Stock Code：6196

Taiwan Stock Exchange Market Observation Post System：
http://mops.twse.com.tw
MIC annual report is available at：
http://www.micb2b.com

Marketech International Corp.

2018 Annual Report

Printed on May 10, 2019

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any between the English and Chinese versions,the Chinese version shall prevail.

1. **The name, title, telephone number, and e-maiFl address of the spokesman or acting spokesman：**

Spokesperson：Scott Lin
Title：President
Tel：+883-2-26558899
Email：mic@micb2b.com

Deputy Spokesperson：Scott Lin
Title：President
Tel：+886-2-26558899
Email：mic@micb2b.com

2. **The address and telephone number of the company's headquarters, branch offices, and factories：**

Corporate Headquarter：6F, No.3-2, Yuancyu St., Nangang Dist., Taipei City 11503, Taiwan, R.O.C.
Tel：+886-2-26558899
Hsin Chu Branch：6F-3, No.83, Sec2, Gongdao 5th Rd., East Dist., Hsinchu City 30070, Taiwan, R.O.C.
Tel：+886-03-5160088
Tainan Science Park Branch：No.6, Dali 2nd Rd., Tainan Science-Based Industrial Park, Tainan City 74144, Taiwan,R.O.C.
Tel：+886-6-5055666
Hukou Factory：No.35, Guangfu S. Rd., Hukou Township, Hsinchu County 303, Taiwan, R.O.C.
Tel：+886-3-5974779
Toufen Factory：No.15, Lane 430, Zonghua Rd, Toufen Township, Miaoli County 351, Taiwan, R.O.C.
Tel：+886-37-612385
Shanhua Factory：No.73 Hsingnong Rd., Shanhua Township, Tainan City 741 ,Taiwan,R.O.C.
Tel：+886-6-5819803
Tainan Science Factory I：No.6, Dali 2nd Rd., Tainan Science-Based Industrial Park, Tainan City 74144, Taiwan,R.O.C.
Tel：+886-06-5055666
Tainan Science Factory II：No.6, Dali 2nd Rd., Tainan Science-Based Industrial Park, Tainan City 74144, Taiwan,R.O.C.
Tel：+886-06-5055666
Tainan Science Factory III：No. 9 Daye Road, Tainan Science-Based Industrial Park, Tainan City 74144, Taiwan,R.O.C.
Tel：+886-06-5050228
MIC-TECH Wuxi Factory：No. 11, Xin Xi Rd., Wuxi National High-Tech DEV Zone, Wuxi City, Jiangsu Province, China 214028
Tel：+ 86-510-85200505
Myanmar Factory：Lot No. B12, Tailawa Special Economic Zone A, Yangon Region, Myanmar
Tel：+95-1-535-927

3. **The name, address, e-mail address, and telephone number of the agency handling shares transfer：**

Company：KGI Securities Co., Ltd.,Stock Administration Department
Address：4F., No.2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan , R.O.C.
Website：www.kgieworld.com.tw
Tel：+886-2-23892999

4. **The name of the certified public accountant who duly audited the annual financial report for the most recent fiscal year, and the name, address and telephone number of said person's accounting firm：**

Auditors： Account Chang, Shu-Chiung & Account Weng ,Shih-Jung
Accounting Firm：PricewaterhouseCoopers Taiwan
Address：27F,Taiwan No.333., Sec. 1,Keelung Rd, Taipe Cityi, Taiwan 11012,R.O.C.
Website：www.pwc.tw
Tel：+886-2-2729-6666

5. **The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities：None.**

6. **Corporate Website：<u>www.micb2b.com</u>**

Contents

Part 1. Letter to Shareholders

1. Preface

Dear shareholders,

In 2018, MIC has reached an outstanding accomplishment again with exceeding high revenue and profitability. Comparing with 2017, our consolidated revenue increased from NT$20.2 billion to NT$24.4 billion with a growth of 21%; our yearly operating income reached NT$875 million with an annual growth of 9.37%; our net income after tax was NT$780million with a growth of 20.18%; and our consolidated EPS was NT$4.21 with a growth of 19.94%. In overall, MIC showed an extraordinary performance in revenue, net income and EPS in the year.

As for 2019, a number of foreign analyst reports have revised down the growth of semiconductor industry. This has not only resulted in a rather conservative attitude of the market, but also created lots of uncertainties. In his timeless work “Tao Te Ching”, Laozi ever said “The highest perfection is like imperfection, and its use is never impaired. The greatest abundance seems meager, and its use will never fail.” Likewise, our management is built on our abundant experiences over the last 30 years and, in every business cycle, we have established a firm foundation for our growth of the next stage.

2019 is a critical year for the development of 5G technology. Following the expansion of mobile network services, the environment for telecommunications network and system thereof will be further enriched. 5G not only provides bigger bandwidth and faster mobile network, but also supports high-resolution video (4K/8K video), mobile AR/VR games, immersive media applications, industrial automation, smart healthcare, large-scale IoT, auto-vehicle control and other even more diverse and in-depth applications. Seeing the great potential of 5G, I have encouraged our employees to be modest and consult with the others in order to enhance our know-how and optimize our reach to new business opportunities. We truly look forward to seeing even more remarkable performance of MIC when the next economic boom arrives.

Looking back the year of 2018 and seeing the great future of 2019; I can only express my gratitude through this letter. I am deeply grateful to all the shareholders who support MIC, to the clients who recognize MIC, to the third-party partners who collaborate with MIC, and to all my colleagues for their hard work. Next year, MIC will continue to strive for excellence to serve our clients, create lucrative profit and shareholder return, and fulfill our social responsibilities toestablishoutstanding industrial values of Taiwan.

Margaret Kao
Chairman & CEO

2. Business Report

2.1 The operating results of 2018

2.1.1 Operating results

The Company's consolidate revenue for 2018 totaled NT$24,415,723 thousand, with an increase over NT$20,211,994 thousand comparing with the year before (2017). Net income in 2018 was NT$782,164 thousand, with an increase over NT$648,829 thousand comparing with the year before.

The parent company's separate revenue of the parent company for 2018 totaled NT$16,757,545 thousand, with an increase over NT$15,319,550 thousand comparing with the year before (2017). Net income in 2018 was NT$792,582 thousand, with an increase over NT$652,951 thousand comparing with the year before. The company will continue to stabilize growth and profitability as the operational goals in the future, thus to create the largest shareholder equity.

Summary of the 2018 and 2017 Consolidated and Separate Financial Statement is listed as follows:

(1) Summary of Consolidated Financial Statement

Unit：NT$ thousands

Items	2017	2018	Variance ($)	Variance (%)
Operating Revenue	20,211,994	24,415,723	4,203,729	20.80
Gross Profit	2,301,337	2,819,196	517,859	22.50
Operating Income	800,699	875,753	75,054	9.37
Net Income	648,829	782,164	133,335	20.55
EPS(in dollars) (Note2)	3.77	4.40	0.63	16.71

Note 1: The above information is summarized from Audit Reports of 2017 and 2018.
Note 2: The Earnings per Share is calculated based on the no. of the weighted average outstanding shares.

(2) Summary of Separate Financial Statement

Unit：NT$ thousands

Items	2017	2018	Variance ($)	Variance (%)
Operating Revenue	15,319,550	16,757,545	1,437,995	9.39
Gross Profit	1,849,529	1,937,844	88,315	4.77
Operating Income	875,580	748,195	(127,385)	(14.55)
Net Income	652,951	792,582	139,631	21.38
EPS (in dollars) (Note2)	3.77	4.40	0.63	16.71

Note 1: The above information is summarized from Audit Reports of 2017 and 2018.
Note 2: The Earnings per Share is calculated based on the no. of the weighted average outstanding shares.

2.1.2 Budget Implementation

In 2018, the continuous booming in semiconductor, optoelectronics and other electronic industries, and momentum of expanded production across the strait have increased the market demand, of which benefits not only the manufacturers in these industries, but also MIC to achieve the budget plan and reach significant increase in annual consolidated operating revenue and parent company's separate operating revenue in 2018. The company will continue to stabilize growth and profitability as the operational goals in the future.

2.1.3 Analysis of Receipts, Expenditures, and Profitability

Items		Consolidated Financial Statement		Separate Financial Statement	
		2017	2018	2017	2018
Financial Structure	Ratio of liabilities to assets (%)	67.99	68.53	58.58	61.99
	Ratio of long-term capital to fixed assets (%)	305.66	273.52	392.56	350.66
Solvency	Current ratio (%)	131.53	125.95	131.32	120.26
	Quick ratio (%)	94.30	91.11	90.05	80.88
	Times interest earned	13.98	16.15	71.29	58.29
Profitability	Return on total assets (%)	4.65	4.87	5.65	5.90
	Return on shareholders' equity (%)	13.31	14.38	13.39	14.66
	Ratio of operating income to paid-in capital (%)	45.23	47.19	49.46	40.31
	Ratio of pre-tax income to paid-in capital (%)	45.98	53.93	46.12	53.51
	Profit margin (%)	3.21	3.20	4.26	4.73
	Earnings per share (dollar) (Note)	3.77	4.40	3.77	4.40

Note: The Earnings per Share is calculated based on the no. of the weighted average outstanding shares

2.1.4. Research and Development

(1) Expenditure involved

Unit：NT$ thousands

Year / Items	Consolidated Financial Statement		Separate Financial Statement	
	2017	2018	2017	2018
Research and development expenses (A)	184,082	256,600	177,920	238,017
Operating revenue (B)	20,211,994	24,415,723	15,319,550	16,757,545
Ratio (A)/(B)(%)	0.91	1.05	1.16	1.42

(2) Developed technologies and products in 2018

Featured with the capability of integrating high-technology production, auto-control and precision machinery technologies, the R&D team of MIC Group has shown extraordinary results in developing high-technology system and facilities. Its major performance in 2018 is shown below:

Year	R&D Performance	Applications
2018	Digital X-Ray Flat Panel Detector	Medical Radiology Imaging Applications (Biomedical Industry)
	Automatic replacement of chemical tank slots by robotic arm	Semiconductor and Panel Industry
	Electronic Signal Processor (IO Server)	Data Collection at Smart Manufacturing Site (Traditional and High Tech Industry)
	LED Wafer Reflection Measurement Technology	LED Sapphire (LED Industry)

2.2 Highlights of 2019 Business Plan

2.2.1 Operating Strategies

(1) Go further in high-tech equipment and material product lines to increase the operating revenue.
(2) Upgrade capabilities in turnkey service of engineering, design and system integration.
(3) Cooperate with well-known international manufacturers to develop capabilities in production relevant processing equipment.
(4) Research and develop customized equipment and production.
(5) Upgrade and extend equipment maintenance services.
(6) Actively develop IoT, Big Data and AI applications and installation capabilities.

2.2.2 Sales volume forecast and basis thereof

Challenged by the increase of downside risks, the World Bank has reduced the expected global economic growth from 3% (2018) to 2.9% (2019). Directorate-General of Budget Accounting and Statistics, Executive Yuan announced the annual economic growth rate of 2018, which is 2.63%, and forecasted the economic growth rate of 2019, which is 2.27%. In the Year-End Total Equipment Forecast, Semiconductor Equipment and Materials International (SEMI) announced that the sales amount of semiconductor equipment in 2019 was likely to decrease with a decline rate of 4% comparing with the previous year. However, SEMI forecasted that only Taiwan, Japan and North America will have an increase in semiconductor equipment. SEMI indicated that the Country's sales amount of 2018 was only US$10.1 billion and that this amount would increase to US$11.8 billion in 2019. According to the research of WitsView, the shipment of large-size panel is expected to increase by 1% and the shipment of notebook panel is expected to increase by 1.6% in 2019. The hot sales of new rimless products and e-sport games have increased the demand of changing peripheral products, pushing the growth of monitor panel to 4.4%. According to a research newly conducted by WitsView of TrendForce, the production capacity of LCD panel is open and the pressure from oversupply will increase.

Looking into 2019, MIC's business performance of 2019 is expected to be affected by the results of China-U.S.A. trade war as the overall economy will slow down. Further observations will therefore be required.

2.2.3 Important Production and Sales Policies

(1) To integrate MIC Group's business units and build up the Company's core technology.

(2) Increase the efficiency and reduce the costs to enhance the Company's business competitiveness.

(3) To provide customer a full line service through synergy of the company's business units.

(4) To enhance sales office's supply service to provide appropriate and on-time integrated services.

(5) To enhance its relationship with customers in Asia and to extend the Company's capability to provide local services.

2.3 Future Development Strategy

Centered on four major business groups – business agency, engineering design, system applications, and R&D and Manufacturing – MIC aims to further diversify its services and to include non-IT customers in order to expand its business in Asia.

Regarding the management system, MIS has implemented ISO9001, ISO13485, ISO14001, SA8000 and OHSAS18001 work standards to enhance its work quality and efficiency to ensure the Group's competitiveness, to make employees confident, to bring customers a good protection and to maximize shareholders'' benefits.

2.4 Impacts of External Competitive Environment, Regulatory Environment and Macroeconomic Environment

Impacted by the fierce competition of macroeconomic environment, the industry generally has the costs increased and profitability decreased. MIC Group is now making effort on the project and purchase management in order to enhance our competitiveness in the industry by controlling the costs and expenditure. As for the regulations, amendments concerning the protection of our environment, consumers and investors, as well as our social responsibilities were made, creating more restrictions on the business and turning the macroeconomic environment even more complicated. MIC Group will therefore provide even more professional services to confront the incoming challenges. Upholding the spirit of "innovations", MIC Group will optimize our advantages and expand our market by offering "integrated", "eco-friendly", "differentiated" and "smart" solutions and services.

A Good Health and All the Bests to our Shareholders.

Sincerely yours,

Chairman: Margaret Kao

President: Scott Lin

Accounting Director: Chung Chi-Wen

Part 2. Company Profile

1. Date of Incorporation： December 27, 1988

2. Company History：

2.1 Company History

1988	Marketech International Corp. was established with paid-in capital of NT$ 5 millionin December.
1989	Cooperated with US TPI Systems and introduced the hi-tech products as well as technologiesin February.
1991	Increased paid-in capital of NT$ 5million.
1994	Increased paid-in capital of NT$ 10 millionin June.
1995	Set up MIC’s 1st semiconductor cleaning roomin June.
1995	Increased paid-in capital of NT$ 9 millionin March.
1997	Started oversea business expansion from Singapore in July.
1997	Tainan representative office was established to support customers in Tainan Science Park in October.
1997	Co-marketed with J.P.C. to expand business in oversea marketsin December.
1998	Set up MIC’s 2nd semiconductor cleaning room in January.
1998	Changed company organization and name to Marketech International Corp. Increased paid-in capital of NT$ 13 million and converted retained earnings of NT$ 13 million into paid-in capital in September.
2000	Divisions of Equipment & Material and Chemical Engineering received ISO 9002 certification in September.
2000	Increased paid-in capital of NT$ 31.47 million and converted retained earnings of NT$ 113.23 million into paid-in capital in October. Hsin Chu office was officially opened.
2000	MIC-TECH VENTURES ASIA PACIFIC INC. was established and in charge of investment projects in Chinain December.
2001	Increased paid-in capital of NT$ 18 millionin January.
2001	MARKET GO PROFITS LTD. was established and in charge of oversea investment projectsin February. Acquired MARKETECH INTEGRATED PTE LTD.
2001	MIC-Tech (WuXi) Co., Ltd. was established and in charge of equipment manufacturing businessin May. MIC-Tech ShangHai Corp. Ltd. was established and in charge of trading business in China.
2001	Increased paid-in capital of NT$ 60 million and converted retained earnings of NT$ 172,39 million into paid-in capital in May.
2001	Hsin Chu branch office was establishedin July.
2001	Tao Yuan bonded warehouse was established and operatedin August.
2001	Received ISO 9001 certification (modified version by year 2000)in September.
2001	Exclusive agent for selling semiconductor backend packaging detection equipment in Taiwan was licensed in October. Kaohsiung representative office was established to provide customers in time service. Tainan bonded warehouse was established to speed up material supply for production.
2001	Beijing branch of MIC-Tech (WuXi) Co., Ltd. was establishedin December.
2001	AcquiredShanghai Puritic Co., Ltd. to expand business in China in January.
2002	Officially listed on Emerging Stock Market in April.

2002	Appointed 2 independent directors and 1 independent supervisorin May.
2002	Increased paid-in capital of NT$ 50 million and converted retained earningsof NT$ 157.027 million into paid-in capital in June.
2002	Officially listed on OTC Market in October.
2003	Issued MIC’s 1stdomestic unsecured convertible bond of NT$ 500 million in January.
2003	Started building Hu Kou factory in February. Fuzhou Jiwei System Integrated Co., Ltd. was established to expand the business in South China.
2003	Got approval to set up official office in Tainan Science Park in May.
2003	MIC-Tech Electronics Engineering Corp. was established in June.
2003	Executed retained earnings of NT$ 189.28175 million transferred to paid-in capital in August.
2003	Tainan Science Park branch office was established in August.
2003	Hu Kuo factory was official opened in September.
2003	Started building Shan Hua factory in October.
2003	Issued MIC’s 2nddomestic unsecured convertible bond of NT$ 580 millionin October.
2004	Converted unsecured convertible bond of NT$ 6.09951 million into paid-in capital in February.
2004	Started building Tainan Science Park factory in March.
2004	Worked as OEM of US equipment supplierin March.
2004	Officially listed on Taiwan Security Exchange Market in May.
2004	Executed retained earnings of NT$ 195.50165 million transferred to paid-in capital in August.
2004	Shan Hua factory was officially opened and operated in September.
2004	MIC-TECH GLOBAL CORP. was established in October.
2005	Converted unsecured convertible bond of NT$ 178,570 into paid-in capital in January.
2005	Tainan Science Park factory was officially opened and operated in May.
2005	Wu Xi factory was officially opened and operated in June.
2005	Executed retained earnings of NT$ 226.95569 million transferred to paid-in capital in August.
2005	Relocated headquarter to Nangang Soft Park in November.
2006	Worked as OEM of US well-known flat panel display equipment supplier. Worked as OEM of Japan Lasertech in March.
2006	Executed retained earnings of NT$ 207.26012 million transferred to paid-in capital in Septeber.
2006	Phase I of Tou Fen factory was officially opened and operated in November.
2007	Received ISO 14001 and OHSAS 18001 certification in January.
2007	Cancelled registry of treasury stock and decreased paid-in capital of NT$ 13.41 million in Sptember.
2007	Converted unsecured convertible bond of NT$ 30,760 into paid-in capital in December.
2008	Started building Phase II of Tainan Science Park factory in January.

2008	Phase II of Tainan Science Park factory was officially opened and operated in July.
2009	Marketech International Sdn. Bhd. was established for business expansion in Malaysia in February.
2009	Executed capital surplus of NT$ 146.90251 million transferred to paid-in capital in October.
2010	MIC-Tech Viet Nam Co., Ltd. was established for business expansion in Vietnam in January .
2010	Increased paid-in capital of NT$ 1.51 million through employees' subscription of new common stocks in March.
2011	Increased paid-in capital of NT$ 15.21 million through employees' subscription of new common stocks in April.
2011	Transferred semiconductor thermal process from Japan HiKE in June.
2011	Recognized as certified AEO company by Custom Administration,Minister of Financein June.
2011	Increased paid-in capital of NT$ 3.48 million through employees' subscription of new common stocks in July.
2011	Hoa Phong Marketech Co., Ltd. was established for business expansion in Vietnam in July.
2011	Increased paid-in capital of NT$ 2.95 million through employees' subscription of new common stocks in October.
2012	Increased paid-in capital of NT$ 5.8 million through employees' subscription of new common stocks in April.
2012	Increased paid-in capital of NT$ 0.89 million through employees' subscription of new common stocks in July.
2013	Increased paid-in capital of NT$ 0.33 million through employees' subscription of new common stocks in April.
2013	Phase III of Tou Fen factory was officially opened and operated in June.
2014	Marketech Engineering Pte. Ltd. was established in January.
2014	Increased paid-in capital of NT$ 0.13 million through employees' subscription of new common stocks in April.
2014	Marketech Integrated Construction Co., Ltd. was established for business expansion in Myanmar in April.
2015	Established the subsidiary (Marketech Integrated Manufacturing Company Limited) in Myanmar in March.
2015	Started to build factory in Myanmar in December.
2015	Received the SA8000 certification in December
2016	PT Marketech International Indonesia set-up
2016	Central Taiwan Science Park Branch set-up
2017	Converted unsecured convertible bond of NT$ 64.32 million into paid-in capital in April.
2017	Marketech Netherlands B.V. set-up
2017	Converted unsecured convertible bond of NT$ 35.36 million into paid-in capital in July.
2017	Converted unsecured convertible bond of NT$ 4.09 million and Employee stock options of NT$ 10.25 million into paid-in capital in October.

2018	Converted unsecured convertible bond of NT$ 1.46 million and Employee stock options of NT$ 3.97 million into paid-in capital in January.
2018	Converted unsecured convertible bond of NT$ 8.72 million and Employee stock options of NT$ 3.73 million into paid-in capital in April.
2018	Phase III of Tainan Science Park factory was officially opened and operated in June.
2018	Converted unsecured convertible bond of NT$ 0.86 million and Employee stock options of NT$ 0.29 million into paid-in capital in July.
2018	Converted unsecured convertible bond of NT$ 52.02 million and Employee stock options of NT$ 5.18 million into paid-in capital in October.
2018	The factory in Myanmar was officially opened and operated in December.
2018	The new office in Shanghai was officially opened and operated in December.
2018	Received the ISO 45001 certification in December
2019	Converted unsecured convertible bond of NT$ 13.62 million and Employee stock options of NT$ 1.32 million into paid-in capital in January.
2019	Converted unsecured convertible bond of NT$ 0.39 million and Employee stock options of NT$ 0.60 million into paid-in capital in January.

2.2 Merger and acquisition (up to date)：None

2.3 Invested entities (up to date)

Unit：In Thousand of New Taiwan Dollars; %

Invested	Investee	Functions	December 31, 2018			March 31, 2019		
			Investment Amount	Shareholding Composition	Book Value	Amount of Original Investment	Shareholding Composition	Book Value
Marketech International Corp.	Market Go Profits Ltd.	Engaged in holding and reinvestment affairs	1,282,562	100.00%	1,070,484	1,282,562	100.00%	1,136,488
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Engaged in automatic supply systems business in semiconductor industry	215,087	100.00%	15,095	215,087	100.00%	8,698
Marketech International Corp.	Headquarter International Ltd.	Engaged in holding and reinvestment affairs	42,475	100.00%	38,864	42,475	100.00%	38,861
Marketech International Corp.	Tiger United Finance Ltd.	Engaged in holding and reinvestment affairs	46,475	100.00%	37,813	46,475	100.00%	37,920
Marketech International Corp.	MIC-Tech Global Corp.	Engaged in international business	19,147	100.00%	6,607	19,147	100.00%	4,908
Marketech International Corp.	MIC-Tech Viet Nam Co., Ltd.	Engaged in selling lant equipments & supplies and providing, installation & maintenance service	39,345	100.00%	27,562	39,345	100.00%	27,938
Marketech International Corp.	Marketech Co. Ltd.	Engaged in engineering contracting and maintenance service	45,246	100.00%	11,088	45,246	100.00%	9,349
Marketech International Corp.	Marketech Engineering Pte. Ltd.	Engaged in mechanical and electrical installation and engineering business	10,129	100.00%	15,239	10,129	100.00%	8,537
Marketech International Corp.	Marketech Integrated Manufacturing Company Limited	Design, production and assembly of automated production machine, equipment and component	438,298	100.00%	355,023	438,298	100.00%	360,506
Marketech International Corp.	eZoom Information ,Inc.	Engaged in development, sales and consultancy of MIS software & hardware	195,737	100.00%	152,947	195,737	100.00%	140,484
Marketech International Corp.	Glory Technology Service Inc.	Engaged in sales and installation of telecom equipment	42,714	29.24%	61,236	42,714	29.24%	62,412
Marketech International Corp.	MIC Techno Co., Ltd.	Engaged in sales of panel equipment and material	2,000	20.00%	1,842	2,000	20.00%	1,838
Marketech International Corp.	PT Marketech International Indonesis	international trade on machinery and components.	38,042	99.92%	36,670	38,042	99.92%	36,784
Marketech International Corp.	Marketech International Sdn. Bhd.	Engaged in engineering contracting and maintenance service	87,070	100.00%	65,645	89,054	100.00%	62,412
Marketech International Corp.	ADAT Technology CO., LTD.	Software research and development, application and services; electronic information provisioning and equipment sales	20,000	30.30%	13,034	20,000	30.30%	11,027
Marketech International Corp.	Marketech Netherlands B.V.	Machinery, equipment, parts and related international trade operation and technical services	10,671	100.00%	6,339	10,671	100.00%	4,737
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	Engaged in holding and reinvestment affairs	1,277,065	100.00%	1,068,756	1,277,065	100.00%	1,134,755

Marketech Engineering Pte Ltd.	Marketech Integrated Construction Co., Ltd.	Engaged in mechanical and electrical installation and engineering business	8,569	95.00%	14,844	8,569	95.00%	8,166
MIC-Tech Ventures Asia Pacific Inc.	Russky H.K. Limited	Engaged in holding and reinvestment affairs	34,551	100.00%	(10,296)	34,551	100.00%	(9,674)
MIC-Tech Ventures Asia Pacific Inc.	Frontken MIC Co. Limited	Engaged in holding and reinvestment affairs	31,422	100.00%	5,414	31,422	100.00%	5,353
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Engaged in holding and reinvestment affairs	132,282	100.00%	63,213	132,282	100.00%	64,540
MIC-Tech Ventures Asia Pacific Inc.	Leader Fortune Enterprise Co., Ltd.	Engaged in holding and reinvestment affairs	8,990	31.43%	(4,638)	8,990	31.43%	(4,389)
Russky H.K. Limited	PT Marketech International Indonesia	international trade on machinery and components.	32	0.08%	31	32	0.08%	31
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech (WuXi) Co., Ltd.	Semiconductor, crystal and electronic component equipments, design, manufacturing, installation and maintenance of pollution control equipment, packaging equipment, refrigeration equipment and oven assembly. Wholesale, commission agent, import and export of the above products and parts. Rental and lease of plant.	783,233	100.00%	35,644	785,910	100.00%	53,792
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech (Shanghai) Co. Ltd.	Semiconductor production, testing equipment and supplies, wholesale of power generation boiler, commission agents, import and export and other related business, boiler warehousing and distribution. international trade, entrepot trade, bonded area trade and agency, business advisory services.	253,122	100.00%	351,218	253,988	100.00%	380,811
MIC-Tech Ventures Asia Pacific Inc.	Fuzhou Jiwei System Integratedy Co., Ltd.	Cleanroom and power system, pipeline system installation and related services.	9,215	100.00%	(1,016)	9,246	100.00%	(1,283)
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech Electronics Engineering Corp.	Mechanical and electrical installation general contracting and sub-contracting, electronic engineering sub-contracting, petrochemical pipeline installation sub-contracting, pipeline sub-contracting and provide maintenance	541,168	100.00%	417,743	543,018	100.00%	430,498

		service at the end of project, related engineering consultation services. Construction equipment, building materials (excluding steel and cement), electronic products, chemical products (except dangerous goods), metal products, electrical equipment, wholesale of communication equipment, commission agents (except auctions), import and export services, and provide related supporting services						
MIC-Tech Ventures Asia Pacific Inc.	SKMIC (WuXi) Corp.	Equipment installation, maintenance of semiconductor components and special crystal equipment, electronic components special equipment, environmental pollution prevention equipment; engaged in the above-mentioned product wholesale, commission agent, import and export business; industrial equipment cleaning, maintenance and maintenance.	4,590	49.00%	60	4,606	49.00%	60
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech China Trading (Shanghai) Co., Ltd.	Petrochemical products (except hazardous chemicals, precursor chemicals and specialty chemicals), semiconductors, testing equipments and supplies, solar equipment and supplies, wholesale of power generation boilers, commission agents, import and export and other related services, international trade, entrepot trade, trade and agent within the bonded area, trade advisory services.	46,073	100.00%	18,528	46,230	100.00%	16,204
Russky H.K. Limited	Shanghai Puritic Co., Ltd	Design, installation, adjustment and technical services for scrubber regeneration , pipeline system and relevant facilities used in the semiconductor industry; maintenance of equipments	16,033	87.00%	(12,644)	16,088	87.00%	(11,971)

		used in the semiconductor industry; technical advices for electronic and medical facilities; wholesaler, commission-based agent, export, import and related support services for electronic products, mechanical equipments, chemical products, communication equipments, metal products and plastic products.						
Russky H.K. Limited	Chen Gao M&E Engineering (Shanghai) Co., Ltd.	Microelectronics and display product design and consultation of the related technologies and management	6,143	100.00%	(588)	6,164	100.00%	(612)
Frontken MIC Co. Limited	Frontken MIC (WuXi) Co. Ltd	To clean equipments specialized for semiconductor components and integrated circuit. To clean parts and wafers of specific components, integrated circuits and micro-components of semiconductor devices. To develop semiconductor cleaning technology.	70,890	100.00%	5,393	71,133	100.00%	5,333
MICT International Limited	Integrated Manufacturing & Services Co., Ltd.	To develop and produce equipments specially designed for the production of solar energy battery; key components of large screen color projection displays such as optical engines, light sources, projection screens, high resolution projection tubes and LCOS modules; new electronic components; and cleaning and regeneration services. Sales products; mechanical equipment, general equipment production technology research and development, technology transfer, technical consultation, technical services; metal scrap and debris processing (except hazardous chemicals, hazardous waste); metal materials (except steel, precious metals), Ceramic products, paper products, hardware	92,145	60.00%	25,571	129,444	60.00%	63,753

		products wholesale, retail and Import and export business.						
Leader Fortune Enterprise Co., Ltd.	Macrotec Technology (Shanghai) Co.LTD.	Electronic products, food, textiles, daily necessities, cosmetics, valve switches, instrumentation, metal products, wholesale of mechanical and electrical equipment, commission agents, import and export, and related ancillary services; international trade, entrepot trade, trade between bonded areas and intra-regional trade Agent; commercial simple processing in bonded area; trade advisory service in bonded area	9,237	31.43%	(4,642)	9,269	31.43%	(4,393)

Note 1:The above investments are recognized by equity method.

2.4 Reforming in the most recent year and up to the printing of the annual report: none.

2.5 A large amount of transfer and replacement of shareholding by directors, supervisors and big shareholders with more than 10% shares in the most recent year and up to the printing of the annual report：

In May of 2018, the directors of the Company and the majority shareholder holding more than 10% of the shares had importantly transferred that was because Ennoconn International Investment Co., Ltd. was acquisition of the company's common shares and a large number of shares in public. Please refer to the section of “Transfer and Replacement of shareholding” in the annual report.

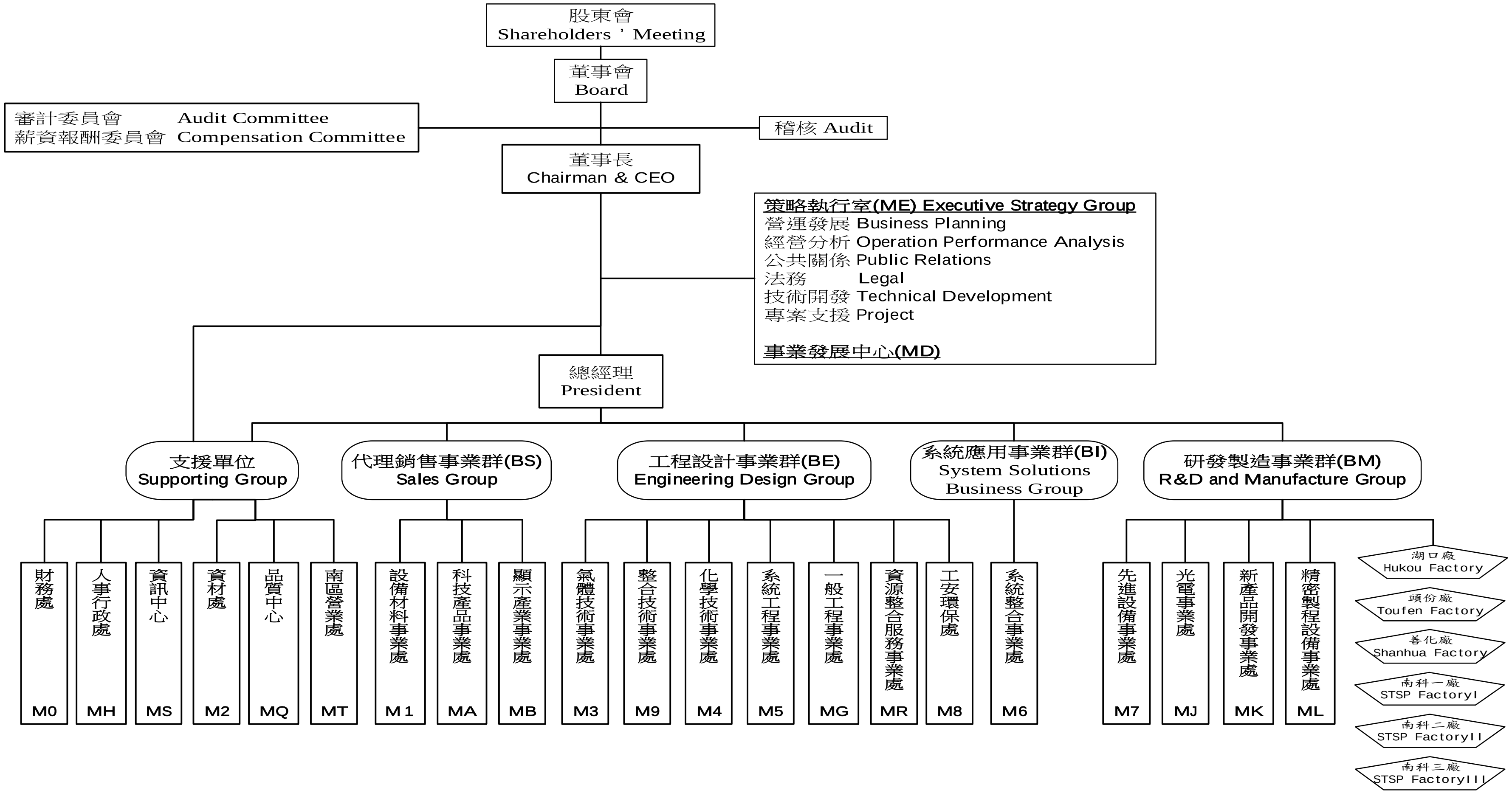
2.6 A huge change in management right, operation mode or business, and significant issues which affects the rights of shareholders and the company:

Ennoconn International Investment Co., Ltd. publicly acquired more than 40% of the company's common shares on May, 2018. It had substantial control over the company, so the company was listed as its subsidiary. The ultimate parent company of the company is Ennoconn International Investment Co., Ltd. Due to the joining operation of Ennoconn International Investment Co., Ltd., the company will expand more new business areas and have a positive impact on the company's future business development. Its comprehensive effect will be reflected development of business cooperation in the future. The acquisition of the above equity shares shall have a beneficial impact on the important matters affecting shareholders' equity, such as operating situation or business of the Company.

Part 3. Corporate Governance Report

1. Organization

1.1 Organization Chart



1.2 Major corporate functions

Division	Functions
Executive Strategy office	Analyzes the overall business and schemes the business strategy, Assesses the investment projects and the new product line Implements andimproves robust management practices. Plans, co-ordinates and executes assigned projects. Conforms to all business activities with legal compliance. Establishes and maintains public relations, and coordination amongdivision.
Enterprise Development Center	Integrate and develop the various offshore subsidiaries' sales agent, engineering design (the technology, general, transportation, petrochemical, and the like), system application, manufacture, trade development and related five major group businesses.
Audit Office	Conducts inspection and evaluates internal controls withinvarious divisions. Assists subsidiaries with internal audit tasks. Evaluates the robustness of internal control systems andrelated policies. Determines whether the internal controlsystemscontinues to be effective, and assesses the progressmade by each department, while offering suggestions toimprove the company's operations
Finance & Accounting Division	Financing deployment and capital management Stock affairs Accounting transactions management Financial reports and analysis Tax planning and filing
Euipment & Material Division	Provides the hi-tech manufacturing process and testing equipment and supplies Provides in time after service, technical support, and maintenance.
Logistics Division	Responsible for the purchasing, shipping and warehousing of materials,equipment and tools. Develops a robust supplier system that facilitates order tracking and strategic purchases Handles processes such as import, export, and bonded warehouses.
Gas Engineering Division	Provides total solution of UHP gas system which includes gas piping and equipment. Provides gas gabinet (GC) and valve manifold box (VMB) certified with SEMI. Represents variety of gases, chemicals, equipment and consuming parts from worldwide. Specialized in UHP gas/ liquid system module OEM and ODM.
Chemical Engineering Division	Turnkey projects for Central Chemical Supply System (CCSS), including system design, manufacturing, construction and installation Testing and providing on-site maintenance service for equipment Replacement of chemical and gas supply materials Operations of the monitoring and control system.
System Engineering Division	Constructs cleanrooms for local high-tech and bio tech industries; providesconstruction services for electromechanical engineeringprojects such as planning, design, supervision and turnkeysolutions. Constructs pumping station facilities, waste water treatment facilities, pumping station automation, air pollution control and other environmental protection facilities. Represents boiler and waste solvents. Providesinstallation services for energy and recycle facilities. Acted as the agent of Japan's A-Win wind turbine facility to provide the installation service of power and resource regeneration facilities.
Optoelectronics Division	Design and production of automated LCD production facilities Production of LCD production checking facilities as an OEM Design and production of LED production facilities Software design and development Design and production of automated logistics or specialized machines for biotechnology and other industries.
System Integration Division	The surveillance of factory services for high-technology and power-generation industry Facility automation

Division	Functions
	Production surveillance design, construction, installation and tests
Multimedia and Inspection Division	The development services of 3C / multimedia core technology, application technology and application products.
ISEP Division	Enhances employees' safety and health within the company;implements an OHSAS 18001-compliant occupationalhealth and safety system. Improves environmental management within the company;implements an ISO 14001-compliant environmentalmanagement system.
Turnkey Engineering Division	Spacial planning and project schedule management for the integration of high-technology industry, including removing, moving in, installing, planning, designing and constructing the facilities as well as the turnkey testing for the distribution system of the secondary supply machine. Supplying factories and customers with the demand of building or reconstructing factory offices the infrastructure (civil engineering, machinery and power-generating equipment, air-conditioning, internal installation, water supply and discharge etc.), clean room and production system. From the design, planning, construction management and the transfer after launched the operations.
Hi-Tech Producs Division	Provides production and testing equipment, instruments, parts and materials for Semiconductor Back-end packaging and testing, and Light-Emitting Diod Provides after service, technical support and maintenance services.
Display Industry Division	Provides production for flat panel displays, color filter and testing equipment, instruments, parts and materials Provides after service, technical support and maintenance service.
Human Resource & Administration Division	The planning, establishment and execution of the group’s human resource, general affairs and administration related system and management.
Information & System Division	Development and management of information systems andnetworks. Responsible for the development, maintenance and securitymanagement of various information systems and databases. Software access control, introductionand maintenance.
Q.C. Center	Develops, implements, enhances and improves ISO 9001 quality management system.
Southern Taiwan Representative Division	Coordinating the business development of southern market, coordinating the business integration internally and providing supports for the south and administration / general affairs.
General Engineering Division	Provides machinery and electric engineering services include design、consultant & construction of petro-chemical plant、traditional industry、intelligent buildings engineering、hospital building、office、shopping mall、hotel and transportation system.
Resources Services Division	Handles all engineering demand involving in consulting, planning, design, maintenance, repair, or alteration. Provides services including equipment relocation, trading or sales of new and used equipment, and relocation implementation.
Advanced ManufacturingDivision	The OEM production of LCD monitor production and testing facilities The OEM production of semiconductor production related facility module The OEM production of solar energy related production facility modules.
New Product DevelopmentDivision	Expanding and developing the category and quantity of testing facilities, production equipments, passive elements, LED, IC and other new products.
Precision Process Equipment Enterprise Division	The flat monitor processing and LCD production automation equipment’s design/manufacture, the flat monitor processing and LCD process screening equipment’s OEM manufacture; the LED process equipment’s design/manufacture; the CIM software design development; the biotech industry and other industries’ logistics and dedicated servers’ automated design/manufacture.

2.Directors, Supervisors, President, Vice President, Assistant Vice President and Department Heads

2.1 Information on the directors and supervisors

2.1.1 Information on the directors and supervisors (I)

April 01, 2019

Unit: NTD per thousand; shares; %

Position (Note 1)	Nationality or registered origin	Name	Gender	Appointed (incumbent) date	Tenure	Initial appointed date (Note 2)	Shareholdings when appointed		Initial appointed (incumbent) date		Shareholding held by spouse, minor offspring		Shareholding held by the name of others		Major exposure (education)(Note3)	Position currently also serve at the company and other companies	Related to other executive, director or auditor as the spouse or blood relative within two tiers		
							Share count	Share-holding ratio	Share count	Share-holding ratio	Share count	Share-holding ratio	Share count	Share-holding ratio			Title	Name	Relation
Director	ROC	Ji-Xuan Investment Corp. representative: SungKao,Hsiu-Ming	F	105/05/31	3	90/10/22	19,005,795 *4,010,513	11.51% *2.43%	11,005,795 *2,010,513	5.93% *1.08%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	Master of International Business Management, National Taiwan University Institute for Industrial Research electronics research institute section head	Chairman and CEO, Marketech International Corp. Director ,WT Microelectronics Chairman, Machrotec Technology Corp. Chairman ,Ji Shuan INVESTMENT CO., LTD. Chairman, MIC-Techno Co., Ltd Supervisor, Probeleader Co., Ltd	Nil	Nil	Nil
Director	ROC	Ji-Xuan Investment Corp. representative: Chuang, Yen-shan (Note 4)	M	105/05/31	3	96/6/15	19,005,795 *139,494	11.51% *0.08%	11,005,795 *50	5.93% *0.00%	0 *525,101	0.00% *0.28%	0 *0	0.00% *0.00%	Texas State University school of electrical engineering master Nanya Technology co president Wangeng Optoelectronics co chairman	Director, TQ Technology Corp..	Nil	Nil	Nil
Director	ROC	Ji-Xuan Investment Corp. representative: Lou Chao Tsung (Note 4)	M	105/05/31	3	107/10/31	19,005,795 *0	11.51% *0.00%	11,005,795 *0	5.93% *0.00%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	FengChia University B.A Nan Ya Plastic Corporation, engineering administrator	Director, Marketech International Corp. Senior manager, Hon Hai Precision ind. Co., Ltd. Director, Shihchun International Investment Co., Ltd. Director, Innovative systems integration limited. Chairman, Ennoconn international investment co., Ltd. Director, GOLDTEK TECHNOLOGY CO., LTD. Director, CASWELL, INC. Chairman, ENNOMECH PRECISION CO., LTD.	Nil	Nil	Nil
Director	ROC	E-Win Investment co representative: Lin Yue-Yeh	M	105/05/31	3	90/10/22	12,647,112 *10,327,782	7.66% *6.26%	6,647,112 *5,986,097	3.58% *3.22%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	Cheng Chi University business administration research institution master IFIR Western US Office superintendent IRIF electronics research institute section head	President and director ,Marketech International Corp. Chairman, E-Win INVESTMENT CO., LTD. Supervisor, MIC-Techno Co., Ltd Chairman, Probeleader Co., Ltd Chairman, eZoom Information ,Inc.	Nil	Nil	Nil
Director	ROC	Ma,Kuo-Peng	M	105/05/31	3	105/05/31	1,674,422	1.01%	839,422	0.45%	0	0.00%	0	0.00%	Qing Hua University E&M master Chiao Tong University electrical engineering doctoral program study Texas Semiconductors outsourced packaging department manager	Supervisor, Marketech International Corp. Director , Dyma Advance Technology Corp. Director ,Sopower technology Corp. Director, Taiwan Puritic Corp.	Nil	Nil	Nil
Director	ROC	Hsiao, Ming-Chih	M	105/05/31	3	105/05/31	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Dong Hai University school of accounting B.A. De An Development co vice president	Director, Marketech International Corp. General Manager, Mayer Steel Pipe Corp. Director,. Director, American Control Corp. Independent Director, Zenitron Corp. Independent Director, Universal Vision Biotechnology Independent Director, ,Star travel Corp.	Nil	Nil	Nil
Director	ROC	Cheng Jin-Chuan (Note 5)	M	105/05/31	3	105/05/31	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Dong Hai University school of Industrial Engineering B.A. Cheng Chi University business administration EMBA master study	Independent Director, 3S Silicon Tech., Inc.	Nil	Nil	Nil
Independent director	ROC	Lin Hsiao-Ming	M	105/05/31	3	105/05/31	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Taiwan University MBA CorpGeneral Manager, Taiwan Finance Corp.	Independent Director, Marketech International CorpGeneral Manager, Taiwan Finance Corp.	Nil	Nil	Nil
Independent director	ROC	Wu Chung-Pao	M	105/05/31	3	98/6/19	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master of International Business Management, National Taiwan University	Independent Director, Marketech International Corp Chairman, Protech Systems Co., Ltd. Director, Chenbro Micom Co., Ltd. Independent Director, Trade-Van Information Services, Co., Ltd. Director, CPC Corporation, Taiwan Independent Director,, EVE Airways Corporation	Nil	Nil	Nil
Independent director	ROC	Lu Zong-Jenn	M	105/05/31	3	96/6/15	365,286	0.22%	347,286	0.19%	0	0.00%	0	0.00%	Chung Hsing University B.A. Chin Cho co president	Independent Director, Marketech International Corp Chairman, Kisso Co.,Ltd.	Nil	Nil	Nil

* Which pertains to the representative's personal shareholding count and shareholding ratio.
Note 1:The institutional shareholder is to enlist the name of the institutional shareholder and its representative separately (as an institutional shareholder representation, the name of the institutional shareholder shall be noted), and shall also fill out the below table I.
Note 2: To enter the time first serving as company director or auditor, and if there is an interruption, please footnote the explanation.
Note 3: When having worked at the auditing CPAs Office or its affiliated enterprise in relevant exposure prior to serving the current position, the position served and the responsible job description shall be described.
Note 4: Mr. Chuang Yen-Shan resigned the position of representative of director from June 29, 2018, and Mr. Lou Chao Tsung has served as the position of representative of director on October 31,3018.
Note 5: Mr. Cheng Jin-Chuan resigned the position of director from June 29, 2018.

2.1.2 Major shareholders as institutions shareholders

Table I: Major shareholders as institutional shareholders

April 01, 2019

Name of institutional shareholders (Note 1)	Major shareholders as institutional investors (Note 2)
Ji Shuan Investment Company	SungKao,Hsin-Ming (16.06%), Sung Bing-zhong (23.42%), Sung Feng-pei (22.56%), Tao Zhe-yi (0.89%), Kao,Hsiu-Ming (0.45%), Ji Yung Investment Company (18.31%), Bai Shuan Investment Company (18.31%)
E-Win Investment Company	Lin Yu-Yeh (95%), Chen Wen-shu (2.5%), Lin Yu-jeh (0.5%), Lin Yu-yao (0.5%), Chen Lian-zhe (0.5%), Zheng Li-jen (0.5%), Feng Shu-jen (0.5%)
Ji Yung Investment Company	Sung Bing-zhong (94%), SungKao,Hsin-Ming (3%), Sung Feng-pei (3%)

Note 1:When a director or supervisor is of an institutional share representative, the name of said institutional shareholder shall be entered.
Note 2:To enter the name of said institutional entity's major investors (the top ten in shareholdings by percentage) and their shareholding ratio.

Table II: Major shares of institutional investors as institutional shareholders

April 01, 2019

Name of institutional shareholders (Note 1)	Major shareholders as institutional investors (Note 2)
Ji Yung Investment Company	Sung Bing-zhong (94%), SungKao,Hsin-Ming (3%), Sung Feng-pei (3%)
Bai Shuan Investment Company	Sung Feng-pei (94%), Sung Bing-zhong (5%), SungKao,Hsin-Ming (1%)

Note 1:When one of the major shareholders in the above table is of an institutional shareholder, the name of said institutional shareholder shall be entered.
Note 2:To enter the name of said institutional investor's major shareholders (the top ten in shareholdings by percentage) and their shareholding ratio.

2.1.3 Information on the directors and supervisors (II)

April 01, 2019

Criteria / Name	Whether commanding five years or longer of working experience and the below professional qualifications			State of independent conformance (Note 1)										also serving as other companies' independent directorship count
	As business, law, finance, accounting or company business required relevant public/ private college / university lecturer or higher	As judge, prosecutor, legal counsel, CPA or other professional certified technician required of the company operation and accredited with professional certification	Business, law, finance, accounting or company operation related working experience	1	2	3	4	5	6	7	8	9	10	
Ji-Xuan Investment Corp. Representative: SungKao,Hsin-Ming	Nil	Nil	ü	Nil	Nil	Nil	ü	Nil	Nil	Nil	ü	ü	Nil	Nil
Ji-Xuan Investment Corp. Representative: Chuang, Yen-Shan (Note 3)	Nil	Nil	ü	ü	ü	ü	ü	ü	ü	Nil	ü	ü	Nil	Nil
Ji-Xuan Investment Corp. Representative: Lou, Chao Tsung (Note 3)	Nil	Nil	ü	ü	ü	ü	ü	ü	ü	Nil	ü	ü	Nil	Nil
E-Win investment co Representative: Lin Yue-Yeh	Nil	Nil	ü	Nil	Nil	Nil	ü	Nil	Nil	Nil	ü	ü	Nil	Nil
Ma ,Kuo-Peng	Nil	Nil	ü	ü	Nil	ü	ü	ü	Nil	Nil	ü	ü	ü	Nil
Hsiao, Ming-Chih	Nil	Nil	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	3
Cheng Jin-Chuan (Note 4)	Nil	Nil	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	1
Lin, Hsiao-Ming	Nil	Nil	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	Nil
Wu ,Chung-Pao	Nil	Nil	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	2
Lu ,Zong-Jenn	Nil	Nil	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	ü	Nil

Note 1: When various directors, supervisors who conform to the following criteria two years prior to being appointed and during the period of whose tenure, please place a checkmark in the blank box under various criteria codes.
(1)Not as a hired help of the company or its affiliated enterprises.
(2)Not as a director, supervisorr to the company's affiliated enterprise (except where it if of a company independent director as the company's parent firm, of a subsidiary the company holds, directly or indirectly, over fifty percent of the voting rights.
(3)Not as the individual and whose spouse, minor offspring, or as a neutral person shareholder holding over one hundred percent of the company total shares issued, or as top ten shareholders.
(4)Not as the spouse to those enlisted under the preceding par III, blood relatives within two tiers, or direct blood relatives within five tiers.
(5)Not as the director, auditor or hired help of an institutional shareholder holding over five percent of the company's total shares issued, or as top five institutional shareholders' director, auditor or hired help by shareholding.
(6)Not as the director (managing director), auditor (managing auditor), manager, or shareholder holding over five percent of the shares of a specific company or entity with financial or business transaction with the company.
(7)Not as the professional offering business, legal, financial, accounting and related services or consulting to the company or its affiliated enterprises, the business owner, partner, director (managing director), auditor (managing auditor), manager and their spouse of a sole ownership, partnership, incorporated entity or organization, except as a member of the payroll remuneration council for exercising its fiduciary duties per article 7 of the stock launching or securities dealers business office trading company's payroll remuneration council set up and exercising its fiduciary duty measures.
(8)Not related to the other directors as a spouse or blood relation within two tiers.
(9)Not involved in any of the circumstances specified under article 30 of the Corporate Law.
(10)Not nominated as a governmental or institutional shareholder, or as the representative as stipulated under article 27 of the Corporate Law. ◦
Note 2:Our company re-elected the Board of Directors on May 31, 2016. All the independent directors formed the Audit Committee to replace the functions of supervisors.
Note 3: Mr. Chuang Yen-Shan resigned the position of representative of director from June 29, 2018, and Mr. Lou Chao Tsung has served as the position of representative of director on October 31,3018.
Note 4: Mr. Cheng Jin-Chuan resigned the position of director from June 29, 2018.

