operating activities in the recent 5 years / recent 5 years (capital expenditure + inventory increase amount + cash dividend).
   (3) Cash reinvestment ratio = (Net cash flow in operating activities - cash dividend) / (Gross value of property, plant and equipment + long-term investment + other non-current assets + operational funds).
6. Leverage:
   (1) Operating leverage = (Net operating revenues - floating operational cost and expenditure) / operating profit.
   (2) Financial leverage = Operating profit / (Operating profit - interest expense).

III. Supervisors' review report for the financial statement in the most recent year: Please refer to Page 114.

IV. Financial statement for the most recent year, including an auditor's report prepared by a certified public accountant, and 2-year comparative balance sheet, statement of comprehensive income, statement of changes in equity, cash flow chart, and any related notes or attached appendices: Please refer to Page 131-197.

V. Individual financial statement of the company for the most recent year certified by a CPA: Please refer to Page 198-261.

VI. If the company and its affiliates have experienced financial difficulties in the most recent year or during the current year to the date on which the annual report is printed, the impact of the difficulties on the company's financial situation shall be specified: None.

EZconn Corporation 2018 Supervisor's Audit Report

Among the 2018 business report, individual financial statement, consolidated financial statement and surplus distribution etc. of the Company prepared and submitted by Board of Directors, the individual financial statement and consolidated financial statement has been jointly audited by HUANG, HSIU-CHUN and WEI, LIANG-FA, accountants from Deloitte & Touche, and audit report has been issued, after we have examined the aforesaid business report, individual financial statement, consolidated financial statement and surplus distribution etc., we have found no discrepancy, it is hereby issued this report pursuant to Article 219 of Company Act for supervision.

Sincerely submitted to

EZconn Corporation 2019 General Meeting

Supervisor: KO, YUAN-YU (Signature)
Supervisor: CHIEN, CHIH-CHENG (Signature)
Supervisor: LAI, WEN-HSIEN (Signature)

March 21, 2019

Seven. Review and analysis of the financial status and performance and risk issues

I. Financial status

Unit: NTD thousands

Item \ Year	End of 2018	End of 2017	Difference	
			Amount	%
Current assets	2,670,887	2,449,896	220,991	9.02
Property, plant and equipment	395,581	404,757	(9,176)	(2.27)
Other assets	176,814	165,356	11,458	6.93
Total assets	3,243,282	3,020,009	223,273	7.39
Current liabilities	958,293	785,689	172,604	21.97
Non-current liabilities	166,622	148,929	17,693	11.88
Total liabilities	1,124,915	934,618	190,297	20.36
Share capital	660,000	660,000	0	0.00
Capital surplus	234,872	234,872	0	0.00
Retained Earnings	1,287,775	1,241,092	46,683	3.76
Other equities	(64,280)	(50,573)	(13,707)	(27.10)
Total equity	2,118,367	2,085,391	32,976	1.58

(I) Analysis and description of the changes of the increase/decrease ratio that reached 20% in the most recent 2 years:
The increase in current liabilities and total liabilities: This is due to the increase of the payables.
The decrease in other equities: This is due to the decrease of conversion differences in the financial statements of overseas business entities.

(II) Future countermeasure:
To adapt to the expansion of the business scale and the changes of the market environment, we prepare and plan the capital expenditure budget and the control of the operational funds.

II. Financial performance

Unit: NTD thousands

	2018	2017	Increase (decrease)	Changes (%)
Net Operating Revenue	2,805,106	2,899,950	(94,844)	(3.27)
Operating cost	2,326,365	2,391,878	(65,513)	(2.74)
Gross profit	478,741	508,072	(29,331)	(5.77)
Operating expenses	413,955	436,874	(22,919)	(5.25)
Other net income and expenses	64,841	80,412	(15,571)	(19.36)
Net operating profit	129,627	151,610	(21,983)	(14.50)
Non-operating income and expenses	76,265	(96,962)	173,227	178.65
Net profit before tax	205,892	54,648	151,244	276.76
Tax benefit (expense)	(51,497)	(7,640)	(43,857)	(574.04)
Net profit after tax	154,395	47,008	107,387	228.44

(I) Main reason of changes that reached above 20%:

1. The increase in non-operating income and expenses: This is due to the devaluation of New Taiwan Dollar, resulting in the profit increase of the foreign currency exchange.
2. The increase in net profit before tax and after tax: This is due to the profit of the foreign currency exchange.
3. The increase in tax expense: This is due to the increase of the net profit before tax.

(II) Expected sales volume and the basis:

Please refer to the description in “V-II. Market and production and sales” of the annual report.

(III) Possible impact on the company’s future financial operations: The operation of EZconn is normal without any change in the operation.

(IV) Countermeasure:

EZconn continues to behold the management philosophy of “innovation, professional, incorruptibility and integrity” to face the changeable business environment of the market with our employees. We also continue our self-requirement and growth by the devotion to the product development and quality promotion to create profits and growth.

III. Cash flow

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

Unit: NTD thousands

Cash balance at beginning of period	Net cash flow from year-round operating activities	Net cash flow from year-round investment and financing activities (including the effect of the exchange rate changes)	Retained (insufficient) amount of cash	Remedy for estimated cash shortage	
				Investment plan	Financial plan
1,288,377	145,885	(208,902)	1,225,360	—	

Analysis of changes in cash flow:

(1) Operating activities: This is the net cash inflow accumulated from the operating activities of the current period.

(2) Investment activities: This is used for the purchasing of property, plant and equipment and the acquisition (disposal) of the financial assets measured at amortized cost.

(3) Financing activities: This is due to the distribution of cash dividends and loan borrowing/repayment from/to the bank.

(II) Improvement plan for lack of liquidity: None.

(III) Cash flow analysis for the coming year

Unit: NTD thousands

Cash balance at beginning of period	Estimated net cash flow from year-round operating activities	Estimated net cash flow from year-round investment and financing activities	Estimated retained (insufficient) amount of cash	Remedy for estimated cash shortage	
				Investment plan	Financial plan
1,225,360	278,689	(303,634)	1,200,415	—	

In the following year, the net cash flow from operating activities is estimated to be NT$278,689,000 and the net cash outflow from investing activities is estimated to be NT$84,634,000 due to purchase of fixed assets. The net cash outflow from financing activities is estimated to be NT$219,000,000 due to distribution of cash dividends and loan payment. There is no estimated cash shortage.

IV. Impacts on financial operations from major capital expenditures in the most recent year: None.

V. The reinvestment policy of the most recent year, reasons for profits or losses, the improvement and investment plans for the coming year:

1. The Company's reinvestment policy

EZconn implements the reinvestment in consideration of the business needs or future development. As for the invested business, we always have control over the state of operation and analyze the effectiveness of the investment so that the management can make follow-up assessment after the investment.

We have established the "Procedures for Investment Cycle" and the "Regulations Governing the Supervision and Management of Subsidiaries" for the management of the invested businesses to control the finance and operation status and establish the risk management systems for the invested businesses.

2. Profit or loss and improvement plans for the invested businesses in 2018:

December 31, 2018 Unit: NTD thousands

Invested businesses	Invested amount	Book value	Recognized profits (losses)
EC-Link Technology Inc.	679,543	1,108,579	41,452
EZconn Europe GmbH	185,143	58,498	10,806

To date, the operation status of EZconn's invested businesses in China still ran stably. We will support EZconn Europe GmbH continuously though its' net equity value was negative due to continued losses. Concerning EZconn Europe GmbH's other receivables of USD 2,668,907.58, the Board of Directors decided to increase the capital of EZconn Europe GmbH with loans on November 14, 2014. However, subjected to the local regulations of Germany, we were unable to increase the capital with loans directly. After the report at the Board of Director's meeting on February 13, 2015, we remitted USD 2,668,907.58 to increase the capital of EZconn Europe GmbH on February 16, 2015. EZconn Europe GmbH then made the loan payment to improve their financial status. The invested businesses of EZconn are those related to our core business or the holding companies. In the future, we will continue to focus on the operation of our core business to create the greatest advantage for the Company and our shareholders.

3. Investment plans for the coming year:

To manage to the demand of operational funds for the third-tier subsidiary EZconn technologies CZ s. r. o., the Board of Directors of EZconn adopted the resolution to increase the capital of the subsidiary EZconn Europe GmbH within a limit of 1,800,000 Euros on August 12, 2016. We have not increases the capital of EZconn Europe GmbH to the date on which the annual report is printed.

VI. The risk analysis and assessment in the recent years and as of the date on which the annual report is printed

(I) The effects of interest and exchange rate fluctuations and inflation on the profit and loss of the Company as well as future countermeasures:

1. The effects of interest and exchange rate fluctuations on the profit and loss of the Company as well as future countermeasures

The interest expenses of EZconn and subsidiaries was NT$2,614,000 in 2017 and NT$2,416,000, respectively, in 2018, occupying 0.09% of the annual revenue each year. This was due to the interest expenses generated by the loans from the lending financial institutions. Since the expenses only occupied minor proportion of the operating revenue, there was no significant impact of the interest rate fluctuations on the Company and subsidiaries. Our subsidiaries and we will always pay attention to the interest rate fluctuations and strive to negotiate a better interest rate with the banks we are working with to reduce the interest cost.

2. The effects of exchange rate fluctuations on the profit and loss of the Company as well as future countermeasures

The product sales of EZconn and our subsidiaries mainly rely on export and the sales revenue are mainly in U.S. Dollar. We purchase raw materials from domestic and overseas suppliers. The receivables in USD is higher than the payables in USD, therefore the exchange rate fluctuations has a potential impact on the profit and loss of the Company. We use the natural hedging method to offset the foreign currency receivables and the payables and always pay attention to the information of exchange rate fluctuations and the demand for foreign currency funds to timely adjust the holding position and the exchange time. We will select appropriate financial products as hedging instrument to reduce the risk of exchange rate fluctuations when necessary.

3. The effects of inflation on the profit and loss of the Company as well as future countermeasures

The main raw materials to produce our RF connectors is the brass rod. We timely adjust the product cost and selling price as a response to the price change in the international raw materials, therefore causing insignificant impact on the Company and the subsidiaries. As for other main raw materials, we pay close attention to the price fluctuations and the inflation status to reflect the cost price variation timely on the selling price to avoid significant impact on the profits of the Company. We continue to optimize the production process to increase the production efficiency and reduce the cost. In this case, we still maintain good competitiveness when facing the price competition in the market.

(II) Policies on high-risk, high-leverage investments, capital lending to third-party, endorsements, guarantees, and derivatives transactions, and the main reasons for profits or losses generated thereby and future countermeasures:

1. Engagement in high-risk, high-leverage investments:

We beholds the principle of stable operation to focus on the core business of assembling, processing, manufacturing and selling without participating in any high-risk, high-leverage investments.

2. Lending of capital, endorsements and guarantees:

We have "Procedures for Acquisition or Disposal of Assets," "Procedures for Loaning Funds to Others" and "Procedures for Endorsements/Guarantees" and all of which have been approved by the Board of Directors. Since Light Master Technology (Ningbo) Inc. became the supplier of Huawei in recent years and to the date on which the annual report is printed, we offered joint guarantee in the purchasing contract and the ceiling was NT$200,000,000 in accordance with the Procedures for Endorsements/Guarantees of the Company. In addition, the Board of Directors approved to rescind this guarantee on November 13, 2018. EZconn's subsidiaries also have established related procedure and offered no endorsements or guarantees in recent years and to the date on which the annual report is printed.

No funds are loaned to others in recent years and to the date on which the annual report is printed.

3. Derivative commodity transactions:

We have established the "Procedures for Acquisition or Disposal of Assets" as a reference for the derivative commodity transactions. The procedure also specified that the purpose of the derivative financial commodity is for hedging instead of profits. Therefore, we have hedging operations aiming at the changes of the foreign currency depending on our demand and select forward exchange as the hedging instrument without performing any other derivative financial commodity transactions. The above hedging operations may cause losses in trading because of fluctuation of the market rate. Our subsidiaries and we timely announce all trading information in accordance with the laws.

(III) Future R&D projects and expected R&D expenses:

RF connectors and optical communication products are the two main products of EZconn and the subsidiaries. We concentrate on the development and improvement of various products to receive the certifications of the safety standard units and the customers in each country. To correspond to the product demand of the global customers, we have development units responsible for the design, production and the introduction of mass production for precision molds and automatic assembly equipment.

To respond to the growth of the next generation passive optical network (NG-PON) and the demand for high speed optical transceiver module during the initial deployment of 5G, our short-term R&D plan of the optical sub-assembly will include the development of the tunable and cooling TO-CAN packaging technology for NG-PON2, WDM-PON and XG(S)-OLT, 28G BOSA (5G Mobile Xhaul) and COMBO OLT BOSA that integrated the GPON and XG(S)PON services and 100G CWDM4 TOSA/ROSA. Regarding the development of the optical module products, we have plans for the SFP28-LR and the XG(S)-PON ONU stick integrating the MAC chips. We also develop and design the high-density fiber optics connector in relation to the photoelectric passive components.

Driven by the market and various technical standards, manufacturers have started planning the standards for the next-generation technology of 10G-PON (50G PON/100G PON). The demand for Datacenter components is expected to change gradually from the mainstream of 100G to the 400G components of higher speed in the coming 2-3 years. Besides, we expect to begin the business of 5G in 2020. The integration of each network services and the required optical fiber infrastructure will promote the demands for the high-speed optical transceiver components of 25G/100G/400G and NG-PON. The future optical communication applications will focus on the integration technology using components with higher speed and density. Thus, for the middle term R&D plan, we plan to invest in the development of 400G products and provide more R&D resources to develop technologies for the integration of packaging and testing of high precision, speed and density. As for the present optical sub-assembly design using the TO-CAN, we expect to have diversified designs by the automatic integration of advanced customized components in the future. By the trend of products with high density, we continue to develop high speed products via new product technology platforms (non-TO-CAN) and expand our product line from the current 100G to 400G or even higher in relation to the application of high speed products in the future. Besides applications for optical communication in our long-term development plan, we also seek for cross-industry partners to assist potential customers to apply the technology of photovoltaic integration to different markets such as the photoelectric sensors, industrial control and consumer products.

We remain to invest 4% of the net operating revenue as the R&D expenses in the development of RF connectors and optical communication products.

(IV) Changes in important policies and laws at home and abroad impacting our financial operations, and countermeasures:

The operation and management of EZconn and our subsidiaries complied with related laws and regulations at home and abroad. We always take notice of the changes in related policies and laws no matter in Taiwan or abroad and collect related information as reference for our management to make operational decisions and take measures in response to the financial operations of the Company. Thus, there is no significant impact of changes in important policies and laws at home and abroad on our financial operations.

(V) Impacts of developments in technology and industrial change on the company’s financial operations, and response measures:

Our RF connectors mainly applied to the cable television and the cable broadband industry while our main customers are international brands with market positions. Currently, we received certification for the supply of some high-end products and occupied certain market position among the RF connectors market for cable television. By the stable operation of the Company, the developments in technology and industrial change have no impact on the RF connectors as well as the Company’s financial operation.

The optical transceiver module and photoelectric passive component, serving as the essential components for optical communication, are the main optical communication products of EZconn. As the coming of the digital era and the changes in technology, the demand for network bandwidth around the globe becomes stronger. The market demand for related equipment of network communication and optical communication components also increased. In general, the optical communication products are born to adapt to the future technological change.

(VI) Impacts of changes in corporate image on the corporate crisis management, and response measures:

Since the foundation of EZconn in 1996, we run the Company by a stable and practical way to enhance the internal management and actively promote product quality to meet the quality demand of the customers. There is no such event that damages the corporate image or result in corporate crisis.

(VII) Expected benefits and potential risks from a merger or acquisition, and response measures:

We do not have plans of merger and acquisition in the current year to the date of the print of the report. If we have plans in the future, we will carefully access and consider the synergy of the mergers and acquisitions to ensure the existing equity of the shareholders.

(VIII) Expected benefits and potential risks from plant expansion, and response measures:

Currently, we do not have plans for plant expansion. We will access possible risks carefully in case we have plans to increase equipment and expand our plants due to the promotion of capacity.

(IX) Risks associated with any concentration of sales or procurement, and response measures:

1. Procurement: Most of our suppliers are companies with long-term relationship. Suppliers for some special raw materials all maintain good partnership with us to ensure stable supply source of materials. Koryo Electronics is the agent for Mitsubishi Electric and the latter is the main LD supplier in the world. The industry characteristic results in the fact that our procurement of LD material is overly concentrated on Koryo Electronics Co., Ltd. As such, we not only pay close attention to the changes in supply and demand of the raw material supply market, but also positively develop new suppliers to diversify our procurement risks.

2. Sales: We mainly strive for the RF connectors orders from the first-class manufactures in Europe and America. This is due to the end customers of our RF connectors are mainly cable television system integrators. The mature development of such industry resulted in companies with more resources will only get bigger.

Therefore, we mainly sell our products to large cable television system integrators in the West, causing the concentrated sales. With excellent manufacturing capacity of molds and jigs, we maintain long-term and stable cooperation with the customers via outstanding delivery and conditions. We also strive to acquire orders from other customers to reduce the risk of business loss even if the sales to end customer increases or decreases at times. We mainly sell the optical communication products to global renowned equipment manufacturers. Due to the integration of the optical communication industry in recent years, companies with more resources tend to grow bigger. Downstream optical communication equipment manufacturers usually have stable cooperation with system integrators while also routinely working with upstream supply chain. Once the manufacturers are certified, they will not be replaced easily expect for major concerns over quality or delivery. We have overly concentrated sales because we've become the supplier for the terminal system major manufacturers such as Huawei Group. We aggressively enhance the vertical integration of equipment suppliers and provide comprehensive product line service. In the meantime, we actively develop Europe and America customers of the telecommunication system to increase the number of our core customers. We will continue to work hard in developing new products and technologies to satisfy customer's demand on quality, cost and delivery. Meanwhile, we're able to accept customer's specific manufacturing needs and lower the risk of overly concentrated sales with our excellent technological capability.

(X) Impacts and risks from large transfers of shares held by our company's directors, supervisors, or large shareholders holding more than 10% of shares, and response measures:

Considering the improvement of the corporate governance, we held the new election for directors and supervisors on June 2014 and introduced outside directors and independent directors with no material changes in the management rights in recent years and to the date on which the annual report is printed. There are no large transfers of shares held by the Company's directors, supervisors, or large shareholders holding more than 10% of shares.