2.2 Information on the president, vice president, senior manager, various departmental and branch organization supervisors

April 01, 2019
Unit: NTD per thousand; share; %

Title (Note 1)	Nation-ality	Name	Gender	Appointed (incumbent) date	Shareholdings held		Shareholdings held by spouse, minor offspring		Shareholdings held under the name of others		Main exposure (education) (Note 2)	The position who also currently serves at other companies	Managers related as spouse or within two tiers of blood relation		
					Share count	Share-holding ratio	Share count	Share-holding ratio	Share count	Share-holding ratio			Title	Name	Relation
Chairman and CEO	ROC	Sung Kao, Hsin-Ming	F	78/01/01	2,010,513	1.08%	0	0.00%	0	0.00%	Master of International Business Management, National Taiwan University, Institute for Industrial Research electronics laboratory section head	Wen Hua Technology Corp dire tor Shu Shuan Investment co chairman Ji Shuan Engineering Technology Co diretor Hua Shuan Technology Co chairman Li Wei Electronics Co auditor	Nil	Nil	Nil
President	ROC	Lin Yue-Yeh	M	93/07/01	5,986,097	3.22%	0	0.00%	0	0.00%	Cheng Chi University business administration research institute master Institute for Industrial Research western USA office superintendent IFIE electronics research institute section head	E-Win Investment Co chairman Hua Shuan Technology Co auditor Li Wei Electronics Corp chairman Chairman, eZoom Information ,Inc.	Nil	Nil	Nil
Group GM	ROC	Chen Jian-tsuen (Note 3)	M	99/04/01	75,000	0.04%	0	0.00%	0	0.00%	Tamkang University school of applied physics B.A.	Nil	Nil	Nil	Nil
Group VGM	ROC	Wei Jian-ming	M	99/04/01	0	0.00%	0	0.00%	0	0.00%	State of Connecticut University USA information science doctoral Rainbow QX Technologies Corp president Axonet Inc president and CEO	Nil	Nil	Nil	Nil
Divison GM	ROC	Huang Zhong-wen (Note 4)	M	99/02/01	83,783	0.05	0	0.00%	0	0.00%	Murray State University USA business administration research institute master Asia Word Hotel departmental superintendent	Nil	Nil	Nil	Nil
Divison GM	ROC	Chang Ruei-ru (Note 4)	M	99/02/01	58,348	0.03%	0	0.00%	0	0.00%	Taiwan Technology University EMBA global strategy section master China Precision Diecast co technical section head Jia Rong Company sales superintendent	Nil	Nil	Nil	Nil
Divison VGM	ROC	Li Ruei-wen (Note 5)	M	106/02/01	0	0.00%	25,700	0.02%	0	0.00%	National Chiao Tung University Department of Communications Engineering B.A. Applied Materials Taiwan Quality Assuranc manager.	Nil	Nil	Nil	Nil
Divison VGM	ROC	Lin Chih-jen (Note 6)	M	107/04/11	55,000	0.03%	51,000	0.03%	0	0.00%	Master, Graduate School of Environmental Engineering, National Cheng Kung University	Nil	Nil	Nil	Nil
Divison VGM	ROC	Lu Chien-kuo (Note 6)	M	107/04/11	27,029	0.01%	0	0.00%	0	0.00%	B.A., Department of Electronic Engineering, Minghsin University of Science and technology EMBA Accreditation program, National Chiao Tung University Graduate School of Biotech Healthcare Management, National Yang-Ming University	Nil	Nil	Nil	Nil
Divison VGM	ROC	Hsu Ta-chang (Note 6)	M	107/04/11	35,000	0.02%	0	0.00%	0	0.00%	Master, Graduate School of Civil Engineering, Texas A&M University	Nil	Nil	Nil	Nil

Title (Note 1)	Nation-ality	Name	Gender	Appointed (incumbent) date	Shareholdings held		Shareholdings held by spouse, minor offspring		Shareholdings held under the name of others		Main exposure (education) (Note 2)	The position who also currently serves at other companies	Managers related as spouse or within two tiers of blood relation		
					Share count	Share-holding ratio	Share count	Share-holding ratio	Share count	Share-holding ratio			Title	Name	Relation
Divison VGM	ROC	Lo Ssu-yuan (Note 6)	M	107/04/11	0	0.00%	0	0.00%	0	0.00%	B.A., Department of Mechanical Engineering, Hsiuping University of Science and Technology Deputy Section Head, Rexon Industrial Corporation Limited	Nil	Nil	Nil	Nil
Divison VGM	ROC	Tseng Lieh-huang (Note 6)	M	107/04/11	15,000	0.01%	0	0.00%	0	0.00%	Master, Graduate School of Civil Engineering, National Taiwan University Senior Manager, Gamuda Bhd., Malaysia Manager, Transport Enterprise Department, Pacific Engineers & Constructors Ltd. Manager, Construction Administration, Dong Hung Construction Co., Ltd.	Nil	Nil	Nil	Nil
Divison VGM	ROC	Hou Kun-you (Note 7)	M	107/11/01	34,585	0.02%	16,000	0.01%	0	0.00%	Fengjia University International Trade Department CYMER SOUTHEAST ASIA LTD.Manager Evergreen Marine Corporation. Sales and Marketing Specialist WINTEK CORPORATION business engineer	Nil	Nil	Nil	Nil
Divison VGM	ROC	Yang Yuan-zhi (Note 7)	M	10711/01	25,000	0.01%	0	0.00%	0	0.00%	Middlesex University, UK FMM Department of Atmospheric Sciences, National Central University Director, Human Resources Department, China Industrial and Commercial Research Institute Assistant Researcher, Taiwan Economic Research Institute	Nil	Nil	Nil	Nil
GM Finance	ROC	Hsieh Ming-ju	F	87/07/01	511,459	0.28%	0	0.00%	0	0.00%	Taipei Business College school of accounting and statistics B.A. Lung Pu Group financial specialist Cathay group adminisrator	Nil	Nil	Nil	Nil
Director, Finance & Accounting Divison	ROC	Zhong Chi-wen	F	95/04/21	91,473	0.05%	0	0.00%	0	0.00%	Soochow University accounting research institute master PWC CPA Office Director Daiwa Securities co assistant manager	Nil	Nil	Nil	Nil
Chief Audit	ROC	Lin Ya-qing	F	105/09/01	10,000	0.01%	0	0.00%	0	0.00%	Soochow University school of business administration B.A. KPMG CPA Office assistant manager TransAsia Airways senior accountant	Nil	Nil	Nil	Nil

Note 1:It shall include information on the president, vice presidents, senior managers, various departmental and branch organizational executives, and those with a position comparable to the president, vice president and senior manager, regardless of the job title, shall also be disclosed.
Note 2:When having worked in a certified public accountants office or related enterprise with pertinent exposure related to the current position, it shall describe the individual's job title and responsible job description.
Note 3: Mr. Chen Chien-Tun has been promoted to Enterprise Group President on June 1, 2017.
Note 4: Mr. Huang Tsung-Wen and Chang Jui-Ju have been promoted to Enterprise Division Presidents on April 11, 2018.
Note 5: Mr. Li Ruei-Wen has been promoted to Enterprise Division Vice President on February 1, 2017.
Note 6: Mr. Lin Chih-Jen, Lu Chieh-Kuo, Hsu Ta-Chang, Lo Ssu-Yuan and Tseng Lien-Huang have been promoted to Enterprise Division Vice Presidents on April 11, 2018.
Note 7: Mr. Hou Kun-you and Yang Yuan-zhi have been promoted to Enterprise Division Vice Presidents on October 1, 2018.

3. The remunerations dispensed to the Directors, Supervisors, President and Vice President in the most recent fiscal year

The company, when in one of the following circumstances, shall disclose the remunerations dispensed to its directors or auditors individually; and the rest may adopt the means of a consolidated tally as coordinated with a scale by which to disclose the names, or by means of disclosing the names and remunerations individually (when adopting individual disclosure, please enter individually the position, name and amount, without having to fill out a table of remunerations by scale):

3.1 When there is after-tax deficit in the most recent two years' individual entity or individual financial statements, it is a must to reveal every director and supervisor's remuneration, except those that already have after-tax net profit and the said profit is enough to cover the deficit.

3.2 If the circumstance of shares held by the directors should fall short for three consecutive months or longer in the most recent year, the remunerations of individual directors shall be disclosed; when the circumstance of shares held by the auditors should fall short by three consecutive months or longer in the most recent years, the remunerations of individual auditors shall be disclosed.

3.3 If the directors or auditors' average mortgaging percentage exceeds 50% in any given three months in the most recent year, the particular month of the remunerations of the individual directors or auditors with a mortgaging ratio exceeding 50% shall be disclosed.

(Note: the entire directors' monthly average mortgaging ratio: the entire directors' mortgaged share count / the entire directors' shareholdings (including the retained voting right trust share count); the entire auditors monthly average mortgaging ratio: the entire auditors mortgaging share count / the entire auditors shareholdings (including the retained voting right trust share count).

3.4 When the entire directors and auditors collecting the directors and auditors remunerations in all companies stated in the financial statements to the after-tax net earnings should exceed two percent, and that the remunerations the individual directors or auditors collect also exceed NT$15 million, the individual remunerations of the directors or auditors shall be disclosed.

In the absence of any of the foresaid par 3.1 to par 3.4 circumstances among company directors and auditors, the company has therefore adopted the means of consolidated tally, as coordinated with scale in disclosing the names.

3.1 The remunerations of the directors (including the independent directors)

Year 2018

Unit: NTD per thousand; shares

(except where the market value per share is indicated in NTD)

(1-2) The remunerations of the directors (including the independent directors)

(By means of consolidated tally as coordinated with scale by which to disclose the names)

Title	Name	Director remunerations								The ratio of the sum of the four items A, B, C and D to the after-tax net earnings(Note 10)		Pertinent remunerations doubling employees collect								The ratio of the sum of the seven items A, B, C, D, E, F and G to the after-tax net earnings (Note 10)		Whether collecting remunerations from reinvested entities beyond the subsidiaries (Note 11)
		Return (A) (Note 2)		Retirement pension (B)		Directors' Remuneration (C) (Note 3)		Business execution expenditure (D) (Note 4)				Wages, bonuses and special expensed expenditure etc. (E) (Note 5)		Retirement pensions (F)		Employees' Remuneration (G) (Note 6)						
																The company		All companies in the financial statements (Note 7)				
		The company	All companies in the financial statements (Note 7)	The company	All companies in the financial statements (Note 7)	The company	All companies in the financial statements (Note 7)	The company	All companies in the financial statements (Note 7)	The company	All companies in the financial statements (Note 7)	The company	All companies in the financial statements (Note 7)	The company	All companies in the financial statements (Note 7)	Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount	The company	All companies in the financial statements (Note 7)	
Chairman and CEO and subsidiary president	Ji-Xuan Investment Corp. representative: Sung Kao, Hsin-Ming																					
Director	Ji-Xuan Investment Corp. representative: Chuang, Yen-Shan(Note12)																					
Director	Ji-Xuan Investment Corp. representative: Lou, Chao Tsung (Note13)																					
Chairman President	E-Win Investment co representative: Lin, Yue-Yeh	0	0	0	0	11,111	11,111	822	822	1.51%	1.51%	25,108	26,781	168	168	5,200	0	5,200	0	5.35%	5.56%	None
Director	Ma ,Kuo-Peng																					
Director	Hsiao, Ming-Chih																					
Director	Cheng Jin-Chuan (Note14)																					
Independent director	Lin, Hsiao-Ming																					
Independent director	Wu, Chung-Pao																					
Independent director	Lu, Zong-Jenn																					

* Other than above-mentioned changes, all the services provided recently in the company by the members of the Board of Directors in relation to the financial report such as holding the position as non-employee consultants have not incurred any additional remuneration.

Remunerations Scale Table

Year 2018

Remunerations dispensed to individual company directors by scale	Name of the directors			
	Total sum of the remunerations of the first four items (A+B+C+D)		Total sum of the first seven items(A+B+C+D+E+F+G)	
	The company (Note 8)	All companies stated in the financial statements (Note 9) (I)	The company (Note 8)	All companies stated in the financial statements (Note 9) (J)
Up to $2,000,000	Sung Kao, Hsin-Ming, Chuang, Yen-Shan(Note12), Lou, Chao Tsung(Note12), Lin, Yue-Yeh, Ma, Kuo-Peng, Hsiao, Ming-Chih, Cheng, Jin-Chuan(Note13), Lin,Hsiao-Ming Wu, Chung-Pao, Lu, Zong-Jenn,	Sung Kao, Hsin-Ming, Chuang, Yen-Shan(Note12), Lou, Chao Tsung(Note12), Lin, Yue-Yeh, Ma, Kuo-Peng, Hsiao, Ming-Chih, Cheng, Jin-Chuan(Note13), Lin,Hsiao-Ming Wu, Chung-Pao, Lu, Zong-Jenn,	Sung Kao, Hsin-Ming, Chuang, Yen-Shan(Note12), Lou, Chao Tsung(Note12), Lin, Yue-Yeh, Ma, Kuo-Peng, Hsiao, Ming-Chih, Cheng, Jin-Chuan(Note13), Lin,Hsiao-Ming Wu, Chung-Pao, Lu, Zong-Jenn,	Sung Kao, Hsin-Ming, Chuang, Yen-Shan(Note12), Lou, Chao Tsung(Note12), Lin, Yue-Yeh, Ma, Kuo-Peng, Hsiao, Ming-Chih, Cheng, Jin-Chuan(Note13), Lin,Hsiao-Ming Wu, Chung-Pao, Lu, Zong-Jenn,
$2,000,000 (inclusive) ~ $5,000,000 (preclusive)	Nil	Nil	Nil	Nil
$5,000,000 (inclusive) ~ $10,000,000 (preclusive)	Nil	Nil	Kao,Hsiu-Ming, Lin Yu-yeh	Kao,Hsiu-Ming, Lin Yu-yeh
$10,000,000 (inclusive) ~ $15,000,000 (preclusive)	Nil	Nil	Nil	Nil
$15,000,000 (inclusive) ~ $30,000,000 (preclusive)	Nil	Nil	Nil	Nil
$30,000,000 (inclusive) ~ $50,000,000 (preclusive)	Nil	Nil	Nil	Nil
$50,000,000 (inclusive) ~ $100,000,000 (preclusive)	Nil	Nil	Nil	Nil
Over $100,000,000	Nil	Nil	Nil	Nil
Total	10	10	10	10

* As the content of the remunerations disclosed in the table varies from the concept of income by the Income Tax Law, thus the purpose of the table has been for the purpose of information disclosure, and is not intended for tax levy purpose.

Note 1: The name of the directors shall be enlisted separately (of institutional shareholders, the institutional shareholder name and the representative shall be enlisted separately), with amount of various payouts to be disclosed in a consolidated manner. If the directors also doubling as the president or vice presidents, the table and the below table (3-1) or (3-2) shall be entered.

Note 2: Which refers to the most recent year's directors' remunerations (including the directors remunerations, position stipends, resignation payout, various bonuses, incentive payouts and the like).

Note 3: Referst to directors' remuneration distributed upon the approval of Board of Directors of the year.
Which pertains to entering the directors' remuneration amount in the proposed earnings distribution proposal as motioned through the management board and voted before the shareholders meeting. The distribution of the remunerations company 2014 earnings distribution is formulated and finalized by the management board, and is motioned through before the 2015 shareholders' meeting.

Note 4: Which pertains to the most recent year's directors' pertinent business execution expenditures (including the travel expenses, special dispensed expenditures, various subsidies, dormitory, car allocation and related tangible goods allocation and so forth). When allocating with housing, car, other transportation means or exclusive personal expenditures, it shall disclose the nature of the asset allocated, the actual or market value actuated rent, fuel and other payouts. Also when allocating with a driver, please include in the footnote explaining pertinent remuneration the company pays said driver, but excluding from the remunerations.

Note 5: Which refers to the most recent year in which the directors doubling as employees (including doubling as the president, vice president, other managers and employees) have collected of the wages, position stipends, resignation payouts, various bonuses, incentive payouts, travel expenses, specially dispensed expenditures, various subsidies, dormitory, car allocation and related tangible goods allocation and the like). When allocating with housing, car, other transportation means or exclusive personal expenditures, it shall disclose the nature of the asset allocated, the actual or market value actuated rent, fuel and other payouts. Also when allocating with a driver, please include in the footnote explaining pertinent remuneration the company pays said driver, but excluding from the remunerations. Company Chairman Kao,Hsiu-Ming is allocated with one leased company vehicle, which carries a monthly lease at NT$75,000 spanning from Jan. 1, 2018 to Dec. 31 2018; President Lin Yu-Yeh is allocated with one leased company vehicle, which carries a monthly lease at NT$31,905 from Jan. 1, 2018 to Dec. 31 2018.

Note 6: Which refers to when directors who serve as employee (including the position of president, vice president, other manager and employee) receive employees' remuneration (including stock and cash), the percentage of employees' remuneration shall be distributed based the board of directors' approval of the year. Those who unable to estimate the amount shall have this year's amount calculated based on last year's amount and to fill up the attached form 1-3.

Note 7: The total sum of various remunerations dispensed to company directors by all companies (including the company) stated in the consolidated financial statements.

Note 8: The total sum of various remunerations the company dispenses to each director, and disclosing the name of the directors that fall within the scale of pay propensity.

Note 9: It is mandated to disclose the total sum of various remunerations dispensed to each company director by all companies (including the company) stated in the consolidated financial statements, and disclosing the name of the directors that fall within the scale of pay propensity.

Note 10: The after-tax net return refers to the most recent year's after-tax net return; when adopting the International Financial Statement Reporting Criteria, the after-tax net return refers to the after-tax net return of an individual entity or individual financial statements. All the companies on the consolidated financial report (including the Company and its subsidiaries) shall adopt International Financial Statement Reporting Criteria approved by Financial Supervisory Commission starting from 2013. The Company's net after-tax return on the 2018 consolidated financial statement is NT$792,582 thousands.

Note 11: a.The column shall precisely enter the pertinent remuneration amount company directors collect from reinvested entities beyond the subsidiaries.
b.If company directors collect pertinent remunerations from reinvested entities beyond the subsidiaries, the remunerations company directors collect from reinvested entities beyond the subsidiaries shall be merged into the remuneration scale table column J, and also change the column name to "all reinvested entities".
c.The remuneration refers to pay, remuneration (including remuneration for employee, director and supervisor) and expenses of executing business received by the Company's directors who employ as director, supervisor or manager in reinvested companies other than the subsidiaries.

Note 12: Mr. Chuang Yen-Shan resigned the position of representative of director from June 29, 2018, and Mr. Lou Chao Tsung has served as the position of representative of director on October 31,3018.

Note 13: Mr. Cheng Jin-Chuan resigned the position of director from June 29, 2018.

3.2 The remunerations of the supervisors

The Company has reelected the directors on its May 31, 2016 scheduled shareholders' meeting, where the entire independent directors are to form an audit committee, which is to replace the auditors' fiduciary power, thus no remuneration will be dispensed to the auditors.

3.3 The remunerations of the president and the vice presidents

(3-2) The remunerations of the president and vice presidents (by means of consolidated tally by scale by which to disclose the names)

Year 2018

Unit: NTD per thousand; shares

(except where the market value per share is indicated in NTD)

Title	Name	Wage (A) (Note 2)		Retire-ment pension (B)		Bonus and special expense etc. (C) (Note 3)		Employee bonus amount in the earnings distribution (D) (Note 4)				The percentage of the total sum of the four items A, B, C and D to the after-tax net return (%) (Note 9)		Whether collecting remuneration from reinvested entities beyond the subsidiaries (Note 10)
		The company	All companies in the financial statements (Note 5)	The company	All companies in the financial statements (Note 5)	The company	All companies in the financial statements (Note 5)	The company		All companies in the financial statements (Note 5)		The company	All companies in the financial statements (Note 6)	
								Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount			
Chairman doubling as CEO, also as subsidiary president	Sung Kao, Hsin-Ming	72,331	75,274	1,509	1,509	4,580	4,580	14,300	0	14,300	0	11.70%	12.07%	None
President	Lin, Yue-Yeh													
Group GM	Chen Jian-Tsuen													
Group VGM	Wei Jian-Ming													
Divison GM	Huang Zhong-Wen (Note 10)													
Divison GM	Chang Ruei-Ru (Note 10)													
Divison VGM	Li Ruei-Wen													
Divison VGM	Lin Chih-jen (Note 11)													
Divison VGM	Lu Chien-kuo (Note 11)													
Divison VGM	Hsu Ta-chang (Note 11)													
Divison VGM	Lo Ssu-yuan (Note 11)													
Divison VGM	Tseng Lieh-huang (Note 11)													
Divison VGM	Hou Kun-you (Note 12)													
Divison VGM	Yang Yuan-zhi (Note 12)													
GM Finance	Hsieh Ming-Ju													

Remuneration Scale Table

Year 2018

The remunerations dispensed to each individual company president and vice presidents	Name of the president and vice presidents	
	The company (Note 6)	All companies stated in the financial statements (Note 7) (E)
Up to $2,000,000	Hou Kun-you(Note 12), Yang Yuan-zhi (Note 12)	Hou Kun-you(Note 12), Yang Yuan-zhi (Note 12)
$2,000,000 (inclusive) ~ $5,000,000 (preclusive)	Lo Ssu-yuan(Note 11),Lin Chih-jen(Note 11), Lu Chien-kuo(Note 11), Tseng Lieh-huang (Note 11) Hsu Ta-chang(Note 11)	Lo Ssu-yuan(Note 11),Lin Chih-jen(Note 11), Lu Chien-kuo(Note 11), Tseng Lieh-huang (Note 11) Hsu Ta-chang(Note 11)
$5,000,000 (inclusive) ~ $10,000,000 (preclusive)	Huang Zhong-wen (Note 10), Wei Jian-ming, Chen Jian-tsuen, Chang Ruei-ru, Li Ruei-Wen (Note 10), Hsieh Ming-ju	Huang Zhong-wen (Note 10), Wei Jian-ming, Chen Jian-tsuen, Chang Ruei-ru, Li Ruei-Wen (Note 10), Hsieh Ming-ju
$10,000,000 (inclusive) ~ $15,000,000 (preclusive)	Sung Kao, Hsin-Ming, Lin, Yue-Yeh	Sung Kao, Hsin-Ming, Lin, Yue-Yeh
$15,000,000 (inclusive) ~ $30,000,000 (preclusive)	Nil	Nil
$30,000,000 (inclusive) ~ $50,000,000 (preclusive)	Nil	Nil
$50,000,000 (inclusive) ~ $100,000,000 (preclusive)	Nil	Nil
Over $100,000,000	Nil	Nil
Total	15	15

* Regardless of the position, all positions comparable to that of the president and vice presidents (i.e. the chairman, CEO, director and so forth) shall all be disclosed.

* As the content of the remunerations disclosed in the table varies from the concept of income by the Income Tax Law, thus the purpose of the table has been for the purpose of information disclosure, and is not intended for tax levy purpose.

Note 1: The name of the president and vice presidents shall be itemized separately, and their respective payout amounts disclosed in a consolidated manner. The directors doubling as the president or vice presidents shall fill out the table and the preceding table (1-1) or (1-2).

Note 2: Which pertains to entering the most recent year's president and vice presidents' wages, position stipends, resignation payouts.

Note 3: Which pertains to entering the most recent year's president and vice presidents' various bonuses, incentive payouts, travel stipends, special dispensed expenditures, various subsidies, dormitory, car allocation and related tangible supply of goods and other remuneration amounts. When allocating with housing, car, other transportation means or exclusive personal expenditures, it shall disclose the nature of the asset allocated, the actual or market value actuated rent, fuel and other payouts. Also when allocating with a driver, please include in the footnote explaining pertinent remuneration the company pays said driver, but excluding from the remunerations. Company Chairman Kao,Hsiu-Ming is allocated with one leased company vehicle, which carries a monthly lease at NT$75,000 spanning from Jan. 1, 2018 to Dec 31, 2018; President Lin Yu-Yeh is allocated with one leased company vehicle, which carries a monthly lease at NT$31,905 from Jan. 1, 2018 to Dec. 31 2018; President Chen Jian-tsuen, Vice President Wei Jian-ming, , VGM Li Ruei-Wen, Lo Ssu-yuan, Lin Chih-jen, Lu Chien-kuo, Tseng Lieh-huang, Hsu Ta-chang, Lo Ssu-yuan , Hou Kun-you and Yang Yuan-zhi are allocated with one leased company vehicle, which carries an average monthly lease at NT$274,792 from Jan. 1, 2018 to Dec. 31, 2018.

Note 4:Which refers to when president and vice president who serve as employee receive employees' remuneration (including stock and cash), the percentage of employees' remuneration distributed based on the remuneration amount approved by the board of directors this year. Those who unable to estimate the amount shall have this year's amount calculated based on last year's amount and to fill up the attached form 1-3. The after-tax net return refers to the most recent year's after-tax net return; when adopting the International Financial Statement Reporting Criteria, the after-tax net return pertains to the after-tax net return stated in the most recent year's individual entity or individual financial statements.

Note 5: It is mandated to disclose the total sum of various remunerations dispensed to company president and vice presidents by all companies (including the company) stated in the consolidated financial statements.

Note 6: The total sum of various remunerations the company dispenses to each president and vice president, and disclosing the name of the president and vice presidents that fall within the scale of pay propensity.

Note 7: It is mandated to disclose the total sum of various remunerations dispensed to each company president and vice president by all companies (including the company) stated in the financial statements, and disclosing the name of the president and vice presidents that fall within the scale of pay propensity.

Note 8: The after-tax net return refers to the most recent year's after-tax net return; when adopting the International Financial Statement Reporting Criteria, the after-tax net return refers to the after-tax net return of an individual entity or individual financial statements. All companies (including the company) in the consolidated financial statements have since 2013 begun to adopt the International Financial Statement Reporting Criteria so recognized by the Financial Supervisory Commission. The company's 2018 individual financial statements' after-tax net return is at NT$792,582 thousands.

Note 9:a.The column shall precisely enter the pertinent remuneration amount company president and vice presidents collect from reinvested entities beyond the subsidiaries.

b.If company president and vice presidents collect pertinent remunerations from reinvested entities beyond the subsidiaries, the remunerations company president and vice presidents collect from reinvested entities beyond the subsidiaries shall be merged into the remuneration scale table column E, and also change the column name to "all reinvested entities".

c.The remuneration refers to pay, remuneration (including remuneration for employee, director and supervisor) and expenses of executing business received by the Company's presidents and vice presidents who employ as director, supervisor or manager in reinvested companies other than the subsidiaries.

Note 10: Mr. Huang Tsung-Wen and Chang Jui-Ju have been promoted to Enterprise Division Presidents on April 11, 2018.

Note 11: Mr. Lin Chih-jen, Lu Chien-kuo, Hsu Ta-chang , Lo Ssu-yuan and Tseng Lieh-huang, have been promoted to Enterprise Division Vice President on April 1, 2018.

Note 12: Mr. Hou Kun-you and Yang Yuan-zhi have been promoted to Enterprise Division Vice Presidents on October 1, 2018.

3.4 Name of the managers received the employee remuneration and the deployment of remuneration.

Year 2018
Unit: NTD per thousand; shares
(Except where the market value of each share is indicated in NTD)

	Position (Note 1 & Note 2)	Name (Note1 & Note 2)	Stock Amount	Cash Amount	Total	Percent of the total amount to the after-tax net return (%)
Managers	Chairman and CEO	Sung Kao, Hsin-Ming	0	15,100	15,100	1.91%
	President	Lin, Yue-Yeh				
	Group GM	Chen Jian-Tsuen				
	Group VGM	Wei Jian-Ming				
	Divison GM	Huang Zhong-Wen (Note 5)				
	Divison GM	Chang Ruei-Ru (Note 5)				
	Divison VGM	Li Ruei-Wen				
	Divison VGM	Lo Ssu-yuan (Note 6)				
	Divison VGM	Lin Chih-jen (Note 6)				
	Divison VGM	Lu Chien-kuo (Note 6)				
	Divison VGM	Tseng Lieh-huang (Note 6)				
	Divison VGM	Hsu Ta-chang (Note 6)				
	Divison VGM	Hou Kun-you (Note 7)				
	Divison VGM	Yang Yuan-zhi (Note 7)				
	GM Finance	Hsieh Ming-Ju				
	Director, Finance & Accounting Divison	Zhong Chi-Wen				

Note 1: Individual's name and job title shall be disclosed. However, it is a must disclose the state of distributing profits. The Company's Board of Directors plans to distribute NT$0 for the employee enumeration for above managers' employee remunerations.

Note 2:Which refers to when managers who serve as employee receive employees' remuneration (including stock and cash), the percentage of employees' remuneration distributed based on the remuneration amount approved by the board of directors this year. Those who unable to estimate the amount shall have this year's amount calculated based on last year's amount. The after-tax net return refers to the most recent year's after-tax net return; when adopting the International Financial Statement Reporting Criteria, the after-tax net return pertains to the after-tax net return stated in the most recent year's individual entity or individual financial statements. The company's 2018 individual financial statements' after-tax net return is at NT$792,582 thousands.

Note 3: Of the applicable scope of managers, as stipulated under the former Securities and Futures Management Council, Ministry of Economic Affairs March 27, 2003 Taiwan MOF Securities III No. 0920001301 directive, its scope is as follows:
(1)The president and those on the comparable level.
(2)The vice presidents and those on the comparable level.
(3)The senior managers and those on the comparable level.
(4)The finance department executives.
(5)Accounting department executives.
(6)Other individuals empowered with managing company affairs and as authorized signatories.

Note 4: Directors, president and vice president who have received employees' remuneration (including stock and cash) shall fill out attached form 1-2 and this form.

Note 5: Mr. Huang Tsung-Wen and Chang Jui-Ju have been promoted to Enterprise Division Presidents on April 11, 2018.

Note 6: Mr. Lin Chih-jen, Lu Chien-kuo, Hsu Ta-chang , Lo Ssu-yuan and Tseng Lieh-huang, have been promoted to Enterprise Division Vice President on April 1, 2018.

Note 7: Mr. Hou Kun-you and Yang Yuan-zhi have been promoted to Enterprise Division Vice Presidents on October 1, 2018.

3.5 Analysis in a comparative explanation on the company and the combined statements of all companies on the amount of remunerations dispensed to company directors, supervisors, president and vice presidents in percentage on the individual or individual financial statements in after tax percentage analysis, and also explain the remunerations policy, standards and combination, remuneration formulation procedure, and its relevancy to the operating performance and future risks

3.5.1. Analysis on the most recent years in percentage

Position \ Item	The percentage of the total remuneration amount to the after-tax return				Increase (decreased) percentage	
	Year 2017		Year 2018			
	The company	Consolidated statements on all companies	The company	Consolidated statements on all companies	The company	Consolidated statements on all companies
Directors	5.79%	6.05%	5.35%	5.56%	(0.44%)	(0.49%)
President and vice presidents	9.91%	10.37%	11.70%	12.07%	1.79%	1.70%

The ratio of total remuneration paid by the Company and by all consolidated entities for directors, president and vice presidents to net income in the last two years changed mainly due to the change in net income of the parent company.

3.5.2 The company's remunerations policy, standards and combination, remuneration formulation procedure, and its relevancy to the operating performance and future risks

(1) The remuneration payout policy, standards and combination:

(1.1)The remunerations of the company's directors and supervisors are paid according to Article 20 of the Company's Articles of Incorporation, where the remuneration distribution is proposed by the Board of Directors and reported at the Shareholders' Meeting. Of the directors, supervisors attendance travel stipends and the managers' wage remunerations, it is reviewed and finalized by the wage remuneration council, and voted before the management board.

(1.2) The remuneration for presidents and vice presidents can be divided into wage, bonus and employee remuneration. The wage bonus are deliberated by the Compensation Committee and finalized by the Board of Directors. Employees' remuneration is distributed based on the company's operations and Articles of Incorporation, which shall be finalized by the Board of Directors and report at the Shareholders' Meeting.

(2) The remuneration formulation procedure:

The company directors and supervisors travel allowance stipends and the president and the vice presidents wage remunerations are reviewed and finalized by the wage remuneration council, and voted before the management board.

(3) Its relevancy to the operating performance and future risks:

(3.1)Of company directors and supervisors who are entitled to the meeting attendance travel allowance stipends, the rest of whose remunerations are tied to the earnings status in company operating performance by which to distribute the remunerations.

(3.2)Presidents and vice presidents' remunerations shall be reviewed in accordance with the Company's Rules Governing Performance Appraisal and be used as an accordance of adjusting their wage. Employees' remuneration shall, on the other hand, be finalized by the Board of Directors according to the status of profit and the proportion stated in Articles of Incorporation, and then reported at the Shareholders' Meeting.

4. Implementation of Corporate Governance

4.1 Board of Directors

A total of 15 meetings of the board of directors were held in the previousyear (2018). The directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Chairman	Ji-Xuan Investment Corp. Representative: Sung Kao, Hsin-Ming	15	0	100%	Re-elected on May 31, 2016
Director	Ji-Xuan Investment Corp. Representative: Chuang, Yen-Shan(Note 3)	6	2	75%	Resigned from June 29, 2018
Director	Ji-Xuan Investment Corp. representative: Lou Chao Tzung(Note 3)	2	1	67%	Elected on October 31, 2018
Director	E-Win Investment Co. Representative: Lin, Yue-Yeh	15	0	100%	Re-elected on May 31, 2016
Director	Ma ,Kuo-Peng	14	1	93%	Re-elected on May 31, 2016
Director	Hsiao, Ming-Chih	12	3	80%	Re-elected on May 31, 2016
Director	Cheng Jin-Chuan(Note 4)	8	0	100%	Resigned on June 29, 2018
Independent Director	Lin, Hsiao-Ming	14	1	93%	Re-Elected on May 31, 2016
Independent Director	Wu, Chung-Pao	14	1	93%	Re-Elected on May 31, 2016
Independent Director	Lu, Zong-Jenn	15	0	100%	Re-elected on May 31, 2016

Other matters to be disclosed：

1. If there are the circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the directors' meetings objected to by Independent Directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified: None.
2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:
   (2.1) Regarding the discussion of Compensation Committee's proposal for "End-of-term Performance Bonus of 2017" held by the Board of Directors on the 24th of January, 2018, as two directors – Miss Kao Hsin-Ming and Mr. Lin Yu-Yeh – are also managers of the Company, they did not join the voting to avoid conflict of interest. All of other directors have joined the meeting and passed the said proposals.
   (2.2) Regarding the discussion of Compensation Committee's proposal for "Mid-Term Bonus Distribution of 2017" held by the Board of Directors on the 22th of August 2018, as two directors – Miss Kao Hsin-Ming and Mr. Lin Yu-Yeh – are also managers of the Company, they did not join the voting to avoid conflict of interest. All of other directors have joined the meeting and passed the said proposals.
   (2.3) Regarding the discussion of Compensation Committee's proposal for "the change of management personnel's food allowance" held by the Board of Directors on the 22th of August 2018, as two directors – Miss Kao Hsin-Ming and Mr. Lin Yu-Yeh – are also managers of the Company, they did not join the voting to avoid conflict of interest. All of other directors have joined the meeting and passed the said proposals.
3. Measures taken to strengthen the functionality of the Board:
   (3.1) Strengthen the functionality of the Board:
   The Company has implemented the "Board of Directors Meeting Rules" in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies."
   To reinforce corporate governance, the Company provides continuing education/training programs to directors to strengthen their knowledge and capabilities on corporate governance.
   (3.2) Improving information transparency

Financial information, resolutions on material issues, board meeting participation, and director/supervisor ongoing education information are published on the Market Observation Post System as required by relevant laws. The Company's business performance and product information are also made accessible to the public on its website.

(3.3) Establishing Audit Committee

To enhance the governance system and strengthen the function of the board of directors of the Company, Audit Committee was established in 2016 to replace supervisors' duties. In accordance with "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies", the Company set up an "audit committee charter".

Note 1: Where directors and supervisors are juridical persons, the name of judicial person shareholder and its representative shall be exposed.

Note 2: (1) Where directors and supervisors resign the job before the end of the year, their date of resignation shall be noted down in remarks. Their actual attendance rate (%), it shall be calculated by the number of Board of Directors meetings during their employment and the number of times of their attendance.

(2) Where directors and supervisor are re-elected before the end of the year, it is a must to list the new and old directors and / or supervisors and to note down the date of re-election and their status (old / new / reappointment) in remarks.Their actual attendance rate (%), it shall be calculated by the number of Board of Directors meetings during their employment and the number of times of their attendance.

Note 3: Mr. Chuang Yen-Shan resigned the position of representative of director from June 29, 2018, and Mr. Lou Chao Tsung has served as the position of representative of director on October 31,3018.

Note 4: Mr. Cheng Jin-Chuan resigned the position of director from June 29, 2018.

4.2 Audit Committee or Attendance of Supervisors for Board Meeting

4.2.1. Audit Committee

A total of 13 meetings of the audit committee were held in the previous year (2018). The attendance status of the members is as follows:

Title	Name	Actual Attendance (B)	Attendance Rate (%) (B/A)(Note)	Remarks
Independent Director	Lin, Hsiao-Ming	13	100%	Re-elected on 31 May 2016
Independent Director	Wu, Chung-Pao	13	100%	Re-elected on 31 May 2016
Independent Director	Lu, Zong-Jenn	13	100%	Re-elected on 31 May 2016

Other matters to be disclosed：

1. In the event of any of the following in the audit committee, the dates of audit committee meetings, sessions, contents of motions, resolutions of the audit committee meetings and the Company's response to audit members' opinion should be specified: None.
2. If there is independent directors' avoidance of motions in conflict of interest, the independent directors' names, contents of motions, causes for avoidance and voting should be specified: None.
3. Communications between independent directors and the Company's chief internal auditor and CPA (e.g. the items, methods and results of the audits of corporate finance or operations, etc.)

Independent directors regularly communicate with CPA to be fully informed of the Company's audited financial statements and accounting principles. The internal auditors also regularly report to the independent directors on the functioning of internal controls, which provides supervisors with sufficient overview of the Company's operations.

*Where Independent Director resign the job before the end of the year, their date of resignation shall be noted down in remarks. Their actual attendance rate (%), it shall be calculated by the number of Board of Audit Committee during their employment and the number of times of their attendance.

*Where Independent Director are re-elected before the end of the year, it is a must to list the new and old Independent Director and to note down the date of re-election and their status (old / new / reappointment) in remarks.Their actual attendance rate (%), it shall be calculated by the number of Board off Audit Committee during their employment and the number of times of their attendance.

*Audit Committee was established to replace supervisors' duties on May 31, 2016.

4.3 Corporate Governance Implementation and its Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Item	Implementation Status (note 1)			Non-implementation and Its Reason(s)
	Yes	No	Summary	
1. If the company has established corporate governance policies based on “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the policies and their implementation.	V		The company has established "Corporate Governance Practical Rules" based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies." These practices are disclosed on the Market Observation Post System and the Company’s website, which can be easily accessed by shareholders and the public.	None
2. Shareholding Structure and Shareholders’ Rights (1) Method of handling shareholder suggestions or complaints (2) The company’s possession of a list of major shareholders and a list of ultimate owners of these major shareholders (3) Risk management mechanism and “firewall” between the company and its affiliates (4) Internal regulation to prevent insider trading	V V V V		(1) The Company has appointed a spokesperson, a PR person and stock affair specialists to handle shareholder suggestions or complaints. In addition, the Company also established columns for shareholders and stakeholders on its website to facilitate the communication. (2) The Company tracks the shareholdings of major shareholders by its designated department and persons and report to the competent authority in accordance with relevant regulations. (3) The company and each of its affiliated enterprises operate independently from each other. The subsidiaries are governed by the internal control system, the "Finance and Business Policy for Group Members and Related Parties," and the "Subsidiary Management Policy." (4) The company has established “Information Disclosure and Insider Trading Prevention Procedure” and “Ethical Corporate Management Principle” and addressed them to insiders regularly through educational programs.	None
3. Composition and Responsibilities of the Board of Directors (1) The diversity of board members (2) The establishment of other functional committees beside of Compensation Committee and Audit Committee (3) Board Performance Evaluation and Director Appraisal (4) Regular evaluation of external auditors’ independence	V V V		(1) The Company has established "Corporate Governance Practical Rules" specifying that the composition of board of directors should consider the diversity of knowledge and capabilities. Our directors have specialties in different domains, such as operation, accounting and management that fulfills our operation needs. (2) Beside Compensation Committee in accordance with law, Audit Committee was set up in 2016 to execute supervisors’ responsibilities. (3) The Company has established “Board Performance Evaluation Rules” specifying the obedience of board discussion and the indexes regarding convention of board meetings, attendance status and continuing education/training status. The evaluation is performed after the year end according to the indexes specified. (4) The Company regularly evaluates the independence and suitability	None

	V		of external auditors, examining whether they pay the directors, supervisors, shareholders of the Company or not, and confirming that they are not interested parties. The assessment of the independence and suitability of the external auditors is also reported to the board meetings and approved by the audit committee. If necessary, the external auditors may be invited to attend the board meetings to ensure their independence and suitability. External auditors should avoid conflicts of interest against assignments or themselves, and its rotation should follow relevant rules.	
4. Does a listed company establish full (part)-time governance units or personnel in charge of governing relevant matters (including but not limited to providing directors and supervisors with the information to do their business, holding board meetings and shareholders' meetings in accordance with law, dealing with company registration and change of registration, making the minutes of board meetings and shareholders' meetings?	V		Executive Strategy Office is responsible for corporate governance, and some associated units may provide directors and supervisors with the information to do their business, hold board meetings and shareholders' meetings in accordance with law, deal with company registration and change of registration, make the minutes of board meetings and shareholders' meetings, etc.	
5. Communication Channel with Stakeholders	V		The Company has designated PR Department to handle stakeholders' complaints and suggestions promptly. The Company also set up Stakeholder Center on its website that the issues brought up by stakeholders will be handled and replied on a case by case basis, as needed.	None
6. Share Transfer Agent and Registrar	V		In addition to its own stock affairs specialists, the Company also has appointed "KGI Securities" as the share transfer agent and registrar.	None
7. Information Disclosure (1) Establishment of a corporate website to disclose information regarding the Company's financials, business and corporate governance status (2) Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)	V V		(1) The Company's financials, business and corporate governance status are published on the Market Observation Post System regularly. The Company fully discloses business and financial information on its official website, including monthly revenue, financial statements, corporate governance, etc. (2) The Company has designated a responsible person of Finance & Accounting Division to handle information collection and disclosure and has appointed a spokesperson.	None
8. Other important information to facilitate better understanding of the company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and	V		(1) Employee rights: The process of recruitment is open and fair. Employees are provided with benefits such as health checkups and insurance. The rights of handicapped and aboriginal employees are under well protection. (2) Employee wellness: The Company provides employees with a fair	None

risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors):			working environment and an organized training system for career development. (3) Investor relations: The Company has devoted to enhance internal communication and informatization. Meanwhile, a platform to communicate with investors and to improve transparency has been established as a mechanism of dual communication between investors and the management. (4) Supplier relations: To fulfill the social responsibility, the Company has assisted suppliers to build up environmental protection, safety and hygiene management system, industrial safety evaluation rules and high-risk operations skills certification system. (5) Rights of stakeholders: "Related-party Transaction Procedure" has been established to protect the Company's and stakeholders' rights. Purchase Agreements are signed with all suppliers to assure mutual relationship and rights. (6) Directors' and supervisors' training records: The Company provides directors and supervisors with information concerning regulatory requirements and developments from time to time. Directors and supervisors also attend training programs on corporate governance topics. (7) Implementation of risk management policies and risk evaluation measures: Internal control system, managing regulations and accounting systems are established and implemented under supervision of internal auditors, board of directors and supervisors. (8) Customer relations policies: The Company has obtained ISO 9001 and ISO 14001 certification and continuously provides products and services in a high quality. Strict compliance with contracts and customers' rights are assured. (9) Purchasing insurance for directors and supervisors: From 2014 the Company has taken out liabilities insurance for directors, supervisors and officers pursuant to the shareholder resolution, which can reduce risks resulting from fault and misconduct by directors, supervisors and officers.	
9. As regards the assessment conducted by Taiwan Stock Exchange Corporate Governance Center for the most recent year, please illustrate things that have been improved and provide solutions to those that need to be strengthened.(If the company is not in the assessment list, please ignore this item. In accordance with Taiwan Securities Exchange Corporation has announced of the "fourth term public listed on April 30, 2018, over-the-counter traded enterprise companies' governance evaluation" findings, the Company is ranked at between 21% ~35% among public listed companies, and of items not reaching the evaluation indicators, the Company has sought improvement gradually, which are described below: 1.The Company 2017 scheduled shareholders' meeting's agenda handbook and meeting supplemental data has been uploaded to the Market Observation Post, thirty days prior to convening the scheduled shareholders' meeting. 2.The Company has begun to adopt electronic balloting at its 2018 scheduled shareholders' meeting.				

Note 1: Whether "Yes" or "No" has been selected for the implementation status, a description shall be made in the summary.

Note 2: Here the “corporate governance evaluation” refers to the evaluation conducted by the Company itself according to the Company’s governance self-evaluation items, which shall be reported and described by the Company based on their operating and execution status.

4.4 Composition, Responsibility and Operations of Compensation Committee

(1) Information on Compensation Committee Members

Apr. 1, 2019

Title (Note 1)	Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)								Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation Committee Member in Taiwan	Remarks
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Wu, Chung-Pao	Nil	Nil	ü	ü	ü	ü	ü	ü	ü	ü	ü	2	N/A
Independent Director	Lu, Zong-Jenn	Nil	Nil	ü	ü	ü	ü	ü	ü	ü	ü	ü	1	N/A
Other	Chao, Rong-Shiang	Nil	Nil	ü	ü	ü	ü	ü	ü	ü	ü	ü	0	N/A

Note 1: Enter Director, Independent Director or Other in the Position column.

Note 2: Please tick the corresponding boxes if the committee members have been any of the following during the two years prior to being elected or during the term.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the Company or ranking in the top 10 in shareholding.

(4) 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) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as one of its top five shareholders;

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8) Not been a person of any conditions defined in Article 30 of the Company Law.

Note 3: If the members are the board of directors, please indicate whether they meet the requirements of Article 6-5 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".

(2) The Compensation Committee's duty is to establish and review the evaluation of supervisors and executives, to compensation policies of the Company's directors of the board and, to report its suggestions to the board of directors.

(3) Information on Operations of Compensation Committee

(3.1) The Compensation Committee consists of 3 members.

(3.2) The first session of current committee: From Dec 22, 2011 to Jun 16, 2013.
The second session of current committee: From Jun 20, 2013 to Jun 10, 2016
The third session of current committee: From June 8, 2016 to June 7, 2019.
In 2018, Compensation Committee held 6 meetings(A). The Committee members' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%) (B/A)(Note)	Remarks
Chairman	WU, CHUNG-PAO	6	0	100%	Re-elected on June 8, 2016
Member	LU, ZONG-JENN	6	0	100%	Re-elected on June 8, 2016
Member	CHAO, RONG-SHIANG	6	0	100%	Re-elected on June 8, 2016

Other matters to be disclosed：

1. If the board of directors declines to adopt, or modifies a recommendation of the remuneration committee, the date of the Board of Directors meeting, term, content of motions, board resolution results and Company handling of remuneration committee opinions shall be specified. (if the compensation approved by the Board of Directors exceeds that proposed by the remuneration committee, the circumstances and cause of the difference shall be specified): None.
2. If any committee member has an objection or qualified opinion together with a record or written statement regarding a remuneration committee resolution, the remuneration committee date, term, content of motions, all members opinions and how the opinions were handled shall be specified: None.

Note: (1) Where directors and supervisors resign the job before the end of the year, their date of resignation shall be noted down in remarks. Their actual attendance rate (%), it shall be calculated by the number of Board of Directors meetings during their employment and the number of times of their attendance.

(2) Where directors and supervisor are re-elected before the end of the year, it is a must to list the new and old directors and / or supervisors and to note down the date of re-election and their status (old / new / reappointment) in remarks. Their actual attendance rate (%), it shall be calculated by the number of Board of Directors meetings during their employment and the number of times of their attendance.

4.5 Implementation of Social Responsibility

Item	Implementation Status			Deviation from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
1. Implementation of Corporate Governance				None
(1) Corporate social responsibility policy and performance evaluation	V		(1) The Company has corporate social responsibility best practices principles and continues to carry out corporate social responsibility in the spirit of "Integrity, Careness, Profession, Innovation, Dedication and Cooperation." The Company begins to receive guidance for recognition from 2015 to further fulfill its corporate social responsibility. The company is expected to maximize the performance of its social responsibilities through external audit procedures like SA8000.	
(2) Regular training and promotion of corporate ethics	V		(2) Information on corporate social responsibility is promoted through various channels, including meetings, internet or training programs on topics such as regulatory compliance, information safety, environmental protection, industrial safety and hygiene management.	
(3) Dedicated organization for the promotion and execution of corporate social responsibility	V		(3) Executive Strategy Group is responsible for corporate social responsibility planning and implementation. Executions carried out by all departments are in compliance with corporate social responsibility best practices principles. Executive Strategy Group examines execution results, issues corporate social responsibility report and presents to the board of directors.	
(4) Integration of corporate social responsibility with the employee performance appraisal system	V		(4) The compensation and benefits policies are established by Human Resource & Administration Division and Compensation Committee, which are designed to maintain the Company's competitiveness in employee recruiting and retention. The Company's reward and discipline system are linked to yearly performance appraisal which affects employees' wage raise and promotion. The Company was selected to be one of the component stocks of "Taiwan High Compensation 100 Index", reflecting the fulfillment of corporate social responsibility and profitability from 2014 to 2018.	
2. Sustainable Environment Development				None
(1) Commitment to improving resources utilization and the use of renewable materials	V		(1) The Company has launched the first "Solar battery partial selected emitter laser processing machine" in Taiwan which can improve the efficiency of solar batteries. The implementation of electronic document system and the adoption of LED lighting and inverter air conditioners also contribute to energy efficiency and carbon reduction.	
(2) Environmental management system designed to industry characteristics	V		(2) The Company has obtained ISO 9001 and ISO 14001 certification and implemented OHSAS 18001. Policies in relation to safety management are established as required by government, such as Safety in Production Rules, Personal Protective Equipment Management Rules and Emergency Response Rules.	
(3) Company strategy for climate change, energy conservation and greenhouse gas reduction	V		(3) To minimize the impact of operations on the environment, the Company has adopted a series of practices, such as LED lighting adoption, chillers adjustment, chilled water pumps replacement, etc.. In the meantime, it has promoted carbon reduction and greenhouse gas inspection to continuously monitor power consumption facilities to reduce impacts caused by its operations to the natural environment.	