(XI) Impacts and risks from changes in management rights, and response measures: None.

(XII) Litigation and non-litigious events

1. Major litigious, non-litigious, or administrative disputes in the recent 2 years and to the date of publication of the annual report that have been resolved or are still proceeding. Where such outcome may materially affect shareholders' equity or the prices of the securities, the facts of the litigation, amount of subject, the date of litigation, the main parties, and the status of the proceedings shall be disclosed:

In October 2014, PCT International Inc. ("PCT"), one of the Company's customers, filed with the United States District Court a civil lawsuit against the Company alleging infringement of intellectual property rights, business confidentiality, and business opportunities. In September 2017, the Court granted judgment in favor of the Company and PCT takes nothing. PCT appealed against the judgment in October 2017; however, the Company's attorney in the U.S. assessed that the chance of PCT to win on an appeal would be remote. As a result, the Company's management believed that the case would not have a significant impact on the Company's financial position and operating activities.

PCT and its subsidiary, PCT Broadband Communication (Yantai) Co., Ltd. ("PCT Yantai"), owed the Company US$6,648 thousand and US$2,651 thousand, respectively. The Company engaged lawyers and has filed civil lawsuits in the courts in the United States in February 2016 seeking PCT to pay the overdue trade receivables exclusive of interest. In August 2017, the Court granted judgment in favor of the Company and awarded US$9,463 thousand to the Company. PCT appealed against the judgment in September 2017. In January 2018, the Court ordered that approximately US$2,222 thousand deposited in the Court Registry by PCT shall be paid to the Company in partial satisfaction of the US$9,463 thousand judgment for the Company. PCT paid the compensation to the Company thereafter. As a result, the Company had reversed $64,841 thousand expected credit loss on trade receivables (classified as other operating income and expenses) in 2018. As of March 21, 2019, the Company had recognized the remaining amount as impairment loss, and the lawsuit was still in trial. The Company believed that the case would not have a significant impact on the Company's financial position and operating activities.

The Company engaged lawyers to file a civil lawsuit in Yantai City Intermediate People's Court and reached a settlement with PCT Yantai in March 2017. PCT Yantai paid the Company US$2,651 thousand for the overdue receivables and US$240 thousand penalty for breach of contract. As a result, the Company had reversed $80,412 thousand impairment loss on trade receivables (classified as other operating income and expenses) and $7,261 thousand liquidated damage and penalty (classified as other income) for the year ended December 31, 2017. In April 2017, the Company also engaged lawyers to file a civil lawsuit in Yantai City Intermediate People's Court seeking PCT Yantai to pay the loss on inventory of US$681 thousand. The Company deposited RMB-1,500 thousand as a guarantee for provisional attachment of PCT Yantai. The Company reached a settlement with PCT Yantai in December 2017. PCT Yantai agreed and paid US$650 thousand for the inventory. The guarantee deposit in the Court for the provisional attachment of PCT Yantai was also lifted in January 2018.

2. Outcomes of major litigious, non-litigious, or administrative disputes that have been

resolved or are still proceeding involving our company's directors, supervisors, president, the responsible person, large shareholders holding more than 10% of shares and the affiliated companies, and that may have serious impact on shareholders' equity or the prices of the securities in the recent 2 years and to the date on which the annual report is printed: None.

3. Company's directors, supervisors, managerial officers and large shareholders holding more than 10% of shares involved in the event listed in Article 157 of the Securities and Exchange Act and the management of the company: None.

(XIII) Other major risks and response measures: None.

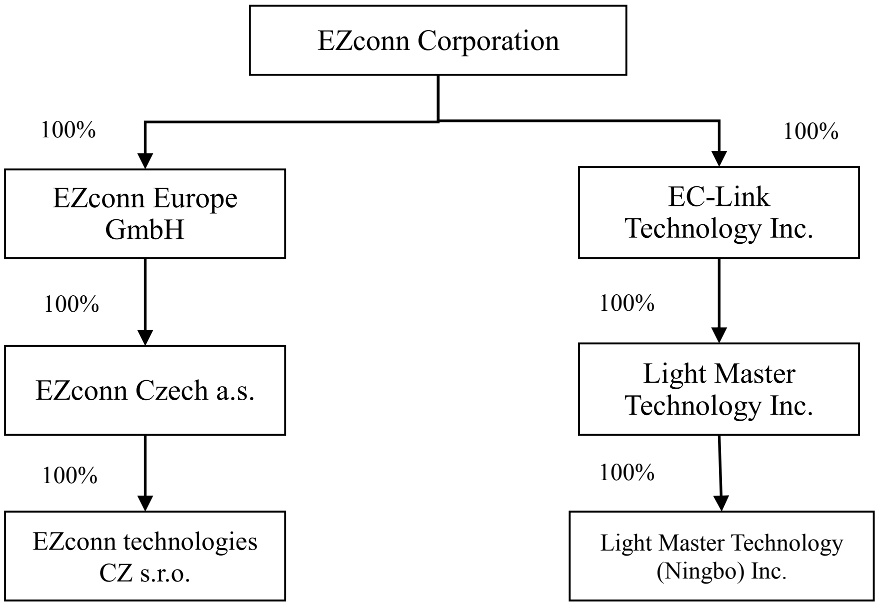
VII. Other important issues: None.

Eight. Special matters to be recorded:

I. Related information of the affiliates

(I) Consolidated business report of the affiliates

1. Organization Chart of the affiliates December 31, 2018



(1) Basic information of each affiliates

Unit: NTD/foreign currency thousands

Company name	Incorporation date	Address	Paid-in capital	Main business items or production items
EZconn Corporation	September 4, 1996	3F., No. 12, Ln. 121, Lide Rd., Beitou Dist., Taipei City	660,000	R&D, production and sales of various RF connectors and optical communication components
EZconn Europe GmbH	June 2, 2005	Uhlandstraße 20-25, Berlin, 10623, Germany	EUR 25	Trade in various optical communication components. Served as a holding company without any business operations
EZconn Czech a.s.	March 1, 2006	Náchodská 529, Trutnov, 541 01, Czech Republic	CZK 53,000	Manufacture of various optical communication components
EZconn technologies CZ s.r.o.	June 6, 2013	Kubelíkova 1224/42, Praha, 130 00, Czech Republic	CZK 10,000	Manufacture and R&D of various optical communication components
EC-Link Technology Inc.	July 16, 2002	Offshore Chambers, P. O. Box 217, Apia, Samoa	USD 21,417	Served as a holding company
Light Master Technology Inc.	July 16, 2002	Offshore Chambers, P. O. Box 217, Apia, Samoa	USD 15,050	Served as a holding company
Light Master Technology (Ningbo) Inc.	October 28, 2002	No. 3, Yangzijiang North Rd., South Dist., Ningbo bonded area	USD 15,000	Production and sales of various RF connectors and optical communication components

(2) According to Article 369-3 of the Company Act, companies concluded to have controlling and subordinate relation shall be disclosed: None.

(3) Industries covered by the business of the overall affiliates

The industries covered by the business of the affiliates mainly focus on different precision metal parts for electronic components, electronics and design, development, production, assembly and processing, sales and service of each fiber optic components. A small part of affiliates principally engaged in investment holding as their business scope.

(4) Information on directors, supervisors and president of each affiliates

April 12, 2019

Company name	Title	Name or representative	No. of shares held: Number of shares	No. of shares held: Shareholding ratio
EZconn Corporation	Chairman	SHC Consolidated Investors LLC	2,072,202	3.14%
	Corporate chairman Representative	Representative of corporate SHC - Chen, Steve	0	0.00%
	Director	Dural Holdings Limited	1,246,382	1.89%
	Corporate director Representative	Representative of corporate Dural - Li Shih-Cheng	361,248	0.55%
	Director	Jia Jiu Investment Co., Ltd.	800,000	1.21%
	Corporate director Representative	Representative of corporate Jia Jiu - Chang Ying-Hua	43,666	0.07%
	Director	Transnational Investment Limited	1,488,193	2.25%
	Corporate director Representative	Representative of corporate TIL - Chou Wan-Shun	0	0.00%
	Director	Chen Hsiao-Yun	3,111	0.00%
	Independent director	Li Chien-Ping	0	0.00%
	Supervisor	Ko Yuan-Yu	14,222	0.02%
	Supervisor	Lai Wen-Hsien	0	0.00%
	Supervisor	EGTRAN CORPORATION	3,395,944	5.15%
	Supervisor Representative	Representative of corporate EGTRAN - Chien Chih-Cheng	318,666	0.48%
EZconn Europe GmbH	Chairman	Chen, Steve	(Note 1)	100.00%
	Director	Li Shih-Cheng		
	Director	Petr Tauchman		
	President	Petr Tauchman		
EZconn Czech a.s.	Chairman	Chen, Steve	(Note 2)	100.00%
	Director	Li Shih-Cheng		
	Director	Petr Tauchman		
	Supervisor	Pavel Otruba		
	Supervisor	Vratislav Musil		
	President	Petr Tauchman		
EZconn technologies CZ s.r.o.	Chairman	Chen, Steve	(Note 1)	100.00%
	Director	Li Shih-Cheng		
	Director	Petr Tauchman		
	President	Petr Tauchman		
EC-Link Technology Inc.	Director	EZconn Corporation Corporate representative - Chen, Steve	21,417,000	100.00%
Light Master	Director	EC-Link Technology Inc.	15,050,000	100.00%

Company name	Title	Name or representative	No. of shares held	
			Number of shares	Shareholding ratio
Technology Inc.		Corporate representative - Chen, Steve		
Light Master Technology (Ningbo) Inc.	Chairman	Chang Chi-Fu	(Note 1)	100.00%
	Director	Li Shih-Cheng		
	Director	Chang Ying-Hua		
	Supervisor	Tsou Lung-Ping		
	President	Pan Sheng-Li		

(Note 1) This is a limited company so no shares are issued.

(Note 2) Since all previous capital increase shares had different par value when issued, the number of shares cannot be listed.

2. Overview of business operation of the affiliates

Unit: NTD thousands / December 31, 2018

.	Paid-in capital	Total assets	Total liabilities	Net value	Operating revenue	Operating income (loss)	Income (loss) for the current period (after tax)
EZconn Corporation	660,000	3,302,443	1,184,076	2,118,367	2,494,537	86,825	154,395
EZconn Europe GmbH	880	75,641	17,143	58,498	0	12,541	10,806
EZconn Czech a.s.	72,355	77,108	21,247	55,861	86,179	14,918	12,202
EZconn technologies CZ s.r.o.	13,652	11,084	890	10,194	5,057	(4,777)	(1,163)
EC-Link Technology Inc.	657,823	1,108,701	0	1,108,701	0	(36)	41,452
Light Master Technology Inc.	462,261	1,079,876	0	1,079,876	0	(36)	41,486
Light Master Technology (Ningbo) Inc.	460,725	1,226,356	266,304	960,052	1,303,135	30,441	42,225

(II) Consolidated financial statements of the affiliates: Please refer to Page 131.

(III) Affiliation report: N/A.

II. Private equity securities transactions in recent years and to the publication date of the annual report: None.

III. Holding or disposal of the company’s shares by the subsidiaries in the most recent year and to the publication date of the annual report: None.

IV. Other necessary additional statements: None.

Nine. Matters that have a significant impact on shareholders’ equity or securities prices as set forth in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act in the most recent year and to the publication date of the annual report: None.

EZconn Corporation

Declaration on the Internal Control System

Date: March 21, 2019

Based on the result of self-inspection of EZconn's internal control system in 2018, we hereby declare the following:

I. We acknowledge that the BoD and managers are responsible for the establishment, implementation and maintenance of the internal control system. We have established such a system, with the aim to provide reasonable assurance concerning the effectiveness and efficiency of operations (including profits, performance and protection of asset safety), reports with reliability, promptness, and transparency and compliance with relevant laws and regulations.

II. Any internal control system has its inherent limitations. No matter how well an internal control system is designed, it can only provide reasonable assurance regarding the achievement of the above three objectives. Moreover, the effectiveness of an internal control system may be altered as a result of changes in the environment and circumstances. However, our internal control system has a self-monitoring mechanism. Once a defect has been identified, corrective actions are immediately taken.

III. We determine the effectiveness of the design and implementation of our internal control system using the criteria of judgment of the effectiveness of the internal control system specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The judgment criteria of internal control systems specified in the "Regulations" contain five components for the internal control system based on the processes of management and control: a. control environment, b. risk assessment, c. control activities, d. information and communication, and e. monitoring activities. Each component includes several elements. Please see the Regulations for the aforementioned criteria.

IV. We have used the aforementioned criteria to assess the effectiveness of the design and implementation of our internal control system.

V. Based on the result of the assessment, we finally determined that until December 31, 2018, the design and implementation of our internal control system (including supervision and management of subsidiaries) have worked well regarding the effectiveness and efficiency of operations, the reliability, promptness, and transparency of reports and compliance with relevant laws and regulations, providing reasonable assurance that the above objectives have been achieved.

VI. This Declaration is to be part of the main contents of our annual reports and prospectuses, and released to the public. In the event the above public contents have included false information or concealed certain information, the legal responsibilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Act shall apply.

VII. This Declaration was adopted at the BoD meeting on March 21, 2019. All the 6 Directors present approved the contents of this Declaration, and none of them expressed any dissenting opinion. This information is declared as an addition.

EZconn Corporation

Chairman: CHEN STEVE Signature

President: Li Shih-Cheng Signature

EZconn Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of EZconn Corporation as of and for the year ended December 31, 2018, under the Criteria Governing 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 International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, EZconn Corporation and subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,
EZCONN CORPORATION
By

CHEN, STEVE
Chairman

March 21, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
EZconn Corporation

Opinion

We have audited the accompanying consolidated financial statements of EZconn Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the 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 Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. 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.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

<u>Impairment of Trade Receivables</u>

As of December 31, 2018, the Group's trade receivables, which are presented in New Taiwan dollars ("NT$"), amounted to NT$632,666 thousand (net of allowance for impairment loss of NT$137,464 thousand). Since the provision for impairment of trade receivables is based on management's subjective judgment and affected by credit risks on receivables, it is identified as one of the key audit matters.

Please refer to Notes 4, 5 and 11 to the consolidated financial statements for the accounting policy, critical accounting estimates and judgements, and details of the information about trade receivables.

The audit procedures we performed in response to the above key audit matter included the following:

1. We obtained an understanding of the design of the key controls over trade receivables and we tested the operating effectiveness of such controls.

2. We obtained an understanding of the accounting policy on impairment of trade receivables, and we reviewed the rate of impairment loss in prior years to assess the reasonableness of the allowance for impairment loss calculated by management for the current year.

3. We assessed the reasonableness of the allowance for impairment loss by verifying the accuracy of the related report.

4. We reviewed the collection of individually material trade receivable balances after balance sheet date to assess whether any additional provision is needed.

Impairment of Inventory

As of December 31, 2018, the Group's inventories amounted to NT$695,272 thousand (net of provision for inventory value decline of NT$129,904 thousand). Please refer to Notes 4, 5 and 12 to the consolidated financial statements for the details of the information.

The Group's inventories are stated at the lower of cost or net realizable value and estimation of net realizable value is affected by management's subjective judgement. In addition, due to fluctuating demand and rapid changes in technology, inventories may become slow-moving or obsolete. Therefore, it has been identified as a key audit matter.

The audit procedures we performed in response to the above key audit matter included the following:

1. We obtained an understanding of the design of the controls over valuation of inventory and we tested the operating effectiveness of such controls.

2. We obtained an understanding of the reasonableness of the accounting policy on inventory write-downs, and tested the aging of inventory and verified that the valuation of inventory conformed with the Group's policy.

3. We compared the carrying values to the latest sales invoices of sample items to assess whether they were measured at the lower of cost or net realizable value.

4. We observed physical inventory count and assessed the physical condition of inventory to evaluate the adequacy of inventory provisions of obsolete and damaged goods.

Other Matter

We have also audited the parent company only financial statements of EZconn Corporation as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 the 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 the 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 Group's internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Hsiu-Chun Huang and Liang-Fa Wei.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 21, 2019

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

EZCONN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,225,360	38	$ 1,288,377	43
Financial assets at amortized cost - current (Notes 4 and 8)	61,357	2	-	-
Debt investments with no active market - current (Notes 4, 10, 11 and 30)	-	-	70,741	2
Notes receivable (Notes 4, 5 and 11)	16,879	-	29,539	1
Trade receivables (Notes 4, 5 and 11)	632,666	19	508,767	17
Trade receivables from related parties (Notes 4, 5,11 and 29)	7	-	40	-
Other receivables (Notes 4 ,5 and 11)	18,516	1	14,626	1
Current tax assets (Notes 4 and 25)	1,690	-	3,351	-
Inventories (Notes 4, 5 and 12)	695,272	21	522,827	17
Prepayments and other current assets (Note 16)	19,140	1	11,628	-
Total current assets	2,670,887	82	2,449,896	81
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	42,018	1	-	-
Financial assets at amortized cost - non-current (Notes 4, 8 and 30)	2,202	-	-	-
Financial assets measured at cost - non-current (Notes 4 and 9)	-	-	12,620	1
Property, plant and equipment (Notes 4, 14 and 29)	395,581	12	404,757	13
Intangible assets (Notes 4 and 15)	10,532	1	8,516	-
Deferred tax assets (Notes 4 and 25)	91,549	3	112,101	4
Prepayments for equipment (Note 29)	3,997	-	4,322	-
Refundable deposits	3,163	-	3,325	-
Long-term prepayments for leases (Note 16)	23,353	1	24,472	1
Total non-current assets	572,395	18	570,113	19
TOTAL	$ 3,243,282	100	$ 3,020,009	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 220,000	7	$ 220,000	7
Notes payable (Note 18)	379	-	131,927	4
Trade payables (Note 18)	483,545	15	177,611	6
Other payables (Note 19)	183,703	6	160,181	5
Current tax liabilities (Notes 4 and 25)	6,060	-	-	-
Provisions - current (Notes 4 and 20)	8,055	-	48,797	2
Other current liabilities (Notes 3, 4 and 23)	56,551	2	47,173	2
Total current liabilities	958,293	30	785,689	26
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 25)	86,597	3	63,418	2
Net defined benefit liabilities (Notes 4 and 21)	71,566	2	76,672	3
Other non-current liabilities	8,459	-	8,839	-
Total non-current liabilities	166,622	5	148,929	5
Total liabilities	1,124,915	35	934,618	31
EQUITY (Notes 4 and 22)				
Ordinary shares	660,000	20	660,000	22
Capital surplus	234,872	7	234,872	8
Legal reserve	217,931	7	213,230	7
Special reserve	50,573	2	35,315	1
Unappropriated earnings	1,019,271	31	992,547	33
Other equity	(64,280)	(2)	(50,573)	(2)
Total equity	2,118,367	65	2,085,391	69
TOTAL	$ 3,243,282	100	$ 3,020,009	100

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

EZCONN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4, 5, 23 and 29)	$ 2,805,106	100	$ 2,899,950	100
COST OF REVENUE (Notes 12, 21 and 24)	2,326,365	83	2,391,878	83
GROSS PROFIT	478,741	17	508,072	17
OPERATING EXPENSES (Notes 11, 21, 24 and 29)				
Selling and marketing expenses	73,260	3	76,664	3
General and administrative expenses	218,398	8	236,604	8
Research and development expenses	122,297	4	123,606	4
Total operating expenses	413,955	15	436,874	15
OTHER OPERATING INCOME AND EXPENSES (Note 11)	64,841	2	80,412	3
PROFIT FROM OPERATIONS	129,627	4	151,610	5
NON-OPERATING INCOME AND EXPENSES (Notes 4, 11 and 24)				
Other income	14,993	1	25,232	1
Other gains and losses	63,688	2	(119,580)	(4)
Finance costs	(2,416)	-	(2,614)	-
Total non-operating income and expenses	76,265	3	(96,962)	(3)
PROFIT BEFORE INCOME TAX	205,892	7	54,648	2
INCOME TAX EXPENSE (Notes 4 and 25)	51,497	2	7,640	-
NET PROFIT FOR THE YEAR	154,395	5	47,008	2
OTHER COMPREHENSIVE INCOME/(LOSS) (Notes 4, 7, 21 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	3,332	-	(4,336)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(3)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(400)	-	737	-
	2,929	-	(3,599)	-

(Continued)

EZCONN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (20,731)	-	$ (18,383)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss	3,980	-	3,125	-
	(16,751)	-	(15,258)	(1)
Other comprehensive loss for the year, net of income tax	(13,822)	-	(18,857)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 140,573	5	$ 28,151	1
EARNINGS PER SHARE (Note 26)				
Basic	$ 2.34		$ 0.71	
Diluted	$ 2.33		$ 0.71	

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

EZCONN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Share Capital (Note 22)		Capital Surplus (Note 22)	Retained Earnings (Notes 3, 4 and 22)				Other Equity (Notes 3, 4 and 22)			
	Share (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Comprehensive Income	Total	Total Equity
BALANCE AT JANUARY 1, 2017	66,000	$ 660,000	$ 234,872	$ 184,234	$ -	$ 1,231,249	$ 1,415,483	$ (35,315)	$ -	$ (35,315)	$ 2,275,040
Appropriation of 2016 earnings											
Legal reserve	-	-	-	28,996	-	(28,996)	-	-	-	-	-
Special reserve	-	-	-	-	35,315	(35,315)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(217,800)	(217,800)	-	-	-	(217,800)
Net profit for the year ended December 31, 2017	-	-	-	-	-	47,008	47,008	-	-	-	47,008
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(3,599)	(3,599)	(15,258)	-	(15,258)	(18,857)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	43,409	43,409	(15,258)	-	(15,258)	28,151
BALANCE AT DECEMBER 31, 2017	66,000	660,000	234,872	213,230	35,315	992,547	1,241,092	(50,573)	-	(50,573)	2,085,391
Effect of retrospective application	-	-	-	-	-	21,243	21,243	-	3,160	3,160	24,403
BALANCE AT JANUARY 1, 2018 AS RESTATED	66,000	660,000	234,872	213,230	35,315	1,013,790	1,262,335	(50,573)	3,160	(47,413)	2,109,794
Appropriation of 2017 earnings											
Legal reserve	-	-	-	4,701	-	(4,701)	-	-	-	-	-
Special Reserve	-	-	-	-	15,258	(15,258)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(132,000)	(132,000)	-	-	-	(132,000)
Net profit for the year ended December 31, 2018	-	-	-	-	-	154,395	154,395	-	-	-	154,395
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	3,045	3,045	(16,751)	(116)	(16,867)	(13,822)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	157,440	157,440	(16,751)	(116)	(16,867)	140,573
BALANCE AT DECEMBER 31, 2018	66,000	$ 660,000	$ 234,872	$ 217,931	$ 50,573	$ 1,019,271	$ 1,287,775	$ (67,324)	$ 3,044	$ (64,280)	$ 2,118,367

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

EZCONN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 205,892	$ 54,648
Adjustments for:		
Depreciation expenses	67,170	66,420
Amortization expenses	7,158	8,376
Expected credit loss reversed on trade receivables	(65,772)	(88,054)
Amortization of prepayments for leases	707	698
Finance costs	2,416	2,614
Interest income	(13,710)	(9,321)
Loss on disposal of property, plant and equipment	1,736	2,353
(Reversal of) write-down of inventories	2,255	(11,945)
Recognition of provisions	-	10,165
Changes in operating assets and liabilities		
Notes receivable	12,660	(16,082)
Trade receivables	(60,952)	521,671
Trade receivables from related parties	33	119
Other receivables	(3,500)	7,305
Inventories	(174,562)	109,964
Prepayments and other current assets	(7,525)	(86)
Notes payable	(131,548)	(21,116)
Trade payables	305,934	(216,177)
Trade payables to related parties	-	(11)
Other payables	21,416	(63,591)
Provisions	-	(27,604)
Other current liabilities	(31,364)	36,949
Net defined benefit liability	(1,774)	(3,982)
Cash generated from operations	136,670	363,313
Interest received	13,320	8,677
Interest paid	(2,470)	(2,517)
Income tax paid	(1,635)	(32,868)
Net cash generated from operating activities	145,885	336,605
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at cost	(97,929)	-
Proceeds from sale of financial assets measured at cost	104,025	-
Purchase of debt investments with no active market	-	(38,346)
Proceeds from sale of debt investments with no active market	-	16,763
Payments for property, plant and equipment	(63,186)	(58,296)
Proceeds from disposal of property, plant and equipment	1,060	2,092
Decrease (increase) in refundable deposits	160	(227)
Payments for intangible assets	(9,185)	(9,666)
Net cash used in investing activities	(65,055)	(87,680)

(Continued)

EZCONN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	$ 2,410,000	$ 3,370,000
Repayments of short-term borrowings	(2,410,000)	(3,150,000)
Decrease in other non-current liabilities	(380)	(416)
Dividends paid to owners of the Company	(132,000)	(217,800)
Net cash (used in) generated from financing activities	(132,380)	1,784
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(11,467)	(34,214)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(63,017)	216,495
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,288,377	1,071,882
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,225,360	$ 1,288,377

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

EZCONN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

EZconn Corporation (the "Company") was incorporated in the Republic of China ("ROC") on September 4, 1996. The Company mainly manufactures and sells precision metal components and optical fiber components of various electronic products.

The Company's shares have been listed on the Taiwan Stock Exchange ("TWSE") since July 14, 2015.

These consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Company's Board of Directors on March 21, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      The requirements for classification, measurement and impairment of financial assets have been applied retrospectively starting from January 1, 2018. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 1,288,377	$ 1,288,377	a)
Equity securities	Available□for□sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	12,620	42,021	b)
Debt investments with no active market	Loans and receivables	Amortized cost	70,741	70,741	c)
Notes receivable, trade receivables (included related parties) and other receivables	Loans and receivables	Amortized cost	542,117	542,117	a)

	Measurement Category		Carrying Amount		
Financial Liabilities	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Short-term borrowings, trade payables (included related parties) and other payables	Amortized cost	Amortized cost	$ 589,578	$ 589,578	

Financial Assets	**IAS 39 Carrying Amount as of January 1, 2018**	**Reclassifi-cations**	**Remea-surements**	**IFRS 9 Carrying Amount as of January 1, 2018**	**Retained Earnings Effect on January 1, 2018**	**Other Equity Effect on January 1, 2018**	**Remark**
FVTOCI	$ -	$ -	$ -	$ -	$ -	$ -	
Add: Reclassification from available-for-sale (IAS 39)	-	12,620	29,401	42,021	21,243	3,160	b)
	-	12,620	29,401	42,021	21,243	3,160	
Amortized cost	-	-	-	-	-	-	
Add: Reclassification from loans and receivables (IAS 39)	-	1,901,235	-	1,901,235	-	-	a) and c)
	-	1,901,235	-	1,901,235	-	-	
	$	$ 1,913,855	$ 29,401	$ 1,943,256	$ 21,243	$ 3,160	

a) Cash and cash equivalents, notes receivable, trade receivables (included related parties) and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

b) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $29,401 thousand and $24,403 thousand was recognized in financial assets at FVTOCI and other equity - unrealized gain on financial assets at FVTOCI (net of income tax) on January 1, 2018, respectively.

The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as available-for-sale (included measured at cost) and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $21,243 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $21,243 thousand in retained earnings on January 1, 2018.

c) Debt investment previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

Prior to the application of IFRS 15, estimation of to customer returns and rebates classified as provisions of customer returns and rebates. Under IFRS 15, customer returns and rebates were recognized as refund liability (classified under other current liabilities).

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018, and reclassified provisions of customer returns and rebates - current $40,742 thousand to other current liabilities.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

- IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments for leases - current	$ 694	$ (694)	$ -
Prepayments for leases - non-current	23,353	(23,353)	-
Right-of-use assets	-	67,442	67,442
Total effect on assets	$ 24,047	$ 43,395	$ 67,442
Lease liabilities - current	$ -	$ 13,768	$ 13,768
Lease liabilities - non-current	-	29,627	29,627
Total effect on liabilities	$ -	$ 43,395	$ 43,395

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of other standards and interpretations will not have material impact on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 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.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 13, Tables 5 and 6 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Group entities (including subsidiaries in other countries that use currency different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, supplies, work-in-process and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

2018

Financial assets are classified into the following categories: Financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables and other receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Available-for-sale financial assets and loans and receivables.

i. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

ii. Loans and receivables

Loans and receivables (including notes receivable, trade receivables, cash and cash equivalents, debt investments with no active market, and other receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime Expected Credit Losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as trade receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it is becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes financial assets only when the contractual rights to the cash flows from the assets expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another party.

Before 2017, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the best estimate by the management of the Group of the expenditure required to settle the Group's obligation.

l. Revenue recognition

2018

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of Optical Fiber Component and Radio Frequency Connector products. Sales of Optical Fiber Component and Radio Frequency Connector products are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Group estimated customer returns and rebates to recognized refund liability (other current liabilities) based on past experience and consider different contract conditions.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder’s right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and the applicable effective interest rate.

m. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group is a lessee, operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Contingent rent is recognized as an expense in the period in which the contingency is removed and the expense is incurred.

n. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefit expenses in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets 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.

3) Current and deferred taxes for the year

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revisions affects only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Revenue recognition

The Group recognizes revenue when the conditions are satisfied. The Group records a refund liability for estimated allowances in the period when the related revenue is recorded. Provision for estimated sales allowances is generally made and adjusted based on management judgement, historical experience and other factors that would significantly affect the estimated allowances; the management periodically reviews the reasonableness of the allowances.

b. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. Valuation of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical selling experience of similar products. Changes in market conditions may have a material impact on the estimation of the net realizable value.

e. Income taxes

The realizability of deferred tax assets mainly depends on whether sufficient future profit or taxable temporary differences will be available. In cases where the actual future profit generated is less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash on hand	$ 864	$ 1,261
Checking accounts and demand deposits	825,201	781,196
Cash equivalents		
Time deposits with original maturities less than 3 months	399,295	505,920
	$ 1,225,360	$ 1,288,377

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2018	2017
Bank balance	0.001%-3.030%	0.001%-2.293%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

Investments in Equity Instruments at FVTOCI

	December 31, 2018
Non-current	
Foreign investments	
Unlisted shares	
Preference shares - Lightel Technologies Inc.	$ 42,018

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as cost methods under IAS 39. Refer to Note 3 and Note 9 for information relating to their reclassification and comparative information for 2017.

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Time deposits with original maturity of more than 3 months (a)	$ 61,357
Non-current	
Pledged deposits (b)	$ 2,202

The time deposits with original maturity of more than 3 months were classified as debt investments with no active market under IAS 39. Refer to Note 3 and Note 10 for information relating to their reclassification and comparative information for 2017.

a. The market interest rates for time deposits with an original maturity of more than 3 months was from 1.69% to 2.60% per annum as of December 31, 2018.

b. The market interest rates of the pledged deposits was 1.045% per annum as of December 31, 2018.

c. Refer to Note 30 for information relating to financial assets at amortized cost pledged as security.

9. FINANCIAL ASSETS MEASURED AT COST - NON - CURRENT - 2017

	December 31, 2017
Overseas unlisted preference shares	
Lightel Technologies Inc.	$ 12,620

Management believed that the above unlisted equity investments held by the Group have fair values that cannot be reliably measured because the range of reasonable fair value estimates was so significant; therefore, they were measured at cost less impairment at the end of reporting period.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Current	
Time deposits with original maturity of more than 3 months (a)	$ 61,730
Pledged deposits (b)	2,179
Specific-purpose savings (c)	6,832
	$ 70,741

a. The market interest rates of the time deposits with an original maturity more than 3 months was 1.69%-2.40% per annum as of December 31, 2017.

b. The market interest rates of the pledged deposits was 1.05% per annum as of December 31, 2017.

c. The market interest rates of the specific-purpose savings was 0.3% per annum as of December 31, 2017. Please refer to Note 11 for the details of the information.

d. Refer to Note 30 for information relating to bond investments with no active market pledged as security.

11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2018	2017
Notes receivable, net		
At amortized cost		
Gross carrying amount	$ 16,962	$ 29,622
Less: Allowance for impairment loss	(83)	(83)
	$ 16,879	$ 29,539
Notes receivable - operating	$ 16,879	$ 29,539
Trade receivables		
At amortized cost		
Gross carrying amount	$ 770,130	$ 709,178
Less: Allowance for impairment loss	(137,464)	(200,411)
	$ 632,666	$ 508,767
Trade receivables from related parties (Note 29)	$ 7	$ 40
Other receivables		
Tax refund receivable	$ 13,561	$ 10,855
Receivables from sales of scrap and by-products	2,422	1,685
Interest receivable	1,263	873
Others	1,270	1,213
	$ 18,516	$ 14,626

a. Trade receivables

In 2018

At amortized cost

The average credit period of sales of goods was 30 to 120 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2018

	China	Asia	America	Europe	Others	Total
Gross carrying amount	$ 183,809	$ 127,407	$ 136,711	$ 186,450	$ 135,753	$ 770,130
Loss allowance (Lifetime ECL)	(1,490)	(63)	(68)	(90)	(135,753)	(137,464)
Amortized cost	$ 182,319	$ 127,344	$ 136,643	$ 186,360	$ -	$ 632,666

The aging of receivables was as follows:

	December 31, 2018
Less than 30 days	$ 227,516
31-60 days	210,219
61-90 days	155,675
91-120 days	20,508
Over 121 days	156,212
	$ 770,130

The above aging schedule was based on the number of past due days from invoice date.

The movements of the loss allowance of trade receivables were as follows:

	December 31, 2018
Balance at January 1, 2018 per IAS 39	$ 200,411
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	200,411
Less: Net remeasurement of loss allowance	(65,772)
Foreign exchange gains and losses	2,825
Balance at December 31, 2018	$ 137,464

In 2017

The Group applied the same credit policy in 2018 and 2017. In determining the loss allowance of trade receivables, because receivables that are past due over 1 year were not recoverable according to historical experience, allowances for impairment loss were recognized against trade receivables over 1 year base on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables was as follows:

	December 31, 2017
Less than 30 days	$ 234,925
31-60 days	160,384
61-90 days	76,191
91-120 days	27,128
Over 121 days	210,550
	$ 709,178

The above aging schedule was based on the past due days from invoice date.

The Group does not have trade receivables that are past due but no impaired.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 306,240	$ 14,010	$ 320,250
Less: Amounts written off during the year as uncollectible	-	(9,615)	(9,615)
Less: Impairment losses reversed	(86,387)	(1,667)	(88,054)
Foreign exchange translation gains and losses	(22,021)	(149)	(22,170)
Balance at December 31, 2017	$ 197,832	$ 2,579	$ 200,411

The Group recognized impairment loss on trade receivables that have been past due for too long. The Group did not hold any collateral for these balances.

In October 2014, PCT International Inc. ("PCT"), one of the Company's customers, filed with the United States District Court a civil lawsuit against the Company alleging infringement of intellectual property rights, business confidentiality, and business opportunities. In September 2017, the Court granted judgment in favor of the Company and PCT takes nothing. PCT appealed against the judgment in October 2017; however, the Company's attorney in the U.S. assessed that the chance of PCT to win on an appeal would be remote. As a result, the Company's management believed that the case would not have a significant impact on the Company's financial position and operating activities.

PCT and its subsidiary, PCT Broadband Communication (Yantai) Co., Ltd. ("PCT Yantai"), owed the Company US$6,648 thousand and US$2,651 thousand, respectively. The Company engaged lawyers and has filed civil lawsuits in the courts in the United States in February 2016 seeking PCT to pay the overdue trade receivables exclusive of interest. In August 2017, the Court granted judgment in favor of the Company and awarded US$9,463 thousand to the Company. PCT appealed against the judgment in September 2017. In January 2018, the Court ordered that approximately US$2,222 thousand deposited in the Court Registry by PCT shall be paid to the Company in partial satisfaction of the US$9,463 thousand judgment for the Company. PCT paid the compensation to the Company thereafter. As a result, the Company had reversed $64,841 thousand expected credit loss on trade receivables (classified as other operating income and expenses) in 2018. As of March 21, 2019, the Company had recognized the remaining amount as impairment loss, and the lawsuit was still in trial. The Company believed that the case would not have a significant impact on the Company's financial position and operating activities.