Item	Implementation Status			Deviation from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
3. Promotion of social welfare				None
(1) Compliance with labor regulations, international recognized human right principles, and appropriate management measures and procedures	V		(1) The Company strictly complies with government laws and regulations. The process of recruitment is open and fair. The rights of handicapped and aboriginal employees are under well protection.	
(2) Mechanism and channels of employee appeals	V		(2) Employees can express their opinions through internal communication. Multiple channels are maintained for employee appeals, including direct contact with supervisors, employee communication mail box and quarterly tea parties. Sexual harassment complaints are processed according to Sexual Harassment Prevention Policy. Employees are well-informed of relevant information and events through internal website and newsletter.	
(3) Safety and health in working environment, and the condition for providing periodical safety and health training to employees	V		(3) The Company provides a fair, appropriate and safe working environment to employees in compliance with government laws and regulations. The physical working environment is examined every year to ensure a healthy environment. Breastfeeding rooms are provided to meet female employees' needs. To enhance knowledge of health and to prevent occupational injuries, health checkups and seminars are regularly held.	
(4) Mechanism of periodical communication with employees, and reasonable notice measures regarding significant operational changes which might cause significant impacts to employees	V		(4) Employees can express their opinions through tea parties and employee communication mail box. Employees are well-informed of relevant information and events through internal website and newsletter.	
(5) Effective capabilities development program for employees	V		(5) Different employee career development structure and capabilities training programs are designed based on the function and the level of employees. Employee trainings are achieved through subsidies, authorization, on-job instructions and coursed.	
(6) Consumer rights policy and consumer complaints processing procedure	V		(6) The Company has established "After-Sales Services Procedure," "Customer Satisfaction Procedure," "Returned Goods and Customer Complaints Procedure," and "Prevention and Correction Procedure." When a customer complaint is filed, the responsible department follows relevant procedures and takes appropriate actions. The Company strictly complies with contracts signed with customers and dedicates to build up mutual communication mechanism with customers.	
(7) Compliance with products and services marketing and labeling regulations and international standards	V		(7) The Company has obtained ISO 90001 certification, and the product labeling follows "Outgoing Product Control Procedure" and "Outgoing Product Inspection Standard." Government regulations and industry standards are complied with to assure the quality of products and services.	
(8) Evaluation of suppliers	V		(8) The Company evaluates suppliers according to "Suppliers Control Procedure" and investigates into suppliers' social responsibility status and records before deal. Tracks and appraisals are performed periodically after deal. The Company has also assisted suppliers to build up environmental	

Item	Implementation Status			Deviation from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
(9) Actions taken when major suppliers violate corporate social responsibility policy	V		protection, safety and hygiene management system, industrial safety evaluation rules and high-risk operations skills certification system. (9) Any contract signed with major suppliers has to be previewed by legal personnel. Suppliers violating corporate social responsibility policy will be debarred from future cooperation.	
4. Enhancement of Information Disclosure (1) Disclosure of corporate social responsibility related information with significance and reliability	V		The Company has disclosed relevant information on the official website and published on the Market Observation Post System in accordance with regulations.	None
5. If the company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice", please describe the operational status and differences: The Company has followed corporate governance related operations to set and implement "Listed Companies Corporate Social Responsibility Code of Practice".				
6. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility: The information of the Company's implementation of corporate social responsibility has been disclosed in "Corporate Social Responsibility Report" published on the official website.				
7. Other information regarding "Corporate Social Responsibility Report" which is verified by certification bodies: None				

Note 1: Whether "Yes" or "No" has been selected for the implementation status, a description shall be made in the summary.

Note 2: Company that has made corporate social responsibility report shall note down the method of checking its corporate social responsibility report and page of index in the section of "Summary" for replacement.

4.6 Implementation of Corporate Conduct and Ethics

Item	Implementation Status			Deviation from "Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) The company's guidelines on corporate conduct and ethics are provided in internal policies and disclosed publicly. The Board of Directors and the management team demonstrate their commitments to implement the policies. (2) The company establishes relevant policies for preventing any unethical conduct. The implementation of the relevant procedures, guidelines, disciplines and appealing mechanism are provided in the policies. (3) The company establishes appropriate	V V		(1) "Integrity, Careness, Profession, Innovation, Dedication and Cooperation" is the Company's most important core value. The Company has established the Code of "Ethics and Business Conduct" and is committed to acting ethically in all aspects of our business. For conflicts of interest avoidance, directors must recuse themselves from discussion and voting on issues in which they have a direct personal or pecuniary interest. (2) The Company has established the Code of "Ethics and Business Conduct" and formed the corporate culture based on integrity. The prevention of unethical conduct and its penalty are clearly stated in the Company's service regulation, employment contract and Reward and Discipline Policy. The Company also provides employee appealing mechanism that accepts complaints through a mail box. (3) The Company is in compliance with "Corporate Conduct and Ethics Best Practice	None

Item	Implementation Status			Deviation from "Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
measures for preventing bribery and illegal political contribution for higher potential unethical conduct in the relevant policies.	V		Principles for TWSE/GTSM Listed Companies." The management regularly audits and reviews the compliance status to prevent unethical conduct. For higher potential unethical conduct, promotion on ethics is addressed to employees and related persons. Any delivery of gifts has to be cautiously evaluated and approved.	
2. Corporate Conduct and Ethics Compliance Practice				None
(1) The company shall prevent doing business with whomever has unethical records and include business conduct and ethics related clauses in the business contracts.	V		(1) The Company performs credit verification on new suppliers, vendors and partners to understand their ethical records. All business contracts have to be previewed by the legal personnel and contain clauses of contract termination and penalty as a result of unethical conduct.	
(2) The company sets up dedicated unit in charge of promotion and execution of the company's corporate conduct and ethics. The board of directors supervises such execution and compliance of the policies.	V		(2) The Company has not yet established a unit that promotes Ethics and Business Conduct. However, while conducting business, departments of the Company shall follow "Ethics and Business Conduct". The Executive Strategy Office shall also supervise to ensure if the departments have violated the said Conduct. Any matter that is found violating the said Conduct shall be reported to directors at Board of Director Meeting.	
(3) The company establishes policies to prevent conflicts of interest and provides appropriate communication and complaint channels.	V		(3) Directors must rescue themselves from discussion and voting on issues in which they have a direct personal or pecuniary interest.	
(4) The company establishes effective accounting and internal control systems for the implementation of policies, and the internal auditors audit such execution and compliance.	V		(4) The company has established accounting and internal control systems, and the systems are reviewed at all times to ensure conformation with regulations and operation needs. Internal auditors regularly audit the execution and report to the board of directors.	
(5) Internal and external training programs on corporate conduct and ethics	V		(5) The Company regularly promotes corporate conduct and ethics policies, principles and corporate values to employees. The results of unethical conduct are will be carried out according to a clear and effective reward and discipline mechanism.	
3. Operational Status of Reporting Mechanism				None
(1) The company establishes reporting and reward system as well as convenient reporting channels and designates an appropriate person in charge	V		(1) The Company has explicitly specified the Company's reporting channel and reward system in its Ethics and Business Conduct Regulations Governing the Management and Communication of Corporate Social Responsibility and Reward and Discipline Policy, where reporter may conduct the report anonymously and the Company shall keep the confidentiality on reporter information and reported content. A reporting mailbox is established under and managed by Human Resources & Administration	

Item	Implementation Status			Deviation from "Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
(2) The standard of procedure for processing ethical irregularities reporting and the confidentiality (3) Measures to protect reporters	V V		Division. The mailbox related information shall be announced on the Company's internal website and be propagated in trainings for new employees. (2) In order to solve problems at work, communicate and improve efficiency, a mail box has been maintained to receive employee opinions and complaints. The procedure of reporting includes: A. An employee can file complaints in writing for any suggestions on the Company's policies and administrative measures, or any impairment to employees' rights and improper treatment without reasonable responses from his department. B. The appeal should be sealed up and delivered to the President directly by Human Resources & Administration Division in confidential class. The investigation on the reporting should be processed cautiously and kept confidential. Sexual harassment complaints are processed according to Sexual Harassment Prevention Policy. (3) The opinions received through employee communication mail box directly go to the top management. The process of reporting is under control of the Company's information safety system. Violation of confidentiality will be judged according to the reward and discipline system.	
4. Information Disclosure (1) Disclosure of corporate conduct and ethics policies and such execution on the company's website and the Market Observation Post System	V		The Company has disclosed information of corporate conduct and ethics on the official website and published on the Market Observation Post System.	None
5. If the company has established the Code of "Ethics and Business Conduct" based on "Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the policies and their implementation: The Company has already stipulated Ethics and Business Conduct and implemented it accordingly.				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices: (1) The Company provides promotion and training programs on service regulations to employees to facilitate employees' better understanding of the Company's determination, policies, prevention measures on corporate conduct and ethics as well as the results of violation. (2) Suppliers, vendors and partners are required to follow the Company's service regulation and to report the violation or unethical conduct of the Company's employees. (3) Please refer to the section of "Implementation of Corporate Social Responsibility" in this annual report and "Corporate Social Responsibility Report" on the official website for more information.				

Note 1: Whether "Yes" or "No" has been selected for the implementation status, a description shall be made in the summary.

4.7 Principles and relevant regulations on corporate governance of the Company can be found at the official website http://www.micb2b.com. Please refer to the section of "Implementation of Corporate Governance" in this annual report.

4.8 Other important information to facilitate better understanding of the company's corporate governance: None

4.9 Internal control system executio

4.9.1. Internal control statement

Marketech International Corp.
Internal Control Statement

Date: February 18th, 2019

Based on the results of examination from the 2018 internal control system of the company, the following are stated:

I. The company is ascertain of the establishment, implementation and maintenance of the internal control system of the company in terms of the responsibilities of the board of director and the managers as the company has already established such system. The objective is to, within a reasonable range, ensure operation results and efficiency (including profitability, performance and the protection of asset safety); the reliability, timeliness and transparency of reports; and compliance of relevant rules and regulations.

II. There are still natural limitations of the internal control system regardless of the comprehensiveness of the design. The effectiveness of the internal control system can only provide reasonable guarantees to the goal-achievement of the three aforementioned objectives; also, due to the environmental and situational changes, the effectiveness of the internal control system may alter. Still, the internal control system of the company is set with a self-supervision mechanism. Once the defect is detected, the company will adopt a corrective action for modification.

III. With the reference of the content of determination within the "Guidelines of the Internal Control System of Public Company" (hereinafter referred to as "the Guideline"), the effectiveness of the design and the implementation of internal control system shall be determined. The evaluation items that the Guidelines has adopted for internal control refers to the management and control process, where the internal control system is divided into five constituents: 1. Environment control; 2. Risk assessment; 3. Control operations; 4. Information and communication, and; 5. Supervision. Each constituent would contain several other items. For the aforementioned items, please refer to the regulations of the Guideline.

IV. The Company has already adopted aforementioned internal control assessment items to evaluate the design of internal control system and the efficiency of implementation.

V. Based on the results of aforementioned assessment, the Company believes that the internal control system (including the supervision and management of subsidiaries) it has adopted on the 31st of December 2018 ensures an effective design and implementation of relevant internal control measures, where the objectives of understanding the operation results and efficiency, providing reliable, on-time and transparent reports, and ensuring the compliance of relevant rules and regulations can all be reached.

VI. This statement will become the main content of the annual report of the company and an open statement for the public. In the event of any faking or illegal situations of the aforementioned content, it shall be obliged with the legal responsibilities stated in Article 20, 32, 171 and 174 of Securities and Exchange Act.

VII. This statement was approved by the board on February 18th, 2019 with the presence of 8 directors without any objection. The rest also agreed with the content of the statement.

Marketech International Corp.

Chairman of the board: Sung Kao, Hsin-Ming
Signature:

General Manager: Lin, Yue-Yeh
Signature:

2. Accountant is entrusted to inspect the internal control system shall disclose the inspection reports of the accountant: None.

4.10 For the last date of the annual report printing of the closest year, there is punishment, main defect and improvement situations for the internal staff due to violation of the law or internal control regulations: None.

4.11 For the last date of the annual report printing of the closest year, there were important resolutions of the shareholders and board of directors.

4.11.1. Important Resolutions at Shareholders' Meeting

Date	Resolutions
2018/05/30	1. Recognized company 2017 operating report and financial report proposal. State of implementation: voted and approved before the 2018 shareholders' meeting. 2. Recognized company 2017 earnings distribution proposal. State of implementation: a resolution voted before the 2018 shareholders' meeting approving for distributed cash dividend of NT$2.5 per share, with cash dividend having been distributed as of July 25, 2018. 3. Approved amending company "endorsement, guarantee operating procedure" proposal. State of implementation: a resolution has been approved before the 2018 shareholders' meeting, with relevant matters having been executed per the amended endorsement, guarantee operating procedure. 4. Approved amending company "capital lending to other operating procedure" proposal. State of implementation: a resolution has been approved before the 2018 shareholders' meeting, with relevant matters having been executed per the amended capital lending to others operating procedure. 5. Approved amending company "acquiring or liquidating asset processing procedure" proposal. State of implementation: a resolution has been approved before the 2018 shareholders' meeting, with relevant matters having been executed per the amended acquiring or liquidating asset processing procedure.

4.11.2. Important Resolutions at Board of Directors' Meeting

Date	Resolutions
2018/01/24	1. Approved company 2018 authenticating certified public accountant and whose CPA office's independent review proposal. 2. Approved company wage remuneration committee-submitted managers 2017 yearend and performance bonus proposal. 3. Approved company wage remuneration committee-submitted supervisor's stipend amount adjustment proposal.
2018/01/30	1. Approved company capital lending proposal to its subsidiary eZoom Information, Inc.
2018/02/24	1. Approved company 2017 individual financial report and consolidated financial report proposal. 2. Approved company adopting the international financial reporting criteria number 9 "financial tools" and number 15 "income derived from customer contacts", for the impact to company and its subsidiaries' finances on the ledger starting date of Jan. 1, 2018. 3. Approved company 2017 operating report proposal. 4. Approved company 2017 directors and employees' remuneration distribution proposal. 5. Approved company 2017 earnings distribution proposal. 6. Approved company 2017 internal control affidavit proposal. 7. Approved company 2018 scheduled shareholders' meeting convening date and convening reason proposal. 8. Approved company capital lending proposal to its subsidiary MIC-Tech (Wuxi) Co., Ltd. 9. Approved company bank financing line of credit guarantee proposal to its subsidiaries Mic-Tech (Shanghai) Corp., Ltd. and Mic-Tech Electronics Engineering Corp. 10. Approved company reinvesting in eZoom Information, Inc. proposal.
2018/03/30	1. Approved new share issue proposal for exercising company-issued employee share pledging certificates into common shares. 2. Approved new share issue proposal for converting company-issued local third unsecure convertible corporate bonds into common shares. 3. Approved company job ranking/title amendment proposal. 4. Approved company personnel promotion proposal. 5. Approved company managers wage adjustment proposal.

Date	Resolutions
2018/04/16	1. Approved company capital lending proposal to its subsidiary Mic-Tech (Wuxi) Co., Ltd. 2. Approved company receiving Ennoconn International Investment Co., Ltd. notice on an open solicitation of company common shares, by conducting validation and review on Hua Cheng's identity and financial standing, fairness of the acquisition terms and the rationality on source of acquisition capital, and also present a recommendation proposal on the current acquisition to company shareholders.
2018/04/19	1. Approved company articles of incorporation amendment proposal
2018/05/30	1. Approved the Company's cash dividend distribution base date. 2. Approved the Company's bank financing quota. 3. Approved the proposal of having Company become the bank financing guarantor of its subsidiaries MIC-Tech Electronics Engineering Corp., MIC-Tech (Shanghai) Corp. Ltd., and MIC-Tech (WuXi) Corp. Ltd.
2018/07/09	1. Approved the purchase of ordinary stocks with issued employee stock option for the issuance of new shares. 2. Approved the conversion of the 3rd offering of domestic unsecured convertible corporate bonds into ordinary shares for issuing of new shares. 3. Approved the proposal of increasing the establishment and maintenance budget of the Company's Plant III in Southern Taiwan Science Park (STSP). 4. Approved the proposal of increasing the Company's investment to its subsidiary Integrated Manufacturing & Services Co., Ltd. 5. Approved the proposal of having Company become the bank financing guarantor of its subsidiary MIC-Tech Electronics Engineering Corp. and MIC-Tech (Shanghai) Corp. Ltd.
2018/08/01	1. Approved the proposal of having Company become the bank financing guarantor of its subsidiaries MIC-Tech (Shanghai) Corp. Ltd., MIC-Tech Electronics Engineering Corp., MIC-Tech (WuXi) Co., Ltd. and Shanghai Maohua Electronics Engineering Co., Ltd. 2. Approved the Company's bank financing quota. 3. Approved the proposal of having the Company loaned money to its subsidiary eZoom Information Inc.
2018/08/22	1. Approved the proposal of increasing the Company's investment to its subsidiary "eZoom Information Inc. 2. Approved the proposal of having the Company provided product sales guarantee to Japan Pionics Co., Ltd. for its subsidiary Shanghai Maohua Electronics Engineering Co., Ltd. 3. Approved the proposal of having the Company provided TPP3 Project guarantee to Special Triumph Sdn. Bhd. (Malaysia). 4. Approved the distribution of management personnel's remuneration of 2017. 5. Approved the change of food allowance of the Company's management personnel.
2018/10/08	1. Approved the purchase of ordinary stocks with issued employee stock option for the issuance of new shares. 2. Approved the conversion of the 3rd offering of domestic unsecured convertible corporate bonds into ordinary shares for issuing of new shares.
2018/11/01	1. Approved the Company's bank financing quota. 2. Approved the proposal of selling the Company's shares of ACM Research Inc. 3. Approved the proposal of having the Company purchased the shares of Marketech International Sdn. Bhd. 4. Approved the promotion of the Company's personnel.
2018/12/26	1. Approved the Company's bank financing quota. 2. Approved the proposal of having Company become the bank financing guarantor of its subsidiaries MIC-Tech (WuXi) Co., Ltd. and eZoom Information Inc.. 3. Approved the proposal of having Company become the bank financing guarantor of its reinvested subsidiary MARKETECH INTERNATIONAL SDN BHD. 4. Approved the Company's 2019 Audit Plan. 5. Approved amendments to the Company's accounting system. 6. Approved the purchase of ordinary stocks with issued employee stock option for the issuance of new shares. 7. Approved the conversion of the 3rd offering of domestic unsecured convertible corporate bonds into ordinary shares for issuing of new shares. 8. Approved the proposal of commissioning PwC Taiwan to handle works related to the certification of the Company's financial statements and of the profit-seeking enterprise income tax. 9. Approved the proposal of having the Company acquired the shares of Taiwan Special Chemicals Corporation.
2019/01/23	1. Approved the proposal in regard to the year-end and performance bonus of the Company's management personnel proposed by the Company's Remuneration and Compensation Committee.

Date	Resolutions
	2. Approved the independent review of CPAs (certified public accountant) and accounting firm to which they belong in 2019. 3. Approved the Company's bank financing quota. 4. Approved the proposal of having Company become the bank financing guarantor of its subsidiaries MIC-Tech Electronics Engineering Corp. and MIC-Tech (Shanghai) Corp. Ltd. 5. Approved the cancellation of the endorsement/guarantee provided by the Company to its subsidiary Marketech International Sdn. Bhd.
2019/02/18	1. Approved the Company's 2018 Individual Financial statements and Consolidated Financial Statements. 2. Approved the Company's adoption of IFRS 16 "Leases" and the financial influences thereof to the company and its subsidiaries on 1 JAN 2019. 3. Approved the Company's 2018 Distribution of Compensations of Board Directors and Employees. 4. Approved the Company's 2018 Earnings Distribution. 5. Approved the Company's 2018 Internal Control Statement. 6. Approved the date of, location of and reasons for holding the Company's 2019 Shareholders' Meeting. 7. Approved the reelection of the Company' board directors. 8. Approved the stipulation of the nomination period of to-be-reelected board directors and independent directors in 2019. 9. Approved the Company's 2018 Distribution of Special Bonus.
2019/03/18	1. Approved the case of re-election of candidates by the directors and independent directors of the Company in 2019. 2. Approved company 2019 scheduled shareholders' convening reason proposal.
2019/03/28	1. Approved the case of re-election of candidates by the directors of the Company in 2019.
2019/04/02	1. Approved company 2017 individual financial report and consolidated financial report proposal. 2. Audited the case of re-election of candidates by the directors and independent directors of the Company in 2019. 3. Approved the case of dismissal of non-competition restrictions on newly elected directors. 4. Approved the case of mending the Company's "Procedures for Acquisition or Disposal of Assets", "Procedures for Endorsement and Guarantee" and "Procedures for Lending Funds to Other Parties". 5. Approved the Company's bank financing quota. 6. Approved the proposal of having the Company provided product sales guarantee for its subsidiary Marketech Integrated Pte. Ltd. 7. Approved the purchase of ordinary stocks with issued employee stock option for the issuance of new shares. 8. Approved the conversion of the 3rd offering of domestic unsecured convertible corporate bonds into ordinary shares for issuing of new shares.
2019/05/08	1. Approved the proposal of having Company become the bank financing guarantor of its subsidiaries MIC-Tech (WuXi) Co., Ltd., MIC-Tech Electronics Engineering Corp. and MIC-Tech (Shanghai) Corp. Ltd. 2. Approved the proposal of having the Company loaned money to its subsidiary Marketech Integrated Pte. Ltd. 3. Approved the proposal of investing Stek Co., Ltd.

4.12 For the last date of the annual report printing of the closest year, there were disagreements with recorded or written statements for the passing of important resolutions by the directors or supervisors. The main content consists: None.

4.13 For the last date of the annual report printing of the closest year, the compilation of the resignations and dismissals of director of the board, president, accounting supervisor, financial supervisor, internal auditing supervisor and R&D supervisor: None.

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

Name of the Accountant's firm	**Accountant's name**		**Auditing period**	**Note**
PWC Taiwan	Chang Shu-Chiung	Weng Shih-Jung	Jan. 1, 2018 – Dec. 31, 2018	None

Note: If there is any change of accountant or accounting firm in the year, the inspection period shall be listed separately and specified the reason of the change in the column of "Note."

Unit: NTD/thousand

Amount \ **Public expense**		**Audit Fee**	**Non-audit Fee**	**Total**
1	Below 2,000	0	460	460
2	2,000 (included) ～4,000	0	0	0
3	4,000 (included)～6,000	0	0	0
4	6,000 (included)～8,000	6,157	0	6,157
5	8,000 (included)～10,000	0	0	0
6	Above 10,000 (included)	0	0	0

Note 1: Audit fee refers to the payment for the certification of the auditing, revision and tax certification for the accountants.

5.1 If the audit fee is above 1/4 in terms of the payment to the accountants, the firms that the accountants belong to and the non-audit fee of the affiliated companies, the audit fee and non-audit fee amount as well as the content of the non-audit service shall be disclosed:There is no such situation.

5.2 If there is a decrease of audit fee in comparison to the audit fee of the previous year or the changing of accounting firm, the audit fee amount and reason of the year and the previous year shall be disclosed:There is no such situation.

5.3 If the audit fee is less than more than 15 percent comparing to the one of the previous year, the reduced amount of the audit fee, the proportion and the reason shall be disclosed:There is no such situation.

6. Information on Replacement of Certified Public Accountant

If there is any change in terms of the accountant in the latest two years and the previous year, the following items shall be disclosed.

6.1 About the previous accountant

<table>
<tr><td>Date of change</td><td colspan="4">March 31, 2017</td></tr>
<tr><td>Reason of the change and description</td><td colspan="4">Due to the structural organizational adjustment of PricewaterhouseCoopers Taiwan, the company certification accountant of 2017 is changed to Chang, Shu-Chiung and Weng,Shih-Jung.</td></tr>
<tr><td rowspan="3">Description of the termination or non-appointment of the entrustee or accountant</td><td colspan="2">Party / Situation</td><td>Accountant</td><td>Appointed to</td></tr>
<tr><td colspan="2">Active termination of appointment</td><td colspan="2" rowspan="2">Not avaliable</td></tr>
<tr><td colspan="2">No further appointment is accepted (continued)</td></tr>
<tr><td>Reason and opinion of approved audit report without further opinion of the latest two years</td><td colspan="4">Not avaliable</td></tr>
<tr><td rowspan="6">Disagreement with the publisher</td><td rowspan="4">YES</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial report</td></tr>
<tr><td></td><td colspan="2">Audit scope or procedure</td></tr>
<tr><td></td><td colspan="2">Other</td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
<tr><td>Description</td><td colspan="3">Not avaliable</td></tr>
<tr><td>Other disclosure
(The discloser shall be included based on Article 10.5(4) of the Guideline</td><td colspan="4">None</td></tr>
</table>

6.2 About the successor-account

Firm name	PricewaterhouseCoopers Taiwan
Accountant name	Chang, Shu-Chiung and Weng,Shih-Jung.
Appointment date	March 31, 2017
For the accountant of particular transaction before the appointment, the management approach or accounting principles and the counselling and results of the approval of the financial report.	Not avaliable
Written opinions of the successor-accountant against the previous accountant.	Not avaliable

6.3 Reply of the previous accountant towards Article 10 Paragraph 5 Item 1 and 2-3 of "Guidelines of Mandatory Recordings in the Annual Report of the Public Company".

7. The Chairman, President and the Manager in charge of finance or accounting matters who has worked for the independent auditor or related parties in the most recent year

8. Information on shareholding transfer and pledge by Directors, Supervisors, Department Heads and Shareholders with over 10% shareholding in the most recent year and up to the printing of the annual report

8.1 The equity changes or modification of pledge of the directors, supervisors, managers and shareholders with more than 10% of the shares.

Unit: share

Title (Note 1)	Name	2018		Till March 31, 2019	
		The increased (decreased) number of possessed shares	The increased (decreased) number of pledged shares	The increased (decreased) number of possessed shares	The increased (decreased) number of pledged shares
Shareholder(Note 2)	Ennoconn International Investment Co., Ltd. (Note 2)	83,468,613	0	0	0
Director (Two seats)	Ji-Xuan Investment Corp.	(8,000,000)	0	0	0
Director	E-Win Investment Company	(6,000,000)	0	0	0
Independent director	Wu, Chung -pao	0	0	0	0
Independent director	Lu, Zong-Jenn	0	0	0	0
Independent director	Lin, Hsiao-Ming	0	0	0	0
Director	Ma, Guo-peng	(619,000)	0	0	0
Director	Hsiao, Min-chih	0	0	0	0
Director	Cheng, Chin-chuan	0	0	0	0
Chairman and CEO	Kao,Hsiu-Ming	(2,000,000)	0	0	0
President	Lin, Yue-yeh	(3,090,685)	0	0	0
Presentative of Director	Chuang Yen-Shan (Note3)	(139,444)	0	0	0
Group GM	Chen Jian-Tsuen (Note 4)	40,000	0	0	0
Group VGM	Wei Jian-Ming	0	0	0	0
Divison GM	Huang, Zhong-wen (Note 4)	17,500	0	0	0
Divison GM	Chang Ruei-Ru (Note 4)	35,000	0	0	0
Divison VGM	Li Ruei-wen	(8,000)	0	0	0
Divison VGM	Lin Chih-jen (Note 5)	(2,000)	0	0	0
Divison VGM	Lu Chien-kuo (Note 5)	0	0	8,000	0
Divison VGM	Hsu Ta-chang (Note 5)	15,000	0	0	0
Divison VGM	Lo Ssu-yuan (Note 5)	0	0	0	0
Divison VGM	Tseng Lieh-huang (Note 5)	0	0	0	0
Divison VGM	Hou Kun-you (Note 6)	0	0	0	0
Divison VGM	Yang Yuan-zhi (Note 6)	0	0	0	0
Vice General Manager and Financial Supervisor	Hsieh, Ming-Ju	20,000	0	0	0
Accounting Supervisor	Zhong, Chi-wen	22,500	0	0	0

Note 1: Shareholderswith more than 10% of the shares shall be specified as the biggest shareholder of the company and belisted separately.
Note 2: Ennoconn International Investment Co., Ltd. has more than 10% of the shares which makes it the biggest shareholder.
Note 3: Ji Shuan Investment Company' representative who was Mr. Chuang Yen-Shan resigned the position of representative of director from June 29, 2018.
Note 4: Mr. Huang Tsung-Wen and Chang Jui-Ju have been promoted to Enterprise Division Presidents on April 11, 2018.
Note 5: Mr. Lin Chih-jen, Lu Chien-kuo, Hsu Ta-chang , Lo Ssu-yuan and Tseng Lieh-huang, have been promoted to Enterprise Division Vice President on April 1, 2018.
Note 6: Mr. Hou Kun-you and Yang Yuan-zhi have been promoted to Enterprise Division Vice Presidents on October 1, 2018.

8.2 Equity transfer

Unit: TWD

Name (Note 1)	Reason of equity transformation (Note 2)	Date	Shareholder	Relationship	No. of shares	Price
Ji-Xuan Investment Corp.	Disposal	May 15, 2018	Ennoconn International Investment Co., Ltd.	Public acquirer	8,000,000	58
Probeleader Co., Ltd.	Disposal				6,000,000	
Kao,Hsiu-Ming	Disposal				2,000,000	
Lin, Yue-yeh	Disposal				4,000,000	
Chuang Yen-Shan(Note3)	Disposal				139,444	
Ma, Guo-peng	Disposal				619,000	

Note 1：Please note that director, supervisors, managers and shareholders who hold more than 10% of the shares.
Note 2：Please note that acquisition or disposal the shares.
Note 3：Ji Shuan Investment Company' representative who was Mr. Chuang Yen-Shan resigned the position of representative of director from June 29, 2018.

8.3 Share pledge

Directors, supervisors, managers and other shareholders with more than 10% of shares have no right to pledge.

9.Relationship information among the Top Ten Shareholders and any one is a related party pr a relative within the second degree of kinship of another

April 01, 2019
Unit: Shares；%

Name (Note 1)	Personal shareholding		Shareholding of the spouse and under age children		Total shareholding using other's name		Relationship with the 10 largest shareholders or relationship as the spouse or second lineage. Title or name and relationship (note 3)		Other
	No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares	Title (or name)	Relationship	
Ennoconn International Investment Co., Ltd. Lou, Chao Tsung	83,468,613 *0	44.95% *0.00%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	None	None	None
Director of Ji-Xuan Investment Corp Kao,Hsiu-Ming	11,005,795 *2,010,513	5.93% *1.08%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	Kao,Hsiu-Ming	Person in charge of the company	None
Director of E-Win Investment Company: Lin, Yu-yeh	6,647,112 *5,986,097	3.58% *3.22%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	Lin, Yu-yeh	Person in charge of the company	None
Lin, Yu-yeh	5,986,097	3.22%	0	0.00%	0	0.00%	• Probeleader Co., Ltd. • Lin, Yu-Yao	• Person in charge of the company • Brother relationship	None
Director of Ji Chang Investmen t Company: Song, Bing-Zhong	2,798,955 *2,393,492	1.51% *1.29%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	• Kao,Hsiu-Ming • Sung, Feng-Pei	• Mother and son in relationship • Sisters relationship	None
Lin, Yu-Yao	2,449,515	1.32%	0	0.00%	0	0.00%	Lin, Yu-yeh	Brothers	None
Song, Bing-Zhong	2,393,492	1.29%	0	0.00%	0	0.00%	• Ya Tai Investment Company Yang,Yi-Shun • Kao,Hsiu-Ming • Sung, Feng-Pei	• Person in charge of the company • Mother and son in relationship • Sisters relationship	None
Ya Tai Investment Company Yang,Yi-Shun	2,150,000 *232,000	1.16% *0.12%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	None	None	None
Kao,Hsiu-Ming	2,010,513	1.08%	0	0.00%	0	0.00%	• Ji-Xuan Investment Corp: Kao,Hsiu-Ming • Song, Bing-Zhong • Sung, Feng-Pei	• Person in charge of the company • Mother and son in relationship • Mother and daughter in relationship	None
Sung, Feng-Pei	1,959,734	1.06%	0	0.00%	0	0.00%	• Kao,Hsiu-Ming • Song, Bing-Zhong	• Mother and daughter in relationship • Brothers relationship	None

*The No. of shares and the percentage of the shares by each of the individuals.
Note 1: The ten largest shareholders shall be listed. Corporate shareholders shall be listed with the name and the name of the representative.
Note 2: The calculation of the percentage of the shares refers to the calculation of the percentage of the shares with its name, the spouse's, the underage children's or with others' names.
Note 3: The aforementioned shareholders include corporates and natural persons. The relationship between each other shall be disclosed in the financial reports of the issuers.

10. The shareholding of the same invested company by the Company, the Directors, the Supervisors, the Managers or other business that is controlled by the Company directly or indirectly

December 31, 2018
Unit：Share；%

Invested enterprises (Note 1)	Investment of our company(Note 1)		Investments made by Directors, Supervisors, Managers and the Company's Directly or Indirectly Controlled Businesses(Note 2)		Combined investment	
	No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares
Market Go Profits Ltd.	39,569,104	100.00%	0	0.00%	39,569,104	100.00%
Marketech Integrated Pte Ltd.	9,235,678	100.00%	0	0.00%	9,235,678	100.00%
Headquarter International Ltd.	1,289,367	100.00%	0	0.00%	1,289,367	100.00%
Tiger United Finance Ltd.	1,410,367	100.00%	0	0.00%	1,410,367	100.00%
MIC-Tech Global Corp.	131,560	100.00%	0	0.00%	131,560	100.00%
MIC-Tech Viet Nam Co., Ltd.	0	100.00%	0	0.00%	0	100.00%
Marketech Co., Ltd.	0	100.00%	0	0.00%	0	100.00%
Marketech Engineering Pte. Ltd.	421,087	100.00%	0	0.00%	421,087	100.00%
Marketech Integrated Maufacturing Company Limited	1,400,000	100.00%	0	0.00%	1,400,000	100.00%
eZoom Information, Inc.	20,000,000	100.00%	0	0.00%	20,000,000	100.00%
Marketech International Sdn. Bhd.	12,242,750	100.00%	0	0.00%	12,242,750	100.00%
Marketech Netherlands B.V.	300,000	100.00%	0	0.00%	300,000	100.00%
PT Marketech International Indonesia	1,199,000	99.92%	1,000	0.08%	1,200,000	100.00%
ADAT Technology CO., LTD.	2,000,000	30.30%	2,700,000	40.91%	4,700,000	71.21%
MIC-Tech Ventures Asia Pacific Inc.	0	0.00%	39,466,604	100.00%	39,466,604	100.00%
Marketech Integrated Construction Co., Ltd.	0	0.00%	28,500	95.00%	28,500	95.00%
MIC-Tech (WuXi) Co., Ltd.	0	0.00%	0	100.00%	0	100.00%
MIC-Tech (Shanghai) Co. Ltd.	0	0.00%	0	100.00%	0	100.00%
Fuzhou Jiwei System Integratedy Co., Ltd.	0	0.00%	0	100.00%	0	100.00%
MIC-Tech Electronics Engineering Corp.	0	0.00%	0	100.00%	0	100.00%
MIC-Tech China Trading (Shanghai) Co., Ltd	0	0.00%	0	100.00%	0	100.00%
SKMIC(WUXI) CORP	0	0.00%	0	49.00%	0	49.00%
Russky H.K. Limited	0	0.00%	833,000	100.00%	833,000	100.00%
Shanghai Puritic Co., Ltd	0	0.00%	0	87.00%	0	87.00%
ChenGao M&E Engineering(Shanghai) Co., Ltd	0	0.00%	0	100.00%	0	100.00%
Frontken MIC Co., Limited	0	0.00%	2,337,608	100.00%	2,337,608	100.00%
Frontken MIC (WuXi) Co. Ltd	0	0.00%	0	100.00%	0	100.00%
MICT International Limited	0	0.00%	5,400,000	60.00%	5,400,000	60.00%
Integrated Manufacturing & Services Co., Ltd.	0	0.00%	0	60.00%	0	60.00%
Glory Technology Service Inc.	5,510,305	29.24%	0	0.00%	5,510,305	29.24%
MIC Techno Co., Ltd.	200,000	20.00%	120,000	12.00%	320,000	32.00%
Leader Fortune Enterprise Co., Ltd.	0	0.00%	303,000	31.43%	303,000	31.43%

Invested enterprises (Note 1)	Investment of our company(Note 1)		Investments made by Directors, Supervisors, Managers and the Company ' s Directly or Indirectly Controlled Businesses(Note 2)		Combined investment	
	No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares
Macrotec Technology(Shanghai) Co.LTD.	0	0.00%	0	31.43%	0	31.43%

Note 1: The above investments are recognized by equity method.

Note 2: Investments made by the Company's directly or indirectly controlled business refers to investment made by the Company's directly or indirectly controlled subsidiary through equity method.

Part 4. Capital Overview

1. Capital and Shares

1.1 Sources of the capital for shares

The sources of the capital for the shares issued by the company in recent years and by the print date of the annual notice are as follows:

ares

mm/yy	Issue price	Rated capital for shares		Actual received capital for shares		Note		
		Shares	Amount	Shares	Amount	Source of the capital	Stock offset by assets other than cash	Others
Jan. 2018	10	250,000,000	2,500,000,000	177,016,429	1,770,164,290	shares changed from the equity for employee's dividends:397,500 shares changed from the equity for Corporate Bond: 146,612	N/A	Note 1
Apr. 2018	10	250,000,000	2,500,000,000	178,261,604	1,782,616,040	shares changed from the equity for employee's dividends:373,000 shares changed from the equity for Corporate Bond: 872,175	N/A	Note 2
Jul. 2018	10	250,000,000	2,500,000,000	178,377,068	1,783,770,680	shares changed from the equity for employee's dividends: 29,000 shares changed from the equity for Corporate Bond: 86,464	N/A	Note 3
Oct. 2018	10	250,000,000	2,500,000,000	184,097,147	1,840,971,470	shares changed from the equity for employee's dividends: 517,750 shares changed from the equity for Corporate Bond: 5,202,329	N/A	Note 4
Jan. 2019	10	250,000,000	2,500,000,000	185,591,264	1,855,912,640	shares changed from the equity for employee's dividends: 132,250 shares changed from the equity for Corporate Bond: 1,361,867	N/A	Note 5
Apr. 2019	10	250,000,000	2,500,000,000	185,690,424	1,856,904,240	shares changed from the equity for employee's dividends: 60,250 shares changed from the equity for Corporate Bond: 38,910	N/A	Note 6

Note 1: Jin-Sho-Shang-Zi No. 10701007870 letter issued on January 23, 2018
Note 2: Jin-Sho-Shang-Zi No. 10701042540 letter issued on April 30, 2018
Note 3: Jin-Sho-Shang-Zi No. 10701089290 letter issued on July 30, 2018
Note 4: Jin-Sho-Shang-Zi No. 10701132800 letter issued on October 17, 2018
Note 5: Jin-Sho-Shang-Zi No. 10801007010 letter issued on January 19, 2019
Note 6: Jin-Sho-Shang-Zi No. 10801045290 letter issued on April 22, 2019

Apr.01,2019； Unit: shares

Share type	Rated capital for shares					Note
	Issued shares (note)			Unissued shares	Total	
	Listed (note)	OTC (counter)	Total			
Registered ordinary shares	185,690,424	0	185,690,424	64,309,576	250,000,000	N/A

Note: Please note that a share belongs to the listed one or trade OTC. (If it is restricted to be listed or trade OTC, then it should be noted.)

Related information of General Application System: not applicable

1.2 Structure of shareholders

For ordinary shares, the price of each share is 10 dollars

Apr. 01, 2019
Unit: shar; person; %

Structure of shareholders / Number	Government agency	Financial constitutions	Other juristic person	Individual	Foreign constitution and foreigner	Total
Number (person)	1	1	53	9,928	47	10,030
Number (share)	3,036	303,000	111,374,797	68,932,979	5,076,612	185,690,424
Ration of shareholding (%)	0.00%	0.16%	59.99%	37.11%	2.74%	100.00%

1.3 Allocation of shares

For ordinary shares, the price of each share is 10 dollars

Apr. 01, 2019
Unit: shar; person; %

Shareholding level			Shareholder (persons)	Number (shares)	Shareholding ration (%)
1	to	999	1,697	423,071	0.23%
1,000	to	5,000	6,447	13,091,162	7.05%
5,001	to	10,000	960	7,764,346	4.18%
10,001	to	15,000	287	3,691,810	1.99%
15,001	to	20,000	192	3,576,027	1.93%
20,001	to	30,000	170	4,395,273	2.37%
30,001	to	40,000	69	2,464,597	1.33%
40,001	to	50,000	44	2,039,344	1.10%

Shareholding level			Shareholder (persons)	Number (shares)	Shareholding ration (%)
50,001	to	100,000	80	5,734,213	3.09%
100,001	to	200,000	42	5,778,755	3.11%
200,001	to	400,000	18	5,072,739	2.73%
400,001	to	600,000	8	4,166,149	2.24%
600,001	to	800,000	2	1,475,000	0.79%
800,001	to	1,000,000	1	839,422	0.45%
Above1,000,001			13	125,178,516	67.41%
Total			10,030	185,690,424	100.00%

1.4 Name list of major shareholders

The names, shareholding numbers and ratios of the shareholders who hold more than 5% of total shares or have the shareholding ratios which rank top 10 are as follows:

Apr. 01, 2019

Shares / Names of major shareholders	Share held (shares)	Shareholding ratio (%)
Ennoconn International Investment Co., Ltd.	83,468,613	44.95%
Ji-Xuan Investment Corp	11,005,795	5.93%
E-Win Investment Company	6,647,112	3.58%
Lin, Yu-yeh	5,986,097	3.22%
Ji Chang Investmen t Company	2,798,955	1.51%
Lin, Yu-Yao	2,449,515	1.32%
Song, Bing-Zhong	2,393,492	1.29%
Ya Tai Investment Company	2,150,000	1.16%
Kao,Hsiu-Ming	2,010,513	1.08%
Sung, Feng-Pei	1,959,734	1.06%

1.5 Market Price, Net Worth, Earnings, and Dividends per Share of the Past Two Years

Unit：NT$；thousand shares；%

Item			2017	2018	Jan 1 to Mar 31, 2019(Note 8)
Market Price per Share(Note 1)	Highest Market Price(Note 1)		45.80	82.80	58.40
	Lowest Market Price(Note 1)		28.20	37.10	44.85
	Average Market Price(Note 1)		37.99	56.40	53.02
Net Worth per Share(Note 2)	Before Distribution		29.06	30.53	Not Applicable
	After Distribution(Note 2)		26.56(Note2)	27.53(Note2)	Not Applicable
Earnings per Share	Weighted Average Shares		173,068	180,063	185,649
	Earning (loss) per share (before the retroactive adjustment)(Note 3)		3.77	4.40	0.81
	Earning (loss) per share (after the retroactive adjustment) (Note 3)		3.77	4.40	Not Applicable
Dividends per Share	Cash Dividends		2.50(Note2)	3.00(Note2)	Not Applicable
	Stock Dividends	Dividends from Retained Earnings	0	0	Not Applicable
		Dividends from Capital Surplus	0	0	Not Applicable
	Accumulated Undistributed Dividends(Note 4)		0	0	Not Applicable
Return on Investment	Price - Earnings Ratio (Note 5)		10.08	12.82	Not Applicable
	Price - Dividend Ratio(Note 6)		15.20(Note2)	18.80(Note2)	Not Applicable
	Cash Dividend Yield Rate(Note 7)		6.58%(Note2)	5.32%(Note2)	Not Applicable

Note 1:The highest and lowest market price for common shares of the year, where the averaged market prices are calculated based on the annual trading value and volume. Relevant information are collected from Taipei Exchange (GreTai Securities Market) and Taiwan Stock Exchange Corporation

Note 2:Refers to the number of issued shares at the end of the year and the distribution finalized at Annual Shareholders' Meeting; 2018 Profit Distribution is not yet finalized at Shareholders' Meeting.

Note 3:Earning per share before and after the adjustment shall be listed if retroactive adjustment is made due to stock grant. The annual weighted average outstanding shares shall be used to adjust the number of increased shares, which are considered as the result of capital increase by earnings.

Note 4: Regarding the issuance of equity securities, if it is regulated that undistributed dividend shall be accumulated and released as the annual dividend, the undistributed dividend and annual dividend shall have the undistributed dividend stated until the end of the year.

Note 5: Price-Earning Ratio =average closing price per shareof the year / earning per share.

Note 6: Price-Dividend ratio =average closing price per share of the year / cash dividend per share.

Note 7: Cash Dividend Yield Rate = cash dividend per share / averaged closing price per share of the year

Note 8:The net value and earning per share shall be specified on the information audited reviewed) by the accountant in the most recent quarter up to the printing of the annual report; other columns shall fill the annual information up to the printing of the annual report. Aforementioned net value per share and earning per share (or basic earning per share) shall be revealed on the 2017 and 2018 consolidated financial statement certified by the accountant and 2019 Q1 consolidated financial statement certified by the accountant.

1.6 The dividend application status

1.6.1. The policy

Article 20 of the Article of Incorporation：

If there is any surplus profit of the year, the Company shall firstly pay directors' remuneration, which shall not exceed 3%. Then 1% to 15% of the remaining amount shall then be paid as employees' remuneration. However, if the Company has any left-over deficit, the amount to make up the deficit shall be reserved in advance.

Upon closing of accounts, if there is surplus profit, the Company shall firstly pay the business income tax, make up the losses for preceding years and then set aside a legal reserve and special capital reserve of 10% of the net profit. Then the remaining profit shall be added with the remaining profit of precedent year. The Board of Directors shall draft a surplus distribution proposal, in which will be submitted to shareholders' meeting to decide whether to distribute or reserve the surplus profit.
However, if cumulative legal reserve already reached the total amount of the Company's capital, shall not be limited by the regulation.

Article 20-1:

The appointed profit shall not exceed 50% to ensure that the development needs of future operation and security of the financial status could be optimized for the Company to response to the overall environment development and the features of industry growth.

1.6.2. The proposed appointment

In TWD dollar

Subject	Amount
Unappropriated earnings at period start	$ 1,385,552,685
Deduction: Effects of retrospective application and retrospective restatement (Note 1)	19,315,469
Deduction: Adjusted un-appropriated earnings in 2018(Note 2)	(385,785)
Unappropriated earnings after the adjustment	1,404,482,369
Increment: Net income in 2018	792,581,914
Deduction: Legal reserve	(79,258,191)
To-be- appropriated earnings in total	2,117,806,092
Appropriation item(s): (Note 3)	
Shareholders' dividend – Cash 3.00 / per share	(556,773,792)
Unappropriated earnings at period end	$ 1,561,032,300

Note 1: Refer to financial statements of the present period, where the IFRS 9 and IFRS 15 were adopted for the first time (in 2018). Instead of re-editing the financial statements, amendments were made thereto to retrospectively recognize the cumulative impact of the initial application on the adjustment of retained earnings.

Note 2: Refers to re-measurements of defined benefit plans, which was recognized as other comprehensive income due to actuarial assumption variables of defined benefit / pension plan of 2018 and then transferred into retained earnings, NTD 7,578,503. Besides, subsidiaries and associated corporation which were assessed with equity method and a reduction of reserved profit from joint share adjustment, NTD 7,192,718.

Note 3: The distributed profit was generated mainly in 2018 as the priority.

Note 4:Regarding the dividend distribution rate set in profit distribution proposal, if the 3rd offering of domestic unsecured convertible corporate bonds or employees' execution of employee stock option affects the Company's no. of the weighted average outstanding shares and results in a change of shareholders' dividend declared ratio, it is hereby proposed at the Shareholders' Meeting to fully authorize the Chairman to make an adjustment according to the resolution of the board of directors

Note 5: The distributed cash profit shall be counted only until digit in ones. Digits below shall all be rounded off (shall be rounded down to an integer). Fractional amount less than one dollar should be recorded

1.6.3. The explanation for severe policy adjusting: None.

1.7 The influence of share appointment:

As the Company's shareholders' meeting in 2019 does not have any proposal regarding the stock dividend distribution, it makes no effect upon business performance, earnings per share and shareholders' equity return ratio.

1.8 The dividends and the compensation for directors and supervisors

1.8.1.The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's Articles of Incorporation.

Subject to the Article of Incorporation, if there is any surplus profit of the year, the

Company shall firstly pay directors' remuneration, which shall not exceed 3%. Then 1% to 15% of the remaining amount shall then be paid as employees' remuneration. However, if the Company has any left-over deficit, the amount to make up the deficit shall be reserved in advance. Upon closing of accounts, if there is surplus profit, the Company shall firstly pay the business income tax, make up the losses for preceding years and then set aside a legal reserve and special capital reserve of 10% of the net profit. Then the remaining profit shall be added with the remaining profit of precedent year. The Board of Directors shall draft a surplus distribution proposal, in which will be submitted to shareholders' meeting to decide whether to distribute or reserve the surplus profit.

However, if cumulative legal reserve already reached the total amount of the Company's capital, shall not be limited by the regulation.

1.8.2.The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

(1) The Company's 2018 Employees' Compensation and Directors Remuneration were estimated based on the pre-tax net profit of the year. Employees' compensation and directors' remuneration were recognized as wage expenses.

(2) Accounting treatment for discrepancy between the actual distributed amount and estimated amount: discrepancy between the amount of remuneration actually distributed to employees and directors, and the estimated amount in financial statement shall be considered as changes in accounting estimates and shall be listed as the loss / profit of next year.

1.8.3.Information on any approval by the board of directors of distribution of compensation:

(1)The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors:

(1.1) Drafted amount of compensation / remuneration to be distributed to employees, directors and supervisors:

Regarding the 2018 Employees' Compensation and Directors Remuneration, Board of Director already approved the proposal in the meeting held on February 18 of 2019, where NT$111,000,000 will be distributed to employees as compensation and NT$11,111,000 will be distributed to directors as remuneration.

Unit: dollars

Subject	Amount to be appointed
Employees' Compensation-Cash dividends	111,000,000
Employees' Compensation-Stock dividends	0
Director and supervisor compensation	11,111,000

(1.2) The cause of the difference and the operation:

The 2018 estimated dividends are 111,000,000 dollars and the director compensation is 11,111,000 dollars without any difference.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation:N/A

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

Unit: TWD

Item	The appointed profit for 2018			
	The appointed amount	Estimated amount	Difference	Cause
Status				
1.Cash dividends	89,000,000	89,000,000	0	0
2.Stock dividends				
(1)Stock	0	0	0	0
(2)Cash	0	0	0	0
3.Compensation for directors	10,430,532	10,430,532	0	0

1.9 Buy-back: None

2. Bonds:

(一) Outstanding Corporate Bond

Types of Corporate Bond (Note 2)	Third Onshore Unsecured Convertible Bond (Note 5)
Issue Date	August 22, 2016
Denomination	NT$100,000 each
Issuance & Trading Location (Note 3)	Not Application
Issue Price	Issue according to the full amount of the denomination
Total Amount	NT$500 million
Interest Rate	0% Annually
Maturation Date	Three Years, Maturation on August 22, 2019
Guarantee Institution	None
Trustee	Fubon Bank’s Trust Department
Underwriter	Fubon Securities Co., Ltd.
Bond Lawyer	Yang-Yi Cheng
Bond Accountant	Lin, Chun-Yao & Chang, Shu-Chiung
Repayment Method	According to the Clause 6 of the issue and conversion method of our company’s third onshore unsecured corporate bond for 2016, denomination in cash is to be paid upon maturity, except those cases when the convertible bond holders convert the bond into common stocks in accordance with clause 10 or early redemption from the securities company’s business office in accordance with Clause 18.
Outstanding Principal Amount	NT$319,900,000
Redemption or Advance Repayment Clause	Please refer to the issue and conversion method of our company’s third onshore unsecured corporate bond for 2016.
Restriction Clauses (Note 4)	Please refer to issue and conversion method.
Credit Rating Agency Name, Rating date, Rating Outcome	Not Applicable

Other Attached Rights	Up till the time of the printing of the annual report, the amount money of the conversion (exchange or buyback) of bonds into common stocks, overseas depositary receipt or other securities.	After the issuance of the corporate bond, the accumulated exercised conversion right amount up till the time of the printing of the annual report is NT$317,100,000.
	Issue & Conversion (Exchange or Buyback) Method	Please refer to the issue and conversion method of our company's third onshore unsecured corporate bond for 2016.
Issue and conversion, exchange or buyback methods, issue conditions that may dilute equity and affect the present shareholders' equity.		Calculate the remaining corporate bond value according to the present conversion price if all convertible bonds are exchanged to become common stocks, then our company needs to reissue common stocks of 6,875,939 shares with a capital inflation rate of 3.86%, which would have limited influence on shareholders' equity.
Entrusted Institution of the Convertible Bonds		Not Applicable

Note1: Corporate bond issuance process includes the process of public and private equity of corporate bond. The processing of public equity of corporate bond means the process has been approved and in effect. The processing of private equity of corporate bond means it has been passed by the Board of Directors.
Note 2: The number of columns can be adjusted according to the number of processing times.
Note 3: For offshore corporate bond holders to fill in.
Note 4: Such as restrictions on the payment of cash dividends, investment abroad or request maintaining a certain equity asset ratio, etc.
Note 5: For private equity holders, please mark in a noticeable manner.
Note 6: For convertible corporate bond, exchange corporate bond, shelf registered corporate bond or equity warrant bond, please disclose relevant information according to the features in the table format.

(二) Convertible Corporate Bond Information

Unit: New Taiwan Dollar

Types of Corporate Bond (Note 1)		Third Onshore Unsecured Convertible Bond	
Item / Year		Year 2018	From the beginning of 2019 till March 31, 2019 (Note 4)
Market Price of Convertible Corporate Bond (Note 2)	Maximum	300.00	244.00
	Minimum	153.00	244.00
	Average	215.21	244.00
Conversion Price		25.70	25.70
Issue Date & Conversion Price at Issuance		Issue Date: August 22, 2016 Conversion Price at Issuance: NT$28/Share	
Obligation Method for Executing the Conversion (Note 3)		Issue new shares	

Note 1: The number of columns can be adjusted according to the number of processing times.
Note 2: If there are multiple trading locations for offshore corporate bond, please list the prices according to trading locations.
Note 3: Deliver issued shares or new shares.
Note 4: The annual information should be filled up to the time of the printing of the annual report.

(3) Shelf registered corporate bond: None

(4) Information on equity warrant bond: None

3. Preferred Stock：None

4. Global Depository Receipts：None

5. Employee Stock Options：

5.1 Unexpired employee subscription warrants issued by the company in existence as of the date of printing of the annual report, and the effect of such warrants upon shareholders' equity.

March 31 of 2019

Types of Employee Subscription Warrants (Note 2)	1st Employee Subscription Warrants of 2015
Report Effective Date	July 15, 2015
Issuance (handling) date (Note4)	September 11, 2015
Number of issued units	3,956,000 units Every unit can subscribe one common stock
Percentage of issued subscription shares to total issued shares (%)	2.2192%(Note 6)
Validity of share subscription (stock option)	September 11, 2017 to September 10, 2021
Method of Performance (Note 3)	To issue new shares
Period with limitations in share subscription and the ratio (%)	Share subscribers may, two years after the second day of the issuance date, perform their share subscription according to below schedule. The proportion of performing share subscription accumulated during the share subscription warrant granting period. After 2 years 50% After 3 years 75% After 4 years 100%
Acquired number of shares	2,534,750 shares
Amount of subscribed shares	NT$43,425,025
Number of non-subscribed shares	1,264,250 shares
The subscription price of each share for people have not yet subscribed the share.	NT$16.70
Percentage of non-subscribed shares to total issued shares (%)(%)	0.6808% (Note6)
Effect of warrant upon equity to shareholders	The validity employees' share subscription warrant is 6 years. Share subscribers shall, starting 2 years after the second day of the issuance date, implement it three times in three years, which helps to lessen effect on the equity to original shareholders year by year. Therefore, the dilution effect is somehow limited.

Note 1: The status of processing employee share subscription warrants may refer to ongoing public or private placement for employee share subscription warrants. The ongoing public placement for employee share subscription warrants refer to those that have become effective, whereas ongoing private placement for employee share subscription warrants refers to those that have passed resolution of the Shareholders' Meeting

Note 2: The number of columns shall be adjusted according to the number of times of holding it.

Note 3: Shall note down the consignment of issued shares or issuance of new shares

Note 4: Those with different issuance and hAAAandling dates shall have them listed separately.

Note 5: Those that belong to private placement shall be marked in obvious ways.

Note 6: Here the "total issued shares" in "Percentage of issued subscription shares to total issued shares (%)" is calculated based on the total number of issued shares up to the printing of the annual report (April 30 of 2019) , which is 185,690,424 shares.

Note 7: The Company's 1st Employee Stock Option Certificates (Share Subscription Warrants) Plan of 2015 was approved by the competent authority to issue 4,000,000 units. The Company has, on September 11 of 2015, issued 3,956,000 units. Up to the printing of the annual report (April 30 of 2019), the number of approved non-issued employee share subscription warranty is 44,000 units.

5.2 Up to the printing of the annual report, the name and acquisition / subscription status of managers who have acquired employee sha re su bscription warrants and the top ten employees who have acquired share subscription warrants and are eligible to subscribe the sharess.

April 30, 2019

	Job Title (Note 1)	Name	Number of share subscription with subscription (thousand shares)	Percentage of share subscription to the total issued shares	Performed (Note 2)				To be Performed (Note 2)			
					Quantity of share subscription (thousand shares)	Price of share subscription (NT$)	Amount of share subscription (NT$1,000)	Quantity of share subscription to the total issued shares	Quantity of share subscription (thousand shares)	Price of share subscription (NT$)	Amount of share subscription (NT$1,000)	Quantity of share subscription to the total issued shares
Managers	Group GM	Chen Chien-Tun	624	0.34%	255	16.70、17.30	4,369.50	0.14%	369	16.70	6,162.30	0.20%
	Divison GM	Huang Tsung-Wen										
	Divison GM	Chang Jui-Ju										
	Divison VGM	Li Ruei-wen										
	Divison VGM	Lin Chih-jen (Note 7)										
	Divison VGM	Lu Chieh-Kuo (Note 7)										
	Divison VGM	Hsu Ta-chang (Note 7)										
	Divison VGM	Lo Ssu-yuan (Note 7)										
	Divison VGM	Tseng Lien-huang (Note 7)										
	Divison VGM	Hou Kun-you (Note 8)										
	Divison VGM	Yang Yuan-zhi (Note 8)										
	Vice General Manager / Supervisor of Financial Department	Hsieh Ming-Chu										
	Supervisor of Accounting Department	Chung Chi-Wen										
Employees (Note 3)	Top Ten Employees	Hou Fu-Chia	565	0.30%	396.5	16.70、17.30	6,791.05	0.21%	168.5	16.70	2,813.95	0.09%
		Chen Kuo-Ching										
		Li Chi-Ming										
		Lin Tzu-Min										
		Yang Yuan-Chih										
		Li Te-ching										
		Chung Li-kai										
		Huang,Yin-nan										
		Liu,Chign-pao										
		Yang zhe-jie										
		Su Yu-xu										

Noe 1: Managers or employees (those who already resigned or dead shall be noted down accordingly), their names and job titles shall be revealed. However, their status of acquisition and subscription shall be stated in a summarized form.
Noe 2: The number of columns shall be adjusted according to the number of times of holding it.
Noe 3:The top ten employeesrefer to employees who have acquired share subscription warrants and are eligible to subscribe the shares. However, managers are excluded in the case.
Noe 4: Here the "total issued shares" refers to the total number of issued shares up to the printing of the annual report (April 30 of 2019) , which is 185,690,424 shares.
Noe 5:When the rights of the employ stock option have been executed, the option price should be disclosed.
Noe 6：When the rights of the employ stock option have not been executed, the adjusted option price according to the issue method should be disclosed.
Noe 7：Vice Presidents Mr. Lin Chih-Jen, Lu Chieh-Kuo, Hsu Ta-Chang, Lo Ssu-Yuan and Tseng Lien-Huang took office on April 11, 2018
Noe 8：Mr. Hou Kun-you and Yang Yuan-zhi have been promoted to Enterprise Division Vice Presidents on October 1, 2018.

6. New Restricted Employee Shares:

6.1 As to the report was printed, the related regulation was not applicable.

6.2 The top-10 employees applicable for the share limitation: N/A

7. Status of New Issuance in Connection with Mergers and Acquisitions:

7.1 Share issuance for merger: N/A

7.2 Share issuance for acquisition: N/A

8. Financing Plans and Implementation:

Our company issued the third onshore unsecured convertible corporate bond on August 22, 2016, and the execution of the plan for the use of the fund is as follows:

8.1 Plan

8.1.1. Planned total amount of fund required: NT$500 million.

8.1.2. The source of fund: Issued 5000 third onshore unsecured convertible bonds with the denomination of NT$100,000 per bond. The issuance is according to the full amount of the denomination with 3-year maturity and 0% interest rate. The expected amount of fund raised is NT$500 million.

8.1.3. Planned project and the progress of the use of the fund

Unit: NT$1000

Planned Project	Expected Completion Date	Total Fund Required	The planned progress of the use of fund
			Year 2016
			Season 3
Repayment of bank loans	Season 3 of 2016	500,000	500,000
Total		500,000	500,000

8.1.4. Expected Possible Benefits

The purpose of this financing plan of our company is to repay the bank loan of NT$500 million. Using the bank loan interest rate to calculate our repayment, it is expected that our company can save the actual interest expenditure of NT$1.667 million in 2016. Hereafter, it is expected that our company can save actual interest expenditure of NT$5 million per year. Moreover, this plan can strengthen our company's financial structure as well as enhance our current ratio and quick ratio. In addition, the conversion of convertible corporate bond can contribute to the soundness of our financial structure, which can be beneficial to the overall operational development of our company.

8.2 Implementation Status

The Company's 3rd offering of domestic unsecured convertible corporate bonds was completed on August 22, 2016 and implemented in the third quarter of 2016 according to the schedule.

Unit: NT$ thousands; %

Project	Implementation Situation	Implementation Status		Reasons for advanced or delayed progress, and improvement plan.
		Amount of Expenditure	Implementation Progress	
Repayment of Bank Loans	Scheduled	500,000	100%	The implementation is completed according to the schedule.
	Actual	500,000	100%	

Part 5. Operational Highlights

1. Business Activities

1.1 Business Range

1.1.1. Contents of business range

MIC and its subsidiaries (referred to collectively as MIC hereafter) perform business in the following four categories:

(1) Sales and service of high-tech equipment and materials: MIC provides sales, distribution, service and technical support for process and factory management infrastructure for high-tech industries such as semiconductor manufacturing and photo-electronics, as well as the associated materials, chemicals and parts/components.

(2) Automatic supplying systems: MIC provides planning, design, construction, supervision, installation, testing, operating consultation and warranty service for gas supply, automatic chemical feeding system, special gas and factory monitoring systems for high-tech industry facilities such as those in semiconductor manufacturing, photo-electronics and biochemical and pharmaceutical companies.

(3)Total Facility Engineering Turnkey Project: for this part, MIC provides service for turn-key projects for high-tech industry facilities such as those in semiconductor manufacturing, photo-electronics and biochemical and pharmaceutical companies from electrical system, clean room, factory peripherals to process equipment. Also, MIC is known for the integration of electrical systems in, for example, petrochemical compound, traditional industry facilities and smart buildings.

(4) R&D and manufacturing of customized equipment: MIC designs and builds automatic factory and process equipment to the needs of clients in semiconductor manufacturing, photo-electronics and other high-tech industries as well as traditional industries.

1.1.2. Business percentages

In NT$1,000 or %

Year / Product or service cat.	2017		2018	
	Business incomes	Business %	Business incomes	Business %
R &D and manufacturing of customized equipment	5,980,118	29.59	7,321,516	29.98
Sales and service ofhigh-tech equipment and material	5,051,537	24.99	6,989,209	28.63

Total Facility Engineering Turnkey Project	4,716,085	23.33	5,376,632	22.02
Automatic Supplying system	4,464,254	22.09	4,728,366	19.37
Total	20,211,994	100.00	24,415,723	100.00

Note: Disclosed based on the consolidated reports of 2017 and 2018 as certified by accountant.

1.1.3. Current lines of product (service) offered by MIC

(1) Sales and service of high-tech equipment and materials:

(1.1)Semiconductor mask process

= Photoresist application equipment
= Development and etching equipment
= Mask cleaning equipment
= Positive photoresist cleaning agent
= Positive photoresist cleaning (removal) agent
= Chromium etching solution
= Positive photoresist development solution
= Mask flatness measuring equipment
= Mask circuit design software
= Mask Laser Pattern Generator
= Mask Inspection
= Mask Laser Repair
= EUV Mask Reflectometer
= EUV Mask Pellicle Transmission Measurement Tool
= Mask Critical Dimension Measurement Tool

(1.2)IC manufacturing process

= Wafer defect inspection equipment
= Wafer defect inspection equipment for residual chemicals and electric charges
= X-Ray film measurement system
= Vertical furnace
= Batch-type BCD process tool
= MMT plasma Nitridation/Oxidation system
= Ion Implanter
= 4-point probe electric resistance measurement system
= Wafer backside/edge inspection tool
= Chemical/mechanical wafer cleaning brush
= Chemical/mechanical abrasive discs
= Silicon carbide (SiC) chips
= Silicon carbide (SiC) Powder
= Special gas for manufacturing process
= Unique chemical solution for the production process of filming (TDMAS, TDMAH etc.)
= Wafer chemical cleaning etching solution for production
= Oring for production
= Graphite material / component for production
= Ceramic material / component for production

= Quartz process kit for furnace tool
= Temperature and humidity control equipments for Track machine
= Chemical filter for Scanner and Track
= Chemical filter for factory gas
= Lens filter for Scanner
= Photoresists for production
= Stripper for production
= Filter for solutions used in the production
= Thinner and wafer edge bead removal for production
= Production parameter analysis software
= Physical parameter measurement systems
= IC rear end: TR FVI
= Integrated Gas Delivery System
= TAISEI cleaning room / machine antiseismic design
= THK seismic isolation plate
= 4-point probe measurement system
= Single wafer heating equipment
= Dicing UV cure system
= Wafer overlay error measurement system
= High-Quality cleanroom wiper
= Multi-functional cofocal microscopy

(1.3) IC packaging process

= WLCSP Ball Mounter
= WLCSP Inspection & Repair
= WLCSP Solder ball composition and thickness XRF metrology
= WLCSP Plating Vacuum Reflow
= Wafer Macro/Micro Inspection
= IC Confocal Microscoper
= Mixer
= Stamp-sized flash memory card
= Plating Cu Addtive
= Cu/Ti Etchant
= Conductive/Isolated Adhesive
= Molding Materials
= PR Stripper
= EBR
= Cu/Ag Alloy Wire

(1.4) LCD and color filter processes

= Dry etching system
= Laser cutting tools for glass/COP/PET/PI
= Defect inspection and repair for color filters
= Glass substrate transportation
= Automated warehouse

- = Automatic guided vehicles and railed vehicles
- = Cofocal laser microscopes
- = Mask inspection system
- = Etching, photoresist removal, cleaning, developing, glass regeneration tools and sealants
- = Polarizing, sealant removal, regeneration and cleaning tools and FA systems
- = Module lamination equipment
- = Aging equipment
- = Liquid crystal injector
- = Sealing machine
- = 3D non-contact shape inspector
- = Roll-to-roll embossing
- = TFT materials: photoresist, metal targets
- = CF materials: sensitive separator, BM photoresist, White Color photoresist 、 QD Material
- = CELL materials: glass cleaning bands/ Brush, glass cutting wheels, ODF Sealant, Grinding Wheel
- = LCM materials: Anti-water Glue 、Protect Glue
- = LCM materials: inductors
- = FPCB materials: PI materials,PV vanish
- = Thinning materials: sealants, cleaning agent
- = Touch screen materials: OCR, Hard coat materials, Intelimer Tape
- = OLED materials: materials for luminescent layer, electron hole layer and electron layer, and metal mask cleaning agent, Barrier Film 、 Supporting Film

(1.5) GaAs process for LEDs

- = EPI-Wafers
- = Substrates
- = Organic metal materials
- = Green SiC abrasive powder (GC)
- = B_4C abrasive powder
- = Abrasive pads
- = Abrasive slurry
- = Photoresist)
- = Sapphire wafer material: Al_2O_3
- = X-ray diffraction (XRD) for sapphire wafers and substrates
- = Sapphire substrate polishing and abrasion equipment (CMP)
- = Sapphire substrate flatness measurement
- = Dicing Saw and Lapping
- = Al_2O_3 blocks
- = Diamond wires
- = HRXRDX-Ray film measurement
- = XRD X-Ray tools
- = Sapphire substrate/wafer flatness measurement tools

(1.6) Front end process for LEDs

= Sapphire PSS AOI machine

(1.7) Passive elements

= Carrier-type inspector for passive elements / TR FVI / Laser etching machine

(1.8) Solar power equipment:

= PECVD Si_3N_4 coating and SiO_2 coating machines
= DF POCL3 P dopant high resistance production machines and high-temperature annealing machines
= Inline multi-chip acid etching tools
= Inline PSG machines
= Inline PSG + machines
= Single-chip etching production machines
= Auto load/unload /semi-auto machines
= Single-chip non-alcohol etching additives
= Silver powder (pellets, flakes) / AgCu powder (flakes)
= Single/multi-chip backflip additives
= With coating, without coating graphite boat, Graphite plate, Graphite PIN, Ceramic Stick, Ceramic Rod

(2) Total Facility Engineering Turnkey Project:

(2.1)Design, manufacturing, construction, installation and testing of automatic gas supply system

(2.2)Design, manufacturing, construction, installation, testing and after service of automatic chemical supply system

(2.3)Design, construction, installation, testing and after service of systems for ultrapure water, pure steam, injection water and wastewater treatment

(2.4) Operating service

(2.5) Factory automation

A. Factory management and control system (FMCS)

a. Design, construction, installation, testing and after service of automatic special gas control system and total factory management system
b. Design, construction, installation, testing and after service of automatic clean room management system and automatic HVAC and air conditioning management system
c. Consultation system and performance improvement for energy management system for the manufacturing industry

B. Computer-integrated manufacturing (CIM)

a. Sales and distribution of MES (Manufacturing Execution System), its introduction and after service
b. Sales and distribution of APC (Advance Process Control) system, its introduction and after service

c. Consultation, and development of customized automatic factory systems
d. Sales and distribution of dry pump & heater monitoring and warning system to predict possible malfunctions in order to prevent discarding of defected wafers and cut the costs for wafer foundry.
e. Introduction and after service of RFID applications to allow for traceability and information feedbacks of products in the logistics supply chain and production history.

C. Importing of automation products

a. Importing and sales of the Foresight PHM of BellaStellaX.
b. Importing and sales of the FMCS of BellaStellaX.
c. Importing and sales of the BMS of BellaStellaX.
d. Importing and sales of thr I/O Server of BellaStellaX.
d. Customized control system ODM.

(2.6)Information, communications, corporate information and program service

A. Enterprise resource planning (ERP)

B. New Generation Business Discovery

C. Big Data

D. Security

E. Consultation Service

F. Implementation Service

G. Customization Service

H. Cloud service planning and development

I. Intelligent School Solutions
= Flipped learning
= Touched reading
= Rewarding mechanism
= Assessment and test
= Teaching Content
= Smart general affairs

J. Information/communication solution introduction and system integration
= Business Support Systems and Operation Support Systems for telecommunications business
= Customer Relationship Management System
= Charging and Billing System
= Order Management System
= Provisioning System
= Fault Management System
= Performance Management System
= Call Center System

K. Value-added service system
= Enterprise Short Message System
= e-Books System
= Content Management Platform
= Voice mail VPN system

L.Planning and consulting for communication systems
= System framework analysis and design
= Business demand analysis

= Call center system planning
= Network administration center system planning

M. Importing and sales of software and hardware of communications and corporate information service
= Servers, network equipment and storage equipment
= OS, database programs, middleware, and application software authorization

N. Outsourced management for information/communication systems
= Information data center and leasing
= eMail rental
= PC servicing
= Web hosting
= Web management
= Application operation maintenance

O. Sensing and messaging platform
= Beacon sensing smart marketing system
= Smart image recognition system

P. Application System Performance

Q. New Generation Internet Surveillance and Warning System

R. Automated meeting room asset management system - AMM

S. Radio voice integration solution - KoKoRadio

T. E-Commerce Platform design and installation services - eCommerce Service

U. Smart Healthcare Service Platform and Smart Hospital Solution

(3)Total ficlity engineering turnkey project

(3.1)Turn-key projects for high-tech factories, pharmaceutical factories and biotechnical labs

(3.2)Total turn-key hook-up projects for high-tech factories, pharmaceutical factories and biotechnical labs

(3.3)Electric/mechanical system projects for petrochemical factories, traditional industrial facilities and intelligent buildings

(3.4)Engineering projects for mass transit system

(3.5)Biochemical and medical facilities

(3.6)Water resource and energy management

(3.7)Information data center project

(4) R&D and manufacturing of customized equipment:

(4.1)Design and manufacturing of automatic production systems for photo-electronics industry

(4.2)Total design and development solutions for production information integration system

(4.3)Design and production of image inspection equipment

(4.4)Turn-key projects for Patterned Sapphire Substrate (PSS) process equipment for LEDs

(4.5)Design and production of automatic logistics system for IT industry

(4.6)Design and production of automatic logistics system for biotechnical and medical industries

(4.7)Design and production of automatic logistics system for food industry

(4.8)Design and production of automatic logistics system for traditional industries

(4.9)Equipment OEM

= OEM equipment production
= Technical design for ODM equipment
= Precision vacuum chamber assembly and production
= Search and production of precision machined pieces
= Local production of parts and components
= Global sourcing and purchase of parts

(4.10)Laboratory

- = OEM material production
- = High-Technical design for ODM material

1.1.4. New product planning and development (service)

(1) Expansion off depth and breadth of imported product lines to set foot in the semiconductor testing at the rear end and LCM for TFT-LCD

(2) Development of total high-tech factory integration capability, lateral integration of engineering ability for pure water and process cooling, upward integration with ME engineering and total factory solution and downward development of integrated connection with process equipment in the factory.

(3) Development of design and installation of facilities for typical industries, such as petrochemical and traditional factories

(4) Development of HMI for automatic delivery system and system service patterns

(5) LED wafer process equipment

(6) Automatic testing techniques

(7) CIM techniques

(8) Continue to work with original manufacturers for the development of equipment modules, and develop process equipment or join force with clients for customization of process equipment based on market demands and clients' needs.

(9) Development of ESD (Electronic static Discharge) real-time monitoring system, manufacturing industry project program outsourcing, and energy analysis for manufacturing facilities and processes.

(10) Information/communications, corporate information and software service

(10.1) Importing or development of important service elements in digital content service platform, including:

- = Payment gateway that deals with payment verification and transactions
- = Digital rights management used for the management of download and play authorization for digital contents and content encryption/decryption.
- = Mobile device management: management of firmware, OS, web browsers, content players and APPs at the intelligent end to provide the service platform that telecommunication clients need for 4G service development.

(10.2) R&D project for corporate service platform products:

- = Information action inquiries for corporate decision making
- = Information action inquiries for corporate business
- = New generation corporate information management system
- = Corporate decision making analysis products

(10.3) Development of the technology of Big Data information analysis platform

(10.4) Development of the IoT power consumption application technology

(10.5) A collaborated research on information security technology

(10.6) Self service kiosk and cloud management platform, including ordering, ticketing and retailing services, which can save man power and enhance convenience.)

(11) Augmented reality cloud recognition and content management platform, a new type of marketing instruments for enterprises or stores which provides original AR contents and can be freely updated and maintained.

(12)PHM(Prognostic and Health Management): Regarding the MOCVD/PECVD/Dry Pump equipment defect pre-diagnosis system, it provides an early warning, reduces product defects and increases the utilization of facilities.

(12.1) NRF (Next n-Run failure): PHM NRF function can predict whether the critical components will fail during the next n-run process.

(12.2) RUL (Remaining Useful Life): PHM RUL function can predict the remaining life of the critical components.

(12.3)PHM benefits:

= Early detect the abnormal pattern of components and find the source of failure quickly.
= Immediately predict whether components will fail during the next n-runs process to reduce cost of consumables.
= Estimate remaining useful life of critical components to optimize the maintenance schedules.

(13) Industry 4.0 Expert Consultant Team: MIC can provide intelligent machinery/robot technical services, Internet of things technical services, manufacturing digital services, big data technology services, etc. For automation technology services, MIC can provide automated material storage and transportation technology, automated manufacturing technology, automation system integration planning technology, etc.

(14) Image Security and Surveillance System: System designed based on on-site environment, which integrates and optimizes existing CCTV recordings to provide intuitive, smart and blindspotless surveillance system.

(15) Smart Healthcare Service Platform and Smart Hospital：Healthcare Platform、Medical Equipment Cloud、Community Health Station and Smart Treatment, etc.

(16) The IoT of LPWAN(Low-Power Wide-Area Networ)：low power consumption, long distance and high penetration characteristics, providing a variety of environmental applications, such as smart cities, smart campus, Wisdom health, Wisdom factories of IoT sensor and controller communication application.

(17) Intelligent 3D Real-time Fire Control System :
= GIS, BIM and Position Track cross-border integration capabilities.
= Integrating EU core technologies and applying visual management experience.
= Providing government and corporate intelligence for disaster relief and disaster prevention, usually as a sightseeing guide and space measurement.
= Instant indoor and outdoor three-dimensional positioning in order to build an indoor positioning device in advance.
= Using 3D vision, point cloud data can be marked with POI coordinates for equipment such as fire/escape/first aid.

1.2 Current status of industry

1.2.1 Current status and development of industry

MIC’s revenues come mostly from selling and maintenance of equipment and materials for ICs, TFT-LCDs, LEDs, color filters, GaAs, IC packaging, flip-chip substrates, and solar panels in high-tech and traditional industries in addition to the planning, design, construction, installation and testing automatic management systems for gases, chemicals and monitoring systems used in high-tech industries. Since 2003, MIC has started the manufacturing of process equipment in addition to the original design, manufacturing and installation of factory equipment. MIC is always on the lookout for any opportunity to join force of major players around the world and build up our own OEM and ODM capabilities, strengthen local ODM development and ultimate establish our own edge in the competitive market. The following provides the breakdown of the industries that MIC is involved

(1)IC (Semiconductor) Industry

- Current Status and development of Worldwide IC industry

Worldwide semiconductor revenue totaled $476.7 billion in 2018, a 13.4 percent increase from 2017, according to preliminary results by Gartner, Inc. Memory strengthened its position as the largest semiconductor category, accounting for 34.8 percent of total semiconductor revenue, up from 31 percent in 2017.

“ The largest semiconductor supplier, Samsung Electronics, increased its lead as the No. 1 vendor due to the booming DRAM market,” said Andrew Norwood, Vice President, Analyst at Gartner. “While 2018 continued to build on the growth established in 2017, the overall gains driven by memory were at half the 2017 growth rate. This is attributed to memory entering a downturn late in 2018."

The combined revenue of the top 25 semiconductor vendors increased by 16.3 percent during 2018 and accounted for 79.3 percent of the market, outperforming the rest of the market, which saw a milder 3.6 percent revenue increase. This is due to the concentration of the memory vendors in the top-25 ranking.

Intel's semiconductor revenue grew by 12.2 percent compared with 2017, driven by a combination of unit and average selling price (ASP) growth. Major memory vendors that performed strongly in 2018 include SK hynix — driven by DRAM, and Microchip Technology — due to its acquisition of Microsemi. The top four vendors in 2017 retained their ranking in 2018 (see Table 1).

Table 1. Top 10 Semiconductor Vendors by Revenue, Worldwide, 2018

(Millions of U.S. Dollars)

2018 Rank	2017 Rank	Vendor	2018 Revenue	2018 Market Share (%)	2017 Revenue	2017-2018 Growth (%)
1	1	Samsung Electronics	75,854	15.9	59,875	26.7
2	2	Intel	65,862	13.8	58,725	12.2
3	3	SK hynix	36,433	7.6	26,370	38.2
4	4	Micron Technology	30,641	6.4	22,895	33.8
5	6	Broadcom	16,544	3.5	15,405	7.4
6	5	Qualcomm	15,380	3.2	16,099	-4.5
7	7	Texas Instruments	14,767	3.1	13,506	9.3
8	9	Western Digital	9,321	2.0	9,159	1.8
9	11	ST Microelectronics	9,276	1.9	8,031	15.5
10	10	NXP Semiconductors	9,010	1.9	8,750	3.0
		Others	193,605	40.7	181,578	6.6
		Total Market	476,693	100.0	420,393	13.4

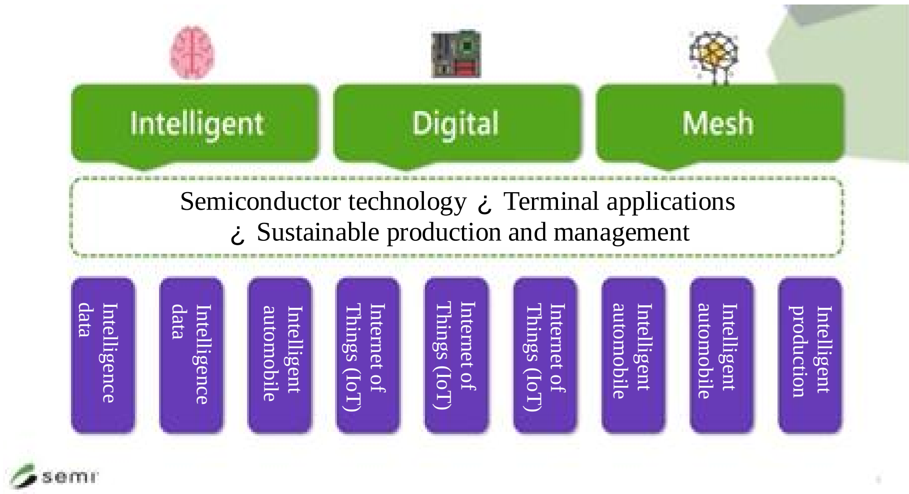
Source: Gartner (January 2019)

In terms of semiconductor devices, memory was simultaneously the largest (35 percent) and highest-performing device category for 2018 with 27.2 percent revenue growth. This was driven by increases in ASP for DRAM for much of the year with the exception of the fourth quarter of 2018.

Within the memory segment, NAND flash suffered a marked slowdown with ASP declines through much of the year due to oversupply. This device category still managed to show a 6.5 percent revenue increase, driven by higher adoption of solid-state drives (SSDs) and increasing content in smartphones.

Semiconductor Equipment and Materials International (SEMI) indicated that, although the China-US trade war would bring uncertainties to the global economic policy as well as market development and strategy, the semiconductor industry would enter into a relatively stable phase in the business cycle in 2019. In 2019, the semiconductor industry output value and market will have a healthy and positive growth.

Chart 1, Observation of the semiconductor market from 2018 to 2019

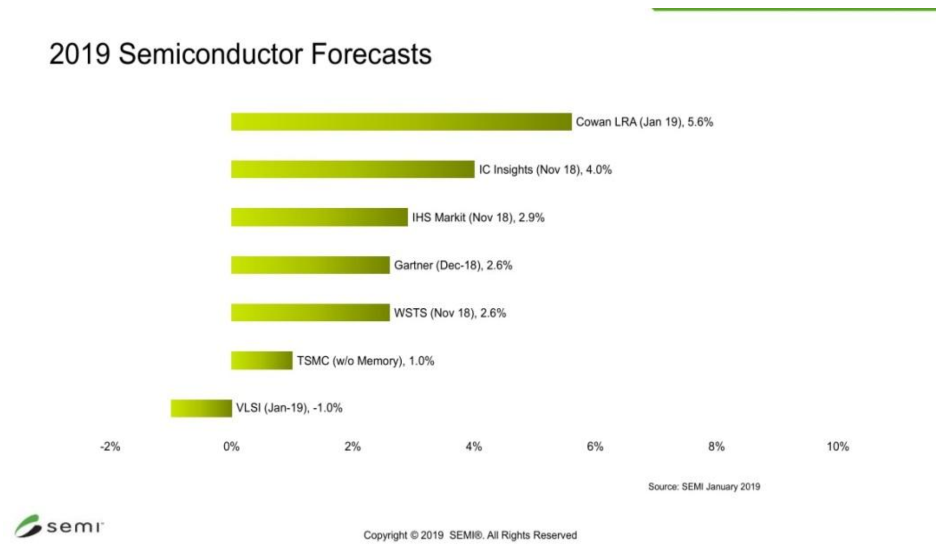


Source: SEMI, January 2019

In 2019, global political factors, including economic risks derived from trade tensions and technology policy, will continuously and gradually threat the semiconductor industry. Besides, the weak demand for smart phones will be the major issue to be confronted by the semiconductor industry recently. For example, the order of iPhone has apparently slowed down and is expected to drop in the first quarter of 2019.

Besides, starting from 2017, key semiconductor applications such as AI, IoT and 5G have been driving the market to particularly the consumer application market. Therefore, it is expected that these applications will directly affect the growth of semiconductor demand in the following 3 to 5 years.

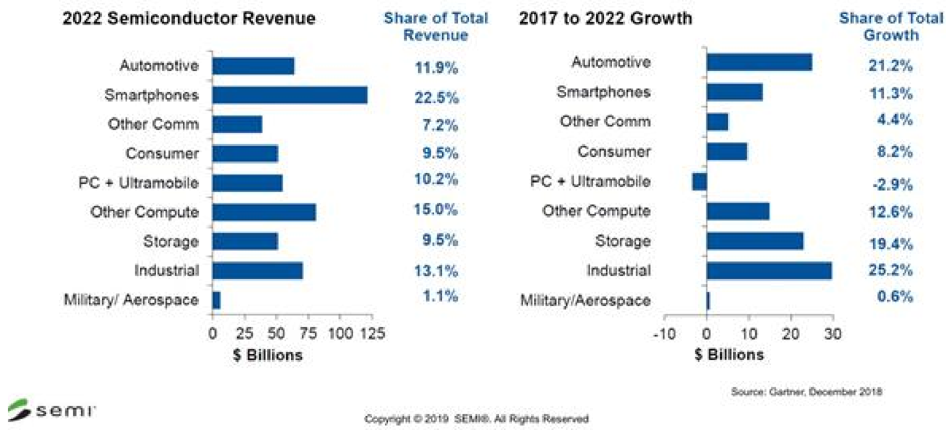
Chart 2, 2019 semiconductor revenue forecasts conducted by research institutions



Source: SEMI, January 2019

Concerning wafer facility investments and equipment market, as the demand for memory already entered into the peak of "super cycle" between 2017 and 2018, not only has the development of DRAM and 3D NAND, but also new factories and technology transfer have driven an obvious growth during these two years and stabilized investments to front-end wafer facilities around the world. Nevertheless, according to the market forecast, this super cycle may possibly be ended in 2019, resulting in a weak memory demand within a short period of time and a slowed down expenditure in 2019.

Chart 3, Growth of semiconductor applications between 2017 and 2020.



Source: SEMI, January 2019.

Driven by the strong 7 nanometer (7 nm) node, the semiconductor manufacturing capital expenditure is in a relatively stable stage in 2019. Nevertheless, logic outsourcing and foundry are expected to make up some investment loss caused by the decrease of memory capital expenditure decreases in the year. From region-based observations, in the last 5 years, South Korea has made the most investments in foundry facilities between 2017 and 2019. Nevertheless, as the demand for memory – the backbone of South Korea ’ s semiconductor industry – is far behind the expectation and Taiwan’s leading companies continue to invest in advanced technology node, it is expected that the industry’s growth rate will reach the peak to 20% in 2019. This surge of investment, which is made primarily in the foundry and logic IC, shows a good prospect. Furthermore, the China effect will have remarkable influence on the overall semiconductor market in 2020.

Chart 4, A long-term steady growth of the semiconductor market.

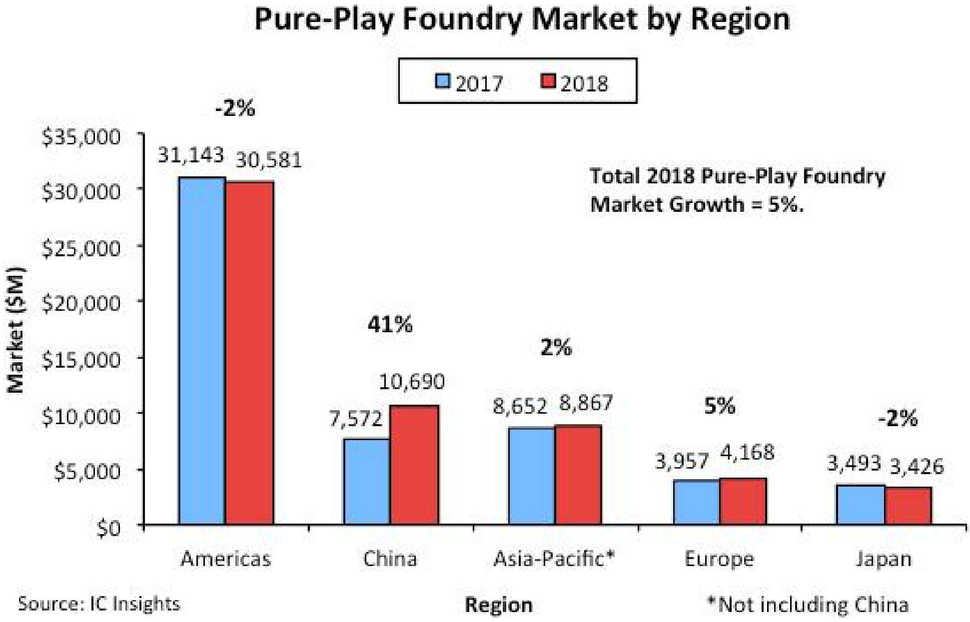
Source: SEMI, January 2019.

As for the semiconductor material market, the wafer price will remain strong in 2019 although the wafer shortage will be slightly improved. The growth of Fab material expenditure, on the other hand, increased by 5% from 14% to 19% in 2019, whereas packaging materials will be challenged by price pressure and substitute technology.

IC Insights is in the process of completing its forecast and analysis of the IC industry and will present its new findings in The McClean Report 2019, which will be published later this month. With the recent rise of the fabless IC companies in China, the demand for foundry services has also risen in that country. In total, pure-play foundry sales in China jumped by 30% in 2017 to $7.6 billion, triple the 9% increase for the total pure-play foundry market that year. Moreover, in 2018, pure-play foundry sales to China surged by an amazing 41%, over 8x the 5% increase for the total pure-play foundry market last year.

As a result of a 41% increase in the China pure-play foundry market last year, China's total share of the 2018 pure-play foundry market jumped by five percentage points to 19% as compared to 2017, exceeding the share held by the rest of the Asia-Pacific region (Figure 1). Overall, China was responsible for essentially all of the total pure-play foundry market increase in 2018.

Chart 5, The growth rate of pure-play foundry market



Source: IC Insight, January 2019.

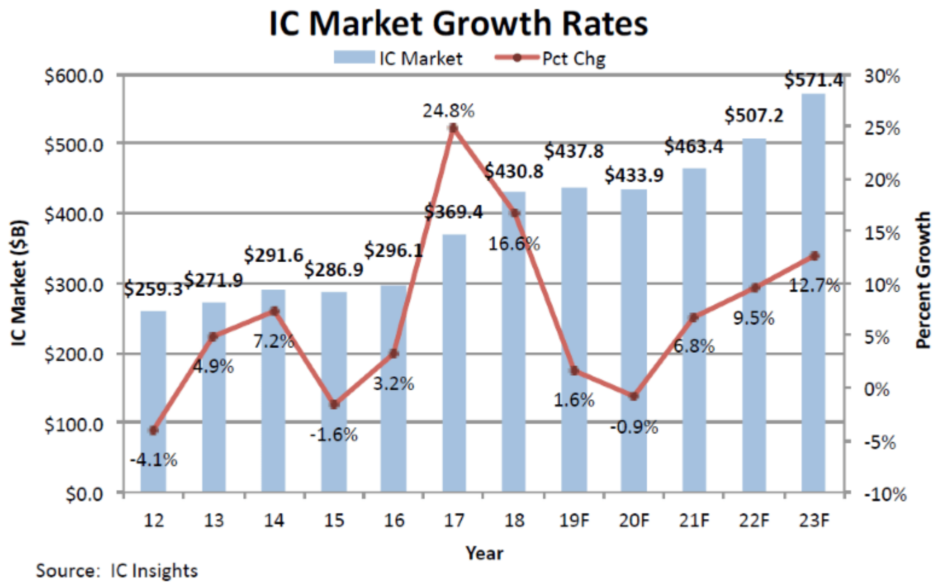
All of the major pure-play foundries registered double-digit sales increases to China last year, but the biggest increase by far came from pure-play foundry giant TSMC. Following a 44% jump in 2017, TSMC's sales into China surged by another 61% in 2018 to $6.0 billion. The China market was responsible for essentially all of TSMC's sales increase last year with China's share of the company's sales doubling from 9% in 2016 to 18% in 2018.

A great deal of TSMC's sales surge into China in 2018 was driven by increased demand for custom devices going into the cryptocurrency market. While TSMC enjoyed a great ramp up in sales for its cryptocurrency business through 2Q18, the company encountered a slowdown for this business in the second half of last year, which was apparent in its slower sales to China in 3Q18 and 4Q18. The 2018 plunge in the price of Bitcoins and other cryptocurrencies lowered the demand for these ICs.

With China's share of the pure-play foundry market quickly growing. It comes as no surprise that many of the pure-play foundries are planning to locate or expand IC production in Mainland China. Notably, each of the top seven pure-play foundries has plans for increasing China-based wafer fabrication production, including the five non-Chinese foundries of TSMC, GlobalFoundries, UMC, Powerchip, and TowerJazz.

The end of a two-year super-cycle in memory will drag average selling prices on chips down 6% overall this year, IC Insights predicts. Hopefully, issues around both the U.S./China trade dispute and the U.K. Brexit will settle down in the spring, he said.What happens around March deadlines for both Brexit and raising U.S. China tariffs to 25% "will tell a lot about this year," McLean said, noting that both China and the U.S. have "plenty of incentives" to settle their trade war.The good news is that unit growth in the $430+ billion chip industry is on an average 11% annual growth trend, up from 6% and 9% in the recent past. The bad news is that the two biggest parts of the market are the most cyclical — $100+ billion in DRAMs and $60+ billion in NAND flash.

Chart 6, The growth of IC market rates



Source: IC Insights, January 2019

The cycle was so bad currently. Accroding to IC Insights prospectives, memory chipmakers spent about $7 billion too much in DRAM capex last year and $10 billion too much in NAND, chasing the growing markets. Overall, chipmakers will cut capex by 13% this year, in part to shore up prices, IC Insights predicts.

Memory leader Samsung, which doubled its capex spending to $24 billion in 2017, is the wild card.estimating that the South Korean giant will scale capex back to $18 billion in 2019.

Table 2, 2016-2019F Anolog, Logic, Memory, and total IC market forecast

2016-2019F Analog, Logic, Memory, and Total IC Market Forecast

	Total Analog		Total Logic*		Total Memory		Total IC Market	
2016	Total 2016	16/15 %	Total 2016	16/15 %	Total 2016	16/15 %	Total 2016	16/15 %
Market ($B)	$49.44	5%	$167.23	4%	$79.44	2%	$296.10	4%
Units (B)	133.26	6%	75.73	6%	42.68	12%	251.67	7%
ASP	$0.37	-1%	$2.21	-1%	$1.86	-9%	$1.18	-3%
2017	Total 2017	17/16 %	Total 2017	17/16 %	Total 2017	17/16 %	Total 2017	17/16 %
Market ($B)	$54.54	10%	$184.92	11%	$129.92	64%	$369.38	25%
Units (B)	154.84	16%	90.16	19%	44.61	5%	289.61	15%
ASP	$0.35	-5%	$2.05	-7%	$2.91	56%	$1.28	8%
2018	Total 2018	18/17 %	Total 2018	18/17 %	Total 2018	18/17 %	Total 2018	18/17 %
Market ($B)	$60.26	10%	$202.09	9%	$168.45	30%	$430.80	17%
Units (B)	177.35	15%	100.50	11%	43.53	-2%	321.38	11%
ASP	$0.34	-4%	$2.01	-2%	$3.87	33%	$1.34	5%
2019F	Total 2019F	19/18 %	Total 2019F	19/18 %	Total 2019F	19/18 %	Total 2019F	19/18 %
Market ($B)	$64.86	8%	$215.00	6%	$157.95	-6%	$437.81	2%
Units (B)	193.18	9%	110.29	10%	43.75	1%	347.23	8%
ASP	$0.34	-1%	$1.95	-3%	$3.61	-7%	$1.26	-6%

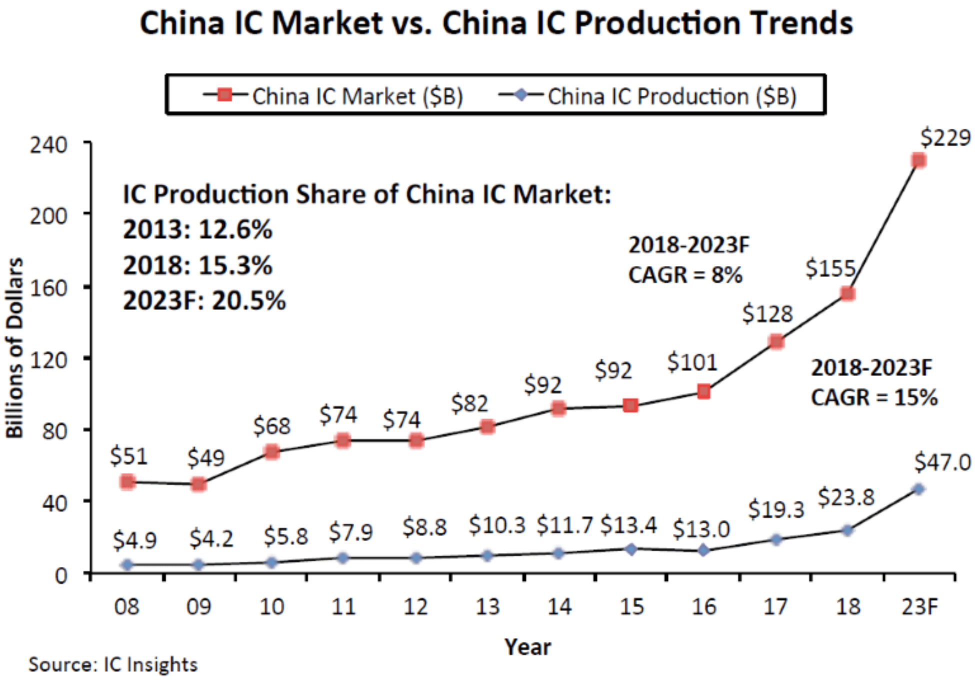
*Including logic and micocomponents (i.e., MPU, MCU, etc.)

Source: IC Insights

Source: IC Insights, January 2019

China's share of the worldwide foundry business stands at 9.2% today. IC Insights expects that it will grow to just 10.3% by 2023. IC Insights makes an exception for Yangtze Memory Technology Co. (YMTC), which reportedly got as much as $24 billion in investments to become a leading NAND player. The market watcher projects that YMTC could leap from sales of $300 million last year to $5.4 billion in 2023, making it the third-largest chipmaker in China, surpassing SMIC.

Chart 7, China IC market vs. China IC production trends



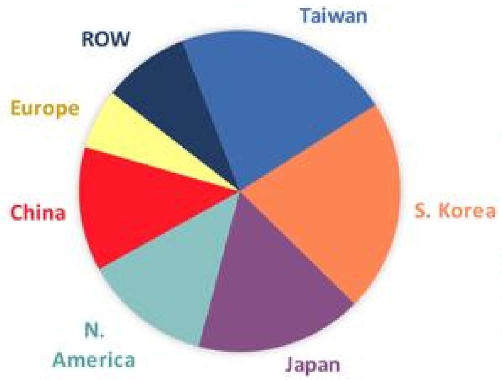
Source: IC Insights, January 2019.

According to a semiconductor research institute, the IC Insight announced that the monthly capacity rankings of fabs in various regions or countries showed that Taiwan got the first prize, South Korea got second prize, Japan got third prize, the United States got fourth and mainland China got fifth.

Chart 8, The monthly capacity rankings of fabs in various regions

Wafer Capacity at Dec-2018 – by Geographic Region

(Monthly Installed Capacity in 200mm-equivalents)



Region	Installed Capacity (K w/m)	% of Worldwide Total
Taiwan	4,126	21.8%
S. Korea	4,033	21.3%
Japan	3,168	16.8%
N. America	2,426	12.8%
China	2,361	12.5%
Europe	1,138	6.0%
ROW	1,646	8.7%
TOTAL	18,897	100%

Source: IC Insights

Source: IC Insight, February 2019

As shown, Taiwan led all regions/countries in wafer capacity with 21.8% share, a slight increase from 21.3% in 2017 (Taiwan first became the global wafer capacity leader in 2015.) Taiwan's capacity share was only slightly ahead of South Korea, which accounted for 21.3% of global wafer capacity in 2018, according to the Global Wafer Capacity 2019-2023 report. TSMC in Taiwan and Samsung and SK Hynix in South Korea accounted for the vast share of wafer fab capacity in each country and were the top three capacity leaders worldwide. TSMC held 67% of Taiwan's capacity while Samsung and SK Hynix represented 94% of the installed IC wafer capacity in South Korea at the end of 2018.

Japan remained firmly in third place with just over 16.8% of global wafer fab capacity. Micron's purchase of Elpida several years ago and other recent major changes in manufacturing strategies of companies in Japan, including Panasonic spinning off some of its fabs into separate companies, means that the top two companies (Toshiba Memory and Renesas) accounted for 62% of that country's wafer fab capacity.

China showed the largest increase in global wafer capacity share in 2018, rising 1.7 percentage points from a 10.8% share in 2017 to a 12.5% share in 2018. It nearly tied North America as the fourth-largest country/region with installed capacity. A lot of buzz circulated about China-based startups and their new wafer fabs during 2018. Meanwhile, other global companies expanded their manufacturing presence in China last year so it would be expected that the country's capacity share would show a significant increase. China's percentage gain came mostly at the expense of ROW and North America. The share of capacity in the ROW region slipped 0.8 percentage points from 9.5% in 2017 to 8.7% in 2018. North America's share of capacity declined 0.4 percentage points in 2018.