The Company engaged lawyers to file a civil lawsuit in Yantai City Intermediate People's Court and reached a settlement with PCT Yantai in March 2017. PCT Yantai paid the Company US$2,651 thousand for the overdue receivables and US$240 thousand penalty for breach of contract. As a result, the Company had reversed $80,412 thousand impairment loss on trade receivables (classified as other operating income and expenses) and $7,261 thousand liquidated damage and penalty (classified as other income) for the year ended December 31, 2017. In April 2017, the Company also engaged lawyers to file a civil lawsuit in Yantai City Intermediate People's Court seeking PCT Yantai to pay the loss on inventory of US$681 thousand. The Company deposited RMB-1,500 thousand as a guarantee for provisional attachment of PCT Yantai. The Company reached a settlement with PCT Yantai in December 2017. PCT Yantai agreed and paid US$650 thousand for the inventory. The guarantee deposit in the Court for the provisional attachment of PCT Yantai was also lifted in January 2018.

b. Other receivables

Other receivables were primarily tax refund receivable, receivable from sales of scrap and by-products and interest receivable.

12. INVENTORIES

	December 31	
	2018	**2017**
Finished goods	$ 248,386	$ 161,793
Work in progress	199,532	192,820
Raw materials	247,354	168,214
	$ 695,272	$ 522,827

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $2,326,365 thousand and $2,391,878 thousand, respectively. The cost of goods sold for the years ended December 31, 2018 and 2017 included inventory write-downs of $2,255 thousand and reversal of inventory write-downs of $11,945 thousand, respectively.

13. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

			Proportion of Ownership December 31		
Investor	**Investee**	**Nature of Activities**	**2018**	**2017**	**Remark**
The Company	EC-Link Technology Ltd. (EC-Link)	Investment	100%	100%	
	EZconn Europe GmbH	Manufacture and sell precision metal components and optical fiber components of various electronic products	100%	100%	
EC-Link	Light Master Technology Inc. (Light Master)	Investment	100%	100%	
EZconn Europe GmbH	EZconn Czech a.s.	Manufacture of various optical fiber components	100%	100%	*
Light Master	Light Master Technology (Ningbo) Inc.	Manufacture and sell of optical fiber components and cable connector	100%	100%	
EZconn Czech a.s.	EZconn Technologies CZ s.r.o.	Manufacture and research of optical communication components	100%	100%	*

Remarks:

* In response to the demand for operating capital of EZconn Technologies CZ s.r.o., the Company's board of directors resolved to increase its investment in EZconn Technologies CZ s.r.o. by an amount not exceeding EUR1,800 thousand on August 12, 2016. As of March 21, 2019, the Company has not increased its investment in EZconn Technologies CZ s.r.o.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery Equipment	Mold Equipment	Transportation Equipment	Office Equipment	Other Equipment	Property under Construction	Total
Cost								
Balance at January 1, 2017	$ 263,927	$ 897,733	$ 27,935	$ 5,311	$ 57,990	$ 82,610	$ 3,007	$ 1,338,513
Additions	-	13,016	2,985	-	1,450	562	3,499	21,512
Disposals	-	(20,647)	(414)	-	(14,992)	(6,472)	(779)	(43,304)
Reclassification	-	32,014	1,033	-	-	5,374	(1,214)	37,207
Effect of foreign currency exchange differences	(5,103)	(5,054)	-	(98)	(443)	(293)	1,052	(9,939)
Balance at December 31, 2017	258,824	917,062	31,539	5,213	44,005	81,781	5,565	1,343,989
Additions		23,619	2,415	-	1,115	4,360	7,052	38,561
Disposals	(10,420)	(33,931)	(76)	-	(1,983)	(814)	(242)	(47,466)
Reclassification	-	23,181	-	-	2,330	3,420	(1,855)	27,076
Effect of foreign currency exchange differences	(4,278)	(9,273)	-	(83)	(366)	(111)	(190)	(14,301)
Balance at December 31, 2018	$ 244,126	$ 920,658	$ 33,878	$ 5,130	$ 45,101	$ 88,636	$ 10,330	$ 1,347,859
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ 134,827	$ 667,007	$ 23,119	$ 3,210	$ 45,860	$ 42,445	$ -	$ 916,468
Depreciation expenses	11,008	37,875	3,283	467	3,629	10,158	-	66,420
Disposals	-	(17,113)	(363)	-	(14,922)	(6,461)	-	(38,859)
Effect of foreign currency exchange differences	(2,360)	(1,873)	-	(58)	(338)	(168)	-	(4,797)
Balance at December 31, 2017	143,475	685,896	26,039	3,619	34,229	45,974	-	939,232
Depreciation expenses	11,141	38,715	3,148	356	3,363	10,447	-	67,170
Disposals	(10,420)	(31,400)	(76)	-	(1,960)	(814)	-	(44,670)
Effect of foreign currency exchange differences	(2,479)	(6,573)	-	(64)	(302)	(36)	-	(9,454)
Balance at December 31, 2018	$ 141,717	$ 686,638	$ 29,111	$ 3,911	$ 35,330	$ 55,571	$ -	$ 952,278
Carrying amounts at December 31, 2017	$ 115,349	$ 231,166	$ 5,500	$ 1,594	$ 9,776	$ 35,807	$ 5,565	$ 404,757
Carrying amounts at December 31, 2018	$ 102,409	$ 234,020	$ 4,767	$ 1,219	$ 9,771	$ 33,065	$ 10,330	$ 395,581

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	4-5 and 20 years
Machinery equipment	2-10 years
Mold equipment	2 years
Transportation equipment	5 years
Office equipment	3, 5 and 10 years
Other equipment	2-10 years

15. INTANGIBLE ASSETS

	Computer Software		
	Cost	Accumulated Amortization	Total
Balance at January 1, 2017	$ 16,380	$ 9,103	$ 7,277
Additions/amortization expense	8,913	8,376	
Additions from internal developments	753	-	
Disposals	(6,981)	(6,981)	
Effect of foreign currency exchange differences	(140)	(89)	
Balance at December 31, 2017	18,925	10,409	$ 8,516
Additions/amortization expense	7,703	7,158	
Additions from internal developments	1,482	-	
Disposals	(7,503)	(7,503)	
Effect of foreign currency exchange differences	(64)	(53)	
Balance at December 31, 2018	$ 20,543	$ 10,011	$ 10,532

The Group's intangible assets, which comprise computer software, are amortized on the straight-line basis over the estimated useful lives of 1 to 10 years.

16. PREPAYMENTS FOR LEASES

	December 31	
	2018	2017
Current assets (included in prepayments)	$ 694	$ 706
Non-current assets	23,353	24,472
	$ 24,047	$ 25,178

As of December 31, 2018 and 2017, prepayments for leases are payments for land use right located in mainland China.

17. BORROWINGS

Short-term Borrowings

	December 31	
	2018	2017
Unsecured borrowings		
Line of credit borrowings	$ 220,000	$ 220,000

The interest rate of line of credit borrowings were 0.95% and 0.80%-0.95% per annum as of December 31, 2018 and 2017, respectively.

18. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2018	2017
Notes payable		
Operating	$ 120	$ 125,798
Non-operating	259	6,129
	$ 379	$ 131,927
Trade payables		
Operating	$ 483,545	$ 177,611

The average credit period of purchases of goods is 60-90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. OTHER PAYABLES

	December 31	
	2018	2017
Payable for salaries or bonus	$ 103,013	$ 96,113
Payable for employees' compensation and remuneration of directors and supervisors	15,360	4,028
Payable for employees' insurance	11,639	15,080
Payable for professional expenses	7,085	12,807
Payable for employees' benefits	6,149	6,261
Payable for purchase of equipment	3,377	1,217
Others	37,080	24,675
	$ 183,703	$ 160,181

20. PROVISIONS

	December 31	
	2018	2017
Current		
Customer returns and rebates (a)	$ -	$ 40,742
Warranties (b)	8,055	8,055
	$ 8,055	$ 48,797

	Customer Returns and Rebates	Warranties	Total
Balance at January 1, 2018 and December 31, 2018	$ -	$ 8,055	$ 8,055
Balance at January 1, 2017	$ 50,181	$ 16,055	$ 66,236
Additional provisions recognized (reversed)	18,165	(8,000)	10,165
Usage	(27,604)	-	(27,604)
Balance at December 31, 2017	$ 40,742	$ 8,055	$ 48,797

a. In 2017, provision for customer returns and rebates is based on historical experience, management's judgments and other known reasons for possible product returns and rebates that may occur in the following year. The provision is recognized as a reduction of operating income in the period the related goods are sold. Starting from 2018, the Group recognizes the estimation of customer returns and rebates as refund liability (classified under other current liabilities) upon initial application IFRS 15.

b. Provision for warranty is estimated based on the Group's obligations for warranties under local regulations on sale of goods.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in mainland China are members of a state-managed retirement benefit plan operated by the government of mainland China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to a fixed percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 125,007	$ 134,389
Fair value of plan assets	(53,441)	(57,717)
Net defined benefit liability	$ 71,566	$ 76,672

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2017	$ 133,389	$ (57,071)	$ 76,318
Service cost			
Current service cost	747	-	747
Past service cost	538	-	538
Net interest expense (income)	1,334	(601)	733
Recognized in profit or loss	2,619	(601)	2,018
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(12)	(12)
Actuarial loss - changes in demographic assumptions	947	-	947
Actuarial gain - changes in financial assumptions	(72)	-	(72)
Actuarial loss - experience adjustments	3,473	-	3,473
Recognized in other comprehensive income	4,348	(12)	4,336
Contributions from the employer	-	(6,000)	(6,000)
Benefits paid	(5,967)	5,967	-
Balance at December 31, 2017	134,389	(57,717)	76,672
Service cost			
Current service cost	539	-	539
Past service cost	2,767	-	2,767
Net interest expense (income)	1,680	(760)	920
Recognized in profit or loss	4,986	(760)	4,226
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,601)	(1,601)
Actuarial loss - changes in demographic assumptions	97	-	97
Actuarial loss - changes in financial assumptions	1,646	-	1,646
Actuarial gain - experience adjustments	(3,474)	-	(3,474)
Recognized in other comprehensive income	(1,731)	(1,601)	(3,332)
Contributions from the employer	-	(6,000)	(6,000)
Benefits paid	(12,637)	12,637	-
Balance at December 31, 2018	$ 125,007	$ (53,441)	$ 71,566

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2018	2017
Operating costs	$ 1,034	$ 1,061
Selling and marketing expenses	76	64
General and administrative expenses	2,926	732
Research and development expenses	190	161
	$ 4,226	$ 2,018

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate	1.125%	1.250%
Expected rate of salary increase	2.250%	2.250%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	2017
Discount rate		
0.25% increase	$ (3,259)	$ (3,697)
0.25% decrease	$ 3,392	$ 3,855
Expected rate of salary increase		
0.25% increase	$ 3,299	$ 3,754
0.25% decrease	$ (3,186)	$ (3,619)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	**2017**
The expected contributions to the plan for the next year	$ 6,135	$ 6,135
The average duration of the defined benefit obligation	10.7 years	11.3 years

22. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	**2017**
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	66,000	66,000
Shares issued	$ 660,000	$ 660,000

The holders of issued ordinary shares with a par value of $10 are entitled the right to vote and receive dividends.

b. Capital surplus

	December 31	
	2018	**2017**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 213,600	$ 213,600
May be used to offset a deficit only (2)		
Share-based payment	8,236	8,236
May not be used for any purpose (3)		
Changes in percentage of ownership interest in subsidiaries	13,036	13,036
	$ 234,872	$ 234,872

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company’s capital surplus and once a year).

2) Such capital surplus arises from the share-based payment may be used to offset a deficit only.

3) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposal or acquisition. Such capital surplus may not be used for any purpose.

c. Retained earnings and dividend policy

Under the dividends policy in the Articles of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to employees' compensation and remuneration of directors and supervisors in Note 24-e.

The Company's dividend policy is based on the shareholders' long-term interests. In formulating its dividend policy, the Company takes into account the overall business and industry conditions and trends, present and future operational expansion and to satisfy the shareholders' need for cash inflow. The Company's dividend policy states that cash dividends should be at least 10% of total dividends. A distribution plan is also to be made by the board of directors and passed for resolution in the shareholders' meeting.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC should be appropriated to a special reserve by the Company.

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings on May 29, 2018 and June 22, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	$ 4,701	$ 28,996	$ -	$ -
Special reserve	15,258	35,315	-	-
Cash dividends	132,000	217,800	2	3.3

The appropriations of earnings for 2018 had been proposed by the Company's board of directors on March 21, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 15,439	$ -
Special reserve	13,707	-
Cash dividends	99,000	1.5
Share dividends	33,000	0.5

The appropriations of earnings for 2018 are subject to the resolution in the shareholders' meeting to be held on June 10, 2019.

d. Special reserve

Additional special reserve relating to exchange differences on translating the financial statements of foreign operations (including the subsidiaries of the Company) should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and, thereafter, distributed.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

The exchange differences arising on translation of foreign operation's net assets from its functional currency to the Company's presentation currency (New Taiwan dollars) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

2) Unrealized gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	3,160
Balance at January 1 per IFRS 9	3,160
Effect of change in tax rate	(114)
Recognized for the year	
Unrealized loss - equity instruments	(2)
Balance at December 31	$ 3,044

23. REVENUE

a. Contract information

Refer to Notes 4 and 33 for information about disaggregation of revenue.

b. Contract balances

	December 31, 2018
Contract liabilities (classified under other current liabilities)	$ 12,552

The changes in the contract liabilities balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

24. NET PROFIT AND OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ 13,710	$ 9,321
Grant income	629	8,264
Liquidated damage and penalty (Note 11)	-	7,261
Others	654	386
	$ 14,993	$ 25,232

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Loss on disposal of property, plant and equipment	$ (1,736)	$ (2,353)
Net foreign exchange (losses) gains	65,287	(115,917)
Others	137	(1,310)
	$ 63,688	$ (119,580)

c. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 67,170	$ 66,420
Intangible assets	7,158	8,376
Prepayments for leases	707	698
	$ 75,035	$ 75,494
An analysis of depreciation by function		
Operating costs	$ 37,436	$ 36,645
Operating expenses	29,734	29,775
	$ 67,170	$ 66,420
An analysis of amortization by function		
Operating costs	$ 425	$ 732
Operating expenses	7,440	8,342
	$ 7,865	$ 9,074

d. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits (Note 21)		
Defined contribution plans	$ 25,706	$ 27,338
Defined benefit plans	4,226	2,018
	29,932	29,356
Insurance expense	37,466	42,283
Remuneration of directors and supervisors	4,812	2,400
Other employee benefits	605,772	548,614
Total employee benefits expense	$ 677,982	$ 622,653
An analysis of employee benefits expense by function		
Operating costs	$ 471,323	$ 424,814
Operating expenses	206,659	197,839
	$ 677,982	$ 622,653

e. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 21, 2019 and March 9, 2018, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	5.97%	5.20%
Remuneration of directors and supervisors	1.57%	1.07%

Amount

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation	$ 12,160	$ 3,300
Remuneration of directors and supervisors	3,200	680

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	$ 180,448	$ 35,725
Foreign exchange losses	(115,161)	(151,642)
	$ 65,287	$ (115,917)

25. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 9,379	$ 27
Adjustments for prior years	-	1,933
	9,379	1,960
Deferred tax		
In respect of the current year	45,322	5,699
Adjustments to deferred tax attributable to changes in tax rates and laws	(4,072)	-
Adjustments for prior years	868	(19)
	42,118	5,680
Income tax expense recognized in profit or loss	$ 51,497	$ 7,640

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 205,892	$ 54,648
Income tax expense calculated at the statutory rate	$ 54,550	$ 5,353
Nondeductible expenses in determining taxable income	151	373
Adjustments for prior years' tax	868	1,914
Adjustments to deferred tax attributable to changes in tax rates and laws	(4,072)	-
Income tax expense recognized in profit or loss	$ 51,497	$ 7,640

In 2017, the applicable corporate income tax rate used by the group entities in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other Group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	**2017**
Deferred tax		
Effect of change in tax rate		
Translation of foreign operations	$ (166)	$ -
Fair value changes of financial assets at FVTOCI	(114)	-
Remeasurement of defined benefit plans	380	-
	100	-
In respect of the current period		
Translation of foreign operations	4,146	3,125
Fair value changes of financial assets at FVTOCI	1	-
Remeasurement of defined benefit plans	(667)	737
	3,480	3,862
Total income tax recognized in other comprehensive income	$ 3,580	$ 3,862

c. Current tax assets and liabilities

	For the Year Ended December 31	
	2018	**2017**
Current tax assets		
Tax refund receivable	$ 1,690	$ 3,351
Current tax liabilities		
Income tax payable	$ 6,060	$ -

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2018

Deferred Tax Assets	**Opening Balance**	**Effect of Retrospective Application**	**Recognized in Profit or Loss**	**Recognized in Other Compre-hensive Income**	**Exchange Differences**	**Closing Balance**
Temporary differences						
Allowance for impairment loss	$ 34,226	$ -	$ (7,238)	$ -	$ (1)	$ 26,987
Write-down of inventory	23,812	-	2,509	-	(137)	26,184
Defined benefit obligation	13,035	-	1,565	(287)	-	14,313
Provisions	8,295	(6,926)	242	-	-	1,611
Refund liabilities	-	6,926	757	-	-	7,683
Loss on financial assets measured at cost	4,351	(4,351)	-	-	-	-
Payable for annual leave	2,045	-	365	-	-	2,410
Unrealized exchange losses	4,291	-	(4,291)	-	-	-
Exchange difference on foreign operation	-	-	-	3,041	-	3,041
Others	7,791	-	804	-	(64)	8,531
	97,846	(4,351)	(5,287)	2,754	(202)	90,760
Tax losses	14,255	-	(13,473)	-	7	789
	$ 112,101	$ (4,351)	$ (18,760)	$ 2,754	$ (195)	$ 91,549

Deferred Tax Liabilities	Opening Balance	Effect of Retrospective Application	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Exchange Differences	Closing Balance
Temporary differences						
Investments accounted for using equity method	$ 62,453	$ -	$ 21,473	$ -	$ -	$ 83,926
Exchange difference on foreign operation	939	-	-	(939)	-	-
Unrealized exchange gains	-	-	1,911	-	-	1,911
FVTOCI financial assets	-	647	-	113	-	760
Others	26	-	(26)	-	-	-
	$ 63,418	$ 647	$ 23,358	$ (826)	$ -	$ 86,597

For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Allowance for impaired receivables	$ 50,088	$ (15,861)	$ -	$ (1)	$ 34,226
Write-down of inventory	25,905	(1,933)	-	(160)	23,812
Defined benefit obligation	12,975	(677)	737	-	13,035
Provisions	11,260	(2,965)	-	-	8,295
Loss on financial assets measured at cost	4,351	-	-	-	4,351
Payable for annual leave	1,946	99	-	-	2,045
Unrealized exchange losses	3,508	783	-	-	4,291
Others	9,638	(1,677)	-	(170)	7,791
	119,671	(22,231)	737	(331)	97,846
Tax losses	-	14,191	-	64	14,255
	$ 119,671	$ (8,040)	$ 737	$ (267)	$ 112,101

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Temporary differences					
Investments accounted for using equity method	$ 64,751	$ (2,298)	$ -	$ -	$ 62,453
Exchange difference on foreign operation	4,064	-	(3,125)	-	939
Unrealized exchange gains	69	(43)	-	-	26
	$ 68,884	$ (2,341)	$ (3,125)	$ -	$ 63,418

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised:

Unused Amount	Expiry Year
$ 3,945	2027

f. Income tax assessments

The tax returns of the Company through 2015 have been assessed by the tax authorities.

26. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2018	**2017**
Net profit for the year	$ 154,395	$ 47,008

The weighted average number of ordinary shares outstanding (in thousand shares) is as follows:

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares in the computation of basic earnings per share	66,000	66,000
Effect of potentially dilutive ordinary shares:		
Employees' compensation	339	196
Weighted average number of ordinary shares used in the computation of diluted earnings per share	66,339	66,196

Since the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, and other equity).

Key management personnel of the Group review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, and the amount of new debt issued or existing debt redeemed.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that were not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair value cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2018 (for the year ended December 31, 2017: None)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	$ -	$ -	$ 42,018	$ 42,018

There were no transfers between Levels 1 and 2 in the current periods.

2) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of overseas unlisted equity investments were estimated using the market approach by reference to the Price-to-Book ratio (P/B ratio) and the discount for lack of marketability. And the fair values of preference shares were estimated using Option Pricing Method. The significant unobservable input used was discount for lack of marketability at the rate of 22.59%. An increase in discount for lack of marketability would result in increase in fair value.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Loans and receivables (1)	$ -	$ 1,901,235
Available-for-sale financial assets (2)	-	12,620
Financial assets at amortized cost (3)	1,943,426	-
Financial assets at FVTOCI - equity instruments	42,018	-
Financial liabilities		
Financial liabilities at amortized cost (4)	769,254	589,578

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables (including related parties), and other receivables.

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables (including related parties), and other receivables.

4) The balances included financial liabilities at amortized cost, which comprise short-term loans, notes payable, trade payables and other payables.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables and borrowings. According to business nature and the degree and magnitude of risks, the Group monitors and manages the financial risks relating to the operations. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group minimizes the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the market risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. To manage the volatility of future cash flows arising from changes in foreign exchange rates, the Group maintains a balance of net foreign currency assets and liabilities in hedge.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 5% strengthening/weakening of the functional currency against U.S. dollars, the net income before tax for the years ended December 31, 2018 and 2017 would have decreased/increased by $70,252 thousand and $84,741 thousand, respectively.

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Group was exposed to fair value and cash flow interest rate risk because the Group held both fixed-rate financial assets and financial liabilities. The Group's management monitors fluctuations in market interest rate regularly. If it is needed, the management performs necessary procedures to control significant interest rate risks from fluctuations in market interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 460,652	$ 569,829
Financial liabilities	220,000	220,000
Cash flow interest rate risk		
Financial assets	826,028	785,250

The changes in interest rates did not have significant influence on the Group, so there was no sensitivity analysis.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes, the Group does not actively trade these investments. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The changes in equity securities did not have significant influence on the Group, so there was no sensitivity analysis.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation with financial guarantees provided by the Group, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored.

The Group transacted with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by maintaining a level of cash and cash equivalents and bank loan facilities deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the earliest date on which the Group can be required to pay.

	On Demand or Less than 1 Year	
	December 31	
	2018	2017
Non-derivative financial liabilities		
Non-interest bearing	$ 549,254	$ 369,578
Fixed interest rate liabilities	220,000	220,000
	$ 769,254	$ 589,578

b) Financing facilities

The Group relies on bank loans as a significant source of liquidity. As of December 31, 2018 and 2017, the unused amounts of bank loan facilities were as follows:

	December 31	
	2018	2017
Bank loan facilities		
Amounts unused	$ 1,098,400	$ 1,128,986

29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides the information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related Party name and categories

Related Party Name	Related Party Categories
Optoway Technology Inc.	Director with significant influence over the Company
Kopek Pacific Ltd.	Director with significant influence over the Company
Gtran, Inc.	Subsidiaries of the Company's shareholder
Management A	Key management personnel
Management B	Key management personnel
Management C	Key management personnel
Management D	Key management personnel
Management E	Key management personnel
Management F	Key management personnel
Management G	Key management personnel

b. Sales of goods

Related Party Categories	For the Year Ended December 31 2018	2017
Director with significant influence over the Company	$ 75	$ 696

c. Receivables from related parties (excluding loans to related parties)

Related Party Categories	December 31 2018	2017
Director with significant influence over the Company	$ 7	$ 40

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

d. Acquisitions of property, plant and equipment

Related Party Categories	Purchase Price For the Year Ended December 31 2018	2017
Subsidiaries of the Company's Shareholder	$ 187	$ -

e. Other transactions with related parties

1) Prepayments for equipment

Related Party Categories	December 31 2018	2017
Subsidiaries of the Company's shareholder	$ -	$ 187

2) Rent expense

Related Party Categories	For the Year Ended December 31 2018	2017
Key management personnel	$ 6,000	$ 7,333

The Group leases office and dormitory from key management personnel, the lease contracts had expired in December 2018 and 2017, respectively. The Group pays the rental monthly.

3) Professional expense

Related Party Categories	For the Year Ended December 31 2018	2017
Subsidiaries of the Company's shareholder	$ 806	$ 2,663

4) Sampling expense

Related Party Categories	For the Year Ended December 31 2018	2017
Subsidiaries of the Company's shareholder	$ -	$ 249

f. Compensation of key management personnel

	For the Year Ended December 31 2018	2017
Short-term employee benefits	$ 45,305	$ 29,212
Post-employment benefits	879	562
	$ 46,184	$ 29,774

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral and guarantees for the tariff of imported raw materials and goods, and guarantee deposit in Court. (see Notes 8, 10 and 11):

	December 31 2018	2017
Pledged deposits (classified as financial assets at amortized cost - non-current)	$ 2,202	$ -
Pledged deposits (classified as debt investment with no active market - current)	-	2,179
Specific-purpose savings (classified as debt investment with no active market - current)	-	6,832
	$ 2,202	$ 9,011

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2018

	Foreign Currencies (In thousands)	Exchange Rate	Carrying Amount (In thousands)
Financial assets			
Monetary items			
USD	$ 44,636	30.715 (USD:NTD)	$ 1,370,999
JPY	92,073	0.2782 (JPY:NTD)	25,615
USD	16,109	6.8732 (USD:RMB)	494,773
RMB	4,861	4.4753 (RMB:NTD)	21,754
Non-monetary items			
USD	1,368	30.715 (USD:NTD)	42,018
Financial liabilities			
Monetary items			
USD	10,406	30.715 (USD:NTD)	319,607
USD	4,595	6.8732 (USD:RMB)	141,120

December 31, 2017

	Foreign Currencies (In thousands)	Exchange Rate	Carrying Amount (In thousands)
Financial assets			
Monetary items			
USD	$ 52,090	29.7600 (USD:NTD)	$ 1,550,199
JPY	68,353	0.2642 (JPY:NTD)	18,059
USD	18,356	6.5342 (USD:RMB)	546,275
RMB	1,875	4.5545 (RMB:NTD)	8,542
Non-monetary items			
USD	424	29.7600 (USD:NTD)	12,620
Financial liabilities			
Monetary items			
USD	11,216	29.7600 (USD:NTD)	333,789
USD	2,281	6.5342 (USD:RMB)	67,871

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (None)

2) Endorsements/guarantees provided (Table 1)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures) (Table 2)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 3)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 4)

9) Trading in derivative instruments (None)

10) Intercompany relationships and significant intercompany transactions (Table 7)

11) Information on investees (Table 5)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 8)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)

c) The amount of property transactions and the amount of the resultant gains or losses. (None)

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services. (None)

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments under IFRS 8 "Operating Segments" are described below.

a. Segments, revenues and results

The following is an analysis of the Group's revenues and results from continuing operations by reportable segment.

	Optical Fiber Component	**Radio Frequency Connector**	**Total**
For the year ended December 31, 2018			
Segment revenues	$ 1,328,094	$ 1,477,012	$ 2,805,106
Segment income (loss)	$ (18,607)	$ 148,234	$ 129,627
Other income			14,993
Other gains and losses			63,688
Finance costs			(2,416)
Profit before tax (continuing operations)			$ 205,892
For the year ended December 31, 2017			
Segment revenues	$ 1,282,881	$ 1,617,069	$ 2,899,950
Segment income (loss)	$ (37,032)	$ 188,642	$ 151,610
Other income			25,232
Other gains and losses			(119,580)
Finance costs			(2,614)
Profit before tax (continuing operations)			$ 54,648

The segment revenues were all generated from external customers. There were no inter-segment transactions for the years ended December 31, 2018 and 2017.

Segment profit represented the profit before tax earned by each segment without other income, other gains and losses and finance costs. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. However, the measure of segment assets was not provided to the chief operating decision maker.

b. Revenue from major products and services

The Group's reportable segments are based on major products, no additional information need to be disclosed.

c. Geographical information

The amounts of the Group's revenue from external customers and non-current assets by location are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
Taiwan	$ 211,630	$ 311,145	$ 177,511	$ 146,040
Asia	797,737	879,319	283,460	303,209
America	758,073	830,284	-	-
Europe	1,037,666	879,202	19,875	8,763
	$ 2,805,106	$ 2,899,950	$ 480,846	$ 458,012

Non-current assets excluded deferred tax assets.

d. Information about major customers

Single customers that contributed 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
Customer A	$ 476,830	17	$ 547,182	19
Customer B	375,723	13	535,897	19
	$ 852,553	30	$ 1,083,079	38

EZCONN CORPORATION AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	EZconn Corporation	Light Master Technology (Ningbo) Inc.	Subsidiary	$ 423,673	$ 200,000	$ -	$ -	$ -	-	$ 423,673	Y	N	Y	-

Note: The total amount of the guarantee provided by the Company to any individual entity shall not exceed twenty percent (20%) of the Company's net worth.

EZCONN CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
EZconn Corporation	Enablence Technology Inc. - ordinary shares	-	Investments in equity instruments at FVTOCI - non-current	1	$ -	-	$ -	2
	Lightel Technologies Inc. - preference shares	-	〃	1,250	42,018	4.79	42,018	-

Note 1: The marketable securities were not pledged.

Note 2: The carrying amount was zero as of December 31, 2018 due to the impairment loss recognized in prior years.

EZCONN CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
EZconn Corporation	Light Master Technology (Ningbo) Inc.	Subsidiary	Purchase	$ 810,855 (US$ 26,895 thousand)	48	T/T 90 days	-	-	$ (291,155) (US$ (9,479) thousand)	46	

Note: All intercompany transactions have been eliminated in consolidation.

EZCONN CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance (Note 3)	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount	Actions Taken		
Light Master Technology (Ningbo) Inc.	EZconn Corporation	Parent company	Trade receivables from related parties $ 291,155 (US$9,479 thousand)	-	$ -	-	$ 290,443	Note 1

Note 1: No impairment loss was recognized on trade receivables from related parties.

Note 2: Subsequent period was from January 1, 2019 to March 21, 2019.

Note 3: All intercompany transactions have been eliminated in consolidation.

EZCONN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount: December 31, 2018 (Foreign Currencies in Thousands)	Original Investment Amount: December 31, 2017 (Foreign Currencies in Thousands)	As of December 31, 2018: Shares (In Thousands)	As of December 31, 2018: %	As of December 31, 2018: Carrying Amount (Foreign Currencies in Thousands)	Net Income (Loss) of the Investee (Foreign Currencies in Thousands)	Share of Profits (Loss)	Note
EZconn Corporation	EC-Link Technology Inc.	Samoa Islands	Investment	$ 679,543	$ 679,543	-	100.00	$ 1,108,579	$ 41,452 (US$ 1,375)	$ 41,452	
	EZconn Europe GmbH	Germany	Manufactures and sells precision metal components and optical fiber components of various electronic products	185,143	185,143	-	100.00	58,498	10,806 (US$ 358)	10,806	
EC-Link Technology Inc.	Light Master Technology Inc.	Samoa Islands	Investment	702,667 (US$ 22,877)	702,667 (US$ 22,877)	-	100.00	1,079,876 (US$ 35,158)	41,486 (US$ 1,376)		
EZconn Europe GmbH	EZconn Czech a.s.	Czech	Manufacturing of various optical fiber components	67,232 (EUR 1,910)	67,232 (EUR 1,910)	-	100.00	55,861 (EUR 1,587)	12,202 (EUR 343)		
EZconn Czech a.s.	EZconn technologies CZ s.r.o.	Czech	Manufacturing and research of optical communication components	13,652 (CZK 10,000)	13,652 (CZK 10,000)	-	100.00	10,194 (CZK 7,467)	(1,163) (CZK (835))		

Note 1: For information on invested company in mainland China, please refer to Table 6.

Note 2: All intercompany transactions have been eliminated in consolidation.

EZCONN CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Foreign Currencies in Thousands) (Note 2)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 (Foreign Currencies in Thousands) (Note 2)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Foreign Currencies in Thousands) (Note 2)	Net Income (Loss) of the Investee (Foreign Currencies in Thousands) (Notes 3 and 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Foreign Currencies in Thousands) (Notes 3, 5, 6 and 7)	Carrying Amount as of December 31, 2018 (Foreign Currencies in Thousands) (Notes 2, 5 and 7)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outflow	Inflow						
Light Master Technology (Ningbo) Inc.	Manufacture and sale of optical fiber components and cable connector	$ 460,725 (US$ 15,000)	Note 1	$ 649,223 (US$ 21,137)	$ -	$ -	$ 649,223 (US$ 21,137)	$ 42,225 (US$ 1,401)	100%	$ 41,384 (US$ 1,373)	$ 958,053 (US$ 31,192)	$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Foreign Currencies in Thousands) (Note 2)	Investment Amounts Authorized by Investment Commission, MOEA (Foreign Currencies in Thousands) (Notes 1 and 2)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$649,223 (US$21,137)	$701,131 (US$22,827)	$1,271,020 (Note 4)

Note 1: The Company indirectly invested in Light Master Technology (Ningbo) Inc. through EC-Link Technology Inc. by investing via 3rd region. The amount included capital surplus of US$1,690 thousand of Light Master Technology (Ningbo) Inc.

Note 2: The calculation was based on the spot exchange rate of December 31, 2018.

Note 3: The calculation was based on the average exchange rate from January 1, 2018 to December 31, 2018.

Note 4: The calculation was based on 60% of the Company’s net worth on December 31, 2018.

Note 5: The basis for investment income (loss) recognition is the financial statements audited and attested by parent company’s CPA in the ROC.

Note 6: The share of profits/losses of investee included the effect of unrealized gross profit on intercompany transaction.

Note 7: All intercompany transactions have been eliminated in consolidation.

TABLE 7

EZCONN CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount (Note 3)	Payment Terms	% to Total Sales or Assets (Note 4)
0	EZconn Corporation	Light Master Technology (Ningbo) Inc.	a	Trade payables to related parties	$ 291,155	No significant difference to others	8.98
		Light Master Technology (Ningbo) Inc.	a	Cost of goods sold	810,855	No significant difference to others	28.91
1	EZconn Europe GmbH	EZconn Czech a.s.	c	Trade receivables from related parties	4,999	No significant difference to others	0.15
2	EZconn Czech a.s.	EZconn Technologies CZ s.r.o.	c	Cost of goods sold	2,303	No significant difference to others	0.08

Note 1: The information about the transactions between the Company and the subsidiaries are marked in the note column as follows:

a. The Company: 0.
b. The subsidiaries were marked in numerical order from 1.

Note 2: Investment types as follows:

a. The Company to the subsidiaries.
b. The subsidiaries to the Company.
c. Between the subsidiaries.

Note 3: All intercompany transactions have been eliminated in consolidation.

Note 4: The ratio of transaction amounts to total sales revenue or assets is calculated as follows: (1) asset or liability: The ratio was calculated based on the ending balance over the total consolidated assets; (2) income or loss: The ratio was calculated based on the midterm accumulated amounts over the total consolidated sales revenue.

TABLE 8

EZCONN CORPORATION AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	% to Total		Payment Term	Comparison with Normal Transaction	Ending Balance	% to Total		
Light Master Technology (Ningbo) Inc.	Purchase	$ 810,855	48	No significant difference to others	No significant difference to others	No significant difference to others	$ (291,155)	46	$ 1,962	

Note: All intercompany transactions have been eliminated in consolidation.

EZconn Corporation

Financial Statements for the
Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
EZconn Corporation

Opinion

We have audited the accompanying financial statements of EZconn Corporation (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's financial statements for the year ended December 31, 2018 are stated as follows:

<u>Impairment of Trade Receivables</u>

As of December 31, 2018, the Company's trade receivables, which are presented in New Taiwan dollars ("NT$"), amounted to NT$557,015 thousand (net of allowance for impairment loss of NT$137,134 thousand). Since the provision for impairment of trade receivables is based on management's subjective judgment and affected by credit risks on receivables, it is identified as one of the key audit matters.

Please refer to Notes 4, 5 and 11 to the financial statements for the accounting policy, critical accounting estimates and judgements, and details of the information about trade receivables.