Table 3: Fab equipment spending by region.

Fab Equipment Spending in US$ Million				
Region	**2018**	**2019**	**Change 2018**	**Change 2019**
Americas	$4,822	$4,965	-10.5%	3.0%
China	$12,203	$11,957	84.3%	-2.0%
Europe & Mideast	$4,500	$4,250	11.8%	-5.6%
Japan	$8,735	$8,649	36.3%	-1.0%
Korea	$18,497	$12,087	-6.5%	-34.7%
Southeast Asia	$2,552	$2,434	37.6%	-4.6%
Taiwan	$9,211	$11,438	-17.3%	24.2%
Total	**$60,520**	**$55,780**	**9.6%**	**-7.8%**

Source: World Fab Forecast Report, November 2018 edition, SEMI

Total fab equipment spending in 2019 is projected to drop 8 percent, a sharp reversal from the previously forecast increase of 7 percent as fab investment growth has been revised downward for 2018 to 10 percent from the 14 percent predicted in August, according to the latest edition of the World Fab Forecast Report published by SEMI.

Entering 2018, the semiconductor industry was expected to show a rare fourth consecutive year of equipment investment growth in 2019. But the SEMI World Fab Forecast Report, tracking more than 400 fabs and lines with major investment projects, forecast in August a slowdown in the second half of 2018 and into the first half of 2019. Now, with recent industry developments, a steeper downturn in fab equipment is expected

The report shows overall spending down 13 percent in the second half of 2018 and 16 percent in the first half of 2019 with a strong increase in fab equipment spending expected in the second half of 2019.

Plunging memory prices and a sudden shift in companies’ strategies in response to trade tensions are driving rapid drops in capital expenditures, especially among leading-edge memory manufacturers, some fabs in China, and some projects for mature nodes such as 28nm. Industry sectors expecting record-breaking growth in 2019, such as memory and China, are now leading the decline.

Following a sharp fall in NAND flash pricing earlier this year, DRAM prices in the fourth quarter of 2018 began to soften, seemingly ending the two-year DRAM boom. Inventory corrections and CPU shortages continue, prompting predictions of even steeper price declines.

Memory makers have quickly responded to changing market conditions by adjusting capital expenditures (capex), and tool orders have been put on hold. DRAM spending may see an even deeper correction in 2019 while NAND flash-related investment could also suffer a double-digit decline next year.

A review of spending by industry sector reveals that, while memory capital expenditures were expected to grow by 3 percent in 2019, they are now forecast to drop by 19 percent year-over-year (YOY). DRAM is hit the hardest with a fall of 23 percent, while 3D NAND will contract 13 percent in 2019.

China and Korea are suffering the largest drops in spending since the August report.

China fab spending fallsProjections for equipment spending in China in 2019 have been revised from US$17 billion in August to US$12 billion, with multiple factors at play including a slowing memory market, trade tensions, and delays in some project timelines.

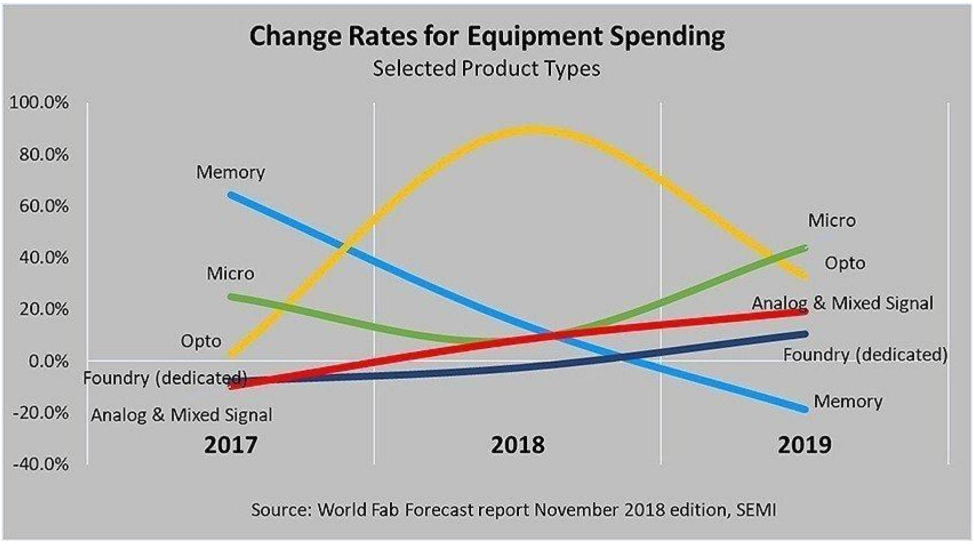
SK Hynix is expected to slow DRAM expansion in 2019. GLOBALFOUNDRIES reconsidered its plan for the Chengdu fab, delaying the ramp. SMIC and UMC are slowing spending. The Fujian Jinhua DRAM project has been put on hold.

Korea fab spending downIn August, SEMI forecast that Korea fab equipment spending would decline by 8 percent, to US$17 billion, in 2019 – a projection that has now been slashed to US$12 billion, a drop of 35 percent YoY. Samsung began to reduce equipment investments in the fourth quarter of 2018, and the spending cuts are expected to continue into the first half of 2019. Samsung's largest projects to be hit are P1 (slowdown) and the ramp of P2 Phase 1 (delayed). Adjustments to the S3 schedule are also expected.

Not all memory makers cut capital expendituresWhile SEMI's detailed, fab-level data show that some memory makers will scale back capital expenditures for 2019, one company stands out. Micron will increase capex for FY19 to US$10.5 billion, up about 28 percent, or $8.2 billion, from FY18. Micron plans to expand and upgrade facilities, invest less in NAND in FY19 than in FY18, and anticipates no new wafer starts.

Outlook still upbeat for mature technologies In other sectors, especially for non-leading-edge and specialty technologies, some fabs are still increasing investments

Chart 9: Change Rates for Equipment Spending



Source: SEMI, November 2018

Opto – especially CMOS image sensors – shows strong growth, surging 33 percent to US$3.8 billion in 2019. Micro (MPU, MCU and DSP) is expected to grow more than 40 percent in 2019 to US$4.8 billion. Analog and mixed signal investments also show strong growth – 19 percent – in 2019, bringing spending to US$660 million. The foundry sector, the second largest product segment in total investments at US$13 billion, shows a 10 percent rise in 2019.

The recent three-year boom in the semiconductor market was chiefly driven by the memory sector (e.g. DRAM and 3D NAND flash). One company, Samsung, invested at unprecedented levels, lifting the entire industry. Other memory makers rode the wave of the boom cycle by boosting investments. And China's profile rose with its huge investments. The industry was poised for four consecutive years of revenue growth – a streak not seen since the 1990s.

Now the industry faces well-known threats of inventory correction and the trade war. Both phenomena could slow growth significantly and if both unfold in full force in tandem, the impact could be serious. The data in SEMI's latest publication of the World Fab Forecast show that the four-year growth streak will not materialize.

Since its August 2018 publication, more than 260 updates have been made to the World Fab Forecast. The report now includes more than 1,280 records of current and 115 future front-end semiconductor facilities from high-volume production to research and development. The report covers data and predictions through 2019, including milestones, detailed investments by quarter, product types, technology nodes and capacities down to fab and project level.

Releasing its Year-End Total Equipment Forecast at the annual SEMICON Japan exposition, SEMI, the global industry association representing the electronics manufacturing supply chain, today reported that worldwide sales of new semiconductor manufacturing equipment are projected to increase 9.7 percent to $62.1 billion in 2018, exceeding the historic high of $56.6 billion set last year. The equipment market is expected to contract 4.0 percent in 2019 but grow 20.7 percent to reach $71.9 billion, an all-time high.

The SEMI Year-end Forecast predicts wafer processing equipment will rise 10.2 percent in 2018 to $50.2 billion. The other front-end segment – consisting of fab facilities equipment, wafer manufacturing, and mask/reticle equipment – is expected to increase 0.9 percent to $2.5 billion this year. The assembly and packaging equipment segment is projected to grow 1.9 percent to $4.0 billion in 2018, while semiconductor test equipment is forecast to increase 15.6 percent to $5.4 billion this year.

In 2018, South Korea will remain the largest equipment market for the second year in a row. China will rise in the rankings to claim the second spot for the first time, dislodging Taiwan, which will fall to the third position. All regions tracked except Taiwan, North America, and Korea will experience growth. China will lead in growth with 55.7 percent, followed by Japan at 32.5 percent, Rest of World (primarily Southeast Asia) at 23.7 percent, and Europe at 14.2 percent.

Table 4: Global semiconductor equipment sales amount in 2018.

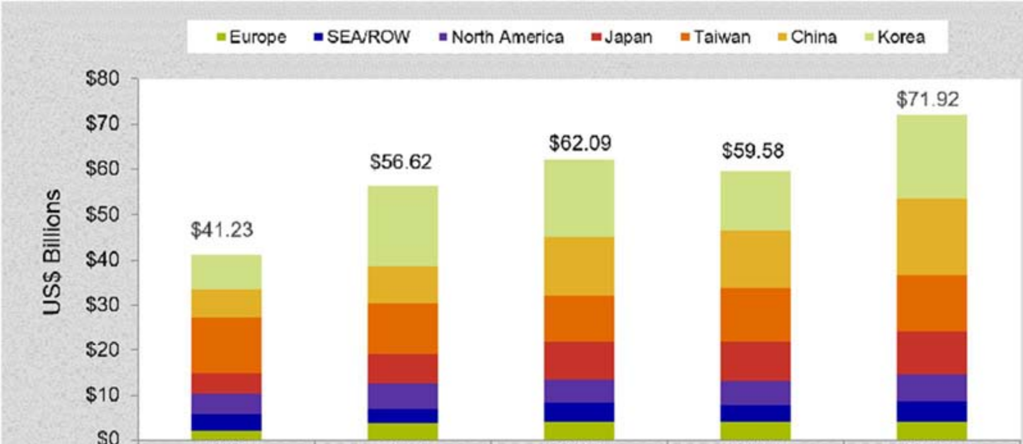
Items	Billion(USD)	Growth(%)
Wafer processing equipment sales	**50.2**	**10.2%**
Fab equipment manufacturing mask	**2.5**	**0.9%**
Pivot lighting equipment and other front-end equipment	**4.0**	**1.9%**
Packaging equipment	**5.4**	**15.6%**
Semiconductor test equipment	**62.1**	**9.7%**

Source: SEMI, December 2018

For 2019, SEMI forecasts that South Korea, China, and Taiwan will remain the top three markets, with all three regions maintaining their relative rankings. Equipment sales in South Korea is forecast to reach $13.2 billion, in China $12.5 billion, and in Taiwan $11.81 billion. Japan, Taiwan and North America are the only regions expected to experience growth next year. The growth picture is much more optimistic in 2020, with all regional markets expected to increase in 2020, with the market increasing the most in Korea, followed by China, and Rest of World.

The following results are in terms of market size in billions of U.S. dollars:

Chart 10: Semiconductor Equipment Sales Forecast by Regions



	2016	2017	2018E	2019F	2020F
Korea	7.69	17.95	17.11	13.20	18.31
China	6.46	8.23	12.82	12.54	17.06
Taiwan	12.23	11.49	10.11	11.81	12.49
Japan	4.63	6.49	8.60	8.89	9.47
North America	4.49	5.59	5.29	5.36	6.02
SEA/ROW	3.55	3.20	3.96	3.82	4.35
Europe	2.18	3.67	4.19	3.96	4.22

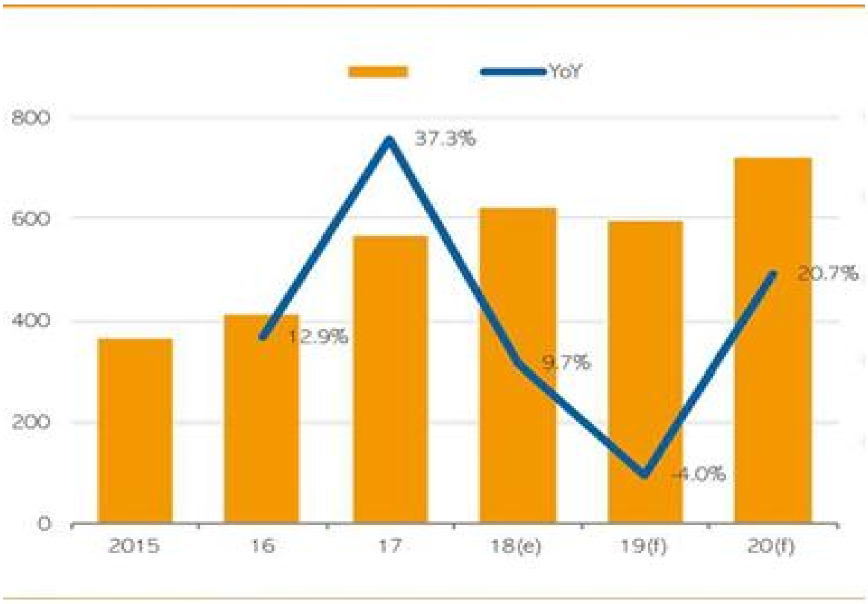
Source: SEMI, December 2018

IC technology nodes can be divided into front- and back-end nodes. The front-end nodes, in which semiconductor capital facility industry has made the major investments during the wafer fabrication process (about 85% of investments has been made to wafer fabrication equipment (WFE)), include deposition, lithography, etching, cleaning and node control. According to Seeking Alpha, only few companies survive in the global wafer-fabrication market till today. The said companies include Applied Materials, ASML, KLA-Tencor, Lam Research, Tokyo Electron, Screen Semiconductor and Hitachi High Tech.

With respects to deposition equipment, Applied Materials, followed by Lam Research and Tokyo Electron, is the leader in the field with about 50% of the market share. As for lithography equipment, ASML has over 75% of market share and is focused on the development of high-end products. As the matter of fact, the entire market is dominated mainly by ASML, Nikon and Canon. Lam Research, on the other hand, has about 57% of share in the lithography market, whereas the rest shares are shared by Tokyo Electron and Applied Materials. Concerning node control, KLA-Tencor has about 55% of the market share, making it a leader in this field.

The total capital expenditure of wafer fabrication market has, for the first time, reached USD50 billion in 2017. This shows a big increase comparing with the average before 2016 (averagely USD30 billion to USD40 billion) and this number is expected to further increase in 2018. The total capital expenditure of the process diagnostic and control market also, for the first time, reached over USD5 billion in 2017 and this number is expected to further increase to USD6 billion in 2018.

Chart 11, Sales revenue estimates of the global semiconductor fabrication equipment companies.



According to the statistics of Semiconductor Equipment and Materials International (SEMI), the global semiconductor material market is expected to have a growth of 2% in 2019. Although this number is far less than the industry's high growth at 10% in 2018 (thanks to the high memory demand in the first half of the year), it is still relatively good comparing with the semiconductor equipment market, which has slid by 4% due to capital expenditure (CapEx). The report indicates that, in 2018, the global semiconductor material market reached USD49 billion with a growth of 10% comparing with 2017 (USD47 billion). It is expected that this market will reach USD50 billion with a growth of 2% in 2019. This growth is triggered mainly by the launch of the operations of newly established semiconductor factories; and the increase of material consumption caused by the increasing number of researches, development and fabrication processes.

Table 5. Annual semiconductor material expenditure

Annual Trends Snapshot

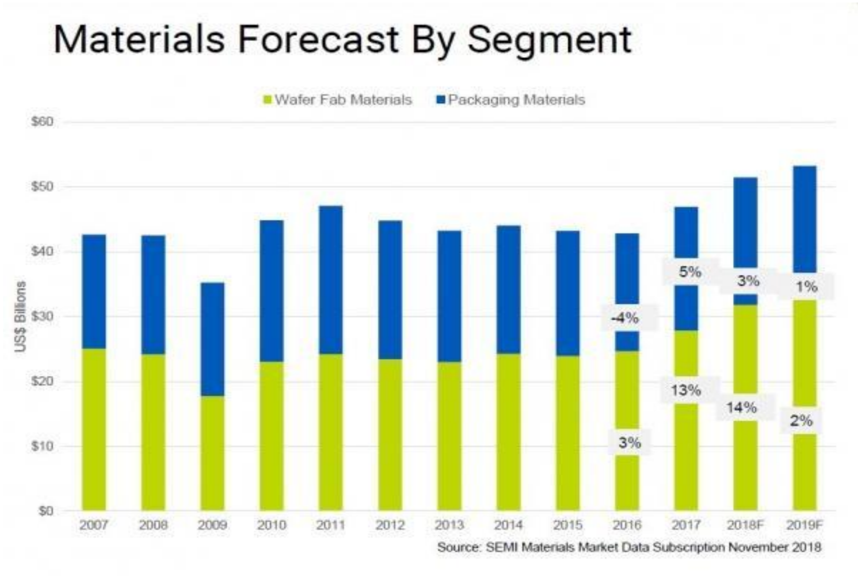
	2017	2018F	2019F	2017 Y/Y %	2018 Y/Y %	2019 Y/Y %
Device (WSTS)	$412 B	$477 B	$502 B	22%	15.9%	2.6%
Equipment (SEAJ/SEMI; SEMI Forecast)	$57 B	$63 B	$68 B	37%	10%	-4%
Total Materials (SEMI)	$47 B	$49 B	$50 B	10%	10%	2%
Wafer Fab Materials	$28 B	$31 B	$32 B	13%	14%	2%
Packaging Materials	$19 B	$20 B	$20 B	5%	3%	1%

Source: SEMI, January 2019.

Furthermore, semiconductor materials are mainly used in the front-end wafer fabrication and back-end packaging processes with a ratio of 6:4. Among them, the three major semiconductor materials in the front-end wafer fabrication include silicon-wafer, mask and gas. In 2019, the sales amount will reach the peaks, which are: USD58 million, USD65 million and USD20 million. The back-end materials include lead frame, substrate, ceramic package, encapsulation resin, wire bonding and adhesive. It is expected that the sales revenue of PCB market will reach USD634 million with a growth rate of only 1% in 2019 (the growth rates of 2017 and 2018 were 5% and 3% respectively).

With respects to the growth rate of semiconductor materials over the last three years, the growth rate of front-end materials was much higher than that of back-end materials. In 2016, front-end materials had an increase of 3% in sales revenue, whereas back-end materials had a decrease of 4%; in 2017, the front- and back-end materials had a growth rate of 13% and 5% respectively; and, in 2018, the front-and back-end materials had a growth rate of 14% and 3% respectively. According to SEMI's analysis, the proactive use of all types of front-end technology, such as extreme ultraviolet (EUV), atomic layer deposition (ALD) and plasma-enhanced chemical vapor deposition (PECVD), has given the credit to the growth of front-end materials.

Chart 12, Estimates of front- and back-end materials



Source: SEMI, November 2018.

SEMI further expressed that the semiconductor material market would be challenged by a number of uncertainties, such as the China-U.S. trade war, exchange rate and volatile metal prices, in 2019 as these uncertainties could cause different levels of impacts to related companies. Besides, as many material suppliers are in Japan with over 55% of the semiconductor material market share, the exchange rate of JPY can also affect the market's revenue in overall.

Besides, concerning the overall semiconductor market environment of the year (2019), SEMI indicated that the market growth momentum would largely decrease to 2.6%, which is far less than that of 2017 (22%) and 2018 (15.9%). Nevertheless, as the semiconductor equipment market is also expected to strongly bounce back to 20.7% in 2020, all semiconductor and material markets are also expected to revive in pretty much the same way.

According to the research institute IC Insights, the semiconductor capital expenditure has, for the first time, broken through the wall of USD100 billion and reached USD107.1 billion with an increase of 15% in 2018. The semiconductor capital expenditure is therefore expected to slow down in 2019 with a decrease of

12%.

IC Insights also forecasted that Samsung's capital expenditure of the year could be less than that of 2018 (USD24.2 billion) while being maintained at the high standard of around USD22.6 billion and being the head of the global semiconductor industry. Hynix, on the other hand, could have its semiconductor capital expenditure increased by 58% for the year of 2018. The said increase will be focused on Hynix's 3D NAND Flash factory in Korea and dynamic random-access memory (DRAM) factory in Wuxi, China.

IC Insights further indicated that, if the DRAM market slowed down, the capital expenditure of the top 3 DRAM suppliers – Samsung, Hynix and Micron – could decrease from USD45.4 billion in 2018 to USD37.5 billion in 2019 with a decrease of 17%.

IC Insights forecasted that, in 2019, the overall semiconductor capital expenditure could decrease by 12% comparing with this year; and that, among all semiconductor companies, Samsung, Intel, Hynix, TSMC and Micron would have their capital expenditure decreased by 14% next year. As for other companies, IC Insights indicated that the decrease of their capital expenditure next year could be relatively less to about 7% only.

(1.2)Current Status and Development of IC Industry in Taiwan and China

Table 6 , Sales of Taiwan IC industry in Taiwan, 2018

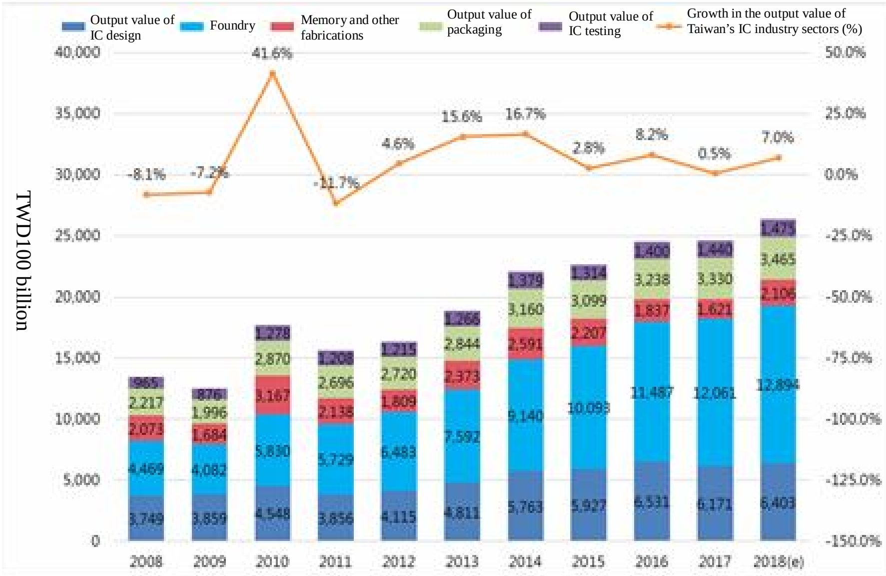
Unit: TWD100 million

TWD100 million	18Q1	QoQ	YoY	18Q2	QoQ	YoY	18Q3(e)	QoQ	YoY	18Q4(e)	QoQ	YoY	2018 年(e)	Annual growth
Output value of IC industry	6,032	-10.7%	5.6%	6,382	5.8%	11.5%	6,915	8.4%	7.6%	7,014	1.4%	3.8%	26,343	7.0%
IC design industry	1,372	-14.7%	-1.9%	1,622	18.2%	7.7%	1,776	9.5%	7.1%	1,633	-8.1%	1.6%	6,403	3.8%
IC manufacturing industry	3,573	-8.1%	11.4%	3,530	-1.2%	15.3%	3,816	8.1%	8.3%	4,081	6.9%	4.9%	15,000	9.6%
Foundry	3,104	-9.5%	9.0%	2,987	-3.8%	11.5%	3,263	9.2%	5.1%	3,540	8.5%	3.2%	12,894	6.9%
Memory and other manufacturing	469	2.0%	30.6%	543	15.7%	42.0%	553	1.9%	31.7%	541	-2.2%	17.6%	2,106	29.9%
IC packaging	755	-13.2%	-1.9%	870	15.2%	5.5%	930	6.9%	7.5%	910	-2.2%	4.6%	3,465	4.1%
IC testing	332	-14.2%	-1.8%	360	8.4%	7.5%	393	9.2%	3.4%	390	-0.8%	0.8%	1,475	2.4%
IC product output value	1,841	-11.0%	4.8%	2,165	17.6%	14.6%	2,329	7.6%	12.0%	2,174	-6.7%	5.1%	8,509	9.2%

Source: The "Industry & Technology Intelligence Service (IT IS)" plan of Taiwan Semiconductor Industry Association and Industry, Science and Technology International Strategy Center, November 2018.

According to the forecast of Industrial Technology Research Institute (ITRI), the output value of Taiwan's IC industry was TWD2,634.3 billion 2018 with a growth of 7% comparing with 2017. Among all sectors of the industry, the output value of IC design is TWD640.3 billion with a growth of 3.8%; IC fabrication is TWD1.5 trillion with a growth of 9.6%; foundry is TWD1,289.4 billion with a growth of 6.9%; memory and other fabrications is TWD210.6 billion with a growth of 29.9% (benefited from the continuous growth momentum of global memory price); IC packaging is TWD346.5 billion with a growth of 4.1%; and IC testing is TWD147.5 billion with a growth of 2.4%. ITRI expected that the new products after 2018, such as automobile mounted devices, artificial intelligence (AI) and high-performance computing (HPC) would become the momentum of pushing up the output value of semiconductor. The high-end system in package (SiP) technology, silicon photonics and quantum computer IC will cause another evolution of semiconductor technology in the future between 2020 and 2030.

Chart 13, The output value of different sectors of Taiwan's semiconductor industry



Source: The "Industry & Technology Intelligence Service (ITIS)" plan of Taiwan Semiconductor Industry Association and Industry, Science and Technology International Strategy Center, November 2018.

Confronted by future market development trend and in response to new applications of semiconductor (ex. those of 5G, artificial intelligence (AI), high-performance computing and automobile mounted devices), the semiconductor industry has gradually developed and promoted all types of AI accelerators and co-processors required by cloud and edge computing applications. The IC development trend, which is based on the new framework, will affect the development of semiconductor industry and shift of semiconductor applications.

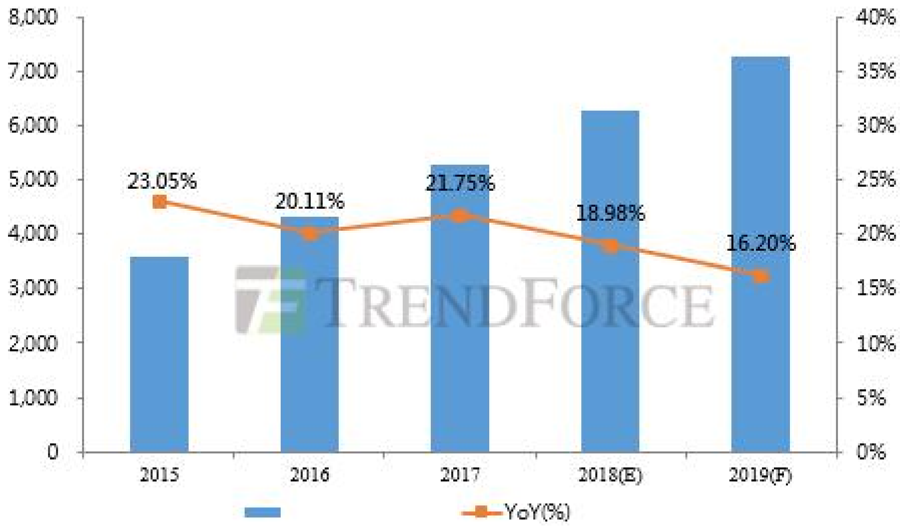
According to the forecast of ITRI/ IEK Consulting, new applications after 2018, such as automobile mounted devices, AI and HPC, will become the source of new output growth momentum. After 2019, innovative technologies of the Post-Moore's Law Era will arise and become the new hot topics for the semiconductor industry. Silicon photonics and quantum computer IC, on the other hand, will play an important role of facilitating the evolution of semiconductor technology between 2020 and 2030.

ITRI holds the belief that a new wave of changes is happening to the territory of global semiconductor manufacturing industry. The competition of advanced technology nodes below 10 nanometer is now dominated by Taiwanese and Korean companies; and will affect terminal customers' choice for new orders. As 7 nm node will step into another phase of mass production, solutions for the year after the 7 nm node will be gradually placed on the table. As the silicon photonics technology can be integrated with the current CMOS node, it has become an important direction for the industry with respects to semiconductor related research and development. Nevertheless, this technology can be rather difficult as it requires an integration of semiconductor and photonic technology. At the current stage, this technology requires new thinking and nodes for breaking through the bottleneck.

In its up-to-date Analysis of China's Semiconductor Industry, the global market research institute TrendForce indicated that, affected by market uncertainties caused by China-U.S. trade war and other external factors, China's semiconductor industry already shows a sign of weakness in the second half year of 2018, although its output value already exceeded RMB600 billion in 2018. As the global business climate and external environment continue to be in a bad state in 2019, China’s semiconductor industry is expected to have its annual growth rate dropped to 16.20%, which is the lowest point over the last five years. Therefore, although the output value of China’s semiconductor industry will break through RMB700 billion and reach RMB729.8 billion in 2019, this year will still be a challenging year for the country.

Chart 14. Change of the output value of China’s semiconductor industry between 2015 and 2019.

Unit: RMB100 billion



Source: TrendForce, January 2019.

On the other hand, TrendForce also pointed out that, as more than ten new foundries at 12 nm node in China will launch their operations and the production capacity of some foundries at 8 nm node and power semiconductor industry will be expanded, the output value of China’s IC fabrication will have a growth of 18.58% in 2019 comparing with 2018, which is better than the 17.86% of IC design and 12% of IC testing, according to relevant data.

(2)TFT LCD (Thin film transistor liquid crystal display) Industry

(2.1) Current status and development of Worldwide TFT-LCD industry

Global shipments of large thin-film transistor (TFT) liquid crystal display (LCD) panels rose again in 2018 despite concerns of over-supply in the market. In particular, area shipments increased by 10.6 percent to 197.9 million square meters compared to 2017, driven by TV and monitor panels, according to IHS Markit (Nasdaq: INFO).

Fierce price competition in large 65- and 75-inch display panels was ignited as Chinese panel maker BOE started the mass production of the panels in 2018 at its B9 10.5-generation facility. “With BOE operating the 10.5-generation line, panel makers have become more aggressive on pricing since early 2018 to digest their capacity.

Rising demand for gaming-PC and professional-purpose monitors boosted shipments of high-end, large panels. Some panel makers have allocated more monitor panels to the fab, replacing existing TV panels, to make up for poor performance of that business.

Demand for other applications, which include public, automotive and industrial displays, recorded the highest growth rates of 17.5 percent by area and 28.6 percent by unit. Panel makers view these applications as a new cash cow that can compensate for the sharp price erosion in main panels for TVs, monitors and notebook PC.

LG Display led the area shipments of large display panels, with a 21 percent share in 2018, followed by BOE (17 percent) and Samsung Display (16 percent). BOE boasted the largest unit-shipment share of 23 percent, followed by LG Display (20 percent) and Innolux (17 percent), according to the Large Area Display MarketTracker by IHS Markit.

Table 7. 2017 and 2018 Large TFT-LCD unit/area shipment across product applications

2018 Large TFT-LCD panel area shipments (Millions of square meters)			
Applications	**2017**	**2018**	**Y/Y(%)**
9"+ Tablet	2.9	3.0	5.2%
Monitor	20.2	22.5	11.5%
Notebook PC	10.3	10.6	2.6%
Others	5.9	7.0	17.5%
TV	139.5	154.7	10.9%
Total	178.9	197.9	10.6%

2018 Large TFT-LCD panel unit shipments (Millions of units)			
Applications	**2017**	**2018**	**Y/Y(%)**
9"+ Tablet	93.1	99.1	6.4%
Monitor	140.4	150.2	7.0%
Notebook PC	179.7	185.2	3.0%
TV	265.0	288.8	9.0%
Others	25.2	32.4	28.6%
Total	703.5	755.8	7.4%

Source: HIS Markit, 2019/02

“ Looking ahead to 2019, shipments of large-size panels are expected to reach 811.77 million pieces, an annual grow of 1%, driven by specs upgrades”, says Iris Hu, the research manager of WitsView. Shipments of notebook panels are expected to grow by 1.6% YoY to reach 190.12 million pieces, as high resolution and narrow-border models will still be popular in the market. The growth of borderless models and the gaming market will bring more replacement demand for peripherals, pushing monitor shipments to a new high of 158.03 million pieces, a YoY growth of 4.4%. In addition, three new fabs will enter the operation in 2019, with a focus on producing large-size TV panels. Thus, TV panel shipments are expected to reach 285.98 million, an annual growth of 1%. This will mark the third consecutive years for TV panel shipments to grow.

As for the specs of TV panels, panel makers have been making UHD a standard feature for large-size TV panel products and narrowing the price gap between and UHD and FHD products in recent years, boosting the penetration rate of UHD models to 39% in 2018. Looking ahead to 2019, two gen 10.5 fabs will focus on producing 65-inch and 75-inch panels, while gen 8.5 fab will shift to production of 55-inch ones in order to consume the capacity. Meanwhile, the production volume of 32-inch panels will be cut. The adjustments in product mixes would drive the penetration rate of UHD models up to 50%. Particularly, most of 55-inch or larger products will feature UHD. For 50-inch models, the penetration rate of UHD models reached 88% in 2018 after the gen 8.6 fab adopted economic cut. In 2019, the rate will continue to grow and 96% of 50-inch TV panels would feature UHD if the capacity expansion is completed.

IT panel makers will continue to focus on reducing border size. Both borderless PC monitor panels and narrow-border notebook panels recorded impressive shipments in 2018. With panel makers' active capacity expansion for borderless PC monitor panels and promotion of PC brands, the penetration rate of borderless panels reached 31% in 2018, and has a chance to reach 45% in 2019 as the demand continues to increase and capacity to expand.

As for notebook panels, the market not only focuses on increasing viewing angle and resolution, but also tries to increase the screen to body ratio inspired by the trends in the smartphone market. Notebook panel makers have been tried to place 14-inch narrow border panels in 13.3-inch case, making the products thinner and lighter, together with a new selling point. This trend drove the shipments of narrow-border notebook panels to increase by 347% in 2018, and the penetration rate to 25%, 19 percentage points higher than in 2017. As the price gap between narrow border models and panels with VESA standard gradually reduces, the penetration rate of the narrow border panels will exceed 40% in 2019.

The supply of large-size panel will increase greatly in 2019 with new production capacity. CSOT's Gen 11 fab, HKC's Gen 8.6 fab, and Sharp's Gen 10.5 fab in Guangzhou are expected to enter the market at the beginning, middle, and end of the year respectively. Decreasing panel prices will bring unavoidable pressure on the suppliers, but will also make large-size TVs cheaper. In the future, the TV industry will bound to seek constant improvements in specs to create brand value and differentiate their products.

For TV brands, there is little room for product differentiation for TV smaller than 32 inches, because most of them are positioned as entry-level products, and the costs of panels are relatively transparent due to long-term oversupply of panels under 32 inches. Therefore, TV brands have been decreasing the portion of 32-inch TVs or smaller ones in their product mixes, and the percentage is expected to be less than 30% in 2019.

On the other hand, the portion of 55-inch TVs or larger ones is increasing. The percentage of 65-inch TVs or above is expected to increase from 8.8% in 2018 to 11.7% in 2019. As for the retailing prices of TVs in the North American market in 2018, 65-inch TVs were priced between $399 and $699, while 75-inch ones were mostly priced above $1,500. With the falling prices of large-size TVs, there is a chance to see ultra-low-priced 75-inch TV below $799 in the peak season promotion during the second half of 2019.

The price decline of large-size panels will drive more TV brands into the large-size TV segment. However, in the future, large-size TVs will not necessarily be a guarantee of profits. For first-tier brands, the development of large-size TV business will be even more difficult. On the other hand, the sales of QLED TVs, which have more price advantages, is no worse than OLED TV. The high-end 55/65-inch QLED TVs from Samsung were priced at about US$1,000 to US$1,500 during the year-end promotion, while the prices of 55/65-inch OLED TVs remained above $1,500.

However, the prices of OLED panels are expected to decrease in the second half of 2019, because the long-term undersupply of OLED panel would be slightly eased considering LGD’s planned investment in its Guangzhou OLED fab in the second half of 2019. In addition, there is pressure from low-cost 75-inch LCD TVs. For the two reasons, it remains to be seen whether Samsung is able to maintain price advantage of its QLED TV in 2019.

The market of 4K TV has matured, with the share of 4K products expected to exceed 50% in the TV market in 2019. As for 8K TV, the content, transmission, hardware, as well as the whole industry chain have not been well developed. The prices of 8K panels are still more than twice the prices of 4K ones. Therefore, it remains to be seen whether 8K TV can copy the development mode of 4K TV. WitsView estimates that 8K TVs would account for only about 0.2% of the total TV shipments in 2019.

Compared with the upgrade to 8K TV, it is relatively easier to increase the added value of products by differentiating the specs, such as the Mini LED and dual cell design, which can achieve a high dynamic contrast (HDR), and the design of a full-screen without borders. These are all the potential specs upgrade that TV brands can consider.

Table 8: 2018-2019 Global Market Share of Branded TV by Specs

Specs		2018 Market Share	2019 Market Share (E)
Size (inch)	≦32	32.0%	28.9%
	39-43	24.5%	24.6%
	48-50	16.0%	15.5%
	55-60	18.7%	19.3%
	≧65	8.8%	11.7%
Resolution	HD/FHD	54.5%	46.3%
	4K or above	45.5%	53.5%
	8K	0.04%	0.2%
High-end TV	QLED	1.4%	1.7%
	OLED	1.2%	1.6%
	Traditional LCD	97.4%	96.7%

Source:WitsView, 2019/01

LCD panel makers have continued to bring new production capacities to the market, and the increasing pressure from oversupply has resulted in a sharp decline in panel prices, according to the latest report by WitsView, a division of TrendForce. Therefore, Samsung Display has strategically decided to allocate more capacity to QD-OLED TV production in advance. As the result, the stock-up demand for TV panels may arrive earlier than expected in 2Q19.

SDC has recently decided to cut the L8-1-1 LCD capacity of its Gen 8.5 fab in Korea in June of 2019, and allocate the capacity to the production of OLED backplane. A further reallocation of its L8-2-1 capacity has also been scheduled in September of 2019.

According to WitsView, SDC will prepare for the 8-1-1 capacity reallocation in advance, and equipment adjustments may result in lower output for the second quarter of 2019. Therefore, branded TV makers may start to stock up panels in advance. On the other hand, TV Panel prices would be approaching the lowest point in 1Q19, and the earlier stock-up demand in the second quarter may help stop the price fall.

WitsView notes that the growth in the world's total glass input area for large size LCD panel would be 12.9% if SDC did not plan for the capacity reallocation. With the reallocation, the growth is expected to be only 11.2% in 2019, 1.7 percentage points lower.

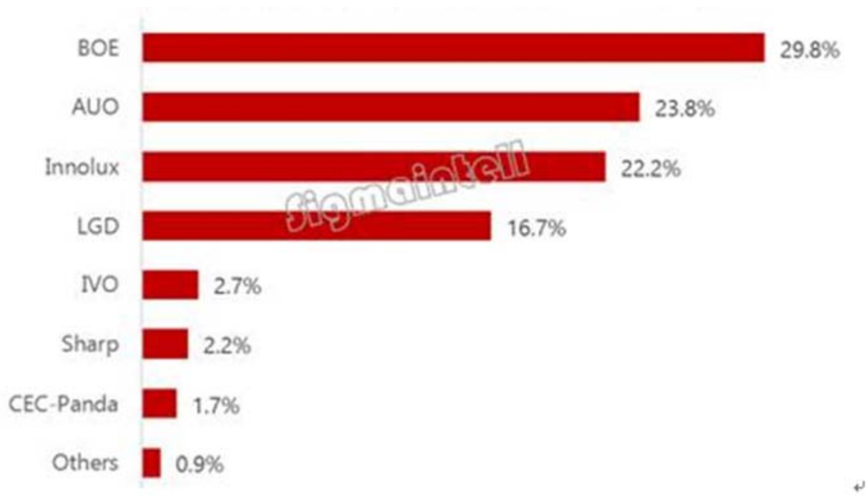
In terms of product applications, 49-inch and 55-inch panels will be mainly affected by SDC's capacity reallocation this time. The global output of 49-inch panels in 2019 will be 40% less than that in 2018, since there is no alternative supplier. Meanwhile, Chinese panel makers will continue to ship more 50-inch panels, making 49-inch less popular among all the mid-range TV panel sizes. WitsView estimates that the total demand for 49-inch and 55-inch panels will be around 37 million pieces in 2019, remaining flat compared with 2018, but the portion of 49-inch panels will decrease from 50% in 2018 to 30% in 2019.

According to Sigmaintell, global notebook panel shipments in 12018 were 184.6M, a year-on-year increase of 4.5%. The growth was mainly from the top four panel manufacturers BOE/AUO/Innolux/LGD, and the top four panel manufacturers accounted for more than 90% of global shipments.

Starting from 2017, BOE has been ranked No.1 in notebook panel shipments. Due to the continuous expansion of production capacity, the shipments are positive. In 2018, it still ranked first in panel shipments. Taiwan's panel factory expansion strategy is conservative, affected by the continued decline in panel prices, revenue continued to decline, and the strategy turned to high-margin products. In the Korean panel factory, due to the difficult profitability of LCD and the pressure from the expansion of the Chinese manufacturers, the Korean factories have no intention of fighting and turned to OLED, of which the technology they still have competitive edges on, and actively explore the future.

In the short term, the panel supply chain architecture seems to be difficult to shake, but the rising star Panda, Huaxing Optoelectronics influence cannot be underestimated. With more advantages in product performance of CLP Panda 8.5 IGZO technology and Huaxing 6th generation LTPS technology plus the pricing strategy, Sigmaintell, predicts that there will be significant impact on the existing supply chain in the notebook panel market starting from 2020.

Chart 15. 2018 Global Notebook Panel Shipment MS%



Source: Sigmaintell, 2019/02

For small and medium-sized panels, the middle and low-end panels will be oversupplied, while the high-end panels are in short supply, mainly because the supply of traditional amorphous silicon (a-Si) panels, which are mainly used in low- and medium-end products, is increasing, and because the new opportunities for high-end products are folding OLED panels, on which only Samsung Display has mature technology.

Up to 80% of the small and medium-sized panel market lies in mobile phones, but the growth of the mobile panel market in 2019 may be less than 5%, or even declining, so the demand may be reduced, but the supply of traditional a-Si mobile phone panels is increasing. Among the mobile phone panels, high-end panels account for 30%. At present, the high-end panels fall in two main categories - high-resolution and foldable ones. Therefore, the so-called high-end panels are either low-temperature polysilicon (LTPS) panels, or organic light-emitting diode (OLED) panels. The foldable panels, the most prominent type, can be made from OLED panels. Among Taiwanese panel makers, only AUO and Innolux are capable of making low-temperature poly-silicon panels, but rather than fully used in mobile phones, they are also used in markets like notebook computers. Moreover, China's panel makers' capacity in low-temperature poly-silicon panels has increased significantly and is in the leading group of the world. The large supply from China's panel makers also undermines the competitive advantage of Taiwan's counterparts.

In terms of OLED panels, AUO and Innolux both said that the cost of building OLED panel production lines is currently too high. Shuang-lang (Paul) Peng, chairman of AUO, has repeatedly said that AUO will not build the new plant for OLED. At present, only the experimental line produces OLED panels for smart watches, and it will not go into the mass production stage for OLED panels used for mobile phones.

Innolux and AUO also publicly announced that the panel products of the next generation from Taiwan's panel makers come from Mini LED to Micro LED panel. AUO will first launch gaming panels made from Mini LED while Innolux will first roll out Mini LED public display panels. The company first introduced the Mini LED common display panel. Therefore, the Mini LED panels AUO and Innolux are currently investing in are applied to large-sized products instead of small and medium-sized mobile phone.

Overall, in 2019, regardless of large-size panels, or small and medium-sized, the market will experience pressure from oversupply; the only way out of this low price competition is to increase the proportion of niche.

The latest analysis of the panel market by WitsView, a division of TrendForce, finds that low prices and technological maturation have substantially widened the adoption of LTPS panels among smartphone makers. The share of devices featuring LTPS panels in the global smartphone market is projected to grow from 37.6% in 2018 to 41.6% in 2019. However, panel suppliers have ended large-scale expansions of their production capacity for LTPS panels since they are gradually shifting their technological focus for smartphone displays to AMOLED. On the whole, 2019 is expected to be a year during which the market for LTPS panels will be at its healthiest state in terms of supply and demand.

Boyce Fan, the research director of WitsView, pointed out that the activation of the new Gen-6 LTPS lines in China has expanded the total production capacity and ratcheted up the price competition among suppliers. Furthermore, panel suppliers have steadily improved their LTPS manufacturing processes and generally attained a decent level of technical maturity. Hence, smartphone makers are now more receptive to the adoption of the LTPS technology, which is also seeing a rapid increase in its market visibility.

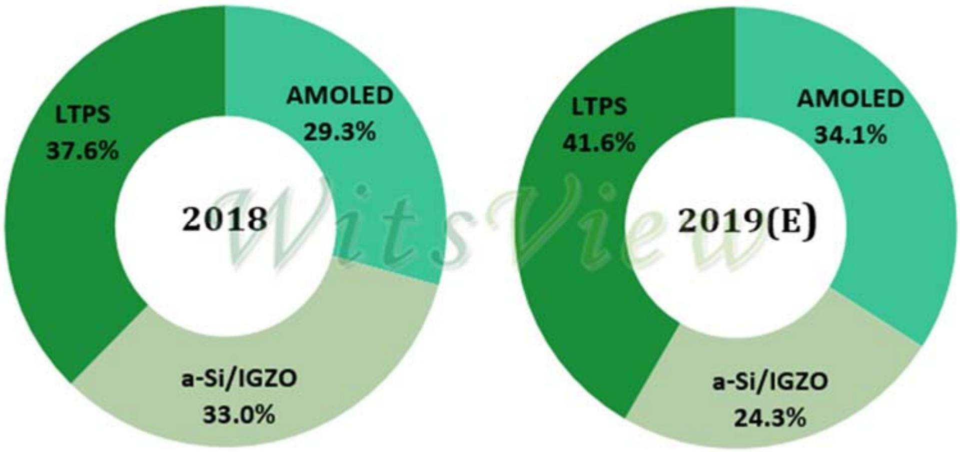
On the other hand, the price decline for LTPS panels is easing due to new trends in smartphone design and panel manufacturing. “The screen of devices has become larger because the full-screen design is now the market mainstream,” said Fan. “At the same time, the notch cut-out and the use of the COF (chip-on-film) package for driver ICs have made panel fabrication more challenging and increased the amount of waste glass during the process. These observations imply that the area of glass needed for producing smartphone panels has expanded in order compensate for the lower yield rate, and this in turn is pushing the LTPS market toward a more stable supply-demand balance.”

Panel suppliers have steadily shifted their focus to AMOLED in their development of smartphone panels, and they are now aggressively boosting their production capacity for the technology. The total production capacity for AMOLED panels is expected to keep growing over the next few years, raising the chance of oversupply. Conversely, the growth in the total production capacity for LTPS panels has tapered off. Because prices of LTPS panels are now relatively low, there is a greater potential for raising the consumption of the LTPS capacity as smartphone makers look for ways to upgrade the hardware specifications of their devices. Moreover, LTPS is gradually making inroads in other applications as well, such as in-vehicle displays and notebook displays. WitsView therefore believes that the market for LTPS panels will move away from oversupply and reach a healthy equilibrium in the short term.

WitsView also contends that the prospect of the LTPS technology maintaining its market leadership during the next several years will hinge on the progress that the Chinese panel suppliers have made in advancing their AMOLED technology. Chinese panel suppliers are currently ramping up production on their new AMOLED lines, and WitsView expects that the supply pressure on the AMOLED market will build up to a very high level in 2020. Some of the new production lines in China will also have been in operation for more than a year in 2020. The capacity growth, together with anticipated improvements in the cost and technical aspects of the manufacturing process, will probably make AMOLED more of a threat to the market share of LTPS by that time.

The competition between LTPS and AMOLED in the mid-to-high range of the smartphone market has been especially fierce and will intensify in the future. When AMOLED edges out LTPS and becomes mainstream in the mid-to-high range segment, then the market for the latter technology will again face oversupply. To mitigate the effect of this anticipated scenario, suppliers of LTPS panels will be concentrating their promotional efforts in the lower rungs of of the smartphone market. This move in turn will accelerate the decline in market share for the a-Si technology in the lower-end segments. Suppliers of LTPS panels can also adjust their product mixes to give more weight to applications other than smartphone displays. In sum, targeting the lower-end segments of the smartphone market and developing products for other applications are likely going to be the main components of a strategy to lessen the market impact from the maturation of the AMOLED technology.

Chart 16. 2019-2019 Global Market Shares of Smartphone Display



Source: WitsView, 2019/02

The research institution, Sigmaintell, announced the shipment of 2018 automotive panels. The “two tigers of Taiwan’s display panel industry”, AUO (2409) and Innolux (3481) remained in the top five in the world; Japan Display (JDI) remained the leader. Comparing 2019 with 2018, AUO rose from the fourth place to the third; Innolux's performance was slightly weaker, falling from the second to the fifth.

According to Sigmaintell, the shipment of automotive panels in 2018 was about 160 million pieces, an increase of 6%. Since the second half of 2018, the sales volume of the car market has started to decline, and the shipment volume has been affected. It is expected to ship 170 million pieces in 2019, and the growth rate continues to decline. .

In the car segment, AUO focuses on the front-end application and has introduced the Mini LED into the car panel application. It is expected that in 2019, more and more brands of car panels will continue to grow in number, the car shipments will grow and should be better than the market. , maintain the lead.

Innolux has developed into a large-scale development trend of car panels, and has now entered the supply chain of first-tier car makers such as BMW, Porsche and General Motors (GM). Innolux is optimistic about the years to come, the market share of automotive products will rise all the way, the goal is to hit the 20% mark in 2020 and become the market leader.

Sigmaintell said that with the promotion of LTPS automotive applications by JDI and LGD in the past two years, it is expected to see the results in 2019.

The flat panel display (FPD) equipment market is expected to decline after an unprecedented growth in 2017, as panel makers are taking a more cautious approach. According to a recent study by industry research firm IHS Markit, FPD equipment market is expected to fall from 20.2 billion in 2017 to $14 billion in 2020. The expansion of the FPD equipment market, which began in 2016, was driven by the large-scale demand for new flexible organic light-emitting diode (AMOLED) display plants and the demand for new Gen 10.5/11 LCD equipment. The new supply capacity began to break the balance between supply and demand. The supply of AMOLED panels for mobile were 40% more than the demand in 2019. This means that on average, panel plant capacity utilization for mobile applications will be hindered.

This situation has made panel manufacturers and local Chinese governments conservative in their investment in new capacity. Due to lower-than-expected growth in panel demand, AMOLED panel plants' equipment spending on mobile applications decreased, which was the main reason for the decline in equipment spending in 2018 and 2019. Bank lending attitudes turned conservative, while local government continued to fund selected projects, especially for the 10.5/11 generation LCD factory. These projects are expected to keep equipment spending relatively stable by 2020. However, unless panel makers reduce the production capacity of LCD TV panels by converting some manufacturers, the oversupply of large displays in 2020 will be as high as 18%.