The audit procedures we performed in response to the above key audit matter included the following:

1. We obtained an understanding of the design of the key controls over trade receivables and we tested the operating effectiveness of such controls.

2. We obtained an understanding of the accounting policy on impairment of trade receivables, and we reviewed the rate of impairment loss in prior years to assess the reasonableness of the allowance for impairment loss calculated by management for the current year.

3. We assessed the reasonableness of the allowance for impairment loss by verifying the accuracy of the related report.

4. We reviewed the collection of individually material trade receivable balances after balance sheet date to assess whether any additional provision is needed.

Impairment of Inventory

As of December 31, 2018, the Company's inventories amounted to NT$407,290 thousand (net of provision for inventory value decline of NT$91,983 thousand). Please refer to Notes 4, 5 and 12 to the financial statements for the details of the information.

The Company's inventories are stated at the lower of cost or net realizable value and estimation of net realizable value is affected by management's subjective judgement. In addition, due to fluctuating demand and rapid changes in technology, inventories may become slow-moving or obsolete. Therefore, it has been identified as a key audit matter.

The audit procedures we performed in response to the above key audit matter included the following:

1. We obtained an understanding of the design of the controls over valuation of inventory and we tested the operating effectiveness of such controls.

2. We obtained an understanding of the reasonableness of the accounting policy on inventory write-downs, and tested the aging of inventory and verified that the valuation of inventory confirmed with the Company's policy.

3. We compared the carrying values to the latest sales invoices of sample items to assess whether they were measured at the lower of cost or net realizable value.

4. We observed physical inventory count and assessed the physical condition of inventory to evaluate the adequacy of inventory provisions of obsolete and damaged goods.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the supervisors, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 financial statements.

As part of an audit in accordance with the 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Hsiu-Chun Huang and Liang-Fa Wei.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 21, 2019

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and the financial statements shall prevail.

EZCONN CORPORATION

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 880,592	27	$ 995,472	31
Financial assets at amortized cost - current (Notes 4 and 8)	13,426	-	-	-
Debt investments with no active market - current (Notes 4, 10, 11 and 29)	-	-	22,675	1
Notes receivable (Notes 4, 5 and 11)	2,109	-	3,869	-
Trade receivables (Notes 4, 5 and 11)	557,015	17	437,969	14
Trade receivables from related parties (Notes 4, 5, 11 and 28)	7	-	40	-
Other receivables (Notes 4 ,5 and 11)	13,921	1	11,308	-
Current tax assets (Notes 4 and 24)	1,690	-	720	-
Inventories (Notes 4, 5 and 12)	407,290	12	306,083	10
Prepayments and other current assets	1,814	-	2,660	-
Total current assets	1,877,864	57	1,780,796	56
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	42,018	1	-	-
Financial assets at amortized cost - non-current (Notes 4, 8 and 29)	2,202	-	-	-
Financial assets measured at cost - non-current (Notes 4 and 9)	-	-	12,620	1
Investments accounted for using equity method (Notes 4 and 13)	1,167,077	35	1,135,827	36
Property, plant and equipment (Notes 4 ,14 and 28)	121,173	4	121,127	4
Intangible assets (Notes 4 and 15)	6,957	-	6,381	-
Deferred tax assets (Notes 4 and 24)	79,992	3	92,057	3
Prepayments for equipment (Note 28)	2,122	-	2,724	-
Refundable deposits	3,038	-	3,188	-
Total non-current assets	1,424,579	43	1,373,924	44
TOTAL	$ 3,302,443	100	$ 3,154,720	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	$ 220,000	7	$ 220,000	7
Notes payable (Note 17)	379	-	131,927	4
Trade payables (Note 17)	342,122	10	98,520	3
Trade payables to related parties (Notes 17 and 28)	291,155	9	303,142	10
Other payables (Notes 18 and 28)	118,992	4	92,199	3
Provisions - current (Notes 4 and 19)	8,055	-	48,797	1
Other current liabilities (Notes 3, 4 and 22)	44,810	1	34,254	1
Total current liabilities	1,025,513	31	928,839	29
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 24)	86,597	3	63,418	2
Net defined benefit liabilities (Notes 4 and 20)	71,566	2	76,672	3
Guarantee deposits received	400	-	400	-
Total non-current liabilities	158,563	5	140,490	5
Total liabilities	1,184,076	36	1,069,329	34
EQUITY (Notes 4 and 21)				
Ordinary shares	660,000	20	660,000	21
Capital surplus	234,872	7	234,872	7
Legal reserve	217,931	7	213,230	7
Special reserve	50,573	1	35,315	1
Unappropriated earnings	1,019,271	31	992,547	32
Other equity	(64,280)	(2)	(50,573)	(2)
Total equity	2,118,367	64	2,085,391	66
TOTAL	$ 3,302,443	100	$ 3,154,720	100

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

EZCONN CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4, 5, 22 and 28)	$ 2,494,537	100	$ 2,627,008	100
COST OF REVENUE (Notes 12, 20, 23 and 28)	2,160,471	87	2,234,654	85
GROSS PROFIT	334,066	13	392,354	15
OPERATING EXPENSES (Notes 11, 20, 23 and 28)				
Selling and marketing expenses	57,273	2	60,101	3
General and administrative expenses	144,804	6	157,655	6
Research and development expenses	110,005	5	107,987	4
Total operating expenses	312,082	13	325,743	13
OTHER OPERATING INCOME AND EXPENSES (Note 11)	64,841	3	80,412	3
PROFIT FROM OPERATIONS	86,825	3	147,023	5
NON-OPERATING INCOME AND EXPENSES (Notes 4, 11 and 23)				
Other income	10,923	-	15,737	1
Other gains and losses	40,477	2	(87,337)	(3)
Share of profit or loss of subsidiaries	52,258	2	(13,516)	(1)
Finance costs	(2,262)	-	(2,469)	-
Total non-operating income and expenses	101,396	4	(87,585)	(3)
PROFIT BEFORE INCOME TAX	188,221	7	59,438	2
INCOME TAX EXPENSE (Notes 4 and 24)	33,826	1	12,430	-
NET PROFIT FOR THE YEAR	154,395	6	47,008	2
OTHER COMPREHENSIVE INCOME /(LOSS) (Notes 4, 7, 20 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	3,332	-	(4,336)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(3)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(400)	-	737	-
	2,929	-	(3,599)	-

(Continued)

EZCONN CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (20,731)	-	$ (18,383)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss	3,980	-	3,125	-
	(16,751)	-	(15,258)	(1)
Other comprehensive loss for the year, net of income tax	(13,822)	-	(18,857)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 140,573	6	$ 28,151	1
EARNINGS PER SHARE (Note 25)				
Basic	$ 2.34		$ 0.71	
Diluted	$ 2.33		$ 0.71	

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

EZCONN CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Share Capital (Note 21)			Retained Earnings (Notes 3, 4 and 21)				Other Equity (Notes 3, 4 and 21)			
	Share (In Thousands)	Amount	Capital Surplus (Note 21)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Total Equity
BALANCE AT JANUARY 1, 2017	66,000	$ 660,000	$ 234,872	$ 184,234	$ -	$ 1,231,249	$ 1,415,483	$ (35,315)	$ -	$ (35,315)	$ 2,275,040
Appropriation of 2016 earnings											
Legal reserve	-	-	-	28,996	-	(28,996)	-	-	-	-	-
Special reserve	-	-	-	-	35,315	(35,315)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(217,800)	(217,800)	-	-	-	(217,800)
Net profit for the year ended December 31, 2017	-	-	-	-	-	47,008	47,008	-	-	-	47,008
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(3,599)	(3,599)	(15,258)	-	(15,258)	(18,857)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	43,409	43,409	(15,258)	-	(15,258)	28,151
BALANCE AT DECEMBER 31, 2017	66,000	660,000	234,872	213,230	35,315	992,547	1,241,092	(50,573)	-	(50,573)	2,085,391
Effect of retrospective application	-	-	-	-	-	21,243	21,243	-	3,160	3,160	24,403
BALANCE AT JANUARY 1, 2018 AS RESTATED	66,000	660,000	234,872	213,230	35,315	1,013,790	1,262,335	(50,573)	3,160	(47,413)	2,109,794
Appropriation of 2017 earnings											
Legal reserve	-	-	-	4,701	-	(4,701)	-	-	-	-	-
Special reserve	-	-	-	-	15,258	(15,258)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(132,000)	(132,000)	-	-	-	(132,000)
Net profit for the year ended December 31, 2018	-	-	-	-	-	154,395	154,395	-	-	-	154,395
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	3,045	3,045	(16,751)	(116)	(16,867)	(13,822)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	157,440	157,440	(16,751)	(116)	(16,867)	140,573
BALANCE AT DECEMBER 31, 2018	66,000	$ 660,000	$ 234,872	$ 217,931	$ 50,573	$ 1,019,271	$ 1,287,775	$ (67,324)	$ 3,044	$ (64,280)	$ 2,118,367

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

EZCONN CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 188,221	$ 59,438
Adjustments for:		
Depreciation expenses	32,033	30,004
Amortization expenses	6,778	8,030
Expected credit loss reversed on trade receivables	(65,772)	(88,054)
Finance costs	2,262	2,469
Interest income	(10,396)	(8,187)
Share of (profit)/loss of subsidiaries	(52,258)	13,516
Loss on disposal of property, plant and equipment	709	380
(Reversal of) write-down of inventories	2,255	(14,579)
Recognition of provisions	-	10,165
Changes in operating assets and liabilities		
Notes receivable	1,760	2,226
Trade receivables	(53,274)	509,484
Trade receivables from related parties	33	999
Other receivables	(2,222)	6,326
Inventories	(103,462)	(6,161)
Prepayments and other current assets	846	(1)
Notes payable	(131,548)	(21,116)
Trade payables	243,602	(52,189)
Trade payables to related parties	(11,987)	(190,444)
Other payables	25,026	(37,886)
Provisions	-	(27,604)
Other current liabilities	(30,186)	25,091
Net defined benefit liability	(1,774)	(3,982)
Cash generated from operations	40,646	217,925
Interest received	10,005	7,570
Interest paid	(2,316)	(2,372)
Income tax paid	(970)	(20,466)
Net cash generated from operating activities	47,365	202,657
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at cost	(33,042)	-
Proceeds from sale of financial assets measured at cost	40,089	-
Purchase of debt investments with no active market	-	(23,618)
Proceeds from sale of debt investments with no active market	-	17,046
Payments for property, plant and equipment	(30,088)	(42,560)
Proceeds from disposal of property, plant and equipment	-	742
Decrease (increase) in refundable deposits	150	(227)
Payments for intangible assets	(7,354)	(8,596)
Net cash used in investing activities	(30,245)	(57,213)

(Continued)

EZCONN CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	$ 2,410,000	$ 3,370,000
Repayments of short-term borrowings	(2,410,000)	(3,150,000)
Dividends paid to owners of the Company	(132,000)	(217,800)
Net cash (used in) generated from financing activities	(132,000)	2,200
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(114,880)	147,644
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	995,472	847,828
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 880,592	$ 995,472

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

EZCONN CORPORATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

EZconn Corporation (the "Company") was incorporated in the Republic of China ("ROC") on September 4, 1996. The Company mainly manufactures and sells precision metal components and optical fiber components of various electronic products.

The Company's shares have been listed on the Taiwan Stock Exchange ("TWSE") since July 14, 2015.

These financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Company's Board of Directors on March 21, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      The requirements for classification, measurement and impairment of financial assets and hedging cost have been applied retrospectively starting from January 1, 2018. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

      <u>Classification, measurement and impairment of financial assets</u>

      On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 995,472	$ 995,472	a)
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	12,620	42,021	b)
Debt investments with no active market	Loans and receivables	Amortized cost	22,675	22,675	c)
Notes receivable, trade receivables (included related parties) and other receivables	Loans and receivables	Amortized cost	444,490	444,490	a)

	Measurement Category		Carrying Amount		
Financial Liabilities	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Short-term borrowings, Trade payables (included related parties) and other payables	Amortized cost	Amortized cost	$ 783,246	$ 783,246	

Financial Assets	**IAS 39 Carrying Amount as of January 1, 2018**	**Reclassifi-cations**	**Remea-surements**	**IFRS 9 Carrying Amount as of January 1, 2018**	**Retained Earnings Effect on January 1, 2018**	**Other Equity Effect on January 1, 2018**	**Remark**
FVTOCI	$ -	$ -	$ -	$ -	$ -	$ -	
Add: Reclassification from available-for-sale (IAS 39)							
Required reclassification	-	12,620	29,401	42,021	21,243	3,160	b)
	-	12,620	29,401	42,021	21,243	3,160	
Amortized cost	-	-	-	-	-	-	
Add: Reclassification from loans and receivables (IAS 39)	-	1,462,637	-	1,462,637	-	-	a) and c)
	-	1,462,637	-	1,462,637	-	-	
	$	$ 1,475,257	$ 29,401	$ 1,504,658	$ 21,243	$ 3,160	

a) Cash and cash equivalents, notes receivable, trade receivables (included related parties) and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

b) The Company elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $29,401 and $24,403 thousand was recognized in financial assets at FVTOCI and other equity - unrealized gain on financial assets at FVTOCI (net of income tax) on January 1, 2018, respectively.

The Company recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as available-for-sale (included measured at cost)and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $21,243 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $21,243 thousand in retained earnings on January 1, 2018.

c) Debt investment previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

Prior to the application of IFRS 15, estimation of customer returns and rebates classified as provisions of customer returns and rebates. Under IFRS 15, customer returns and rebates were recognized as refund liability (classified under other current liabilities).

The Company elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018, and reclassified provisions of customer returns and rebates - current $40,742 thousand to other current liabilities.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed by the FSC for application starting from 2019.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

- IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the statements of cash flows.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 41,930	$ 41,930
Total effect on assets	$ -	$ 41,930	$ 41,930
Lease liabilities - current	$ -	$ 13,050	$ 13,050
Lease liabilities - non-current	-	28,880	28,880
Total effect on liabilities	$ -	$ 41,930	$ 41,930

Except for the above impacts, as of the date the financial statements were authorized for issue, the Company assessed that the application of other standards and interpretations will not have material impact on the Company's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of above standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, and the related equity items, as appropriate, in the financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 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.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting financial statements, the functional currencies of the entities (including subsidiaries in other countries that use currency different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies, work-in-process and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries of parties that are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

<u>2018</u>

Financial assets are classified into the following categories: Financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables and other receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Available-for-sale financial assets and loans and receivables.

i. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

ii. Loans and receivables

Loans and receivables (including notes receivables, trade receivables, cash and cash equivalents, debt investments with no active market and other receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Company always recognizes lifetime Expected Credit Losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring. Lifetime ECL represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represent the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as trade receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it is becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party.

Before 2017, on derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products at the best estimate by the management of the Company of the expenditure required to settle the Company's obligation.

l. Revenue recognition

<u>2018</u>

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of optical fiber component and radio frequency connecter products. Sales of optical fiber component and radio frequency connecter products are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables and revenue are recognized concurrently.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The Company estimated customer returns and rebates to recognized refund liability (other current liabilities) based on past experience and consider different contract conditions.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

<u>2017</u>

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder’s right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and the applicable effective interest rate.

m. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Company is a lessee, operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Contingent rent is recognized as an expense in the period in which the contingency is removed and the expense is incurred.

n. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefit expenses in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets 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.

3) Current and deferred taxes for the year

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revisions and future periods if the revisions affects both current and future periods.

a. Revenue recognition

The Company recognizes revenue when the conditions are satisfied. The Company records a refund liability for estimated allowances in the period when the related revenue is recorded. Provision for estimated sales allowances is generally made and adjusted based on management judgement, historical experience and other factors that would significantly affect the estimated allowances; the management periodically reviews the reasonableness of the allowances.

b. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. Valuation of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical selling experience of similar products. Changes in market conditions may have a material impact on the estimation of the net realizable value.

e. Income taxes

The realizability of deferred tax assets mainly depends on whether sufficient future profit or taxable temporary differences will be available. In cases where the actual future profit generated is less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 673	$ 784
Checking accounts and demand deposits	480,624	578,048
Cash equivalents		
Time deposits with original maturities less than 3 months	399,295	416,640
	$ 880,592	$ 995,472

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
Bank balance	0.001%-3.03%	0.001%-1.64%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

Investments in equity instruments at FVTOCI

	December 31, 2018
Non-current	
Foreign investments	
Unlisted shares	
Preference shares - Lightel Technologies Inc.	$ 42,018

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as cost methods under IAS 39. Refer to Note 3 and Note 9 for information relating to their reclassification and comparative information for 2017.

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Time deposits with original maturity of more than 3 months (a)	$ 13,426
Non-current	
Pledged deposits (b)	$ 2,202

The time deposits with original maturity of more than 3 months were classified as debt investments with no active market under IAS 39. Refer to Note 3 and Note 10 for information relating to their reclassification and comparative information for 2017.

a. The market interest rate for time deposits with an original maturity of more than 3 months was 2.6% per annum as of December 31, 2018.

b. The market interest rate of the pledged deposits was 1.045% per annum as of December 31, 2018.

c. Refer to Note 29 for information relating to financial assets at amortized cost pledged as security.

9. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

	December 31, 2017
Overseas unlisted preference shares	
Lightel Technologies Inc.	$ 12,620

Management believed that the above unlisted equity investments held by the Company have fair value that cannot be reliably measured because the range of reasonable fair value estimates was so significant; therefore, they were measured at cost less impairment at the end of reporting period.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Current	
Time deposits with original maturity of more than 3 months (a)	$ 13,664
Pledged deposits (b)	2,179
Specific-purpose savings (c)	6,832
	$ 22,675

a. The market interest rate of the time deposits with an original maturity more than 3 months was 2.40% per annum as of December 31, 2017.

b. The market interest rate of the pledged deposits was 1.05% per annum as of December 31, 2017.

c. The market interest rate of the specific-purpose savings was 0.3% per annum as of December 31, 2017. Please refer to Note 11 for the details of the information.

d. Refer to Note 29 for information relating to bond investments with no active market pledged as security.