It is estimated that in 2018, the demand for FPD equipment will be about 18 billion US dollars. In 2019, it will drop to about 17 billion US dollars. In 2020, it will shrink again to 14 billion US dollars. Due to overcapacity and sluggish demand, the FPD industry will need to be ready for the winter in the next few years. The high-end OLED TV panel is the only application area that is growing.

Chart 17. 2010-2020 Global FPD Equipment Industry Revenue and Growth Rate

Unit: USD 1Billion

Source: HIS Markit, 2018/11

(2.2) Status and development of TFT LCD industry in Taiwan

According to DIGITIMES Research, shipments of small and medium-sized TFT LCD panels in Taiwan in the fourth quarter of 2018 were 241 million, a decrease of 22.1% compared with the previous quarter. In addition to the traditional off-season factors, the financial crisis and shutdown of Chunghwa Picture Tubes Ltd's. ("CPT" thereafter) also caused serious impact.

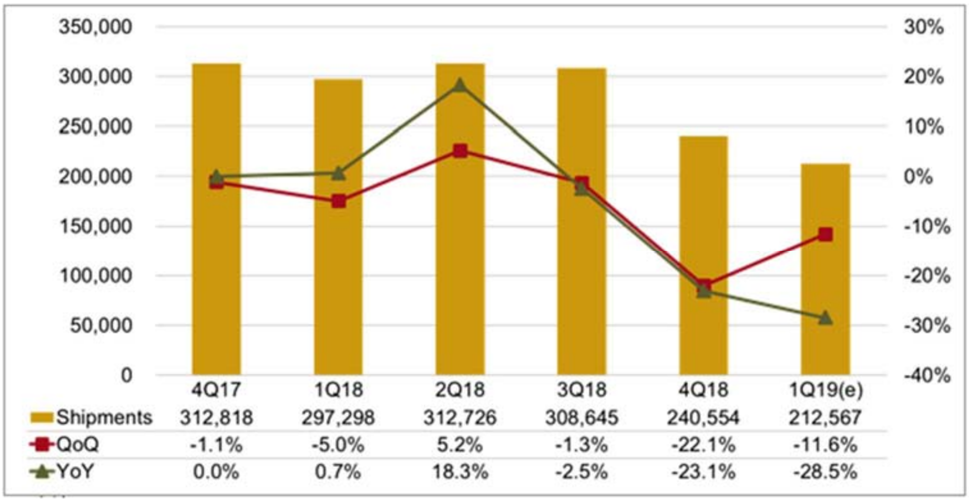
With that the first quarter of 2019 is still in the off-season along with the unknown prospect of Chunghwa Picture Tubes Ltd., and that AUO and Innolux are not as good as expected for the supply of new hole punch displays to the high-end smart phone brands in mainland China, the small and medium-sized TFT LCD shipment of Taiwanese manufacturers was reduced by 11.6% QoQ, and by 28.5% YoY.

In the fourth quarter of 2018, Taiwanese manufacturers saw the largest QoQ decline of the small and medium-sized panel shipments from the fields of mobile phone and other applications, which was -23.5% and -36.2%, respectively, mainly affected by the Chunghwa Picture Tubes Ltd. financial crisis. Automotive panel shipments, instead, grew by 1.2% regardless of the industry trend, which was attributed to stable orders of AUO and Innolux and to shipments from Chunghwa Picture Tubes Ltd. not being ceased then.

In the first quarter of 2019, the small and medium-sized panel shipments will still be in the off-season. Most of the application shipments are expect4ed to decline by more than 10%, while the shipments from the applications such as industrial control, office applications, wearable devices and other niche products are stabilized, slightly declining for 4.9% QoQ. The larger QoQ decline comes from re consumer mid-size panel and digital camera applications, up to 54.4% and 26% respectively.

Chart 18. Small-to-medium sized TFT-LCD panel shipments from Taiwanese manufactures

Unit: thousand pcs

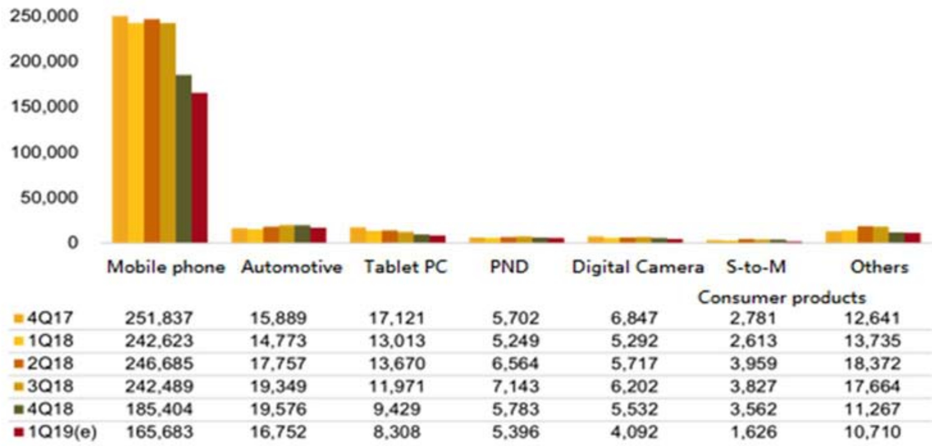


	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19(e)
Shipments	312,818	297,298	312,726	308,645	240,554	212,567
QoQ	-1.1%	-5.0%	5.2%	-1.3%	-22.1%	-11.6%
YoY	0.0%	0.7%	18.3%	-2.5%	-23.1%	-28.5%

Source: WitsView, 2019/01

Chart 19. Small-to-medium sized TFT-LCD panel shipments from Taiwanese manufactures, by production applications

Unit: thousand pcs



	Mobile phone	Automotive	Tablet PC	PND	Digital Camera	S-to-M Consumer products	Others
4Q17	251,837	15,889	17,121	5,702	6,847	2,781	12,641
1Q18	242,623	14,773	13,013	5,249	5,292	2,613	13,735
2Q18	246,685	17,757	13,670	6,564	5,717	3,959	18,372
3Q18	242,489	19,349	11,971	7,143	6,202	3,827	17,664
4Q18	185,404	19,576	9,429	5,783	5,532	3,562	11,267
1Q19(e)	165,683	16,752	8,308	5,396	4,092	1,626	10,710

Source: WitsView, 2019/01

The market status across the industry: In the fourth quarter of 2018, Chunghwa Picture Tubes Ltd. was affected by its financial crisis, the shipment dropping by 67.8% QoQ, while Hannstar Display, benefiting from the growth of demand for mobile phone panels, was the only Taiwanese company with QoQ increase of shripments, up 6%. In the first quarter of 2019, Innolux will enjoy the demand from the automotive and tablet PC segments, leading to quarterly slide of 1.3%, the least shipment decline among Taiwanese manufacturers. AUO’s decline in mobile phone panels is higher than that of Innolux. Although AUO makes a progress in the automotive panel segment, its overall shipment forecast is trimmed down by 2.1% QoQ.

The financial crisis of Chunghwa Picture Tubes Ltd. is the critical factor impacting the shipment of small and medium-sized panels in the first quarter of 2019.

A. After the temporary suspension of work in mid-December, Chunghwa Picture Tubes Ltd. was only able to maintain the basic factory operaton and was unable to make new glass substrates. The prospect is unclear until the settlement between Chunghwa Picture Tubes Ltd. and the creditor banks being made.

B. Innolux is the one of highest capabilities to meet the needs of Chunghwa Picture Tubes Ltd.'s customers. AUO also has the opportunity to take over some of the automotive panel needs.

Mainland China high-end smart phone customers actively introduce the hole punch design; AUO and Innolux with LTPS TFT LCD capacity play as the main suppliers; but due to the early stage of mass production, during which the yield is lower than expected and can barely meet the customer's demand, the shipment volume of mobile phone panels of Taiwanese manufacturers will decrease by 10.6%.

According to statistics, the top five China panel factories , such as BOE, CSOT, CEC Panda, HKC, and EverDisplay, plus Hon Hai Group and LGD, etc., have new manufacturing capacity available in 2018 and 2019. In these two years, 11 panel factories will start production over the globe, among which 10 are located in China, and 6 of them are 8.5-generation production lines, aiming at large sized panels, which makes the oversupply condition of TV panels even worse.

A. BOE, the most aggressive panel manufacturer in the world, has seen an increase in shipments. Over recent years, BOE has successively won the leading position in the global shipment of smart phone LCD panels, tablet panels and notebook PC panels. After the first season of 2018, the world's first 10.5-generation line went into large scale production, the TV panel production capacity increased by more than 40% year-on-year, allowing the production of 65-inch and 75-inch oversized panels to enter a new era of economic cutting. In the market share of 75-ich, in particular, BOE realized the transition from “zero” to No.1, the total shipment volume in 2018 adding up to 54.27 million pieces, a year-on-year increase of 24%, ranking in the first place. In 2019, a 6-generation flexible organic light-emitting diode (OLED) panel factory will be built as well.

B. Other LCD factories include: two 8.6-generation lines of China Electric Power Panda (CEC) went onto large scale production and in gear in 2018, utilizing IGZO technology, and will reach full capacity of 120K in March 2019; HKC ’ s 11-generation line of Kunming Factory; 11-generation line of CSOT; 10.5 generation line of SDP Guangzhou Factory of Hon Hai Group.

C. There are also four AMOLED factories: three of them are CSOT Wuhan Plant, EverDisplay Shanghai Plant, and BOE Sichuan Mianyang plant.

Based on the newly added LCD capacity in mainland China, the panel makers will add nearly 10 million outputs in the next two years. In order to reduce production capacity, the industry is set to fight in price wars.

As is known to all, China's panel makers have always enjoyed large-scale investment subsidies from the government. Underutilization of manufacturing capacity was rarely seen even in the off season. The biggest reason for oversupply in 2019 is the unlimited expansion of China's panel makers. With the excess capacity of the panel industry turning into reality, China’s high-tech development slowing down and the China-US trade war continuing, the rumor that Chinese government is about to reduce subsidies for panel makers is rampant.

China's large-size-oriented panel factories, except BOE, of which products range widely from TV, monitors, to NB and tablet PCs, have TVs as the main, or even only, product. CSOT, CEC and HKC all the same. In the face of possible oversupply pressure, searching for new production applications against capacity glut now becomes a new campaign for Chinese panel makers. It is expected that other panel makers will also accelerate their steps in other product applications such as monitors and public displays. Take TV panels for example. China's panel makers took advantage of their capacity to squeeze out Taiwan’s and Korean panels makers out of the production of low price TVs, creating China’s panel makers’ influence in 32-inch TV panels in 2018. The homogeneity across China’s panel industry faded-now two companies are in the first tier and two in the second, the former referring to BOE and CSOT, while the latter referring to HKC and CEC. The second-tier companies has quickly seized its market share by targeting at the entry-level products, and the focus on 32-inch production puts extra pressure on BOE and CSOT. Therefore, in 2019, China's first-tier companies are bound to be forced to leave the 32-inch product comfort circle and move towards other product categories of larger sizes.

Taiwanese companies are actively seeking innovation and breakthroughs with their stable capacity. AUO continues to optimize its product structure, shifting its focus to products of better profits such as commercial displays, gaming, and automotive industrial controls, seeking profit-making highs in the brutal competitive environment. In 2008, Innolux's personnel structure adjustment brought about a major change in strategy-actively reducing the inventory and, meanwhile, seeking strategic cooperation with the group's external brands once again.

In addition, after two years of shipment suspension, Sharp SDP has racked up its inventory stock due to the brand product sales not as good as expected. At the end of 2018, Sharp looked for cooperation with customers outside the group and expects to resume the supply to Chinese brands and original equipment manufacturers in 2019. The shift of Sharp's strategy will facilitate the stock reduction and expand the channels for the outputs of its Guangzhou G10.5 line.

(3) LED (Light-Emitting Diode) Industry

(3.1) Status and development of Global LED Industry

LEDinside indicates, in 2108 although many Chinese LED companies hoped to achive revenue growth through capacity expansion, they were disappointed due to the massive pressure of price reduction in the entire industry. In the first half of 2018 in particular, the quotes on the LED chips of some specification dropped 20~30%, mainly due to the oversupply situation resulting from the large expansion by Chinese LED chip manufacturers.

As to the demand side, due to the US-China trade war and the currency depreciation in emerging markets, the exports to North America and the emerging markets by LED companies were significantly influenced. The chain effect may cause many foreign brand makers to reduce their OEM orders placed to Chinese manufacturers, which could impact the downstream LED industry of China including LED packaging service providers and lighting companies for some degree and would further lead to the sharp decrease in the demand for LED chips. Even though the tariff issue will change the global LED and lighting industry, LEDinside believes that China will still be the production base of global LED and lighting products in the short term. The reason is that the supply chain of LED industry such as related parts suppliers and electroplating service providers has long been established in China and will not change much in the short term. However, some American lighting brand companies already informed their distributors in the U.S. market of price increase to mark up their rising costs on tariff and materials. For Taiwanese LED companies, most of them has set up production lines in China. Therefore, they may be more likely to ship semi-products back to Taiwan and then export to the North America to avoid the impact of tariff. In the long term, LED and lighting manufacturers which locate globally will be more competitive in the worldwide market as they can export their products through factories outside of China and enjoy the tax advantage.

LEDinside indicates, in 2108 although many Chinese LED companies hoped to achive revenue growth through capacity expansion, they were disappointed due to the massive pressure of price reduction in the entire industry. In the first half of 2018 in particular, the quotes on the LED chips of some specification dropped 20~30%, mainly due to the oversupply situation resulting from the large expansion by Chinese LED chip manufacturers.

The slowdown in China economic growth, the weak consumer confidence resulting from the US-China trade war, the rising unemployment rate and so on all impacted LED lighting industry, the largest consumption of LED applications, making the demand weak and powerless. Some LED companies are concerned that 2018 and 2019 may be the cold winter for the LED industry while no opportunity has been observed for new technologies and applications and the international situation remains unclear. Regardless of the poor industry outlook, demands for niche applications, including fine-pitch LED digital display, Mini LED backlight, UV-C LED, automotive lighting and high-efficiency lighting LED, have a positive outlook and may drive the market growth in the future

A. Development by region

European LED lighting market scale continuously expands, to the tune of USD 8.292 billion in 2018, with an annual growth of 9.5% and a penetration rate over 50%. In this market, lighting fixtures for commercial lighting have the greatest growth momentum, such as spotlight, filament lamp and decorative lamps.

American lighting manufacturers all achieved good revenue performance in 1H18, which mainly came from American market. Cost of lighting products is expected to transfer to consumers due to the impact of US-China Trade War and rising raw material price.

The unit prices in the Japanese market are higher. Besides, due to the rebound of Japan’s economy and the impact of 2020 Tokyo Olympics, the growth of Japanese market will remain.

Southeast Asia is gradually developing into a dynamic LED lighting market. Thanks to the rapid growth of local economy, infrastructure investment and population, the demand for lighting is massive. The penetration of LED lighting in the Middle East and Africa market is rapidly increasing, and the market potential in the future is still expected.

B. Development by applications

European LED lighting market scale continuously expands, to the tune of USD 8.292 billion in 2018, with an annual growth of 9.5% and a penetration rate over 50%. In this market, lighting fixtures for commercial lighting have the greatest growth momentum, such as spotlight, filament lamp and decorative lamps.

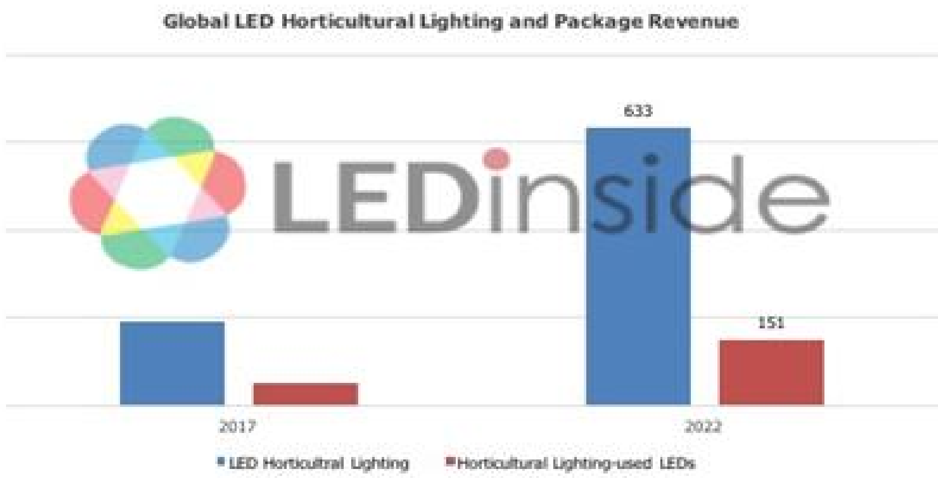
According to the research report of LEDinside, during 2018 to 2023, LED lighting market scale will gradually increase. LED lighting market scale will reach USD 56.6 billion in 2023. CAGR during 2018 to 2023 will be 9%. LED manufacturers have continued to clear their inventories due to the weak demand at the year end.

Outlook for lighting market trend during 2019 to 2020: three major opportunities will become the revenue growth momentum for lighting manufacturers. One is lighting demand stimulated by 2020 Tokyo Olympics. The other is that the requirements of high-end lighting market is likely to rise as DLC V5.0 improves quality of light and luminous efficacy. Last but not the least, lighting manufacturers expand cross-industry to create business opportunities, which can be seen in architectural smart lighting, human centric lighting, horticultural lighting, fishing lighting, special lighting and so on.

In terms of LED horticultural lighting, the market is now mainly focused on LED technology pioneers, like Europe, U.S. and Japan and countries with less population devoted to agriculture, followed by China. According to OFweek.com, the global LED horticultural lighting market scale is USD 190 million, growing 26.7% YoY, indicating great market potential of LED in agricultural applications. This great market potential gradually forms a new direction of LED industry development. Not only have the international manufacturers such as Osram, Signify, Current, Cree, Nichia, Mitsubishi, and Sharp been accelerating their devotion in horticultural lighting, but Foxconn, Sanan Bio, Hongli, Refond, and so on have also been engaged in the development of relevant products. 2018 is a year of breakthrough for horticultural lighting. LEDinside estimates that the market scale of horticulture lighting and LEDs will grow to US$ 633 million and 151 million by 2022, with a CAGR of 30% and 27% during 2018 to 2022 respectively.

In terms of LED horticultural lighting, the market is now mainly focused on LED technology pioneers, like Europe, U.S. and Japan and countries with less population devoted to agriculture, followed by China. According to OFweek.com, the global LED horticultural lighting market scale is USD 190 million, growing 26.7% YoY, indicating great market potential of LED in agricultural applications. This great market potential gradually forms a new direction of LED industry development. Not only have the international manufacturers such as Osram, Signify, Current, Cree, Nichia, Mitsubishi, and Sharp been accelerating their devotion in horticultural lighting, but Foxconn, Sanan Bio, Hongli, Refond, and so on have also been engaged in the development of relevant products. 2018 is a year of breakthrough for horticultural lighting. LEDinside estimates that the market scale of horticulture lighting and LEDs will grow to US$ 633 million and 151 million by 2022, with a CAGR of 30% and 27% during 2018 to 2022 respectively.

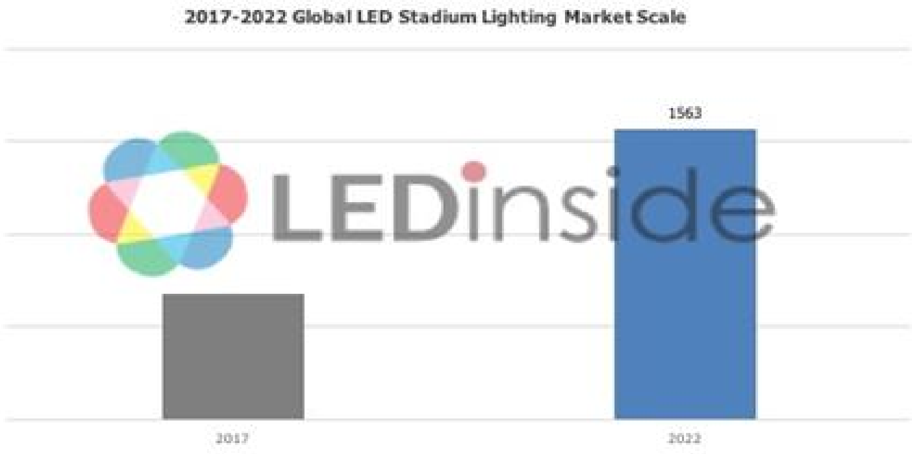
Chart 20. Global LED Horticultural Lighting and Package Revenue



Source: LEDinside，2018/7

As all countries and regions around the world attach increasing attention to sport industry, and the cost performance of LED lighting improves rapidly, LED sport lighting will face with rapid development, it is estimated that the global LED stadium lighting market scale reaches USD 673 million in 2017 and USD 1,563 million in 2022, growing faster than general LED lighting.

Chart 21. Global LED Stadium Lighting Market Scale



Source: LEDinside，2018/7

According to LEDinside, OLED lighting market scale is expected to reach USD191 million in 2021, witnessing an average annual growth rate of 1.07%. Although the high cost and limited lifespan of OLED technology make the increase of penetration rate become quite hard, with technological breakthrough, OLED lighting grows rapidly. Besides the rise of environmental awareness among the general public and the increasing requirements for lighting integration of life and art, white OLED is likely to become the next-gen lighting. In addition, the four leading companies of OLED lighting industry in 2018 are LGD, Acuity Brands, Konica Minolta and OLED Works.

C. Development by products

As all countries and regions around the world attach increasing attention to sport industry, and the cost performance of LED lighting improves rapidly, LED sport lighting will face with rapid development, it is estimated that the global LED stadium lighting market scale reaches USD 673 million in 2017 and USD 1,563 million in 2022, growing faster than general LED lighting.

In terms of products, lighting still occupies the most among LED applications, reaching 49% in 2018. Traditional display and traditional backlights also share a larger portion but with limited growth in the future. New Mini LED backlights or Mini RGB are expected to be the new momentum for growth, however the market acceptance now is still low. Automotive lighting is the market drawing the most attention for the next two to three years. A new supply chain will be formed and break the current closed automotive supply chain with the rise of China-made automobiles and new energy automobiles. It will be a chance for newcomers in either Taiwan or China.

In view of supply, Chinese manufacturers are still the main source of supply with 70% of market share in 2018. The proportion did not increase much because high-end antomotive, high-end backlight and lighting markets are still dominated by international manufacturers, whose sales revenue from China market keeps growing by 4%.

The LED industry has risks of oversupply, but demands for niche applications, including fine-pitch LED digital display, Mini LED backlight, UV-C LED, automotive lighting and high-efficiency lighting LED, have a positive outlook and may drive the market growth in the future.

According to LEDinside, the revenue of fine-pitch display-used LED will grow by 31% YoY in 2018, with the increasing demand for LED displays from the rental market, retail industry and conference rooms, etc. Compared with other applications, fine-pitch LED displays have higher profit margins, and the fine-pitch technology would also enable more new applications. In addition, the falling prices of LED chips have made LED displays more cost-effective than other alternatives in the commercial sector. Therefore, many LCD panel manufacturers and branded display manufacturers would try to develop fine-pitch LED displays.

Coupled with direct type LED backlight and local dimming, mini LED backlighting can be introduced into LCD display to enhance the contrast and brightness of LCD display. Mini LED applications can provide customers with an extra choice other than OLED displays. Taking 27-inch desktop gaming monitor as an example, it uses around 4,000~12,000 LEDs, providing better performance and visual experience for users in combination with multi-area independent backlight control. However, current mini LED applications are only found in premium models due to the high technical costs. Mini LED backlight technology is expected to be widely applied to other kinds of displays, if the costs are cut down and breakthroughs are made in the process of mass transfer, which will significantly boost the demand for chips in the LED industry.

The growth of UV-C LED market is mainly driven by three applications: static water sterilization, surface sterilization and flowing water sterilization. Static water sterilization and surface sterilization applications (such as air purifier and home appliances, etc.) do not have strict time requirements, but need to be cost-effective as much as possible as components of consumer home appliances. Therefore, it is hard for UV-C LEDs to penetrate the market in the short term. On the other hand, running water sterilization requires high power of over 40-50mW. LEDinside notes that technological hurdles and yield rates are major challenges for UV-C LED market currently, which will be overcome in the future.

With the price reduction and function enhancements of LEDs, the revenue and penetration rate of automotive LED lighting market have continued to grow. In 2018, the revenue of automotive LEDs would increase by 15% YoY. Particularly, the market has seen rapid growing demand from headlights and automotive panels. However, the OE market has high requirements for LED manufacturers, while more and more carmakers hope to integrate sensing components with lights, thus the current automotive original equipment (OE) market is still an oligopoly one, dominated by Osram, Nichia, and Lumileds, etc. Therefore, other LED manufacturers mainly cut into the aftermarket or performance market, or segments with lower barriers and higher LED penetration rates such as interior lighting and RCL market.

With increasingly strict regulations on energy saving and environmental protection worldwide, the LED lighting market would also prefer products with higher light efficacy. DLC regulations in the U.S. has improved light efficacy requirements for lighting products year by year; the European Union is also drafting a new energy standard, Ecodesign Working Plan 2020, requiring lighting products to have a light efficacy over 85 lm/W. Although the draft is still under public review, it has gradually attracted the attention of LED manufacturers for high-efficacy LEDs.

(3.2) Status and development of LED Industry in Taiwan and China

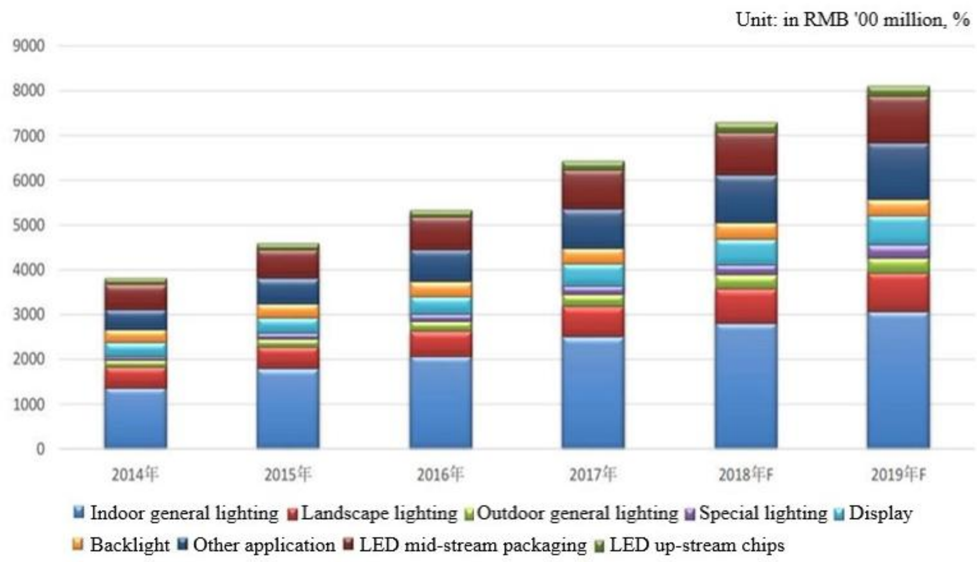
Taiwan LED component industry has been facing adjustment in recent years, to lower their presence in or even exit the mass market of blue LED for backlights and general lighting applications, and turn to the niche products such as four-element LED, automotive applications, invisible light LED, Mini LED or non-LED optoelectronic semiconductor products such as VCSEL, GaN HEMT etc.

In 2017 the market value of Taiwan LED component industry is about USD 3.7 billion. Given that Chinese manufacturers already have advantages in end applications such as lighting and display backlights, Taiwan manufacturers are no longer devoted to LED components for those used in mass applications but focus on niche products like four-element LED, automotive applications, invisible light LED, Mini LED and biomedical applications. The range of those nich products is very broad. Many of them need to be done through cross-funtion or cross-industry collaborations. Therefore, it is the primary task to establish a platform for collaboration, to enhance the efficiency of product development and to accelerate the distribution flow through the up, middle and down streams.

According to the report by China Soled State Lighting Alliance (CSA), the penetration rate of LED in China general lighting market reaches 70% in 2018. It reflects the global trend that the share of LED lamps in the global lighting market has been increasing from less than 5% to over 40% within the past six years. Owing to the steady growth of LED indoor general lighting, the rapid growth of outdoor landscape lighting and the steady high-speed growth of display, the production value of LED in 2018 accounts for RMB 728.7 billion, growing 13.5% YoY.

Nevertheless, due to the slowdown in global economic growth and the decline in China real estate industry, GGII estimates the growth of production value of China LED industry will decrease to 11.3%.

Chart 22. 2014~2019 China LED Production Value and Growth Forecast



Source: GGII，2019/1

Lighting as the largest application of LED, the pace of growth in China LED lighting products export obviously declined in 2018. The export value of China LED lighting products in the first three quarters in 2018 totaled USD 23.o billion, with growth rate only 2% YoY. In comparison with the growth rate of 20% in 2017, the downturn was clearly observed. Guangdong, as the No. 1 province of China in terms of export, had gone through a decline of 56% YoY in the export value of LED lighting products in September 2018, with value amounting to USD 723 million. The fourth quarter was expected to be further impacted by the US-China trade war, thus it was likely to see negative growth in the export value of China LED lighting products for the full year.

Chart 23. China LED Lighting Products Export Value

Source: China Association of Lighting Industry, LEDinside，2018/12

Due to the low level of products pull-in by end-customers, the inventory had been piling up qarter by quarter. China-based LED chip makers had high inventory levels exceeding RMB 6 billion at year-end 2018 due to weak demand, according to industry sources. With the coming of slack season, lowering the chip price can no longer stimulate the market demand. The utilization rate was commonly below 50% for China-based LED chip makers, many of which already suspended production or offer new year’s leaves in advance, in order not to worsen the inventory problem. The oversupply in the overall LED industry caused the significant rise in LED chip inventory in 2018, which may worsen the demand and supply situation in 2019.

According to LED inside, China LED chip market value of 2018 amounted to RMB 17.1 billion, growing only 4% YoY. In comparison with the growth rate of 19% in 2017, the decline is obvious. From the latter half of 2017, the manufacturers have been releasing their capacity. Till the end of 2018, the capacity of Chinese LED chip makers totaled 11.2 million per month, with growth rate of 31% YoY. Capacity increases more rapidly than demand, resulting in high inventory level and decrease in chip price.

In regard with China local chip makers, their sales revenue totaled RMB 15.5 billion in 2018, growing 4% YoY. The first-tier manufacturers, including Sanan, HC SemiTek and Aucksun, still achived steady growth in revenue. Meanwhile, other small to medium-sized manufacturers experienced revenue decline due to the lower market price with no capacity expansion. About the chip supply, Chinese manufacturers accounted for 81% of market share, while Taiwan manufacturers accounted for 18%.

Chart 24. China LED Chip Market Value

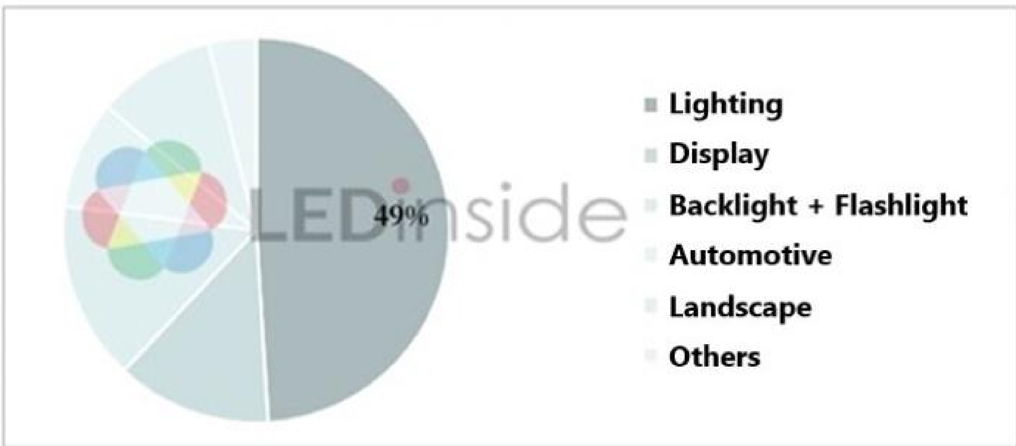
Source: LEDinside，2018/12

Regarding LED packaging, the market value in China of 2018 is RMB 69.7 billion, growing 6% YoY. Starting from the latter half of 2018, the export of LED lighting products was largely affected by the US-China trade war and will not be eased shortly. Therefore, it cannot be optimistic toward the market demand in 2019. The domestic demand in China market is supposed to be the main driving force for growth, including the demand for automotive LED, high-end commercial lighting, high-end backlights and display, etc.

Chart 25. China LED Packaging Market Value

Source: LEDinside，2018/12

Chart 26. The Product Mix of China LED Packaging Industry



Source: LEDinside，2018/12

Since the intensification of the US-China trade war from September 2018, LED lighting industry became a target of taxation by the US, making Chinese lighting companies the fist victim under the extra tariffs. The 10% tariffs imposed by the US on lighting products from China has put huge price pressure on the lighting industry which relys on the US market.

The first tariff list amounting to USD 200 billion issued by the US covers a broad rage of LED products. The LED lighting related products involved exceeds 30 items, accouting for about 70% of the export value of China-made lighting prodects to the US, which is around USD 8 billion. The additional 10% tariff will be imposed to these products starting from September 24, 2018. The 25% tariff was proposed to take effect on January 1, 2019 and was postponed to March 1, 2019.

Table 9. LED Lighting Products Covered in the First Tariff List

US HS Code	Description	US HS Code	Description
8539.10	Sealed beam lamp unit	9405.40	Other electric lamps and lighting fittings
8539.21	Tungsten halogen lamp	9405.50	Non-electrical lamps and lighting fittings
8539.31	Fluorescent lamp	9405.60	Illuminated signs, illuminated nameplates and the like
8539.32	Mercury or sodium vapor lamp; metal halide lamp	9405.91	Parts of glass used in lamps
8539.39	Other lamp	9405.92	Parts of plastics used in lamps
8539.49	Ultraviolet or infrared lamp	9405.99	Parts of other materials used in lamps
9405.10	Electric ceiling or wall lighting fittings	8512.20	Other lighting or visual signaling equipment for vehicles
9405.20	Electric table, desk, bedside or floor-standing lamps	8513.90	Parts of flashlights or others
9405.30	Lighting sets of a kind used for Christmas trees		

Source: LEDinside，2018/09

At this first stage, the US-China trade war already caused the export of China-made LED lighting products to drop remarkably. Although the extra tariff is eventually beared by customers, in fact, it will restrain the demand of end-customers and force the Chinese LED industry to scale down a substantial portion of its capacity, meaning that many manufacturers will be forced out of the market. As the US-China trade war continues, some international manufacturers tend to observe the development and the orders actually placed are decreasing. There’s a possibility that orders may shift to Taiwan, Vietnam, India or other area in the future, but the upstream and the midstream of the LED industry may not leave China as it is hard to find another place that possess such a complete supply chain as China does. The experts believe that the impact of the US-China trade war is greater in the short term than in the long term; is greater on the downstream than on the upstream; is greater mentally than physically. However, when the mental effect turns to the physical effect, eventually it may result in a greater effect than it is estimated theoretically.

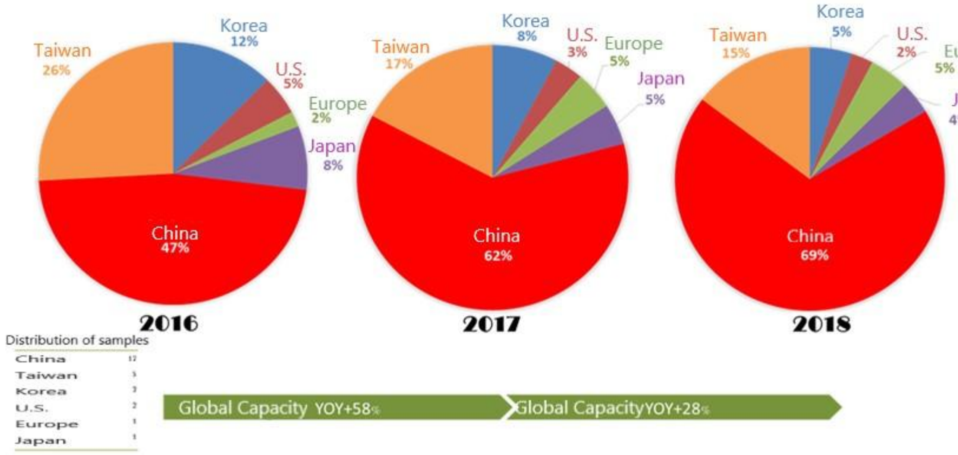
Other than the trade war, China’s deleveraging policy weakened consumers’ willingness to buy. The downstream of the LED industry, especially lighting products, TVs, mobiles are directly relevant to consuming. The consequence of weakening end-demand is that the overall demand in the LED industry disappeared, which affect the entire industry hugely.

The deleveraging policy also influenced the supply. Over-expansion has long been a problem in the LED industry. The reason behind is that many local governments launch kinds of subsidy policies as investment incentives, indirectly guiding the companies to expand their capacity in an irrational way. This is the same reason why there’s oversupply and intense price competition in the LED industry for long.

Despite the US-China trade war and the deleveraging policy, the rise of China-made

MOCVDs also brought some influence to the overall LED industry. Firstly, the average price of China-made MOCVDs is probably 20~30% lower than that of imported equipment. The reduction in the capital expenditure requirement lowers the entry barrier of the industry and further affects the profitability. Secondly, the delivery time of China-made MOCVDs is shorter. It can be shorten to even a year, while it may take two years for imported MOCVD from placing orders to production in the past. Moreover, price discrimination according to the scale of customers is not adopted for the pricing of China-made MOCVDs. That means the equipment purchase price does not differ too much for large companies and for small companies, and it eases the centrailization of the industry and intensify the competition within the industry. In conclusion, the rise of China-made MOCVD causes Chinese manufacturers to expand their capacity very quickly in the past two years. In 2016, the capacity of China LED industry accounted for less than 50% of the global capacity and approached 70% in 2018. It also made the surge in global capacity. The global capacity increased 58% in 2017 and another 28% in 2018.

Chart 27. Capacity Expansion Enhanced by China-made MOCVDs

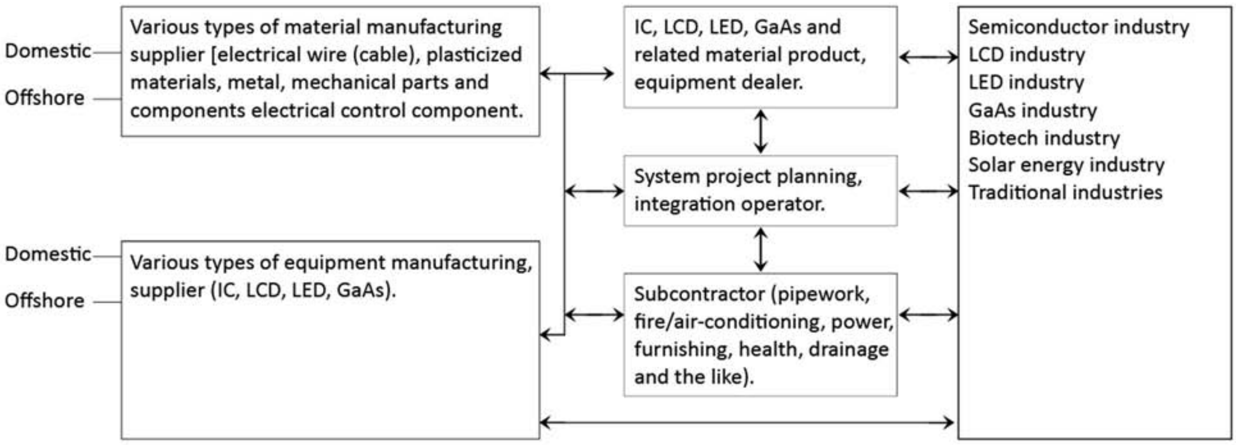


Source: LEDinside，2018/12

Facing the intense competition and lean margin in the domestic market, it is already an irresistable trend for Chinese LED companies to go international, and key companies have been planning their global strategy. Currently North America and Europe are still the main destination of export in overseas market for China-made LED products. However, patent issue is an unavoidable barrier to enter the US and Europe markets. With the proceeding of China’s Belt and Road initiative, the demand in emerging markets has been enlarged, providing more diversified choices to Chinese LED companies when planning their global strategy.

To fasten the entry into international market, cross-country merge and acquisition become a shortcut to the enterprises. Through merge and acquisition, the enterprises can obtain overseas patents, relevant production techniques and customers quickly, and expand the market share rapidly. In addition to merge and acquisition, the enterprises can cultivate into local segmented markets through establishing subsidiaries or factories in other countries, or through partnership with local companies to enter the markets. They can also development the overseas lighting market based on their own superior products, strengthen their overseas sales forces, create overseas sales models, and differentiate their products for different markets. Comprehensively speaking, in 2018 the increase in market demand fell far behind the increase in capacity. The price drop increased LED companies’ sales quantity but not sales revenue. In 2019, on the demand side, optimism is not allowed due to the global economy downturn and the US-China trade war; on the supply side, the expansion continues which means the oversupply problem will also continue. In the past decade, Chinese LED industry had experienced high-speed growth owing to the subsidy policies for MOCVD from China government and the demonstration LED project " Ten Thousand Ten Cities" and others. Lighting, backlights and display have been the driving forces for the LED industry to move on. After the rapid growth in the past decade, the markets of these traditional LED applications have been mature, thus the industry has to find out other applications with high-speed growth potential for the next decade. Emerging applications such as Mini/Micro LED, automotive lighting, high-end healthcare lighting and UV/IR LED are worthy of market attention.

The upstream, midstream and downstream



1.2.3. The products' various development trends

(1) Sales and service of high-tech equipment and materials

Below describes separately on optimal mask fabrication, LCD, color filter processing, IC processing, IC packaging process, LED process and others

(1.1) Optical mask processing

Optical processing holds the critical key in bracing for smaller diameter, such as nanometer grade in IC processing. With optical mask being infinitely important in IC processing, major IC foundries and optical mask producers are sparing no efforts in optical mask equipment/material investment. In care of the foresaid trend, the group vies to brace for the development focus of higher quality on the products it sells.

A. Firmware equipment: MTC company's high-end and low-end optical mask's light blocking coating and rinsing equipment have been adopted by critical customers.
A. KBTEM-OMO offers pattern generator, inspection and repair machine for photo masks for medium and low level processing.

B. The material aspect: KMG company's pertinent processing chemical solution has been applied in matured optical mask product processing, and its high-end products can also respond to the future's even smaller wire diameter and higher quality demands.

(1.2) TFT-LCD and color filter processing

According to the Sigmaintell, which stated Global TV Manufacturer Shipment Report that the total number of global TV shipments was 239.8 million units in 2018, a year-on-year increase of 4.3%. However, the overall performance was a rapid growth in the first half of the year, which was an increase of 8.1% because of the promotion of the 2018 World Cup. The shipments began to decline in the second half of the year, and the growth rate was only 3.8% in the third quarter, and decline around 0.6% in the fourth The quarterly.

The professional research and development agency-IHS Markit, pointed out that the global shipment of more than 65 inches of panels is expected to reach 30 million pieces in 2019, and it will growth above 50% compared with 2018. Panel maker AUO believes that oversupply has become the norm. In addition, the IHS Markit announced that the large panel display market will trend in the third quarter of 2019 after a period of oversupply. Even though the market is tight but the mainly increased productivity is by the new plants and old factories in China's 8.6 and 10.5/11 generations.

(1.3) Integrated circuitry component processing

On semiconductor wafer defect sorting equipment market, with major semiconductor producers such as TSMC, Intel, Samsung plants and so forth entering into the under 20nm generation, local equipment producer Han Microtech and major foreign producers KLA Tencor, Applied Materials have successively launched semiconductor wafer sorting equipment focusing on measuring visual wafer defect, and the group’s proprietary represented QCEPT Technologies model ChemetriQ5000 boasts as the only non-optical visual wafer defect sorting machine in the semiconductor sector worldwide, and also with global 12” wafer output continuing to rise, and with cooper processing and low-k material application continuing to rise, meanwhile the introduction of silicon-on-insulator (SIO) wafers, strained silicon wafers, high-k materials have all become the critical development trend.

A majority of the products the group sells are able to address the foresaid advanced processing needs: Electric’s 12” vertical diffuser burner encompassing BCD processing equipment that can be used in oxidant condensation, nitrification, high-k thin membrane to offer a high coverage ratio and even membrane coating and so forth, offering semiconductor or optical plants with special gas, as well as Jordan Valley’s rotating and refractive X-ray thin membrane measurement solution proposal, which can all address the clients’ needs by timly providing the optical services.

(1.4) IC packaging processing

In response to the electronic products’ lightweight, thin, short and compact trends, the domain of IC product dimensions is also sought by all producers, and to service IC rear processing packaging clients, the group has intercepted with advanced wafer and coating packaging technology by introducing wafer grade ball mounter by Athlete FA Corp of a Wafer Level CSP Ball Mounter In addition, we provide comprehensive inspection services to customers in BGA, flip-chip, wafer bumping and the latest 2.5d/3d ic, and info, fan-out wafer-level packaging fields.

(1.5) LED processing

Since the development of the LED industry purchasing EPI-wafers from Japan for rear processing and packaging, currently a number of local producers are capable of mass producing EPI-wafers. Also on product aspect, local producers also command the production technology on HEMT, laser diodes, bluelight LEDs and so forth.

The product the group sells encompass not only gallium provided by 5N Plus Corp, and it also offers CCT Corp’s GaAs, InP and related 3-5 groups, Cemet ZnO Substrate 2-6 groups substrates, as well as EMF Corp’s MOCVD processing oriented various organic metal raw materials. In the meantime, it also caters to LED upstream sapphire crystal plants and chipset plants or midstream silica plants by offering the clients with pertinent processing production key raw materials and servers, i.e. sapphire long crystal burner raw material Al203, X-ray orientation instrument (HRXRD), buffing pads, buffing slurries, green carbonate silicate ground powder (GC) and carbonate borosilicate buffing powder (B4C0 and the like.

(1.6) Solar energy industry

On solar energy single multi-crystal production chipsets, with the cost dropping to a certain level at present, with little room for price reduction, other wearable material costs continue to follow high efficiency and a reduction on production cost; what can be done in the future is on server purchasing and cost amortization, which will ultimately affect the producers’ end product production and cost competitiveness. Moreover, with Taiwanese silver slurry plants accounting for a foothold on the front and back silver slurry processing, there is a great demand for voluminous, stable quality silver slurry powder producers, and the group has secured the representation right fro major silver powder producers to be able to offer a stable supply volume, and that as silver powder is not only used in the PV industry, and it can even cross over to the LCD and passive components industries.

(1.7) Other testing and laboratory use equipment

In recent years, Taiwan’s IC industry, FPD industry, LED industry have achieved a certain scale, and comparatively equipment, material companies supporting the foresaid industry processing have mushroomed in their inceptions. To satisfy small medium high-tech firms and research laboratories’ needs, the group has also launched the latest Lasertec new product of a hybrid laser microscope.

(2) Automatic supplying system

(2.1) Gas automated supply system

With significant room to grow on the semiconductor, optoelectronics, biotech and other high-tech industries at present, whether it is in Taiwan, Mainland China or Singapore, it also triggers other relevant industries to buoy. Particularly so is how the gas automated supply system plays an infinitely important role in a plant facility, and it is also one of the indispensible, critical facility in a high-tech plant.

No change is expected in the gas automated supply system, whether it be in the implementing technology, project design or gas supply equipment and so forth at present or in the future, yet in light of the low price competition, new competitors, local or foreign, continue to join in the race.

Through many years of efforts, the group has become one of the primary industry suppliers, in terms of the operating scaled and technical sophistication. In the future, the company vies to put its competitive focus on optimizing the cost control model, in a bid to bring the clients with high quality, high efficiency total solution proposals.

(2.2) Chemical automated supply system

With the chemical automated supply system being a requisite chemical conveying supply facility in high-tech industry plant launching, where not only the existing IC, FPD, LED industries’ production expansions have put an increase on plant launching project demands, and with other peripheral supporting companies that although small in scale but for quality demand also require installing and operating such automated supply system on production equipment and at materials factories. Focusing on the future technical aspect, unless there is innovative development on the use of chemical materials, the current system design, equipment and implementation will continue to undergo changes corresponding to the customer’s processing change, and exactly for is service uniqueness, and

high technical thresholds, the saturating market will prevent potential rivals from entering into the market.

(2.3) Special gas monitoring system

The special gas monitoring system is of a necessary design in the high-tech industry’s plant launching safety measures, and besides the existing IC, LCD, LED industry production expansion, which expands the monitoring system’s market, other peripheral related industries are also in need of introducing the system for the safety and monitoring demands on production-related equipment or materials.

(2.4) Logistical service operation

For the lack of manpower and for professional consideration, various IC, FPD, LED plants are turning to outsourcing some of their operations to professional task-sharing service has also become a future trend. In the next few years, there are plans to begin outsourcing the facility system operations to outside task-sharing, such as the gas, chemical, pure water, E&M systems, as to the facility equipment and other aspects, there is no such necessity for task-sharing so far.

The group is currently pursuing the total chemical management (TCM), total gas management (TGM) and total water management (TWM) work, which will facilitate offering more comprehensive and all-encompassing services; as for the facility operating service for small and medium plants, currently a set of comprehensive facility operating contracts have been signed, and the group vies to actively underwrite projects by choosing the suitable customers as a breakthrough to the operation.

(2.5) Factory automated operation

A. Facility management control system (FMCS)

The system remains a critical investment in the high-tech industry in inducting the facility monitoring on plant facility into the plant launching, and for the future, besides the high-tech sector, other industries are poised to add such type of automated facility monitoring facility needs with technological progress, with which to excel the adequacy ratio on plant facility, ensuring a smooth factory production, manufacturing flow in the future, thus offering aggregated market demand, but relatively with increasing number of competing companies.

B. Computer-integrated manufacturing (CIM)

In the face of an industrial trend of smart manufacturing, it is important to draw support from ERP/CIM/MES to achieve automated, digitized and smart manufacturing, and adjust management decisions through effectively collecting and managing the rapidly changing information within manufacturing plants, to accelerate adaptation and response speeds. Marketech International Corp. not only informatizes all website systems through its computer-integrated manufacturing operations, but also know the importance to connect different modules (ERP/CIM/MES) with one another. All the website information should "talk to one another" for M2M connection during the manufacturing process, and communicate through the networking platform, to provide customers with sophisticated services in their manufacturing process, including production management, equipment monitoring, processing improvement, energy consumption, and offer customers smart plant solutions for increased production capacity, improved yield and reduced energy consumption.

C. Automated product representation operation

The product integrates cloud technology and Web framework, and also provides a highly extendable firmware/software framework, which can be applied in specific applications of energy saving and carbon reduction, equipment status monitoring and so forth, with which to provide the client end to rapidly introduction a solution proposal, making it a future automated product development trend.

(2.6) Information communication, enterprise information and software services

At present, enterprises, when faced with future diverse and drastically variable interactive environment, often need to confront the unknown by grasping the known technology, to require utilizing the existing resources, and further need to convert a variety of data into information, or even utilize the cloud platform in analyzing large data in order to derive high quality analyses and decision reference data, which can enhance an enterprise to confront the rapid changing speed at decision making, as coordinated with the cloud and mobile equipment interacting to conduct the internal resources integration, by which to adjust the operating pace, maintain the customers' loyalty to the enterprise's products for aggregating the positive effect.