11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2018	2017
Notes receivable, net		
At amortized costs		
Gross carrying amount	$ 2,192	$ 3,952
Less: Allowance for impairment loss	(83)	(83)
	$ 2,109	$ 3,869
Notes receivable - operating	$ 2,109	$ 3,869
Trade receivables		
At amortized costs		
Gross carrying amount	$ 694,149	$ 638,045
Less: Allowance for impairment loss	(137,134)	(200,076)
	$ 557,015	$ 437,969
Trade receivables from related parties (Note 28)	$ 7	$ 40

(Continued)

	December 31	
	2018	2017
Other receivables		
Tax refund receivable	$ 10,341	$ 8,696
Receivables from sales of scrap and by-products	2,422	1,685
Interest receivable	1,008	617
Others	150	310
	$ 13,921	$ 11,308

(Concluded)

a. Trade receivables

In 2018

At amortized cost

The average credit period of sales of goods was 30 to 120 days. No interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2018

	China	Asia	America	Europe	Others	Total
Gross carrying amount	$ 117,015	$ 126,772	$ 135,358	$ 179,251	$ 135,753	$ 694,149
Loss allowance (Lifetime ECL)	(1,161)	(63)	(67)	(90)	(135,753)	(137,134)
Amortized cost	$ 115,854	$ 126,709	$ 135,291	$ 179,161	$ -	$ 557,015

The aging of receivables was as follows:

	December 31, 2018
Less than 30 days	$ 175,583
31-60 days	197,825
61-90 days	150,279
91-120 days	17,241
Over 121 days	153,221
	$ 694,149

The above aging schedule was based on the past due days from invoice date.

The movements of the loss allowance of trade receivables were as follows:

	December 31, 2018
Balance at January 1, 2018 per IAS 39	$ 200,076
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	200,076
Less: Net remeasurement of loss allowance	(65,772)
Foreign exchange gains and losses	2,830
Balance at December 31, 2018	$ 137,134

In 2017

The Company applied the same credit policy in 2018 and 2017. In determining the loss allowance of trade receivables, because receivables that are past due over 1 year were not recoverable according to historical experience, allowances for impairment loss were recognized against trade receivables over 1 year based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables was as follows:

	December 31, 2017
Less than 30 days	$ 188,777
31-60 days	145,639
61-90 days	71,201
91-120 days	23,291
Over 121 days	209,137
	$ 638,045

The above aging schedule was based on the past due days from invoice date.

The Company does not have trade receivables that are past due but no impaired.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 306,240	$ 13,669	$ 319,909
Less: Amounts written off during the year as uncollectible	-	(9,615)	(9,615)
Less: Impairment losses reversed	(86,387)	(1,667)	(88,054)
Foreign exchange translation gains and losses	(22,021)	(143)	(22,164)
Balance at December 31, 2017	$ 197,832	$ 2,244	$ 200,076

The Company recognized impairment loss on trade receivables that have been past due for too long. The Company did not hold any collateral for these balances.

In October 2014, PCT International Inc. (“PCT”), one of the Company’s customers, filed with the United States District Court a civil lawsuit against the Company alleging infringement of intellectual property rights, business confidentiality, and business opportunities. In September 2017, the Court granted judgment in favor of the Company and PCT takes nothing. PCT appealed against the judgment in October 2017; however, the Company’s attorney in the U.S. assessed that the chance of PCT to win on an appeal would be remote. As a result, the Company’s management believed that the case would not have a significant impact on the Company’s financial position and operating activities.

PCT and its subsidiary, PCT Broadband Communication (Yantai) Co., Ltd. (“PCT Yantai”), owed the Company US$6,648 thousand and US$2,651 thousand, respectively. The Company engaged lawyers and has filed civil lawsuits in the courts in the United States in February 2016 seeking PCT to pay the overdue trade receivables exclusive of interest. In August 2017, the Court granted judgment in favor of the Company and awarded US$9,463 thousand to the Company. PCT appealed against the judgment in September 2017. In January 2018, the Court ordered that approximately US$2,222 thousand deposited in the Court Registry by PCT shall be paid to the Company in partial satisfaction of the US$9,463 thousand judgment for the Company. PCT paid the compensation to the Company thereafter. As a result, the Company had reversed $64,841 thousand expected credit loss on trade receivables (classified as other operating income and expenses) in 2018. As of March 21, 2019, the Company had recognized the remaining amount as impairment loss, and the lawsuit was still in trial. The Company believed that the case would not have a significant impact on the Company’s financial position and operating activities.

The Company engaged lawyers to file a civil lawsuit in Yantai City Intermediate People's Court and reached a settlement with PCT Yantai in March 2017. PCT Yantai paid the Company US$2,651 thousand for the overdue receivables and US$240 thousand penalty for breach of contract. As a result, the Company had reversed $80,412 thousand impairment loss on trade receivables (classified as other operating income and expenses) and $7,261 thousand liquidated damage and penalty (classified as other income) for the year ended December 31, 2017. In April 2017, the Company also engaged lawyers to file a civil lawsuit in Yantai City Intermediate People's Court seeking PCT Yantai to pay the loss on inventory of US$681 thousand. The Company deposited RMB-1,500 thousand as a guarantee for provisional attachment of PCT Yantai. The Company reached a settlement with PCT Yantai in December 2017. PCT Yantai agreed and paid US$650 thousand for the inventory. The guarantee deposit in the Court for the provisional attachment of PCT Yantai was also lifted in January 2018.

b. Other receivables

Other receivables were primarily tax refund receivable, receivable from sales of scrap and by-products and interest receivable.

12. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 185,565	$ 126,619
Work in progress	126,028	109,996
Raw materials	95,697	69,468
	$ 407,290	$ 306,083

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $2,160,471 thousand and $2,234,654 thousand, respectively. The cost of goods sold for the years ended December 31, 2018 and 2017 included inventory write-downs of 2,255 thousand and reversal of inventory write-downs of $14,579 thousand, respectively.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Subsidiaries

	December 31	
	2018	2017
Unlisted company		
EC-Link Technology Ltd. (EC-Link)	$ 1,108,579	$ 1,087,007
EZconn Europe GmbH	58,498	48,820
	$ 1,167,077	$ 1,135,827

	Proportion of Ownership and Voting Rights	
	December 31	
	2018	2017
EC-Link	100%	100%
EZconn Europe GmbH	100%	100%

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the subsidiaries' financial statements audited by auditors for the same years.

The principal activities of EC-Link and its subsidiary, Light Master Technology Inc., are both investment; the principal activities of EZconn Europe GmbH and its subsidiaries, EZconn Czech a.s. and EZconn Technologies CZ s.r.o., are manufacturing and selling of precision metal components and optical fiber components of various electronic products, manufacturing of various optical fiber components, and manufacturing and research of optical communication components.

In response to the demand for operating capital of EZconn Technologies CZ s.r.o., the Company's board of directors resolved to increase its investment in EZconn Technologies CZ s.r.o. by an amount not exceeding EUR1,800 thousand on August 12, 2016. As of March 21, 2019, the Company has not increased its investment in EZconn Technologies CZ s.r.o..

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery Equipment	Mold Equipment	Transportation Equipment	Office Equipment	Other Equipment	Total
Cost							
Balance at January 1, 2017	$ 12,779	$ 375,031	$ 27,934	$ 460	$ 36,341	$ 71,576	$ 524,121
Additions	-	8,469	2,985	-	988	562	13,004
Disposals	-	(7,694)	(414)	-	(14,286)	(352)	(22,746)
Reclassification	-	26,498	1,034	-	-	5,373	32,905
Balance at December 31, 2017	12,779	402,304	31,539	460	23,043	77,159	547,284
Additions	-	10,980	2,415	-	789	2,724	16,908
Disposals	(10,420)	(13,668)	(76)	-	(1,752)	(814)	(26,730)
Reclassification	-	9,852	-	-	2,331	3,420	15,603
Balance at December 31, 2018	$ 2,359	$ 409,468	$ 33,878	$ 460	$ 24,411	$ 82,489	$ 553,065
Accumulated depreciation and impairment							
Balance at January 1, 2017	$ 12,779	$ 316,222	$ 23,119	$ 140	$ 29,096	$ 36,673	$ 418,029
Depreciation expenses	-	15,282	3,283	77	2,721	8,641	30,004
Disposals	-	(6,886)	(363)	-	(14,286)	(341)	(21,876)
Balance at December 31, 2017	12,779	324,618	26,039	217	17,531	44,973	426,157
Depreciation expenses	-	16,879	3,148	77	2,511	9,418	32,033
Disposals	(10,420)	(13,236)	(76)	-	(1,752)	(814)	(26,298)
Balance at December 31, 2018	$ 2,359	$ 328,261	$ 29,111	$ 294	$ 18,290	$ 53,577	$ 431,892
Carrying amounts at December 31, 2017	$ -	$ 77,686	$ 5,500	$ 243	$ 5,512	$ 32,186	$ 121,127
Carrying amounts at December 31, 2018	$ -	$ 81,207	$ 4,767	$ 166	$ 6,121	$ 28,912	$ 121,173

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	4 and 5 years
Machinery equipment	2-10 years
Mold equipment	2 years
Transportation equipment	5 years
Office equipment	3, 5 and 10 years
Other equipment	2-10 years

15. INTANGIBLE ASSETS

	Computer Software		
	Cost	Accumulated Amortization	Total
Balance at January 1, 2017	$ 11,186	$ 5,371	$ 5,815
Additions/amortization expense	8,596	8,030	
Disposals	(5,677)	(5,677)	
Balance at December 31, 2017	14,105	7,724	$ 6,381
Additions/amortization expense	7,354	6,778	
Disposals	(7,467)	(7,467)	
Balance at December 31, 2018	$ 13,992	$ 7,035	$ 6,957

The Company’s intangible assets, which comprise computer software, are amortized on the straight-line basis over the estimated useful lives of 1 to 3 years.

16. BORROWINGS

Short-term Borrowings

	December 31	
	2018	2017
Unsecured borrowings		
Line of credit borrowings	$ 220,000	$ 220,000

The interest rate of line of credit borrowings were 0.95% and 0.80%-0.95% per annum as of December 31, 2018 and 2017, respectively.

17. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2018	2017
Notes payable		
Operating	$ 120	$ 125,798
Non-operating	259	6,129
	$ 379	$ 131,927
Trade payables		
Operating	$ 633,277	$ 401,662

The average credit period of purchases of goods is 60-90 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

18. OTHER PAYABLES (INCLUDED OTHER PAYABLES TO RELATED PARTIES)

	December 31	
	2018	2017
Payable for salaries or bonus	$ 64,927	$ 58,514
Payable for employees' compensation and remuneration of directors and supervisors	15,360	4,028
Payable for employees' insurance	4,104	4,164
Payable for professional expenses	3,140	8,728
Payable for purchase of equipment	3,012	1,191
Others	28,449	15,574
	$ 118,992	$ 92,199

19. PROVISIONS

	December 31	
	2018	2017
Current		
Customer returns and rebates (a)	$ -	$ 40,742
Warranties (b)	8,055	8,055
	$ 8,055	$ 48,797

	Customer Returns and Rebates	Warranties	Total
Balance at January 1, 2018 and December 31, 2018	$ -	$ 8,055	$ 8,055
Balance at January 1, 2017	$ 50,181	$ 16,055	$ 66,236
Additional provisions recognized (reversed)	18,165	(8,000)	10,165
Usage	(27,604)	-	(27,604)
Balance at December 31, 2017	$ 40,742	$ 8,055	$ 48,797

a. In 2017, provision for customer returns and rebates is based on historical experience, management's judgments and other known reasons for possible product returns and rebates that may occur in the following year. The provision is recognized as a reduction of operating income in the period the related goods are sold. Starting from 2018, the Company recognizes the estimation of customer returns and rebates as refund liability (classified under other current liabilities) upon initial application IFRS 15.

b. Provision for warranty is estimated based on the Company's obligations for warranties under local regulations on sale of goods.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to a fixed percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 125,007	$ 134,389
Fair value of plan assets	(53,441)	(57,717)
Net defined benefit liability	$ 71,566	$ 76,672

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2017	$ 133,389	$ (57,071)	$ 76,318
Service cost			
Current service cost	747	-	747
Past service cost	538	-	538
Net interest expense (income)	1,334	(601)	733
Recognized in profit or loss	2,619	(601)	2,018
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(12)	(12)
Actuarial loss - changes in demographic assumptions	947	-	947
Actuarial gain - changes in financial assumptions	(72)	-	(72)
Actuarial loss - experience adjustments	3,473	-	3,473
Recognized in other comprehensive income	4,348	(12)	4,336
Contributions from the employer	-	(6,000)	(6,000)
Benefits paid	(5,967)	5,967	-
Balance at December 31, 2017	134,389	(57,717)	76,672
Service cost			
Current service cost	539	-	539
Past service cost	2,767	-	2,767
Net interest expense (income)	1,680	(760)	920
Recognized in profit or loss	4,986	(760)	4,226
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,601)	(1,601)
Actuarial loss - changes in demographic assumptions	97	-	97
Actuarial loss - changes in financial assumptions	1,646	-	1,646
Actuarial gain - experience adjustments	(3,474)	-	(3,474)
Recognized in other comprehensive income	(1,731)	(1,601)	(3,332)
Contributions from the employer	-	(6,000)	(6,000)
Benefits paid	(12,637)	12,637	-
Balance at December 31, 2018	$ 125,007	$ (53,441)	$ 71,566

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2018	**2017**
Operating costs	$ 1,034	$ 1,061
Selling and marketing expenses	76	64
General and administrative expenses	2,926	732
Research and development expenses	190	161
	$ 4,226	$ 2,018

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	**2017**
Discount rate	1.125%	1.250%
Expected rate of salary increase	2.250%	2.250%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	**2017**
Discount rate		
0.25% increase	$ (3,259)	$ (3,697)
0.25% decrease	$ 3,392	$ 3,855
Expected rate of salary increase		
0.25% increase	$ 3,299	$ 3,754
0.25% decrease	$ (3,186)	$ (3,619)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	**2017**
The expected contributions to the plan for the next year	$ 6,135	$ 6,135
The average duration of the defined benefit obligation	10.7 years	11.3 years

21. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	**2017**
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	66,000	66,000
Shares issued	$ 660,000	$ 660,000

The holders of issued ordinary shares with a par value of $10 are entitled the right to vote and receive dividends.

b. Capital surplus

	December 31	
	2018	**2017**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 213,600	$ 213,600
May be used to offset a deficit only (2)		
Share-based payment	8,236	8,236
May not be used for any purpose (3)		
Changes in percentage of ownership interest in subsidiaries	13,036	13,036
	$ 234,872	$ 234,872

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

2) Such capital surplus arises from the share-based payment may be used to offer a deficit only.

3) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposal or acquisition. Such capital surplus may not be used for any purpose.

c. Retained earnings and dividend policy

Under the dividend policy in the Articles of Incorporation, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors, refer to employee's compensation and remuneration of directors and supervisors in Note 23-e.

The Company's dividend policy is based on the shareholders' long-term interests. In formulating its dividend policy, the Company takes into account the overall business and industry conditions and trends, present and future operational expansion and to satisfy the shareholders' need for cash inflow. The Company's dividend policy states that cash dividends should be at least 10% of total dividends. A distribution plan is also to be made by the board of directors and passed for resolution in the shareholders' meeting.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC should be appropriated to a special reserve by the Company.

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings on May 29, 2018 and June 22, 2017, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 4,701	$ 28,996	$ -	$ -
Special reserve	15,258	35,315	-	-
Cash dividends	132,000	217,800	2	3.3

The appropriations of earnings for 2018 had been proposed by the Company's board of directors on March 21, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 15,439	$ -
Special reserve	13,707	-
Cash dividends	99,000	1.5
Share dividends	33,000	0.5

The appropriations of earnings for 2018 are subject to the resolution in the shareholders' meeting to be held on June 10, 2019.

d. Special reserve

Additional special reserve relating to exchange differences on translating the financial statements of foreign operations (including the subsidiaries of the Company) should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and, thereafter, distributed.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

The exchange differences arising on translation of foreign operation's net assets from its functional currency to the Company's presentation currency (New Taiwan dollars) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

2) Unrealized gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	3,160
Balance at January 1 per IFRS 9	3,160
Effect of change in tax rate	(114)
Recognized for the year	
Unrealized loss - equity instruments	(2)
Balance at December 31	$ 3,044

22. REVENUE

a. Contract information

	For the Year Ended December 31	
	2018	2017
Optical fiber component	$ 1,048,259	$ 1,048,449
Radio frequency connector	1,446,278	1,578,559
	$ 2,494,537	$ 2,627,008

Refer to Note 4 for information about contract.

b. Contract balances

	December 31, 2018
Contract liabilities (classified under other current liabilities)	$ 3,079

The changes in the contract liabilities balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

23. NET PROFIT AND OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ 10,396	$ 8,187
Liquidated damage and penalty (Note 11)	-	7,261
Others	527	289
	$ 10,923	$ 15,737

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Loss on disposal of property, plant and equipment	$ (709)	$ (380)
Net foreign exchange (losses) gains	41,333	(86,931)
Others	(147)	(26)
	$ 40,477	$ (87,337)

c. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 32,033	$ 30,004
Intangible assets	6,778	8,030
	$ 38,811	$ 38,034
An analysis of depreciation by function		
Operating costs	$ 9,144	$ 8,130
Operating expenses	22,889	21,874
	$ 32,033	$ 30,004
An analysis of amortization by function		
Operating costs	$ 314	$ 717
Operating expenses	6,464	7,313
	$ 6,778	$ 8,030

d. Employee benefits expense

	For the Year Ended December 31	
	2018	**2017**
Post-employment benefits (Note 20)		
Defined contribution plans	$ 11,324	$ 11,621
Defined benefit plans	4,226	2,018
	15,550	13,639
Insurance expense	26,745	25,385
Remuneration of directors and supervisors	4,812	2,400
Other employee benefits	301,247	284,302
Total employee benefits expense	$ 348,354	$ 325,726
An analysis of employee benefits expense by function		
Operating costs	$ 198,887	$ 195,010
Operating expenses	149,467	130,716
	$ 348,354	$ 325,726

e. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at the rates no less than 5% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017 which have been approved by the Company's board of directors on March 21, 2019 and March 9, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	**2017**
Employees' compensation	5.97%	5.20%
Remuneration of directors and supervisors	1.57%	1.07%

Amount

	For the Year Ended December 31	
	2018	**2017**
	Cash	**Cash**
Employees' compensation	$ 12,160	$ 3,300
Remuneration of directors and supervisors	3,200	680

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

Information on the employees’ compensation and remuneration of directors and supervisors resolved by the Company’s board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2018	**2017**
Foreign exchange gains	$ 107,700	$ 35,725
Foreign exchange losses	(66,367)	(122,656)
	$ 41,333	$ (86,931)

24. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2018	**2017**
Current tax		
Adjustments for prior years	$ -	$ 2,105
Deferred tax		
In respect of the current year	37,673	10,344
Adjustments to deferred tax attributable to changes in tax rates and laws	(4,072)	-
Adjustments for prior years	225	(19)
	33,826	10,325
Income tax expense recognized in profit or loss	$ 33,826	$ 12,430

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2018	**2017**
Profit before tax from continuing operations	$ 188,221	$ 59,438
Income tax expense calculated at the statutory rate	$ 37,644	$ 10,104
Nondeductible expenses in determining taxable income	29	240
Adjustments for prior years’ tax	225	2,086
Adjustments to deferred tax attributable to changes in tax rates and law	(4,072)	-
Income tax expense recognized in profit or loss	$ 33,826	$ 12,430

In 2017, the applicable corporate income tax rate used by the company entity in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax at 5% consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of change in tax rate		
Translation of foreign operations	$ (166)	$ -
Fair value changes of financial assets at FVTOCI	(114)	-
Remeasurement of defined benefit plans	380	-
	100	-
In respect of the current year		
Translation of foreign operations	4,146	3,125
Fair value changes of financial assets at FVTOCI	1	-
Remeasurement on defined benefit plan	(667)	737
	3,480	3,862
Total income tax recognized in other comprehensive income	$ 3,580	$ 3,862

c. Current tax assets and liabilities

	For the Year Ended December 31	
	2018	2017
Current tax assets		
Tax refund receivable	$ 1,690	$ 720

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Effect of Retrospective Application	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences					
Allowance for impairment loss	$ 34,143	$ -	$ (7,238)	$ -	$ 26,905
Write-down of inventory	15,254	-	3,143	-	18,397
Defined benefit obligation	13,035	-	1,565	(287)	14,313
Provisions	8,295	(6,926)	242	-	1,611
Refund liabilities	-	6,926	757	-	7,683
Loss on financial assets measured at cost	4,351	(4,351)	-	-	-
Payable for annual leave	2,045	-	365	-	2,410
Exchange difference on foreign operation	-	-	-	3,041	3,041
Unrealized exchange losses	4,290	-	(4,290)	-	-
Others	2,339	-	2,504	-	4,843
	83,752	(4,351)	(2,952)	2,754	79,203
Tax losses	8,305	-	(7,516)	-	789
	$ 92,057	$ (4,351)	$ (10,468)	$ 2,754	$ 79,992

Deferred Tax Liabilities	Opening Balance	Effect of Retrospective Application	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences					
Investments accounted for using equity method	$ 62,453	$ -	$ 21,473	$ -	$ 83,926
Exchange difference on foreign operations	939	-	-	(939)	-
Unrealized exchange gains	-	-	1,911	-	1,911
FVTOCI financial assets	-	647	-	113	760
Others	26	-	(26)	-	-
	$ 63,418	$ 647	$ 23,358	$ (826)	$ 86,597

For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Allowance for impaired receivables	$ 50,004	$ (15,861)	$ -	$ 34,143
Write-down of inventory	17,732	(2,478)	-	15,254
Defined benefit obligation	12,975	(677)	737	13,035
Provisions	11,260	(2,965)	-	8,295
Loss on financial assets measured at cost	4,351	-	-	4,351
Payable for annual leave	1,946	99	-	2,045
Unrealized exchange losses	3,507	783	-	4,290
Others	2,230	109	-	2,339
	104,005	(20,990)	737	83,752
Tax losses	-	8,305	-	8,305
	$ 104,005	$ (12,685)	$ 737	$ 92,057

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Investments accounted for using equity method	$ 64,751	$ (2,298)	$ -	$ 62,453
Exchange difference on foreign operations	4,064	-	(3,125)	939
Others	69	(43)	-	26
	$ 68,884	$ (2,341)	$ (3,125)	$ 63,418

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised:

Unused Amount	Expiry Year
$ 3,945	2027

f. Income tax assessments

The tax returns of the Company through 2015 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2018	**2017**
Net profit for the year	$ 154,395	$ 47,008

The weighted average number of ordinary shares outstanding (in thousand shares) is as follows:

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares in the computation of basic earnings per share	66,000	66,000
Effect of potentially dilutive ordinary shares:		
Employees' compensation	339	196
Weighted average number of ordinary shares used in the computation of diluted earnings per share	66,339	66,196

Since the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings, and other equity).

Key management personnel of the Company review the capital structure periodically. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, and the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that were not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values or their fair value cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2018 (for the year ended December 31, 2017: None)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Unlisted shares	$ -	$ -	$ 42,018	$ 42,018

There were no transfers between Levels 1 and 2 in the current periods.

2) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of overseas unlisted equity investments were estimated using the market approach by reference to the Price-to-Book ratio (P/B ratio) and the discount for lack of marketability. And the fair values of preference shares were estimated using Option Pricing Method. The significant unobservable input used was discount for lack of marketability at the rate of 22.59%. An increase in discount for lack of marketability would result in increase in fair value.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Loans and receivables (1)	$ -	$ 1,462,637
Available-for-sale financial assets (2)	-	12,620
Financial assets at amortized cost (3)	1,458,931	-
Financial assets at FVTOCI - equity instruments	42,018	-
Financial liabilities		
Financial liabilities at amortized cost (4)	892,361	783,246

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables (including related parties) and other receivables.

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables (including related parties), and other receivables.

4) The balances included financial liabilities at amortized cost, which comprise short-term loans, notes payable, trade payables (including related parties) and other payables (including related parties).

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, trade receivables, trade payables and borrowings. According to business nature and the degree and magnitude of risks, the Company monitors and manages the financial risks relating to the operations. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company minimizes the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors. Compliance with policies and exposure limits is reviewed by internal auditors on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the market risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. To manage the volatility of future cash flows arising from changes in foreign exchange rates, the Company maintains a balance of net foreign currency assets and liabilities in hedge.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 30.

Sensitivity analysis

The Company's sensitivity analysis mainly focuses on the foreign currency risk of U.S. dollars at the end of the reporting period. Assuming a 5% strengthening/weakening of the functional currency against U.S. dollars, the net income before tax for the years ended December 31, 2018 and 2017 would have decreased/increased by $52,570 thousand and $60,821 thousand, respectively.

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

b) Interest rate risk

The Company was exposed to fair value and cash flow interest rate risk because the Company held both fixed-rate financial assets and financial liabilities. The Company's management monitors fluctuations in market interest rate regularly. If it is needed, the management performs necessary procedures to control significant interest rate risks from fluctuations in market interest rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 412,721	$ 432,483
Financial liabilities	220,000	220,000
Cash flow interest rate risk		
Financial assets	481,451	582,102

The changes in interest rates did not have significant influence on the Company, so there was no sensitivity analysis.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes, the Company does not actively trade these investments. In addition, the Company has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The changes in equity securities did not have significant influence on the Company, so there was no sensitivity analysis.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation with financial guarantees provided by the Company, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

The Company transacted with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Company manages liquidity risk by maintaining a level of cash and cash equivalents and bank loan facilities deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity for non-derivative financial liabilities

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the earliest date on which the Company can be required to pay.

	On Demand or Less than 1 Year	
	December 31	
	2018	2017
Non-derivative financial liabilities		
Non-interest bearing	$ 672,361	$ 563,246
Fixed interest rate liabilities	220,000	220,000
	$ 892,361	$ 783,246

b) Financing facilities

The Company relies on bank loans as a significant source of liquidity. As of December 31, 2018 and 2017, the unused amounts of bank loan facilities were as follows:

	December 31	
	2018	2017
Bank loan facilities		
Amounts unused	$ 950,715	$ 978,688

28. TRANSACTIONS WITH RELATED PARTIES

Besides the information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related Party name and categories

Related Party Name	Related Party Categories
Light Master Technology (Ningbo) Inc.	Subsidiaries
EZconn Czech a.s.	Subsidiaries
Optoway Technology Inc.	Director with significant influence over the Company
Kopek Pacific Ltd.	Director with significant influence over the Company
Gtran, Inc.	Subsidiaries of the Company's shareholder
Management A	Key management personnel
Management B	Key management personnel
Management C	Key management personnel
Management D	Key management personnel
Management E	Key management personnel
Management F	Key management personnel
Management G	Key management personnel

b. Sales of goods

Related Party Categories	For the Year Ended December 31 2018	2017
Subsidiaries	$ 137	$ 515
Director with significant influence over the Company	75	696
	$ 212	$ 1,211

c. Purchases of goods

Related Party Categories/Name	For the Year Ended December 31 2018	2017
Subsidiaries		
Light Master Technology (Ningbo) Inc.	$ 810,855	$ 849,383

The purchase transactions between the Company and related parties were based on agreements; the purchase prices of the products could not be compared with prices to unrelated parties.

d. Receivables from related parties (excluding loans to related parties)

Related Party Categories	December 31 2018	2017
Director with significant influence over the Company	$ 7	$ 40

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties (excluding loans from related parties)

Related Party Categories/Name	December 31 2018	2017
Subsidiaries		
Light Master Technology (Ningbo) Inc.	$ 291,155	$ 302,996
Others	-	146
	$ 291,155	$ 303,142

f. Other payables

Related Party Categories	December 31 2018	2017
Subsidiaries	$ 183	$ -

g. Acquisitions of property, plant and equipment

Related Party Category	Purchase Price For the Year Ended December 31 2018	2017
Subsidiaries of the Company's shareholder	$ 187	$ -

h. Disposals of property, plant and equipment

Related Party Categories	For the Year Ended December 31, 2018		For the Year Ended December 31, 2017	
	Proceeds	Gain on Disposal	Proceeds	Gain on Disposal
Subsidiaries	$ -	$ -	$ 592	$ 141

i. Endorsements and guarantees (see Table 1)

Endorsements and guarantees provided by the Company

Related Party Categories/Name	December 31	
	2018	2017
Subsidiaries		
Light Master Technology (Ningbo) Inc.		
Amount endorsed	$ -	$ 200,000
Amount utilized	-	200,000
	$ -	$ -

j. Other transactions with related parties

1) Prepayments for equipment

Related Party Categories	December 31	
	2018	2017
Subsidiaries of the Company's shareholder	$ -	$ 187

2) Rent expense

Related Party Categories	For the Year Ended December 31	
	2018	2017
Key management personnel	$ 6,000	$ 7,333

The Company leases office and dormitory from key management personnel, the lease contracts had expired in December 2018 and 2017, respectively. The Company pays the rental monthly.

3) Professional expense

Related Party Categories	For the Year Ended December 31	
	2018	2017
Subsidiaries of the Company's shareholder	$ 806	$ 2,663

4) Sampling expense

Related Party Categories	For the Year Ended December 31 2018	2017
Subsidiaries	$ -	$ 716
Subsidiaries of the Company's shareholder	-	249
	$ -	$ 965

5) Other expense

Related Party Categories	For the Year Ended December 31 2018	2017
Subsidiaries	$ -	$ 68

k. Compensation of key management personnel

	For the Year Ended December 31 2018	2017
Short-term employee benefits	$ 39,016	$ 22,954
Post-employment benefits	879	562
	$ 39,895	$ 23,516

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral and guarantees for the tariff of imported raw materials and goods, and guarantees deposit in Court (see Notes 8, 10 and 11):

	December 31 2018	2017
Pledged deposits (classified as financial assets at amortized cost - non-current)	$ 2,202	$ -
Pledged deposits (classified as debt investment with no active market - current)	-	2,179
Specific-purpose savings (classified as debt investment with no active market - current)	-	6,832
	$ 2,202	$ 9,011

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 44,636	30.7150 (USD:NTD)	$ 1,370,999
JPY	92,073	0.2782 (JPY:NTD)	25,615
RMB	4,861	4.4753 (RMB:NTD)	21,754
Non-monetary items			
USD	39,369	30.7150 (USD:NTD)	1,209,095
Financial liabilities			
Monetary items			
USD	10,406	30.7150 (USD:NTD)	319,607

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
USD	$ 52,090	29.7600 (USD:NTD)	$ 1,550,199
JPY	68,353	0.2642 (JPY:NTD)	18,059
RMB	1,875	4.5545 (RMB:NTD)	8,542
Non-monetary items			
USD	38,585	29.7600 (USD:NTD)	1,148,447
Financial liabilities			
Monetary items			
USD	11,216	29.7600 (USD:NTD)	333,789

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (None)

2) Endorsements/guarantees provided (Table 1)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures) (Table 2)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 3)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 4)

9) Trading in derivative instruments (None)

10) Information on investees (Table 5)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 7)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)

c) The amount of property transactions and the amount of the resultant gains or losses. (None)

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (None)

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services. (None)

EZCONN CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	EZconn Corporation	Light Master Technology (Ningbo) Inc.	Subsidiary	$ 423,673	$ 200,000	$ -	$ -	$ -	-	$ 423,673	Y	N	Y	-

Note: The total amount of the guarantee provided by the Company to any individual entity shall not exceed twenty percent (20%) of the Company's net worth.

EZCONN CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
EZconn Corporation	Enablence Technology Inc. - ordinary shares	-	Investments in equity instruments at FVTOCI - non-current	1	$ -	-	$ -	2
	Lightel Technologies Inc. - preference shares	-	〃	1,250	42,018	4.79	42,018	-

Note 1: The marketable securities were not pledged.

Note 2: The carrying amount was zero as of December 31, 2018 due to the impairment loss recognized in prior years.

TABLE 3

EZCONN CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
EZconn Corporation	Light Master Technology (Ningbo) Inc.	Subsidiary	Purchase	$ 810,855 (US$ 26,895 thousand)	48	T/T 90 days	-	-	$ (291,155) (US$ (9,479) thousand)	46	

EZCONN CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note 2)	Allowance for Impairment Loss
					Amount	Actions Taken		
Light Master Technology (Ningbo) Inc.	EZconn Corporation	Parent company	Trade receivables from related parties $ 291,155 (US$9,479 thousand)	-	$ -	-	$ 290,443	Note 1

Note 1: No impairment loss was recognized on trade receivables from related parties.

Note 2: Subsequent period was from January 1, 2019 to March 21, 2019.

EZCONN CORPORATION

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee (Foreign Currencies in Thousands)	Share of Profits (Loss)	Note
				December 31, 2018 (Foreign Currencies in Thousands)	December 31, 2017 (Foreign Currencies in Thousands)	Shares (In Thousands)	%	Carrying Amount (Foreign Currencies in Thousands)			
EZconn Corporation	EC-Link Technology Inc.	Samoa Islands	Investment	$ 679,543	$ 679,543	-	100.00	$ 1,108,579	$ 41,452 (US$ 1,375)	$ 41,452	
	EZconn Europe GmbH	Germany	Manufactures and sells precision metal components and optical fiber components of various electronic products	185,143	185,143	-	100.00	58,498	10,806 (US$ 358)	10,806	
EC-Link Technology Inc.	Light Master Technology Inc.	Samoa Islands	Investment	702,667 (US$ 22,877)	702,667 (US$ 22,877)	-	100.00	1,079,876 (US$ 35,158)	41,486 (US$ 1,376)		
EZconn Europe GmbH	EZconn Czech a.s.	Czech	Manufacturing of various optical fiber components	67,232 (EUR 1,910)	67,232 (EUR 1,910)	-	100.00	55,861 (EUR 1,587)	12,202 (EUR 343)		
EZconn Czech a.s.	EZconn technologies CZ s.r.o.	Czech	Manufacturing and research of optical communication components	13,652 (CZK 10,000)	13,652 (CZK 10,000)	-	100.00	10,194 (CZK 7,467)	(1,163) (CZK (835))		

Note: For information on invested company in mainland China, please refer to Table 6.

EZCONN CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Foreign Currencies in Thousands) (Note 2)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 (Foreign Currencies in Thousands) (Note 2)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Foreign Currencies in Thousands) (Note 2)	Net Income (Loss) of the Investee (Foreign Currencies in Thousands) (Notes 3 and 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Foreign Currencies in Thousands) (Notes 3, 5 and 6)	Carrying Amount as of December 31, 2018 (Foreign Currencies in Thousands) (Notes 2 and 5)	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outflow	Inflow						
Light Master Technology (Ningbo) Inc.	Manufacture and sale of optical fiber components and cable connector	$ 460,725 (US$ 15,000)	Note 1	$ 629,223 (US$ 21,137)	$ -	$ -	$ 649,223 (US$ 21,137)	$ 42,225 (US$ 1,401)	100	$ 41,384 (US$ 1,373)	$ 958,053 (US$ 31,192)	$ -

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Foreign Currencies in Thousands) (Note 2)	Investment Amounts Authorized by Investment Commission, MOEA (Foreign Currencies in Thousands) (Notes 1 and 2)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$649,223 (US$21,137)	$701,131 (US$22,827)	$1,271,020 (Note 4)

Note 1: The Company indirectly invested in Light Master Technology (Ningbo) Inc. through EC-Link Technology Inc. by investing via 3rd region. The amount included capital surplus of US$1,690 thousand of Light Master Technology (Ningbo) Inc.

Note 2: The calculation was based on the spot exchange rate of December 31, 2018.

Note 3: The calculation was based on the average exchange rate from January 1, 2018 to December 31, 2018.

Note 4: The calculation was based on 60% of the Company's net worth on December 31, 2018.

Note 5: The basis for investment income (loss) recognition is the financial statements audited and attested by parent company's CPA in the ROC.

Note 6: The share of profits/losses of investee included the effect of unrealized gross profit on intercompany transaction.

EZCONN CORPORATION

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	% to Total		Payment Term	Comparison with Normal Transaction	Ending Balance	% to Total		
Light Master Technology (Ningbo) Inc.	Purchase	$ 810,855	48	No significant difference to others	No significant difference to others	No significant difference to others	$ (291,155)	46	$ 1,962	

EZconn Corporation

Responsible person: Chen, Steve