With mobile broadband innovative technology and applied services development being a focal development orientation by governmental department and in the computer information industry in 2015, the integration of logistical networks, digital streamlining and cloud technology can be used to develop innovative applications encompassing the aspects of intelligent cities, smart homes and so forth. In light of which, the group vies not only to continue culminating the telecommunication operators' system integration services, and when faced with the rush of big data and software service, we will continue to devote our efforts in "destructive innovative" by using the service orientation build on the existing business mode as the software development backbone to introduce an open-ended API management, with data science and figurative analysis as the software services core framework by developing an O2O (online-to-online) enterprise real-tie competitive biding platform, which will utilize said open-ended framework and cloud service spirit, offering even lower system launching and operating costs, offering the enterprise owners with more flexible cloud enterprise services.

The group will broach it by integrating the logistical sensor equipment and digital content management platform in conducting interior positioning, guided purchasing and browsing on business application services development, which can be applied in settings such as department stores, showrooms, museums, malls and so forth; it is anticipate to utilize precise business marketing scenario in a bid to create a win-win value cycle between the owners and the consumers. It will also offer enterprise information system integration management, consulting advisory and solution proposal related services, and also to provide the contents closer to market needs on digital content service, integrated information, communications, and mobile applications, as well as cloud service platform. While the MingStar serial products have accumulated the group's vital information assets, the company's enterprise computerized services offering enriching practical experience can also act as a critical collaboration partners to various enterprise information strategies in an attempt to echo to the market demands, and to create greater gains and value.

(3) Total Facility Engineering Turnkey Project

(3.1) High tech/biotech and pharmaceutical plant facility planning, design, work implementation and turnkey testing

With high-tech IC, FPD, LCD and related industries confronting a slowing demand and the global economic slowdown tsunami, dragging down peripheral industries to facing the issue of a slowdown in plant expansion, these companies facing the conundrum in how best to utilize their manpower with precise efficiency have turned to integrating professional operators as a future trend.

With market competition becoming ever fierce, it not only put pressure on professional operators offering the professional service, even the customers themselves can no longer distance themselves from the turbulent change. In terms of how best to effective control the investment cost, fully grasp the plant launching and mass production engineering project and securing high quality plant launching result which will enable the customer to meet or exceed their expectations of product acceptance ratios, and successfully putting forth the first step with competitiveness once the clients complete the plant launching has become the market trend, which the group has commanded the comprehensive service capabilities.

The group, with long term operation and focus, has culminated enterprise units with varied disciplines, and is currently streamlining to the change in market demand modes by speeding up the integration work among varied units embracing towards a single service window, by which to offer the customers with a brand-new package professional services, which will cut down the working interface, reduce the pairing difficulties, and in turn excelling the efficiency, and reducing the cost expenditure and plant launching time.

The group's ability to rapidly grasp the market pulses and respond as early by actively venturing into the market and also strengthening its technical sophistication and integrating working capability, together with actively expanding into the biotech and pharmaceutical plant launching operations, encompassing civil work, steel structure, interior furbishing, E&M, clean room, gas, chemical, water systems, pharmaceutical special needs among other plant logistical systems, secondary logistics with primary turnkey professional track record has garnered the clients' recognition and confidence, preparing it to further expand the market operations in the future.

(3.2) High-tech factory equipment/server integrated server installation project (total turnkey hookup projects)

In response to high-tech plant launching's rapid timing and the demand of budget and cost control, project turnkey integration emerges as an optimal solution proposal at present.

The group is renowned for commanding a most authoritative overall planning, design capability and work implementation team in the industry. It has rendered many major high-tech plant equipment/service integration and hookup projects and general petrochemical projects. Despite there are other operators joining the domain at present, the group however still holds a respectable leading edge.

(3.3) Other industries

In response to plant expansions in the field of petrochemistry and traditional industries, the Group has engaged in developments with past experiences in the construction of technology plants. In addition to high-tech plants, we have also been involved in plant expansions of traditional industries and construction projects of public works. At present, the Company has dealt with public works and plant expansions of traditional industries, such as water purification, sewage treatment, water reclaim and purification, pumping station construction and automation, hoping to expand the business area by diversified operations.

(4)R&D and manufacturing of Customized equipment

As the processing equipment required of the local high-tech industry still relying on foreign imports, and for the lack of major local producers venturing into the industry, yet as the processing continues to evolve in generations with rapid high-tech development, foreign original equipment manufacturers will no doubt gradually release their older technology in order to focus on bracing towards new generation technology development, and the older processing equipment manufacturing or operational maintenance/repair will gradually rely on local producers. Moreover, as driven by low cost and large-scale equipment (specifically referring to the TFT-LCD industry), it further drives foreign original equipment manufacturers to seek collaboration partners in Taiwan.

The group, in care of the trend, has significantly increased its R&D budgets in recent years, particularly focusing on customized equipment by stepping up on its design, assembly and testing capability, fostering a few projects currently in progression. The group anticipated to steadfastly emerge in the market, in anticipation to entering the industry at a most competitive stance, gearing to contribute its efforts to the processing equipment industry that somewhat lags on the island.

As Mainland China's demand for customized equipment needs is yet another scenario, due to its lagging population bonus, as the rising labor wage continues to marginalize the enterprises burdens, while its urban development policy further resulting in frequent labor shortages, MIC is poised to rise riding on its customized automated equipment design and manufacturing capability, to experience a dynamic development in the civil industry, with many projects currently in progression.

1.2.4Competitive status

(1)Sales and service of high-tech equipment and materials:

(1.1) Lasertec company's color filter testing and repair system

With color filter's primary rivals are V-tech, Takano, NTN and such companies, to seize next generation large size market orders, all producers are aggressively turning t lowering the cost and excelling the functions, together with the governments' localization strategy incentives, the servers' manufacturing and production lines have been shifted completely to Taiwan, and with the cost significantly reduced, it offers certain help in securing the orders.

(1.2) MTC company's optical mask coater equipment

With MTC's optical mask light blocking coaters facing increasing rivals in the market, MTC remains the primary supplier. On optical mask cleaners, German Hamatech, Japanese Sigama are primary rivals, while MTC relies on its fine processing experience and innovative design to gain a competitive edge on optical mask cleaners.

(1.3) KE company's batch type burner equipment

With the primary rival is Tokyo Dynamics, current TSMC N20 plant expansion has the server count exceeding the rival's, and on the next generation processing server adaptation, the group has secured rather respectable result collaborating with TSMC R&D department; also on memory market, with the expansion of field of application, it is expected to gain further growth.

(1.4) Corning Tropel company's testing server

It accounts for around an 80% market share in the precision processing industry, around a 60% market share in the wafer industry, with primary rival being FRT, but Corning Tropel continues to reign in technology.

(1.5) Bruker-JV company's testing server

It accounts for over 40% of the market share in Taiwan and Mainland China, with around 100 servers installed, and when competing with foreign suppliers, although varied in technology, it continues to command ceratin competitiveness for the pricing advantage.

(1.6) Formosa company's positive charged material

With fierce competitiveness on positive charged materials in Mainland China, there are in excess of 15 lithium producers, all taking to the price fight, while the group, as a non-sole representation, only occupies less than 10% of the market in Mainland China, and is positioned at a middle-lower level.

(1.7) Cobot company's microelectronic material

With the main competitor being Mainland China's An Ji Microelectronics, and with state project capital backing, CMP is poise to cause certain threat to the microelectronics material Cobot supplies on the low-end domain.

(1.8) Dog-A company's OLED aging equipment

It mainly pertains to supply Apple processing plants with original certified equipment for Apple producers and processors, and currently Dong-A caters to Apple processing plants with sale and after-sale service proejcts.

(1.9) Athlete FA Corp's OLED aging equipment

Athlete's semiconductor wafer level of package solder ball of ball mount and ball filling machine are currently being a leader position in Taiwan's semiconductor wafer-level packaging market. Athlete FA Corp has more than 90% of the market share in industry. Under the continuously development of the wafer-level packaging technology in the current semiconductor, Our main customers all are long-term partnership of major customers, such as TSMC, ASE, and SPIL. For the future panel level package, the main competitor is AlMECHATEC, Ltd, which is another business development to expande a new market of Athlete FA Corp.

(2)Automatic Supplying system

(2.1) Gas automated supply system

With the gas automated supply systems being a rather matured industry in Taiwan, thus the requisite competitive edge rests more than on a stable quality, low cost remains a major concern.

The group has successfully developed with gas material vendors a modualized panel to command a competitive edg in pricing and production speed; in product development aspect, it is able to offer customized product catering to the client's needs; in onsite maintenance/repair aspect, the reasoned software/firmware engineers are able to provide speedy, real-time services.

(2.2) Chemical automated supply system

MIC created its own brand in 2000, and since then, the whole chemical automated supply system has been copied to semiconductor industry and optoelectronic industry. From 2005, MIC took advantage of this chemical automated supply system to complete the establishment of several 300mm fabs with systems engineering, ranked one of the top brands. The group has its own brand so that the price is more competitive, and services quality is improved. As a result, we have not only won high reputation from our customers, but also accounted for high market share in newly-established high-technology market.

(2.3) Special gas monitoring system

For a decrease of manpower and for professional consideration, outsourcing some of the operations is an existing situation in Europe, the U.S. and Japan. In Taiwan, currently only TCM (Total Chemical Management) and TGM (Total Gas Management) & Total Water Management (TWM) in facility system would do outsourcing to provide equipment maintenance, replacement of chemical and gas supply materials, monitoring and control system, etc. Main providers of technical services are certainly the original equipment suppliers, but still no independent and professional "technical services providers" exist.

The group has taken assignments of operations in facility system for more than 20 years, and the works included total chemical management (TCM), total gas management (TGM) and total water management (TWM), We offer more comprehensive and all-encompassing services. As a well-operated company, employee promotion, annual adjustment in salary and good welfares are all ensured. Accordingly, our employees show great loyalty and high efficiency in working, and are also recommended by our customers word of mouth

(2.4) Factory automated operation

A. Special gas and facility management control system (GMS & FMCS)

A. This kind of service is heading towards comprehensive and integrated service, main customers of which are IC and LCD plants in Taiwan and China. They tend to seek for cooperation with stable and all-encompassing companies, like Mitec, where skilled personnel and technical support sufficient. In this way, system-integrated competitors with relatively less capital, workforce and technique can hardly enter the market, which makes the threshold higher, and by contrast, it is more difficult to compete.

B. Computer-integrated manufacturing (CIM)

B. Taiwan's manufacturer must pay attention to the transparency of production in the future, to immediately adjust the production with product traceability, and respond to customer needs for additional business value. "Lean production", which presents an approach that integrates management with technology, is not likely to succeed on the first try. Enterprises should identify thier key technologies based on industrial characteristics when turning to Industry 4.0. The difference between Industry 4.0 and traditional industries lies not only in the degree of automation and informatization, but in the use of cyber-physical system (CPS), big data and other technologies to achieve smart factory. Therefore, the core technologies of Industry 4.0 are IoT (for collection of all-round information), big data (for analysis and forecasting), intelligent robot, and cyber-physical system, which will be integrated by Marketech International Corp. in terms of its computer-integrated manufacturing to make productions more responsive.

C. Automated product representation operation

T The group provides customers with purpose-specific automated products and customized services which feature fast-integrating advantages and short establishment period. Meanwhile, every system can be inter-compatible and integrated, breaking the traditional frame. Hence, a huge flexibility and agility of expansion can be supplied to customers to help them completely understand the whole picture of developing information strategy planning. Unlike general automated products with multi functions on the market, great performance and results can be presented immediately under this operation, which makes our products more competitive and valuable.

D. Prognostic and Health Management

This management system can reduce product defects and increase the utilization of facilities, and it has become a trend. However, as the strength of manufacturing industry in Taiwan, semiconductor and optoelectronic industries have no sound solutions to improve defects and utilization. As a result, based on the expertise in system integration for more than twenty years, the Company cooperated with a domestic professional corporation, Industrial Technology Research Center, to establish Prognostic and Health Management using big data analysis. The system was first developed by Taiwanese, providing a sound solution from in-time monitoring of the status of equipment to predicting breakdown and management of the remaining service life. In the meantime, it can be perfectly integrated with parts retailers to optimize products maintenance, so the products are highly competitive.

(2.5) Information communication, enterprise information and software services

In recent years, the Internet of Things(IoT) has become a hot topic of concern in the communications industry. It will also be one of the 5G important application scenarios which is extending the discussion of various application scenarios and driving the development of upstream and downstream industries. As an important component of IT industry, Taiwan is going to launch the new equipments, applications and standard.

According to the Institute of Industrial Intelligence (MIC) who announced the nine major development trends of the mobile communications industry in 2018. It mentioned that 3GPP will complete the 5G NR NSA (4G nuclear network + 5G access network) standard in 2018, which is expected to reduce the input costs and risks and, to prompted 5G large-scale verification and commercial deployment to start ahead of 2019. The relevant domestic telecom operators' NB-IoT services are gradually being transferred. NB-IoT is built under the existing network coverage, and uses mobile communication technology to ensure the security of data transmission. The frame is simple communication module, which can greatly reduce the cost of IoT equipment, low power consumption. It brings several years of battery power supply and increased more signals over existing 4G networks. The covering is not only using the entire station, basement, remote areas and pipelines. In addition, it can support more equipment to pick up at the same time, to bring unparalleled business opportunities and new business models to all industries, so that all things in the world will be in progress!

At present, the manufacturers that provide related integrated services in China are large-scale, such as Tudor, Dunyang, Jingcheng, etc. These manufacturers have been working in the telecommunications market for many years, and have their existing business scope and market share. But for the new 5G industry layout, there are still new markets that can be developed, and enterprise ERP and commercial exploration software and AI related service applications are still the main commodities of our company.

(2.6) Smart Housing System Business

A. Smart housing business

In the 2018 years, the Taipei city has completed 2,648 households in 18 areas , 10,752 constructions in 31 areas, 1,319 out of the package in 3 areas, 2,206 of planning in 7 areas, and 2,998 of urban renewal in 68 areas, the total number is 19,923 households of 127 areas.

B. Smart housing policy

Electromechanical, weak electricity, ICT.

C. Building a large package, building and combining mechanical and electrical competition

About 70% of the total case is the cost of construction. Since the budget for each case is NT$1 to 8 billion, all the medium and large-scale construction operators will hold the whole case and subcontract. For various electromechanical and weak electricity equipment systems constructors, ICT is almost integrated by small SI companies. It is more conducive to competition, if integrated electromechanical, weak electricity, ICT and construction are combined. This should be the cutting-edge point for the sail group.

D. Weak electricity + ICT competition situation

Because the budget of each case is located at NT$70 million to 300 million and is executed according to the most favorable criteria. According to the current policy and situation of the Taipei City’s package, almost all of the SIs are awarded. And, the larger the capital that is more easier to be selected. Nowadays, the SI industry includes: Chunghwa Telecom, Yuanchuan (Guangci South), Qunguang (Guangci North), Yizhong, Datong, Shentong, Taigu, Zhongxing Baoquan, Xinguang Baoquan, and III. All of the above vendors have faced many obstacles or lack experience of design. The basic design is in progress, and other manufacturers' problems should be taken as a follow-up to the implementation, and actively invested in the property management to meet the needs of the city government's smart housing, and then expand to other counties and cities.

(3)Total Facility Engineering Turnkey Project

Although there are many world-class companies for high technology integration system business, their focuses are on design or engineering construction monitoring for initial factory arrangement or clean room engineering. However, high technology has become more and more mature, and the cost of factory building is gradually lower so that the competition space of these world class companies are oppressed automatically. Furthermore, the complexity and the profession of integrated system business compel those world class vendors to focus only on design, construction monitoring and special high-level clean room items for high unit prices initial at the early stage of factory arrangement. This allows the Group to fold an extreme commercial opportunity and competitive advantages.

From equipment expansion integration supply systems of large IC and LCD fabs to project planning, design, construction and test, a different competition field is differentiated from the companies mentioned previously, which only pays attention to design and construction monitoring of initial factory arrangement. Additionally, for special factory building requirement of middle and small factories or foreign customers, the barrier for foreign vendors to enter such field is always difficult due to cost and localized services after sales This situation allows the Group to become one of the few professional vendors that can get across such a threshold in the industry.

To maintain competitive advantages and reduce cost, high technology industries have shifted low-level products to China, which even makes market competition expanded from Taiwan to China and Southeast Asia. Accordingly, the Group has developed and deployed in such a large Chinese market with a great result.

As the demand for expansion of electronic industry market has been polarized, apart from satisfying the customers of electronic market currently, we are engaged in development of biotechnology and pharmaceutical related business in order to meet the needs of customers with various kinds.

(4)R&D and manufacturing of Customized equipment

The suppliers of TFT-LCD processing equipment currently are from overseas, mainly from Japan, the U.S. and German. For instance, CVD equipment is primarily supplied by American AMAT and Japanese TEL. Relevant processing equipment is produced by OEM in Taiwan, such as AOI equipment, CF repairing and inspection equipment and Laser repairing equipment. In addition, for system of automated packaging of food, as the drinks market is large, the demand for automated facilities is also high. The subsidiary of the Group in China highlights customers' needs, and is an expert in the integration of automated facilities at the later stage of food production. It not only caters to customers' needs to design, produce, test and install on its own, but also provides annual components overhaul and comprehensive services.

1.3 Technology and R&D status

1.3.1. The operating business's technical level and R&D

The group, at its initial inception, primarily caters to TSMC, UMC and related IC manufacturing companies, and through the close-knit cooperation with globally renowned semiconductor and electronic materials plants, it has introduced various high-tech products when Taiwan's semiconductor industry is at a budding stage, and as it has also utilize the opportunity of collaborating with globally renowned producers to steadfastly introduce the technology to laid a sound foundation on the group's automated supply system and integrated system professional know-how.

In the aspect of gas automated system and integration projects, the group commands relevant professional design personnel in semiconductor, mechanical automated control and chemical engineering and related domains, and also relies on equipment distributor's orientation training and pertinent technology outsourced orientation training to absorb local and foreign peers' technology, and also work through the interactive exchange with key customers and local vendors in fully discerning the producers and users' needs, to develop on its own the international SEMI certified highly clean special gas supply system equipment, technology and know-how. In recent years, the group's major customers in semiconductor foundries include TSMC, China Semiconductors, Singapore's SSMC, Philips among other companies, and in optoelectronics plants of Optronics, Shu Ming, Ding Yuan, Lian Ya among other plants.

In the aspect of chemical supply systems, it has in 1991 first built MXIC FABI, with then technology originated from U.S. System Chemistry Inc. supplying the servers, and the company charged with implementing the pipework project, and also installing the testing equipment servers, and the U.S. original manufacturer has assisted in completing relevant projects, which sets off a foundation of the company's chemical supply system engineering technology. Upon completing MXIC FABI, it successively undertakes projects from HMC, TSMC FABII, Winbond FAB II, Mosel FAB II, while System Chemistry Inc. has progressed from initially assisting to complete the projects to only supplying the servers, while the company has completed all system installation and tuning by itself. With experience accumulated over time in plant launching, the company has turned to designing and assembling the servers on its own, and has from 1994 to 2000 successively underwrote TSMC, UMC, Nanya and other major plants' fabrication foundry small supply systems. With a wealth of experience accumulated through instilling these small supply systems, and also through absorbing local and foreign information and ongoing communication exchange with the clients over time, it begins in 2001 to 2005 to underwrite large-scale chemical supply system facility launching projects for Chan Mao Chimei, Rite Tek, Lian Zhong, Fei Bao, China Picture Tube 4.5 generation and 6 generation plants among other optoelectronics plants, and has also participated n MEMC plant expansion facility turnkey design project, in 2008 to 2009 it successively completes Ace More, Ba Yang, Da Shin, Wen Mao and Chun Chang optoelectronics pants' facility launching projects, and in 2010 to 2011, it has participated in TSMC FAB 12, 14, 15 plants and Chu Hwa and other plants' expansion facility turnkey projects. In 2012 to 2013, it underwrites Meade Advance, Wen Mao, Ace More expansion turnkey design projects. From 2014 to 2015, it participates in Micro Technology, CNS plant launching and related turnkey projects. IIn 2017, in participates in Wen Mao plants' expansion facility turnkey project, JNC turnkey project, and the first phase of water treatment plant at STSP. In 2017, joined TSMC's Chemical supply system in Nanjing

The group has, in recent years, actively delved into customized equipment R&D and technical development, particularly focusing on stepping up customized equipment design, assembly and testing capability, with currently developed projects include the TFT LCD industry’s computer-integrated manufacturing (CIM), 8G panel conveyor, dense packer (panel packer), and 8G checker firmware/software, as well as solar energy battery cell module segment equipment, image screening equipment and solar energy battery cell laser graphic device and the like, and it has further strived to embrace the IT, biotech, medicine, food and traditional brick-and-mortar industry’s logistical automation design and manufacturing development; moreover, it further participates in the Ministry of Economic Affairs led industry high tech project using the LED as the light source on LCD backlight module cores.

Thanks to the groups’ efforts in automated supply system and integrated system operations in more than two decades, it enables the group technical capability and project executive capability to garner widespread customer recognition, and when envisioning the local two trillion dual star industry development technology, and with customized processing equipment market becoming ever prevalent, the group vies to continue venturing into the customized equipment R&D domain, and to bridging with global major producers, in anticipation to expand the technical gap with rivals and also strengthen the foundation for a sustainable growth.

1.3.2. R&D personnel and their education/exposure

Unit: persons; %

Year / Education	2017		2018		2019 up to March 31	
	Personnel	Ratio (%)	Personnel	Ratio (%)	Personnel	Ratio (%)
Doctoral	3	6.00%	3	5.56%	7	15.22%
Master	35	70.00%	34	62.96%	23	50.00%
B.A.	9	18.00%	14	25.93%	13	28.26%
College	3	6.00%	3	5.55%	3	6.52%
Total	50	100%	54	100%	46	100.00%
Average seniority	3.62		3.73		3.75	

1.3.3. The injected R&D expenditure in the most recent year and up to the annual report publication date

Unit: NTD per thousand

Year / Item	2018	2019 up to March 31
Research and development expenses (A)	256,600	45,142
Operating income (B)	24,415,723	5,753,058
Ratio (A)/(B) (%)	1.05	0.78

Note: The figures are disclosed based on the 2018 CPA-audited consolidated financial statements and the 2019 Q1 CPA-reviewed consolidated financial statements.

1.3.4. Successfully developed technology or products

The group research and development team commands high-tech manufacturing, automated control, laser, optoelectronics, software, precise machinery technology integration capability, and has had rather excellent results in developing high-tech system equipment, with some of the critical R&D practical performances as enlisted below:

Year	RYD track record	Application domain
2000	Color filter automated production line software	Thin membrane liquid crystal display (TFT-LCD)

2001	Thin membrane liquid crystal display substrate automated handling system	Thin membrane liquid crystal display (TFT-LCD)
2002	MMIS (12" wafer defect micro observation equipment)	12" wafer production check
2003	CD, DVD disk offline bonding equipment	CD, DVD disk industry
2004	TFT 5.5G inspection equipment E&M irmware/software	TFT-LCD display
	TFT 5.5G review inspector	TFT-LCD
	TFT6G inspection equipment E&M firmware/software	TFT-LCD
	TFT6G panel conveyor	TFT-LCD
	Chip IC pick and place equipment	IC sealing/packaging
	CIM (computer-integrated manufacturing)	TFT-LCD
	Panel dense packer	TFT-LCD
2005	Image screening technology	TFT-LCD
	Sixth generation color filter tray	Color filter
	High definition A/V processing chipset	Digital A/V equipment
2006	TFT 8G panel conveyor	TFTLCD
	TFT 7.5G mending server's E&M software/firmware	TFT-LCD
	Etching equipment software/firmware	LED industry
2007	Laser etching machine	Passive components industry
	TFT burn checker	TFT-LCD
2008	8th generation pneumatic conveyor equipment	TFT-LCD
	Panel edge fracture checker	TFT-LCD
	Crystal silica refractive layer continuous membrane equipment (PECVD)	Solar energy industry
	Laser tagging machine	Passive components industry, solar energy industry
	Full high definition image processing chip	Surface display industry
2009	Industrial remote control device	Industrial control industry
	LCD backlight module core precision laser processor	Surface display industry
	Solar energy battery laser graphic machine	Solar energy industry
2010	Solar energy battery cell partial mixing selective transmitting laser processor	Solar energy industry
	Solar energy electric heating system	Solar energy industry
	3D image panel automated optoelectronics checker	Surface display industry
	Sapphire substrate checker	LED industry
	Passive component loading tray checker	Passive components industry
	Laser etcher	Passive components industry, LED industry
2011	Panel industry robot handling system	Surface display industry
	Hexagonal appearance checker	Passive components industry, LED industry, IC industry
	Sapphire graphic substrate automatic optical defect inspection sorter	LED industry
	Sapphire buffed substrate automatic optical defect inspection sorter	LED industry
	Optical non-contact high-speed precision dimension checker	Touch panel industry, traditional industries
2012	ACS color automated calibration system	Surface display industry
	Graphic sapphire substrate processing equipment next generation	LED industry
	Nuclear acid extractor instrument	Biotech industry
	Wood analyzer	Traditional industry
	Panel thin line	Surface display industry
2013	Aluminum wheel die cast flow automated production	Traditional industry

	line	
	Automated extraction spectrometer	Biotech industry
	Powder tester automated filling equipment	Biotech industry
	FPGA motion controller	General industrial and tech industries, etc.
	High-throughput coater/developer	LED industry
	Ball impregnator	IC packaging industry
	Production automated system optimization	Traditional industry
	High speed coding machine	Beverage industry
	Automated transport system	Electronics industry
	Sapphire etching machine automated loader	LED industry
2014	High-speed wrapping membrane chopper	Beverage industry
	Automated transport system	Electronics industry
	Shell loaded membrane oil-gas separation system	Petrochemical industry
	ESI automated upload/download system	Semiconductor industry
	Ice water server temperature control system	Semiconductor industry
	Special bottle rear production line	Beverage industry
	Mask automated epoxy remover	Semiconductor industry
	Fully automated material extraction screening system	Biotech industry
2015	Equipment Health Assessment and Management System	LED and semi-conductor industries
	Wafer-Level Sapphire Substrate Testing Equipment	LED Industry
2016	Wafer-Level Sapphire Substrate Testing Equipment	LED Industry
	Nanoimprint	Microelectromechanical and LED Optoelectronics Industries
	The Frame Installation Positioning and Angle Detection Experiment	3D Detection
2017	Imec Miliflex tool	LED industry (Micro LED)
	LED Wafer Thickness and Flatness Measurement Techniques	LED industry (LED Sapphire)
2018	Digital X-Ray Flat Panel Detector	Medical Radiology Imaging Applications (Biomedical Industry)
	Automatic replacement of chemical tank slots by robotic arm	Semiconductor and Panel Industry
	Electronic Signal Processor (IO Server)	Data Collection at Smart Manufacturing Site (Traditional and High Tech Industry)
	LED Wafer Reflection Measurement Technology	LED Sapphire (LED Industry)

1.4 Long-, short-term business development plans

1.4.1. Short-term operating strategies

(1) To expand the depth and propensity of the high-tech equipment/material sale product lines.
(2) To integrate the electrical and mechanical engineering, facility design and facility integration implementing capability.
(3) To enforce ISO 9001, ISO 14001 and OHSAS 18001 working standards, quality and working safety requirements, and also to strengthen the enterprise resource integration system development, with which to assist the group to operate on a systematic and standardized foundation.
(4) To research and develop, design, manufacture customized private label equipment.
(5) To actively expand into non-high tech industry customers.

1.4.2. Mid-term operating strategies

(1) To actively rally for potentially dynamic industry processing equipment/material representation rights.

(2) To accumulate high-tech industry's customer base and technology, and expand into the Asian markets.
(3) To actively introduce relevant high-tech technology, develop the localized assembly-related processing equipment technical capability, with which to assist localizing the original manufacturer equipment.
(4) To integrate the initial plant and customer resources to jointly expand the Asian markets.

1.4.3. Long-term operating strategies

(1) To excel in the high-tech industry, i.e. IC, TFT-LCD, LED, OLED, petrochemical, solar energy battery and biotech, electrical and mechanical, telecommunications, foods and related industry services, and also to expand the sale and service network in securing its footing In the Asian markets.
(2) To continue accumulated experience on customized equipment R&D and manufacturing by jointly developing future fabrication equipment.
(3) To continue excelling automated supply system's relevant technology and seeking higher end design development.
(4) To develop enterprise-to-enterprise e-commerce system, bearing to become a customer end and supply end's information exchange hub.

2. Market and Sales Overview

2.1 Market analysis

2.1.1. Key products (services) sale (supply) areas

With the group's sale or service areas in the most recent two years catering mainly to the Taiwanese and Mainland Chinese markets, the group, in a bid to expand its operating performance and stepping up its customer service and also securing the timeliness, has since launched service offices in Singapore, Vietnam, Malaysia, Myanmar, Korea, Shanghai, Wushi and so forth, which will facilitate offering high tech manufacturers in these areas with equipment or materials, offering technical support and plant automated system and related product service needs.

Unit: NTD per thousand; %

Year / Sale or service area	2017		2018	
	Amount	Ratio (%)	Amount	Ratio (%)
Taiwan	8,371,819	41.42	10,498,456	43.00
Mainland China	6,452,850	31.93	7,546,686	30.91
Other	5,387,325	26.65	6,370,581	26.09
Total	20,211,994	100.00	24,415,723	100.00

Note: The above figures are disclosed based on the the 2017 and 2018 CPA audited consolidated financial statements. The consolidated income in above sales or service areas were classified according to the country where the customers located.

2.1.2. Market Share

(1) Sales and Service Business for High Technology Equipment

KMG Company	Etchant, photoresis remover. Photomask makers in Taiwan are all its regular customers. The market share in Taiwan is over 50%.
MTC Company	Photomask related equipments. Photoresist coating machine has about 80% of market share in Taiwan; cleaning machine has about 20% of market share.
Rippy Company	Abrasive brush (Brush) CMP market: 30% ◦
KE Company	Batch-based furnace pipe equipment has about 50% of market share in Taiwan mainly for diffusion process.
Athlete Company	Ball mounters and ball chargers for wafer level chip scale package have about 80% of market share in Taiwan.
Cabot Company	CMP grinding liquid. Currently, the market share in China is above

	90% with an absolute advantage with respect to market share in high-end field.
Corning Tropel Company	Planeness gauge. The market share is about 80% in the precision industry.
Bruker- JV Company	High resolution diffractometer. The market share is above 40% and the installation quantity has been up to about 100 machines now in Taiwan.
Formosa Company	Positive materials. The market share is below 10% in China.

(2) Automatic Supply System

(2.1)Gas Automatic Supply System

For gas supply equipment, the gas cabinet used by semiconductor fabs and photoelectric plants are all designed, soldered, assembled, tested, installed and guaranteed by the Company in our own plants. There is no difference for valve manifold box (VMB). Since the building speed and quantity for new plants are not as before, the competition for gas automatic supply system is getting more and more intense. With respect to development strategy, the Group still focuses on introducing certification of high standard and specification requested by large companies, such as TSMC and UMC. We also engage in development of LED plants, solar energy plants and research units etc. in order to increase market share of equipments and profit rate.

(2.2)Chemistry Automatic Supply System

For this system, Air-Liquid, Mitsubishi, Sumitomo, Kanto and the Group keep as competitors with each other.

The Group has a 30% to 35% of market share for business. Currently, we have our own brand both to enhance price competitiveness, and to maintain and increase market share.

(2.3)Plant Automation Business

Facility monitoring control system (FMCS): The major suppliers in Taiwan are the Company and the automation business department of MITAC. In response to drastic price competition and drastically increased raw material cost, in addition to original technical capability, the Group complies with the trend of technological development by introducing wireless technology solution to improve competitiveness and reduce cost.

(2.4) Information communication and software services

A.Information communication services

In recent years, the Internet of Things(IoT) has become a hot topic of concern in the communications industry. It will also be one of the 5G important application scenarios which is extending the discussion of various application scenarios and driving the development of upstream and downstream industries. As an important component of IT industry, Taiwan is going to launch the new equipments, applications and standard. According to the Trends Industry Information Institute (MIC) to observe the global ICT industry, 5G, Internet of Things, artificial intelligence and blockchain trends in 2019, it analyzes the development prospects of ICTs worthy of more attention in the next year.

a. 5G business turnaround, spectrum release and basic network deployment into the sprint.
b. 5G CPE combined with Wi-Fi 6 are attacking the home FWA market in 2019.
c. Edge computing will enable parallel-distributed server-free environment. A senior industry analyst Shi Bairong said that the demand for miniaturized servers, small data centers and other devices will significantly grow in industry in the future. and in response to multiple complex real-time scenarios The industrial demand for system integration and micro-services will also increase. In the meantime, it will develop in the direction of “multiple and scattered, small and intelligent”.
d. ASIC chip demand is increasing, and IC design related industry is expected to

benefit in Taiwan.

e. Smart speaker market is growing, such as Amazon, Google, Alibaba, Baidu.

f. Emotion recognition is going to provide the precise services. Sensing component industry is expected to benefit with the improvement of sensing components, sensing devices and identification technology. Emotional recognition can be applied to multiple fields. Advertising applications are currently the most common in this filed. In 2019, it can be used more widely in the fields of film and television, retail, medical, education, telephone customer service and so on.

g. In 2019, it is continuously moved towards "blockchain 3.0", and is expecting to spread after 2025.

B.Business information service aspect

Besides continues to supply the group-required professional information services, the group further ventures into enterprise commerce exploration, enterprise resource systems, enterprise information infrastructure development, and related professional services.

(2.5) The equipment health/ fail pre-diagnosis and management system

The company has instilled the first-ever locally researched and developed critical equipment's health/ fail pre-diagnosis and management system catering to the semiconductor and optoelectronics industries. It is at present aggressively intercepting into the light-emitting diode (LED) industry's equipment and dry vacuum pump applications. The company vies to continue venturing into the high-tech industry's deposition, photo lithography, etching equipment or precision equipment, and related domains.

(2.6) Smart Housing System Business

Electromechanical + ICT market share:

Chunghwa Telecom: The main bidding project in Meihe City city.
Far Eas Tone: The main bidding project in Guangci Nan.
Chicony Electronics Co., Ltd.: The main bidding project in Guangci North.
Datong: The main bidding project in South Central Section of Nangang.
eZoom: The main bidding project in Liuzhangli.
Other companies: NA.

(3) Total Facility Engineering Turnkey Project

(3.1)Plant plan, design, construction and test (turn-key) for high technology/biotechnology and pharmaceutical plants.

Due to drastic demand change in high technology IC, FPD and LED etc. industries, a company desires to reduce and employ labor effectively, so that the assistance from a professional vendor with integration capability has become a trend.

Since the competition is getting more and more intense, not only professional vendors providing professional services are facing pressure, but also customers themselves should engage in solutions. It is already a trend to control investment cost effectively, and handle engineering schedules of plant building and mass production sufficiently together with high quality plant building result for the yield of products of customers to meet or exceed expectation, and for customers to initiate competitiveness smoothly after plants are built. The group has already had such comprehensive service capability.

Because of operation and concentration for long time, the Group has developed business units with different professional technologies, which, currently, comply with market demand type change, accelerate integration of different professional units, target to single service window, provide customers with complete and new professional services, reduce work interfaces, reduce engagement difficulty, and correspondingly, improve efficiency, reduce cost expense and time to build plants.

Due fast handling of market trend and early response, the Group has invested in the market actively and enhanced technology level together with integrated construction capability, and has developed biotechnology and pharmaceutical plant building business actively, including construction, steel structure, internal installation, electro mechanics, clean room, gas, chemistry, water systems, special pharmaceutical requirement plant systems, secondary distribution etc. These turn-key professional performance wins admission and trust from customers. In the future, the market business will be further expanded.

(3.2) Total Turn Key Hook-up Project for High Technology Plant Equipment Machines

In response to fast high technology plant building and requirement of budget cost control, turn-key integration is the best solution now.

The Group has the publicly certified entire plan, design capability and construction teams in the industry. A lot of integral linking projects have been executed for a variety of large technical plant equipment machines. Although other vendors join this field now, the Group still keeps a leading advantage.

(3.3)Other Industries

In response to plant expansions in the field of petrochemistry and traditional industries, the Group has engaged in developments with past experiences in the construction of technology plants. In addition to high-tech plants, we have also been involved in plant expansions of traditional industries and construction projects of public works. At present, the Company has dealt with public works and plant expansions of traditional industries, such as water purification, sewage treatment, water reclaim and purification, pumping station construction and automation, hoping to expand the business area by diversified operations.

(4) R&D and Manufacturing of Customized Equipment

Such high technology equipments are still dominated by foreign vendors in Taiwan now. However, the Group has devoted to LED production equipments and LCD automation equipments with related customization experiences and performance, such as, manufacturing of Conveyor, LOADER/UN-LOADER, Packer and AOI system for LCD industry, and plasma etching equipment, solar energy battery module segment equipment and image detection equipment in LED industry. Additionally, for process equipments in LED industry, corresponding automation equipments, such as auto film advancing machine and so forth have been developed with respect to fineness and labor reduction. Our factories of subsidiaries in China also design what we design, make food machines, and assist in large Japanese OEM companies to produce thermal cycling system. We engage in equipment sales and installation, maintenance and process R&D with vendors all over the world in order to sell such high technology equipments to America, Japan and Korea etc.

In recent year, such technology has been promoted to traditional industries and biotechnology industry to increase production benefits of non-high technology industries by means of high technology equipment technology.

2.1.3. Future Supply and Demand in the Market and Growth Prospect

(1) Sales and Service Business for High Technology Equipment

(1.1)Equipment Business

According to Gartner survey of international research and consulting firm, which showed the global semiconductor revenue totaled $476.7 billion in 2018, an increase over the 13.4% compared to same period in 2017. Memory strengthened its position as the largest semiconductor category, accounting for 34.8 percent of total semiconductor revenue, up from 31 percent in 2017.

The combined revenue of the top 25 semiconductor vendors increased by 16.3 percent during 2018 and accounted for 79.3 percent of the market, outperforming the rest of the market, which saw a milder 3.6 percent revenue increase. Intel’s semiconductor revenue grew by 12.2 percent compared with 2017, driven by a combination of unit and average selling price (ASP) growth. Major memory vendors that performed strongly in 2018 include SK hynix — driven by DRAM, and Microchip Technology — due to its acquisition of Microsemi. The top four vendors in 2017 retained their ranking in 2018.

In 2018, the world's top 25 semiconductor manufacturers' total revenue increased by 16.3%, with a market share of 79.3%, which outperformed other manufacturers with only modest gains (3.6%), mainly due to the fact that memory manufacturers are mostly concentrated around the world. Among the top 25 manufacturers. As unit shipments and average selling price (ASP) both rose, Intel's semiconductor revenue grew 12.2% from 2017. The memory giants that grew strongly in 2018 included SK Hynix, which benefited from the DRAM market, and Microchip Technology, which acquired Microsemi.

According to DIGITIMES Research, Taiwanese manufacturers (excluding Sharp) shipped large-size (9-inch and above) TFT LCD panels up to 54.40 million in the first quarter of 2019, down 12.8% in the quarter compared to the previous year’s quarter. Besides, it is estimated that Taiwanese manufacturers who produce large-size LCD panel will continue to increase shipment around 4.9 percent by a competitive marketplace in mainland china in the second quarter of 2019.

The LED industry has entered a severe structural adjustment. According to CSA National Semiconductor Lighting Engineering R&D and Industry Alliance data showed, the total number of MOCVD machines in Chinareached more than 1,900 units in 2018, an increase of more than 200 units in 2017, and the annual growth rate of machine units exceeded 10%. Because of the continued procurement of equipment in 2018, it is estimated that there will be double-digit growth in China's LED production capacity in 2019. Also, LEDinside showed that the total production capacity of China's LED epitaxial wafer manufacturers reached 11.2 million pieces per month (equivalent to 2 inch wafers) in the end of 2018, an annual increase of more than 30%. It is expected that China's LED epitaxial wafer production capacity will increase by 1.4 million pieces per month (2 inch) in 2019, and the growth rate will exceed 10%. The continued increase in production capacity in China will continuously have pricing pressure in the LED field.

By the large-scale expansion of production capacity, capacity growth exceeding demand growth, rising inventory of manufacturers, and continued decline in LED prices, the industrial structure has been adjusted. Most of companies have faced threats and danger to survive, who are actively seeking new applications for the next generation, and expecting effective de-construction.

(1.2)Material Business

Materials are sold for supporting production requirement of factories of customers all over the world. Therefore, the sales of various related materials would increase in response to outputs of various industries. With respect to supply, increase of customer satisfaction in technology, cost and after sales service is focused to increase market share.

(2) Automation System Business

(2.1)Gas Automatic Supply System

MIC Group not only ensures continus orders from existing customers, but also actively develops new customers and orders. Despite the intense competition, the Company will be able to earn a place in the gas dispense system market owing to years of solid foundation, research and development resources it continuously invests in, as well as innovative gas dispense systems developed with customers with advanced technologies.

(2.2)Chemistry Automatic Supply System

With respect to supply, all competitors are engaging in localized production now in order to reduce cost and increase delivery speed.

(2.3)Running Service Business

Judging from the current industry situation, existing customers will continue to designate the original manufacturers to supply equipment for operations. Under the pressure of cost reduction, outsourcing is an inevitable trend. If the professional ability of an outsourced company is recognized by customers and "suppliers", the professional operation business volume will greatly increase in response to market demands.

(2.4)Plant Automation Business

A. Facility Monitoring Control System (FMCS)

This system is an important investment that introduces facility monitoring for whole plant into factory building in high technology industry. In addition to high technology, other industries will also increase the demands for such automatic plant monitoring facility due to advanced technique. However, expansion of potential market demand results in the trend of increased participant companies.

B. Automatic Special Gas Monitoring System (GMS)

GMS, like the central brain, is a design necessary for safety measure in building factories for high technology industry. Additionally, because life and security of people are involved, the threshold for new competitors is very high. The Group can still be one of the leaders in this field as long as the technological function keeps improved. This should be an apparent fact. Such monitoring system market has increased due to production expansion of original IC, LCD and LED industries. Other peripheral related industries also have to introduce use of such system because of production related equipments or materials with respect to security and monitoring requirements.

C. Manufacturing Integration Business (CIM, Computer-Integrated Manufacturing)

With the advent of Industry 4.0, all industries are turning to automation, digitization and smart plant. MIC helps enterprises with Customer Relationship Management (CRM) and Supply Chain Management (SCM) systems, and establish a horizontal integration system. We also integrate Enterprise Resource Planning (ERP), Computer-Integrated Manufacturing (CIM) and Manufacturing Execution System (MES), to strengthen the vertical integration system. Through horizontal, vertical and related systematic integration, we achieve massive custom, efficient production, independent decision-making and fault prediction targets to meet customer needs.

D. Information & Communication and Software Services

Products combined cloud technology and Web structure, together with high extensibility of software and hardware structures, are applied to energy saving and carbon reduction, equipment status monitoring special applications to provide clients with quick introduction solutions.

E. Prognostic and Health Management

Especially for semiconductor and optoelectronic industries, how to reduce product defects and increase the utilization of facilities has been the most significant issue in every manufacturing industry. The Company developed the first Taiwanese-built prognostic and health management system focusing on important instruments in semiconductor and optoelectronic industries. As technology has advanced, the demand for monitoring remotely the health state of equipment and predicting breakdown will also increase in other industries, like precision machinery.

(3) Integrated System Business

Although there are many world-class companies for high technology integration system business, their focuses are on design or engineering construction monitoring for initial factory arrangement or clean room engineering. However, the technologies of high technology industries become more and more mature such that cost of factory building is lower and lower, so that the competition space of these world class companies are oppressed automatically. Furthermore, the complexity and the profession of integrated system business compel those world class vendors to focus only on design, construction monitoring and special high-level clean room items for high unit prices initial factory arrangement stage. This allows the Group to fold an extreme commercial opportunity and competitive advantages.

From equipment expansion integration supply systems of large IC and LCD fabs to project plan, design, construction and test, a different competition field is differentiated from design and construction monitoring of initial factory arrangement, to which the companies mentioned above pay attention to. Additionally, for special factory building requirement of middle and small factories or foreign customers, the barrier for foreign vendors to enter such field is always difficult due to cost and local after sales service convenience, so that the Group is one of the few professional vendors that can get across such a threshold in the industry.

To maintain competitive advantages and reduce cost, high technology industries have shifted low-level products to China, such that market competition has expanded from Taiwan to China and Southeast Asia. Accordingly, the Group has developed and deployed in such a large Chinese market with a great result.

With saturating electronic industry market, factory expansion and building have slowed down. We are engaged in development of biotechnology and pharmaceutical related business in order to develop another blue sea market. In addition, Southeast Asian business is being developed actively to distribute market risk. Accordingly, business has been developed in Singapore, Vietnam, Malaysia and Myanmar actively.

(4) Customized Equipment R&D and Manufacturing Business

In addition to market growth, use of localized equipment as possible is also a trend in photoelectric industry. As such, not only cost can be reduced, but also "efficient" and "monopoly" is possible in development of new products.

The large environment mentioned above is very advantageous to development of customized equipment assemblage, maintenance and process R&D for the Company. With several years of efforts, there have been several ongoing projects running smoothly. In addition to continuous development of talents, the Company employs experts to join operation team in order to occupy a position when there is an opportunity.

2.1.4. Competition Niche

(1) Wide business range capable of reducing single industry business cycle risk effectively.

(2) High technological level facilitating to win whole plan turn-key engineering business because there are few vendors with both automatic supply system and process equipment linking integration capabilities in our nation.

(3) Providing customers with diversified services, based on which deepness and breadth of products can be further expanded from process equipment, material agent, automatic supply system and integration system to localized assemblage, manufacturing design (OEM, ODM), installation, maintenance service.

(4) Business sites are located in Taiwan, China, Singapore, Malaysia, Vietnam, Myanmar, Korea, Japan and United States for providing customers with local services and handling local market.

(5) We have robust operation team and rich experiences, and excellent professional staffs, and integrate transversely related technologies of various business divisions, go into different industries deeply, and deploy related business in Asia.

2.1.5. Advantageous and Disadvantageous Factors of Development Vision and Response Strategy

(1) Advantageous Factors

(1.1)The business of the Company covers, for example, IC, TFT- LCD, LED, IC packaging, OLED, petrochemical, lithium iron battery, solar cell, electro mechanics, telecom, food industries, which are still the industries with large growth for the coming 10 years in Taiwan, China and Southeast Asian region. The coming growth trend is a definite fact although there is still business cycle.

(1.2)As for high technology equipment material sales and service business, the Group and various suppliers have keep long term cooperative partnership. In addition to business transaction, we also obtain long term common interest with each other through cooperative production plan actively.

(1.3) The high industry has grown quickly in Taiwan such that talents in building factories are insufficient for all companies. In the future, the professional vendor with "integrated system" capability will be advantageous of attracting talents. For 30 years, the Company has introduced foreign technologies and developed integration in depth as the only one choice in our nation now. Moreover, the companies with such capabilities in Europe and America are very rare. Furthermore, under "localization" requirement in our nation, the development of the Company is far superior to other European and American companies.

(1.4)In order to reduce production cost and excessively large equipment (e.g., process equipment beyond 8.5G TFT-LCD) factors, the opportunity that foreign vendors search for OEM cooperation has increased. Currently, the customized equipment manufacturing business of the Group has been developed for many years, and cooperation projects with multiple original vendors are ongoing. The development with respect to capability of such technology facilitates to R&D of future equipments of high technology industry and accelerates improvement of both manufacturing quality and quantity for introducing foreign process equipments into Taiwan.

(1.5)The Company has been approved with ISO 9001 international quality certification and ISO 14001, OHSAS 18001 certifications to provide customers better service quality.

(2) Disadvantageous Factors and Countermeasure

(2.1)The growth of high technology industry grows excessively fast and graduate talents are insufficient. Moreover, excellent professional talents of the Group are susceptible to be poached by other companies and customers.

Countermeasure:

Provide internal trainings for talents actively in order to improve comprehensively product design and technical abilities, and realize professional experiences and R&D results with effective accumulation, together with offering bonus, share allotment and stock option certification programs for employees in order for employees to be more stable and in order to hire good talents.

(2.2)After participation in WTO (World Trade Organization), foreign operation sites have entered our nation such that market competition is more and more intense. Therefore, partial products may suffer from reduction of price and product gross margin due to competition with companies in the same industry and mature market.

Countermeasure:

In addition of deep development of original niche market with inherent advantages with respect to domestic laws, language and culture, the Group creates products, services and technologies with "integration" and with "differentiation" compared to competitors actively. Also, with standardization of work flow, MIS system cost control budget is enhanced to save labor, increase efficiency for cost down and reduce labor waste. Moreover, domestic business is promoted, together with sales promotion in Singapore, Malaysia, Vietnam, Myanmar, Japan, Korea and China markets in response to challenge of market opening.

(2.3)There are very engineering variables for automatic system and integrated system business, which are susceptible to mutual interaction of various engineering. Therefore, if the engineering work period is relatively long, increase of expenses of materials, equipments and outsourcing fees will result in increased cost, which causes business risk and financial maneuver risk.

Countermeasure:
The Group has to evaluate the factors that undertaken cases might influence work periods, and list them into predicted engineering cost, keep good cooperation relationship with suppliers, and develop long term good outsourcing vendors. During construction period, procurement and outsourcing prices have to be handled immediately, the possibility of price fluctuation has to be predicted, and discussion meetings for countermeasure in response to price fluctuation have to be held regularly or irregularly and collaborative procurement with relative enterprises should be done to reduce variation risk of procurement and outsourcing prices effectively. Also, short term engineering business should play the major role, and company has to adopt steady financial policy with sufficient operation revolving fund to pay revolving fund necessary for engineering operation. Thereby, not only belief of proprietors to credits and trust of the company may be increased, but also capital cost may be reduced.

2.2 Important purposes and production processes of major products

2.2.1. Important purposes of major products

(1) Sale and service of hi-tech equipment materials

Manufacturer	Product	Function
Japan Lasertec Corporation	LCD Color Filter Repair System	Inspection and repair of color filters
	Laser Scanning Conofocal Microscope	Application is more extensive, covering various businesses; mainly used by R&D for measuring 3D critical dimension and surface curve.
Japan Kokusai Electric	Vertical Furnace	Equipment for diffusion; the vertical design can reduce the area of clean room and is suitable for advanced 12” wafer production technology.
	MMT Plasma Nitridation System	Equipment for film growth; suitable for nm-grade IC manufacturing process, and has unique plasma source for growing films without plasma decomposition.
	Batch-type BCD Process System	Equipment for film growth; suitable for growing high-k, oxide and helide films; a necessary equipment for nm-grade IC manufacturing process.
Japan MTC	Photoresist Spinner	Apply photoresist onto surface of reticle by dropping while spinning.
	Cleaning System	Wash surface of etched glass with appropriate cleansing liquid or deionized water.
USA Bruker- JV	X-Ray(HRXRD/XRR)measurement system	Measure thickness and component percentage of semiconductor’s nm advanced process wafer film by using HRXRD/XRR.
USA DOW Chemical	OLED materials; photoresist materials; Photo Spacer; organic isolation materials	OLED deposition process; TFT yellow light process; CF sensitive separator; advanced process
Japan Athlete FA	Wafer Mounter	Applied in advanced WLCSP process; it grows solder balls on appropriate locations on wafer surface.
Korea Top Engineering	LC Injector	Inject LC molecules into panel to form LCD’s optical attribute.
Korea SFA	Polarizer, Remover, Recycling machine, Cleaning System, FA System	Laminate polarizer onto panel to form the optical attribute of polarized light.
Korea KOSES	Laser beam cutting machine; Laser beam molding machine	Laser cutting of unnecessary parts; OLED glass sealing
Korea Dong-A	OLED/LCD Aging System	R&D and QC engineering testing for various products such as LCD panel and OLED, and LCM post process module burn-in system testing.
Germany HENKEL	ODF Sealant	Suitable for sealing glass of LCD CELL fragment
Korea MCK	Glass Cleaning Cartridge	Suitable for cleaning glass of LCD chip fragment
Belerus KBTEM-OMO	Photomask pattern generator, inspection and repair	Applicable to photomask industry

(2) Automation SupplyingSystem

Category	Application
Gas Supply Automation System	Suitable for: IC, LCD, LED, GaAs and other hi-tech industries. Scope: Plan and design a gas supply automation system for an entire plant, including equipment selection, installation and testing, to provide a system that conforms to quality, safety, quantity and cost standards.
Chemical Supply Automation System	Suitable for: IC, LCD, LED, solar cell and other hi-tech industries. Scope: Plan, design, manufacture and install a delivery automation system, provide relevant equipment including mechanical and electrical products and automatic control, and provide

Category	Application
	relevant after-sales service for equipment.
Ultra Pure and Waste Water Treatment System	Suitable for: IC, LCD, LED, solar cell, public construction and other industries. Scope: Turn-key system planning, design, build, installation and running, including mechanical and electrical products and automatic control, and provide relevant after-sales service for equipment.
TCM (Total Chemical Management)、TGM（Total Gas Management）、TWM（Total Gas Management）	Suitable for: IC, LCD plants. Scope: Supply automation system operation, maintenance, material application,replacement and quality inspection.
Facility Management Control System (FMCS)	Suitable for: IC, LCD, LED, solar cell and other hi-tech industries. Scope: FMCS integrates sub-systems’ management control and data collectionand analyses to improve operational efficiency of facility and to reduce labor. The plan we provide for special gas control, which is most sensitive, can maintain production operation and protect workers’ safety under the most economic consideration.
Computer Integrated Manufacturing (CIM)	Target industries:High-tech related industries (IC, LCD, LED, Solar) and traditional manufacturing. Scope of business: Our mission is to help diagnose and connect the device, allowing them to be able to "talk". After collecting the data, we further conduct integration analysis, for example, using prognostics and health management (PHM) model to strengthen the maintenance schedule at the manufacturing site, so that we can enable new value for communiactions between the data. Whether it is a top-down process from the ERP for information management at management levels, or a bottom-up process from the MES for field control at operating levels, we allow a better smart factory through information stream, collection, and integration.
Agency for Automated Products	Suitable for: Various industries. Scope: Energy conservation and carbon reduction control, Dry Pump control,gas control system, remote control for coal mine safe production, intelligent solar energy control system, building automation control system, equipment health pre-diagnosis and management system for hi-tech industries, control system ODM service.
Business Support System (BSS)	Suitable for: Suppliers for telecommunications service, content service and Internet service. Scope: Plan, design, introduce and maintain relevant systems, including: • Customer Relationship Management System for managing product catalogues, marketing events, consumers’ basic information, service contracts, and complaint application and handling. , Charging and Billing System for managing consumers’ account information, contractual tariff, service fee calculation, bill production, and charge off/write off. l Order Management System for managing consumers’ orders, supplying equipment, and arranging supply and installation. „ Call Center System for providing a channel for customer service, handling customer calls, and notifying customers by phone.
Operations Support System (OSS)	Suitable for: Suppliers for telecommunications service, content service and Internet service. Scope: Plan, design, introduce and maintain relevant systems, including: • Provisioning System for setting network equipment, arranging network resources, and opening authority limits of consumer accounts. , Fault Management System for controlling operational status of network equipment, and collecting and handling fault alert messages. l Performance Management System for control operational efficiency of network equipment, and collecting and handling fault alert messages.
Value-added Service System	Suitable for: Suppliers for telecommunications service, content service and Internet service. Scope: Plan, design, introduce and maintain relevant systems, including: • Short Message System: interconnect short message center, provide sending of enterprise marketing/notification messages. , e-Books System: provide management, subscription and charging of e-book store members. l Content Management Platform: integrate multimedia contents, support playing of contents of multiple intelligent terminals, and provide contents on/off shelf management function and charge. „ Voice Service VPN System: provide internal mobile phone VPN service; can adopt code dialing and call saving; integrated with webcam function.
Enterprise Resource Planning System	Suitable for: Manufacturing and engineering related industries. Scope: Plan, design, introduce and maintain relevant systems, including: • Manufacturing Management System (MingStar-M): provide complete information on material fees and costs collected within an enterprise for analysis on the plant’s status as basis for improving efficiency and controlling costs. , Engineering Management System (MingStar-P): provide manager with project control related information for understanding execution status of project budgets as basis for arranging self-owned labor, subcontractors and outsourcing, and further managing project progress and controlling consts. l Acounting System (MingStar-A): provide internal subpoena and account book operations, account book information and financial statement information; provide method for handling multi-currency and multi-category accounts. „ Consolidated Report System (MingStar-C): allow Group to conduct collective statistics and produce various consolidated reports on information regarding its subsidiary or relevant enterprise; provide manager with report inquiry functions such as information consolidation, tracking and verification; can execute comparison and consolidation of multiple corporate financial statements, manage accounting of firm’s multiple foreign currencies, and further compile the Group’s financial information; provide financial statements that conform to laws and regulations.

Category	Application
Business Intelligent Product (QlikView)	Suitable for: Various industries; currently focused on manufacturing, distribution and telecommunications related industries. Scope: Plan, design, introduce and maintain relevant systems, including: • QlikView tool , Customized system outsourcing service l Consultation service

(3) ITotal Facility Engineering Turnkey Project

Category	Application
Turn-key Project	Suitable for: hi-tech related plant building affairs. Scope: Planning, design, construction, supervision and testing, including mechanical and electrical product, clean room, UPW, gas, chemical and waste water treatment, and overall equipment connection; customer can seek the help of expert firms to refine labor and costs to rapidly complete plant building and profit from production.
Total Turnkey Hook-up Project	Suitable for: Semiconductor, photoelectricity, biotechnology and other hi-techindustries. Scope: Gas piping, chemical piping, UPW piping, vacuum piping, exhaustion piping, etc.; integration of at least 14 items.
General Engineering	Suitable for: Petrochemical industry, general traditional production industry. Scope: Design, piping and mechanical and electrical products of petrochemical plant; mechanical and electrical products of traditional production plant, mechanical and electrical products of intelligent building, and public construction; mass transit system construction.

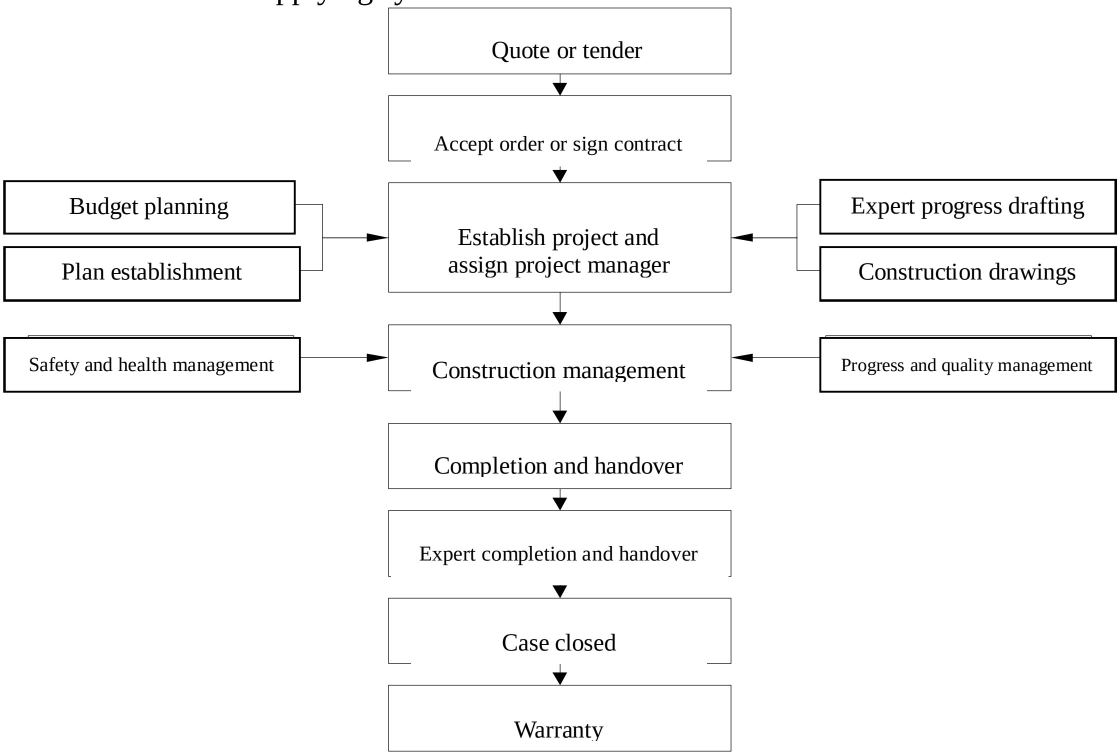
(4) R &D and manufacturing of customized equipment

Category	Application
Customized equipment manufacturing	Suitable for: IC, LCD, O-LED, solar energy and other traditional industries. Scope: Based on consideration toward market competitiveness, the current entry point has to be focused on localized and customer design products. As for mass production of major production equipment, it shall be focused on cooperative production with foreign suppliers. Examples of development projects include CIM (facility automation software) of TFT LCD/Touch Panel industry, 8G panel conveyor, Burr Checker, Dense Packer, 8G inspection equipment mechatronic software and hardware, Solar energy battery modul equipment, image inspection equipment, and solar energy battery laser marking machine. Also make developments toward industrial logistic system automation equipment of tradition industries such as IT, biotechnology, and pharmacy.
	Suitable for: electronics and other relevant industries. Scope: 1. Automation integration system for filling and packing palletizer in beverage industry. 2. Automation integration system for filling and packing palletizer in food industry. 3. Assembly automation system in electronic industry.

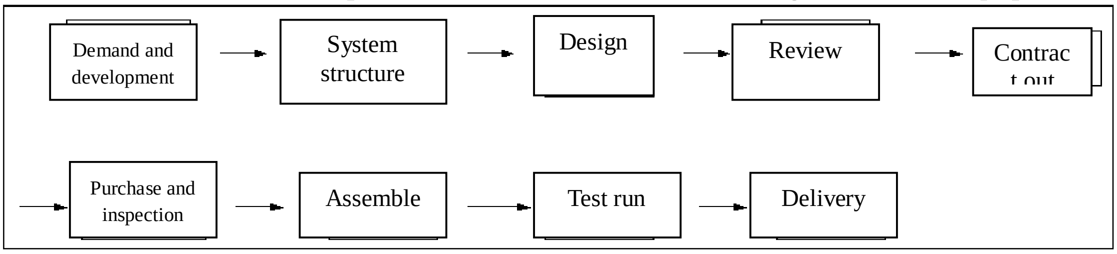
2.2.2. Production process of major product

Our high-tech equipment material sales and service are not production businesses, thus there is no manufacturing process. Our plant affairs and process system planning and integration service, and production process of customized equipment R&D and manufacturing are as follows:

(1) Workflow of Total Facility Engineering Turnkey Projectand Automatic Supplying system



(2) Production process of R&D and manufacturingcustomized equipment



2.3 Status of major material supply

For a hi-tech equipment sales and service business, the products we are authorized to sell as an agent are from long-term cooperating firms, thus the supplying is quite stable. Regarding plant affairs and process system planning and integration, stocked items are mainly raw materials required for piping constructions, such as pipe sitting materials and control valves. Because construction collaborations with owners are handled as projects, suitable equipment and materials are assigned by customers according to contractual requirements. Therefore, suppliers differ with the items purchased for each project and their specifications. However, as the quality of important construction materials, such as pipe fitting, affects the stability and safety of an automation supply system, we adopt the strategy of long-term cooperation with two to three outstanding pipe fitting suppliers. As for customized equipment R&D and manufacturing, supply and quality of materials are normal and steady without any supply shortage or interruption.

2.4 Name of customer with over ten percent of total purchase (sales) in one year for the previous two years and its amount and ratio of purchase (sales), explain the reason for the variation

2.4.1. Information of customer with over ten percent of total sales (service) in one year for the previous two years:

Unit: thousand NTD; %

	2017				2018				As of March 31, 2019(Note 2)			
Item	Name	Amount	Net ratio of annual sales (%)	Relationship with issuer	Name	Amount	Net ratio of annual sales (%)	Relationship with issuer	Name	Amount	Net ratio of annual sales (%)	Relationship with issuer
1	Customer A	2,823,781	13.97	Non-related	Customer A	3,053,247	12.51	Non-related	Customer A	897,710	15.60	Non-related
2	Customer B	2,102,001	10.40	Non-related	Customer B	2,151,639	8.81	Non-related	Customer B	721,173	12.54	Non-related
	Other	15,286,212	75.63		Other	19,210,837	78.68		Other	4,134,175	71.86	
	Net sales	20,211,994	100.00		Net sales	24,415,723	100.00		Net sales	5,753,058	100.00	

Note 1: The names of customers with over ten percent of total sales for the previous two years and their amount and ratio of sales are listed, but if the contract forbids disclosure of customer names or whether the counterparties are individuals and non-related parties, codes may be used. The above net sales refer to the net revenue from goods sold and service rendered.

Note 2: Listed company or company that has its stock listed and traded on the stock exchange shall have the information stated up to the season of the printing of the annual report. Besides, it is also a must to note whether the financial information has or has not been certified and reviewed by accountant.

Note 3: The above information shall be revealed on the 2017 and 2018 consolidated financial statement certified by the accountant and 2019 Q1 consolidated financial statement certified by the accountant.

Variation analysis:

We act as an agent for multiple critical materials and equipment required by semiconductor and photoelectric businesses, and we collaborate with OEM in developing related equipment modules. Our steady goods supply and elevated added values, such as technical support, have won the trust of customers. As we have years of technical and managerial experience as well as outstanding construction performance, our expert system integration construction services for automation gas and chemical supply system and plant affiars control system are highly praised by our customers. As for related equipment module development through collaboration with OEM, our steady goods supply and elevated added values, such as technical support, have won the trust of customers. We have built solid and close suplly value chain system with customers, thus in the recent two years, the status of our sales and service targets are quite stable without any changes or abnormality.

2.4.2. Information of major purchasing customer with over ten percent of total purchase in one year for the previous two years

No purchase by firm or outsourcing has exceeded 10% of total purchase (outsourcing) in one year for the previous two years.

2.5 Yield and output value for the recent two years

Unit: thousand NTD

Major merchandise (dept.) / Yield & output value / Year	2017			2018		
	Capacity	Yield	Output value	Capacity	Yield	Output value
Sales and service ofhigh-tech equipment and materials	Note	Note	4,194,072	Note	Note	4,429,003
Automation supply system			3,952,008			4,204,032
Total Facility Engineering Turnkey Project			4,666,010			6,654,356
R&Dand manufacturing of customized equipment			5,098,567			6,309,136
Total			17,910,657			21,596,527

Note 1: We supply materials and equipment required by semiconductor and photoelectric businesses, and we provide construction contracting service of automation supply system and total integration system. Application of these materials and equipment extends to high-tech industries, such as semiconductor, photoelectrics and solar energy, thus there are numerous types of products and no uniform unit for quantity statistics. The plant construction projects we contract are created based on owners' requirements, thus the nature of each project is different and each project has its own uniqueness. As the production and marketing output values cannot be calculated, the statistics are gathered according to product or service category.

Note 2: The above information is revealed in the CPA certified consolidated financial reports for 2017 and 2018.

Variation analysis:

Our group benefited from the continual economic upturn of the semiconductor, optoelectronics, and other electronics industries in 2018 as well as the momentum of the cross-strait expansion. Thus, our orders on demand from clients from all different industries had risen, resulting in our consolidated revenue increase in 2018 compared to the previous year. Thus, our value of output had increased as well.

2.6 Sales volume for the recent two years

Unit: thousand NTD

Major merchandise (dept.) / Sales volume / Year	2017			2018		
	Region			Region		
	Taiwan	China	Other	Taiwan	China	Other
Sales and service for hi-tech equipment and materials	2,914,350	2,019,396	117,791	2,760,091	2,228,574	387,967
Automation supply system	2,294,836	1,849,811	319,607	2,756,637	1,544,133	427,596
Total Facility Engineering Turnkey Project	2,648,646	1,799,931	267,508	3,920,962	2,949,212	119,035
R&D and manufacturing of customized equipment	513,987	783,712	4,682,419	1,060,766	824,767	5,435,983
Total	8,371,819	6,452,850	5,387,325	10,498,456	7,546,686	6,370,581

Note 1: We supply materials and equipment required by semiconductor and photoelectric businesses, and we provide construction contracting service of automation supply system and total integration system. Application of these materials and equipment extends to high-tech industries, such as semiconductor, photoelectrics and solar energy, thus there are numerous types of products and no uniform unit for quantity statistics. The plant construction projects we contract are created based on owners' requirements, thus the nature of each project is different and each project has its own uniqueness. As the production and marketing output values cannot be calculated, the statistics are gathered according to product or service category.

Note 2: The above information is revealed in the CPA certified consolidated financial reports for 2017 and 2018.

Variation analysis:

In the past two years, our group mainly focused on providing sales services to Taiwan and China. From the changes in our sales figures, our analysis is that our group benefited from the continual economic upturn of the semiconductor, optoelectronics, and other electronics industries in 2018 as well as the momentum of the cross-strait expansion. Thus, our orders on demand from clients from all different industries had risen, resulting in our consolidated revenue increase in 2018 compared to the previous year. All in all, the changes in the consolidated revenue of Marketech International Corporation according to sales and regional categories are due to reasonable causes such as customer demand, market demand and supply, the nature of engineering works, and continued relationships in cooperation. There was no occurrence of significant unusual situations.

3. Human Resources

The employee profile for the recent two years and as of the printing date of annual reports is as follows:

Unit: person(s); %

Item/Year		2017	2018	As of March 31, 2019
Number of employees	Direct worker	825	876	887
	Indirect worker	795	820	815
	Total	1,620	1,696	1,702
Average age		37.59	36.28	37.22
Average years of service		7.68	6.77	7.40
Education distribution ratio (%)	Doctor	0.62	0.65	0.88
	Master	11.48	11.50	11.46
	University	40.93	43.46	43.30
	Junior college	29.69	27.47	26.97
	Other	17.28	16.92	17.39

4. Environmental Protection Expenditure

For the previous year and as of the printing date of annual reports, provide the total amount of losses (including damages) and penalties due to environmental pollution, and dexcribe future countermeasures (including improvement measures) and possible expenses (including estimated amounts of losses, penalties and damages that may occur if the countermeasures are not adopted; for those that cannot be reasonably estimated, explain the reason): None.

The business we operate does not cause any pollution. When semiconductor process consumable materials, such as chemical-mechanical polishing liquid, have to be discarded due to uncontrolled temperature or humidity or expiration, or when raw materials have to be discarded during production process, they are removed and transported by expert waste treatment firms as regulated. All air, water, waste, toxin and noise levels are qualified through inspection by local government authorities. Plant affairs and process sytem planning and integration services refer to hi-tech industrial facility design, planning, construction and installation. The construction process does not generate pollutants such as waste water or waste gas. Regarding machine to be self designed and assembled as required by customer, because the assemlying is carried out in a clean room, thus it does not generate pollutants such as waste water or waste gas. In addition, the wastes generated from production or assembly are divided and bagged by categories in accordance with government regulations and owner norms before they are handed over to qualified expert waste treatment firms. Furthermore, our products do not involve regulations of EU Environmental Directive (RoHS), thus we are not affected by RoHS. There is no environmental pollution involved in our business.

5. Labor Relations

5.1 List each employee benefit practice, continuing education, training, retirement system and their implementation, as well as labor-capital agreements and each employee rights maintenance measure

5.1.1. Employee benefit practices

To promote labor harmony, bring together unity amongst employees and take care of employee benefits, we provided not only the social insurance regulated by local governments but also employee’s group insurance and physical examination. We have setup nursery rooms, reading spaces and dormitories in part of the office areas, as well as provide shuttle buses, for our employees. Our Employee Benefit Committee or personnel administrative unit is responsible for promoting employee benefit practices, such as incentive tour, group seminar, outdoors activity and year-end party, and providing assistance in communicating labor-capital opinions.

5.1.2. Employee continuing education

To cope with the industrial environment and technology development that are changing rapidly, we provide employee funds every year for subsidizing employees’ learning to create employees with competitiveness and potential, allowing employees to elaborate learning results, apply new knowledge and develop creations, and acquiring rich profits.

5.1.3. Employee training

To enhance employee literacy and working skills, as well as strengthen work efficiency and quality, we established the “Regulations for Guidance for New Employees”, the “Regulations for Educational Training Expense Write-off and Language Subsidy Management” and the “Procedure for Human Resource Control”; guidance and educational training are imiplemented once new employees report to work. Industrial safety training is held regularly to maintain work safety. We have planned annual educational training programs for implementing general training and expert training for employees of all levels and functions to train excellent professional talents and further enhance operational performance as well as effectively develop and use human resources.

5.1.4. Retirement system and its implementation

(1) Employees of the Company and its domestic subsidiaries who choose the old labor pension system

Retirement includes voluntary retirement and compulsory retirement. An employee who has served the Company for 25 years or is 55 years old and has worked for over 15 years or is over 60 years old may apply for voluntary retirement. An employee who is over 65 years old or is not qualified for the job due to state of insanity or physically disabled must be compelled to retire. Pension payment and calculation shall be handled in accordance with the regulations of the Labor Standards Act.

(2) Employees of the Company and its domestic subsidiaries who choose the new labor pension system

(2.1) For an employee who chooses the new system, 6% of his/her wage will be allocated monthly to a personal account at the Bureau of Labor Insurance in accordance with the labor pension. For voluntary allocation, the wage withheld will be remitted to a personal account at the Bureau of Labor Insurance in accordance with the voluntary allocation rate.

(2.2) Monthly retirement payment: according to the annuity table, the amount calculated using bases of life expectancy and interests for an employee's personal pension account and accumulated gains is the retirement payment paid regularly.

(2.3) Lump-sum retirement payment: collect the capital of the employee personal pension account and accumulated gains all at once. The abovementioned annuity table, life expectancy, interest and amount calculation shall be establied by the Bureau of Labar Insurance and filed to the central competent authority for approval.

(2.4) An employee who is over 60 years old and has worked for over 15 years may apply for monthly retirement payment. But an employee who has not worked for over 15 years shall apply for lump-sum retirement payment.

(3) In accordance with the Labor Act of the People's Republic of China, a certain ratio of the wage of an employee working at a subsidiary in China is allocated monthly as endowment insurance funds. Part of the amount allocated will be designated as social funds for management and usage by the government; the rest will be remitted to the employee's personal account to ensure his/her basic living requirements in old age and provide stable and reliable living sources.

(4) Other subsidiaries conform to related regulations of the Labor Act established by the local government, and allocate an amount of certain ratio for retirement payment according to the wage cap to ensure his/her living rights in old age.

5.1.5. Labor-capital agreements and employee rights maintenance measures

We see labor and capital as one, and handle industrial relations in accordance with the operational principles of co-existence and co-prosperity, thus we value the opinions of employees. Employees may communicate living or work related problems through our formal or informal channels. Through the opportunity for two-way communication, the Company and employees can further understand and recognize each other, gather common consensus and achieve together excellent performance.

(1) Industrial coordination mechanism:

Establish unions or industrial meetings in accordance with regulations stipulated by local governments for two-way communication between the Company and employees regarding issues such as government orders, working environment and safety and health, as well as for strengthening a mutual trusting relation between each other.

(2) Beneficial activities:

We have an Employee Benefit Committee, of which members are warm-hearted workers good at communication. They are designated by employees and elected through public and fair election, thus they can provide complete insights on behalf of employees toward the Company's banefit measures during committee meetings and achieve full communication and consensus. In addition, to advocate recreational activities, we hold on irregular basis tours and sports competitions. We also encourage employees to organize different clubs to enhance communication through cross-departmental organizations and harmonized atmosphere.

(3) Physical examination:

To maintain employees' health, we implement physical examination every year at the Company's cost. Special physical examination is implemented every year for employees engaged in special operations.

(4) Group insurance:

In addition to the basic security of social insurance, we have planned group insurance to provide injury and illness treatment for compensating insufficiencies in the basic security of social insurance. Travel accident insurance is provided for employees on business trip abroad, of which the premium is paid fully by the Company.

5.2 For the recent year and as of the printing date of annual reports, list the losses incurred by industrial conflicts, and disclose estimated amounts and responsive measures for losses that may occur now or in the future; if a loss cannot be estimated reasonably, state the reason

We have always valued employee benefits and our industrial relations are harmonious, thus no industrial disputes were encountered. We will continue to follow our principles in the future for industrial relations to be more stable and harmonized and achieve mutual benefits.

6. Important Contracts

Listed below are significant agreements that are still effective as of the printing date of annualreports and due in the recent year:

Nature	Contracting party	Commencement date and termination date	Mainn contents	Restriction terms
Agency agreement	KMG, USA	From 1992.03.27; automatically extended annually if not terminated in writing by either party forty-five days in advance	Distribution rights to chemicals such as semiconductor photoresist liquid	For use in Taiwan
Agency agreement	Kokusai Electric, Japan	From 2003.10.01; automatically extended annually unless wishes to terminate the agreement and proposes termination thirty days in advance	Distribution rights to furnace and Monolithic Wafer Tool	For use in Taiwan, China
Agency agreement	Lasertec Corporation, Japan	From 2004.06.30; automatically extended annually if not terminated in writing by either party three months in advance	Maintenance and distributions rights to color filter tester and laser microscope	For use in Taiwan, China, Hong Kong, Malaysia
Agency agreement	TEX E. G . Co., Ltd. , Japan	From 2003.12.01; automatically extended for two years every two years if not terminated by either party in writing two months in advance	Distribution rights to robotic arm	For use in Taiwan (AIPC)
Agency agreement	Rippey Corporation, USA	From 1998.02.16; automatically extended annually if not terminated in writing by either party in advance	Distribution rights to polishing brush for semiconductor production process	For use in Taiwan, China
Agency agreement	Symco Corp. (Ryoka), Japan	From 2004.03.17; effective for two years; automatically extended annually if no termination notification is proposed one month in advance	Distribution rights to photo tester	For use in Taiwan, China
Agency agreement	SFA Engineering Corp	From 2004.06.03; effective for one years; automatically extended annually if not terminated in writing by either party in writing 90 days in advance	Adhesive machine, de-gluing machine, recycling machine, washing machine, FA system	For use in Taiwan(AUO，CMO，Innolux), China
Agency agreement	Top Engineering Co., Ltd., Korea	From Feb. 28 of 2006, the validity is one year and if no written notification for terminating the contract is sent to the Party 60 days before the expiry date, the contract will be renewed automatically.	The proxy right for ODF one-time crystal injector	For use in Taiwan (AUO, CMO, Innolux), China
Agency agreement	Integrated Process Systems, Ltd. , Korea	From 2008.10.15 to 2009.10.15; effective for one year; automatically extended annualy if no termination notification is proposed by either party sixty days in advance	Distribution rights to dry etching equipment	For use in Taiwan (CMO, Toppoly, CPT&Hannstar), China (SVA, Tianma, IVO, BOE&IRICO)
Agency agreement	QlikTech International Markets AB, Sweden	From 2014.09.01; effective for one year; automatically extended annualy if no termination notification is proposed by either party 90 days in advance	Distribution rights to Software Called Qlikview	For use in Taiwan
Agency agreement	Cabot Miroelectronics Corporation	From 2017.03.31 to 2019.04.30	Sale Cabot's products	For use in China
Agency agreement	Coring Tropel, USA	From 2006.06.12; automatically extendedupon expiration if there are no objections	Distribution rights to inspection equipment	For use in Taiwan, China
Agency agreement	Bruker-JV,USA	From 2016.02.01; automatically extendedupon expiration if there are no objections	Sales, installation and service of inspection equipment	For use in Taiwan, China

Nature	Contracting party	Commencement date and termination date	Mainn contents	Restriction terms
Agency agreement	Revasum	From 2015.03.01; automatically extended annually if not terminated in writing by either party ninty days in advance	CMP、Grinder	For use in Taiwan, China
Agency agreement	Athlete FA Corporation, Japan	From 2015.05.30; automatically extended annually unless wishes to terminate the agreement and proposes termination thirty days in advance	Ball Mounter，Ball Repair	For use in Taiwan, China
Agency agreement	Holon Corporation, Japan	From 2016.03.20; automatically extended annually unless wishes to terminate the agreement and proposes termination ninty days in advance	SEM CD Z7 & Z7-DX	For use in China
Agency agreement	ADEKACORPORATION	From Jan. 18 of 2012, the validity is 5 years and if no written notification for terminating the contract is sent to the Party 90 days before the expiry date, the contract will be renewed automatically.	Semiconductor process precursor gas material	For use in Taiwan
Agency agreement	Mycropore	From Nov. 19 of 2018, the validity is 2 years and the contract will be renewed automatically for 2 years.	Semiconductor process filter material	For use in Taiwan
Agency agreement	KBTEMOMO	From Oct. 5 of 2016, the validity is 1 year and and if no written notification for terminating the contract is sent to the Party 92 days before the expiry date, the contract will be renewed automatically.	Mask writing, defect repair, defect inspection	For use in Taiwan, China
Agency agreement	Gem Vax&KAEL.co.Ltd	From Jun. 1 of 2013, the validity is 2 years and and if no written notification for terminating the contract will be renewed automatically.	Filter	For use in China
Agency agreement	MITSUI BUSSAN ELECTRONICS LTD.	From Apr. 1 of 2017 to Mar 3 of 2019	Sic process equipment	For use in Taiwan, China and Hong Kong
Agency agreement	Optima Incorporated	From Jun. 1 of 2016, if no written notification for terminating the contract is sent to the Party 30 days before the expiry date, the contract will be renewed automatically.	Wafer testing equipment	For use in Taiwan, China and Hong Kong
Agency agreement	Kokusai Electric Semiconductor Service Inc	From Nov. 1 of 2017 to Oco, 31 of 2020, the contract will be renewed automatically without any requirement.	Resisitivity Test System (VR Series) 4points probe	For use in China
Agency agreement	ATS Japan Corp	From Dec. 15 of 2017 to Dec, 31 of 2019	Authorized distributinf detachable/twisted plate heat exchanger products in the electronics industry	For use in China
Agency agreement	KOEI International Corp	From Jun. 1 of 2018 to May, 31 of 2019	Pressure sensor	For use in China
Dealer	Avantor Performance Materials	From May. 31 of 2018 to May, 31 of 2019	Photoresist remover	For use in China
Agency agreement	AQUSEN Technology CO.Ltd	From Jan. 1 of 2018 to Dec, 31 of 2018	Leak detector	For use in China
Authorization	HORIBA (China) TRADING CO., LTD	From Sep. 1 of 2018 to Aug, 31 of 2019	Gas quality flow controller	For use in China
Agency agreement	Dong A Eltek Co.Ltd	From Feb. 22 of 2018 to Feb. 2 of 2019, the validity is one year and if no written notification for terminating the contract is sent to the Party 60 days before the expiry date, the contract will be renewed automatically.	Light leakage inspection machine in mainland China	限大陸地區使用
Agency agreement	MCK Co.Ltd	From Jan. 1 of 2017 to Dec. 12 of 2018, the validity is two year	Primarily sales parts	For use in China
Agency agreement	J-TEK INCORPORATION	From Aug. 1 of 2018 to Aug, 1 of 2019	Primarily sales AGV products	For use in Taiwan, China
Agency agreement	KE Semiconductor Equipment (Shanghai) Co Ltd	From Aug. 1 of 2018 to Jul. 31 of 2019, then contract will be renewed automatically after expiry date.	Vertical diffusion furnace	For use in China
Agency agreement	Adcanced Modular Systems,INC.	From Dec. 22 of 2015, the validity is one year and if no written notification for terminating the contract is sent to the Party 90 days before the expiry date, the contract will be renewed automatically.	Film deposition equipment, film finishing equipment	For use in China
Agency agreement	Active Layer Parametrics,INC.	From Aug. 1 of 2016, the validity is one year and if no written notification for terminating the contract is sent to the Party 90 days before the expiry date, the contract will be renewed automatically.	Measure Wafer electrical instruments	For use in Taiwan, China and Singapore

Nature	Contracting party	Commencement date and termination date	Mainn contents	Restriction terms
Agency agreement	FINE SEMITECH CORP.	From Jan. 10 of 2017, the validity is one year and if no written notification for terminating the contract is sent to the Party 90 days before the expiry date, the contract will be renewed automatically.	Film	For use in Taiwan, China
Agency agreement	Vasstek International Corporation.	From Mar. 1 of 2016, the validity is two years and if no written notification for terminating the contract is sent to the Party 90 days before the expiry date, the contract will be renewed for a year automatically.	Satellite camera module equipment	For use in China
Agency agreement	DONG A ELTEK Co., LTD	From Feb. 1 of 2017, the validity is one year.	MP7 series products, Dong A Eltek automatic inspection machine, module semi-automatic point inspection machine, automatic external compensation equipment	For use in China
Agency agreement	DOW CHEMICAL Company	From Dec. 15 of 2013, the contract will be renewed for a year automatically after the expiry date.	Polishing pad / polishing solution	For use in Taiwan, China

Part 6. Financial Information

1.Condensed Balance Sheets and Statements of Comprehensive Income for the past 5 fiscal years, and the name of the Certified Public Accountant and the Auditors Opinion given thereby

1.1Consolidated Financial Information – Based on IFRS

1.1.1. Consolidated Financial Statement

(1)Consolidated Condensed Balance Sheet – Based on IFRS (Consolidated Financial Statement)

Unit: NT$thousands

Year / Item		Financial Summary for The Last Five Years (Note1)					As of March 31,2019 Financial Information (Note3)
		2014	2015	2016	2017	2018	
Current assets		9,793,274	9,930,954	12,178,315	13,643,594	15,268,921	15,223,394
Property, Plant and Equipment (note 2)		1,461,476	1,419,554	1,388,586	1,864,277	2,231,933	2,246,797
Intangible assets		32,781	23,045	21,619	20,115	19,441	15,841
Other assets(note 2)		488,029	552,673	494,262	543,157	707,911	1,758,290
Total assets		11,775,560	11,926,226	14,082,782	16,071,143	18,228,206	19,244,322
Current liabilities	Before distribution	7,231,258	7,300,177	8,845,356	10,372,850	12,123,395	12,079,480
	After distribution	7,561,398	7,630,317	9,208,509	10,815,391	(Note 6) 12,680,169	(Note6) 12,079,480
Non-current liabilities		164,750	161,251	632,231	554,291	367,508	1,251,764
Total liabilities	Before distribution	7,396,008	7,461,428	9,477,587	10,927,141	12,490,903	13,331,244
	After distribution	7,726,148	7,791,568	9,840,740	11,369,682	(Note6) 13,047,677	(Note6) 13,331,244
Equity attributable to shareholders of the parent		4,375,458	4,459,596	4,607,611	5,144,977	5,666,734	5,846,495
Capital stock		1,650,698	1,650,698	1,650,698	1,770,164	1,855,913	1,856,904
Capital surplus		616,354	618,773	648,446	843,057	970,381	971,636
Retained earnings	Before distribution	2,050,443	2,164,227	2,335,452	2,612,401	2,981,371	3,132,305
	After distribution	1,720,303	1,834,087	1,972,299	2,169,860	(Note6) 2,424,597	(Note6) 3,132,305
Other equity interest		57,963	25,898	(26,985)	(80,645)	(140,931)	(114,350)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		4,094	5,202	(2,416)	(975)	70,569	66,583
Total equity	Before distribution	4,379,552	4,464,798	4,605,195	5,144,002	5,737,303	5,913,078
	After distribution	4,049,412	4,134,658	4,242,042	4,701,461	(Note6) 5,180,529	(Note6) 5,913,078

- Company that has compiled individual financial statement shall also compile individual condensed balance sheet and statement of comprehensive income information for the most recent 5 fiscal years.
- Company that has adopted International Financial Reporting Standards for its financial information less than five years shall compile its financial information with Financial Reporting Standards of the R.O.C. separately.

Notes:

1. The year of financial statement that has not been certified by an accountant shall be stated. The Company's financial statements mentioned above have all been checked and verified by an accountant.
2. Company that has conducted asset-revaluation shall state the date of holding the asset revaluation and the revaluated added amount. This Company hasn't held asset-revaluation in the above-mentioned years.
3. Listed company or company that has its stock listed and traded on the stock exchange shall have the information stated up to the season of the printing of the annual report. Besides, it is also a must to note whether the financial information has or has not been certified and reviewed by accountant. Above 2019 financial statements to March 31 have been reviewed by the accountant.
4. Regarding above-mentioned figures after distribution, please write-in with regards to the resolution of Shareholders' Meeting next year.
5. Financial information that shall be self-corrected or compiled as noted by the competent authority shall list revised or corrected figures, and have its conditions and reasons noted down.
6. Up to the printing of the annual report, the Company's 2018 profit distribution has not yet been approved by Shareholders'

Meeting.

(2) Consolidated Condensed Statement of Comprehensive Income – Based on IFRS (Consolidated Financial Statement)

Unit: NT$thousands
（Except Earnings Per Share using NT$.）

Item \ Year		Financial Summary for The Last Five Years (Note1)					As of March 31,2019 Financial Information (Note2)
		2014	2015	2016	2017	2018	
Operating revenue		14,965,399	18,031,624	18,650,941	20,211,994	24,415,723	5,753,058
Gross profit		1,759,065	2,014,602	2,247,657	2,301,337	2,819,196	505,619
Operating Income		504,299	574,436	700,300	800,699	875,753	150,900
Non-operating Income/expense		(36,114)	11,953	(27,687)	13,276	125,086	49,322
Earnings before tax		468,185	586,389	672,613	813,975	1,000,839	200,222
Net income from continuing operations		384,519	459,985	511,263	648,829	782,164	146,546
Loss from discontinued operations(Note3)		0	0	0	0	0	0
Net income (loss)		384,519	459,985	511,263	648,829	782,164	146,546
Other comprehensive income (net after tax)		53,560	(47,018)	(65,992)	(62,830)	(45,658)	26,983
Current comprehensive income/loss		438,079	412,967	445,271	585,999	736,506	173,529
Net earnings attributable to owners of the parent		384,545	458,724	515,151	652,951	792,582	150,934
Net earnings attributable to non-controlling interest		(26)	1,261	(3,888)	(4,122)	(10,418)	(4,388)
Comprehensive income/loss attributable to owners of the parent		437,984	411,859	449,009	589,971	747,730	177,515
Comprehensive income/loss attributable to non-controlling interest		95	1,108	(3,738)	(3,972)	(11,224)	(3,986)
Earnings per share (in dollars)	Basic earnings per share－current(Note5)	2.33	2.78	3.12	3.77	4.40	0.81
	Diluted earnings per share－current(Note5)	2.30	2.73	2.95	3.51	4.21	0.80
	Adjusted Diluted Earnings per Share(Note6)	2.30	2.73	2.95	3.51	4.21	0.80

- Company that has compiled individual financial statement shall also compile individual condensed balance sheet and statement of comprehensive income information for the most recent 5 fiscal years.
- Company that has adopted International Financial Reporting Standards for its financial information less than five years shall compile its financial information with Financial Reporting Standards of the R.O.C. separately.

Notes:

1. The year of financial statement that has not been certified by an accountant shall be stated. The Company's financial statements mentioned above have all been checked and verified by an accountant.
2. Listed company or company that has its stock listed and traded on the stock exchange shall have the information stated up to the season of the printing of the annual report. Besides, it is also a must to note whether the financial information has or hasnot been certified and reviewed by accountant. Above 2019 financial statements to March 31 have been reviewed by the accountant.
3. The loss of unit that has suspended the operations shall be listed in net value after deducted the income tax.
4. Financial information that shall be self-corrected or compiled as noted by the competent authority shall list revised or corrected figures, and have its conditions and reasons noted down.
5. Calculated by weighted average outstanding shares of the year.
6. Earning per share of the year shall be calculated based on the weighted average outstanding shares of the year, which are

adjusted according to the number of increased shares over the years due to capital increase by earnings.

1.1.2 Separate Financial Information – Based on IFRS

(1) Separate Condensed Balance Sheet – Based on IFRS (Individual Financial Statement)

Unit:NT$thousands

Year / Item		Financial Summary for The Last Five Years (Note1)				
		2014	2015	2016	2017	2018
Current assets		6,068,094	6,113,781	8,040,543	8,819,329	10,679,609
Property, Plant and Equipment (note 2)		1,168,848	1,126,399	1,120,544	1,453,359	1,719,499
Intangible assets		14,469	12,265	15,515	15,270	14,032
Other assets(note 2)		1,946,783	2,089,477	1,861,272	2,133,410	2,497,035
Total assets		9,198,194	9,341,922	11,037,874	12,421,368	14,910,175
Current liabilities	Before distribution	4,658,617	4,720,325	5,773,977	6,716,027	8,880,579
	After distribution	4,988,757	5,050,465	6,137,130	7,158,568	(Note6) 9,437,353
Non-current liabilities		164,119	162,001	656,286	560,364	362,862
Non-current liabilities	Before distribution	4,822,736	4,882,326	6,430,263	7,276,391	9,243,441
	After distribution	5,152,876	5,212,466	6,793,416	7,718,932	(Note6) 9,800,215
Capital stock		1,650,698	1,650,698	1,650,698	1,770,164	1,855,913
Capital surplus		616,354	618,773	648,446	843,057	970,381
Retained earnings	Before distribution	2,050,443	2,164,227	2,335,452	2,612,401	2,981,371
	After distribution	1,720,303	1,834,087	1,972,299	2,169,860	(Note6) 2,424,597
Other equity interest		57,963	25,898	(26,985)	(80,645)	(140,931)
Total equity	Before distribution	4,375,458	4,459,596	4,607,611	5,144,977	5,666,734
	After distribution	4,045,318	4,129,456	4,244,458	4,702,436	(Note6) 5,109,960

- Company that has compiled individual financial statement shall also compile individual condensed balance sheet and statement of comprehensive income information for the most recent 5 fiscal years.
- Company that has adopted International Financial Reporting Standards for its financial information less than five years shall compile its financial information with Financial Reporting Standards of the R.O.C. separately.

Notes:

1. The year of financial statement that has not been certified by an accountant shall be stated. The Company's financial statements mentioned above have all been checked and verified by an accountant.
2. Company that has conducted asset-revaluation shall state the date of holding the asset revaluation and the revaluated added amount. This Company hasn't held asset-revaluation in the above-mentioned years.
3. Listed company or company that has its stock listed and traded on the stock exchange shall have the information stated up to the season of the printing of the annual report. Besides, it is also a must to note whether the financial information has or has not been certified and reviewed by accountant. Above 2019 financial statements to March 31 have been reviewed by the accountant.
4. Regarding above-mentioned figures after distribution, please write-in with regards to the resolution of Shareholders' Meeting next year.
5. Financial information that shall be self-corrected or compiled as noted by the competent authority shall list revised or corrected figures, and have its conditions and reasons noted down.
6. Up to the printing of the annual report, the Company's 2018 profit distribution has not yet been approved by Shareholders' Meeting.

(2) Separate Condensed Statement of Comprehensive Income – Based on IFRS (Individual Financial Statement)

Unit: NT$thousands
（Except Earnings Per Share using NT$.）

Item \ Year		Financial Summary for The Last Five Years (Note1)				
		2014	2015	2016	2017	2018
Operating revenue		10,432,963	12,482,462	13,308,343	15,319,550	16,757,545
Gross profit		1,288,867	1,485,761	1,749,009	1,849,529	1,937,844
Operating Income		520,967	616,331	770,176	875,580	748,195
Non-operatingIncome/expense		(56,129)	(42,814)	(98,650)	(59,192)	244,957
Earnings before tax		464,838	573,517	671,526	816,388	993,152
Net income from continuing operations		384,545	458,724	515,151	652,951	792,582
Loss from discontinued operations(Note3)		0	0	0	0	0
Net income (loss)		384,545	458,724	515,151	652,951	792,582
Other comprehensive income (net after tax)		53,439	(46,865)	(66,142)	(62,980)	(44,852)
Current comprehensive income/loss		437,984	411,859	449,009	589,971	747,730
Earnings per share (in dollars)	Basic earnings per share－current (Note5)	2.33	2.78	3.12	3.77	4.40
	Diluted earnings per share－current (Note5)	2.30	2.73	2.95	3.51	4.21
	Adjusted Diluted Earnings per Share(Note6)	2.30	2.73	2.95	3.51	4.21

l Company that has compiled individual financial statement shall also compile individual condensed balance sheet and statement of comprehensive income information for the most recent 5 fiscal years.

l Company that has adopted International Financial Reporting Standards for its financial information less than five years shall compile its financial information with Financial Reporting Standards of the R.O.C. separately.

Notes:

1. The year of financial statement that has not been certified by an accountant shall be stated. The Company's financial statements mentioned above have all been checked and verified by an accountant.
2. Listed company or company that has its stock listed and traded on the stock exchange shall have the information stated up to the season of the printing of the annual report. Besides, it is also a must to note whether the financial information has or has not been certified and reviewed by accountant. Above 2019 financial statements to March 31 have been reviewed by the accountant.
3. The loss of unit that has suspended the operations shall be listed in net value after deducted the income tax.
4. Financial information that shall be self-corrected or compiled as noted by the competent authority shall list revised or corrected figures, and have its conditions and reasons noted down.
5. Calculated by weighted average outstanding shares of the year.
6. Earning per share of the year shall be calculated based on the weighted average outstanding shares of the year, which are adjusted according to the number of increased shares over the years due to capital increase by earnings.
7. Up to the printing of the annual report, the Company's 2018 profit distribution has not yet been approved by Shareholders' Meeting.

1.2The uniformed comparison items affecting the current financial report, such as accounting changes, corporate combinations or the discontinuation of business departments: None

1.3 The names and the certiyfing remarks made by the accountatns of the laterst five years:

Years	Accounting Firms	Names of accounts	Certifying remarks
2014	PricewaterhouseCoopers Taiwan	Lin, Chun-Yao & Chang, Shu-Chiung	Unqualified
2015	PricewaterhouseCoopers Taiwan	Chang, Shu-Chiung & Lin, Chun-Yao	Unqualified
2016	PricewaterhouseCoopers Taiwan	Lin, Chun-Yao & Chang, Shu-Chiung	Unqualified
2017	PricewaterhouseCoopers Taiwan	Chang, Shu-Chiung & Wong, Shu-rong	Unqualified
2018	PricewaterhouseCoopers Taiwan	Chang, Shu-Chiung & Wong, Shu-rong	Unqualified

Notes: Due to the internal reorganization of the firm, the certifying accountants of the 2014 fiscal year were Kebin Lin and Shu-rong Wong, while the 2017 fiscal year were Kebin Lin and Shu-chiung Chang.

2.Financial Analysis in the past 5 fiscal years

2.1 Below data is analyzed based on IFRS

2.1.1. Consolidated Capital Structure Analysis－IFRS (Consolidated Financial Report)

Year / Items（Note4）		Financial Analysis over the last Five Years（Note1）					As of Mar. 31, 2019 (Note 2)
		2014	2015	2016	2017	2018	
Capital structure analysis (%)	Debts Ratio	62.81	62.56	67.30	67.99	68.53	69.27
	Long Term Funds to Fixed Assets	310.94	325.88	377.18	305.66	273.52	318.89
Liquidity analysis (%)	Current Ratio	135.43	136.04	137.68	131.53	125.95	126.03
	Quick Ratio	101.87	99.78	102.89	94.30	91.11	92.01
	Interest Guarantee (times)	16.47	16.15	12.88	13.98	16.15	9.68
Operating performance analysis	Average Collection Turnover (times)	4.60	5.14	4.55	4.45	5.18	4.72
	Average Collection Days	79	71	80	82	70	77
	Average Inventory Turnover (times)	3.10	3.43	3.44	2.96	2.72	2.55
	Average Payables Turnover (times)	3.67	4.13	4.16	3.90	4.23	4.13
	Average Inventory Turnover Days	118	106	106	123	134	143
	Fixed Asset Turnover (times)	10.04	12.52	13.28	12.43	11.92	10.28
	Total Asset Turnover (times)	1.37	1.52	1.43	1.34	1.42	1.23
Return on investment analysis	Return on Total Asset (%)	3.75	4.15	4.29	4.65	4.87	3.52
	Return on Total Equity (%)	9.04	10.40	11.27	13.31	14.38	10.06
	Pre-tax Profit to Capital Stocks (%)(Note 8)	28.36	35.52	40.75	45.98	53.93	43.13
	Net Income to Sales(%)	2.57	2.55	2.74	3.21	3.20	2.55
	Earnings per Share(NT) (Note 3)	2.33	2.78	3.12	3.77	4.40	0.81
Cash flow analysis	Cash Flow Ratio(%)	7.85	(2.70)	(2.71)	12.10	0.80	-2.69
	Cash Flow Adequacy Ratio (%) (Note 6)	56.44	14.85	5.28	26.81	27.82	11.43
	Cash Flow Reinvestment Ratio (%)	6.71	(8.89)	(8.65)	12.69	(4.61)	-4.30
Leverage	Operating Leverage	2.62	2.65	2.46	2.17	2.55	2.33
	Financial Leverage	1.06	1.07	1.09	1.08	1.08	1.18

Note on variation in capital ratio in the previous two years (Not applicable if the variation is < 20%)

Cash Flow Analysis：

(1) Cash flow ratio less: which primarily attributes to an decrease in business activity net cash inflow and to increase current liability this year, resulting in the 2018 cash flow equivalent ratio is less than in 2017.

(2) Less in cash reinvestment ratio: which primarily attributes to an decrease to the 2018 business activity net cash inflow, to an increase to real estate, plant, equipment and related capital expenditure and, resulting in the cash flow reinvestment ratio to less than the last year.

＊Entity capital ratio analysis should be included if an entity report is filed

＊For any data adopts IFRS reporting standard for less than five years should file a separate report that adheres to local accounting principles.

Note 1：Special note should be added to those years that were not audited by a certified accountant. All financial data included in this report has completed the due audit process.

Note 2：Public companies should disclose up to the quarter of publication. Special note should be added to whether the data had been subject to audits. All financial data included in this report (as of 2019/3/31) has completed the due audit process

Note 3：Adjusted for diluted EPS

Note 4：The following formulas should be shown at the end of the report
1.Financial structure
(1)Debt ratio＝Total liabilities／Total Assets
(2)Ratio of long-term capital to fixed assets＝(Shareholders' equity + noncurrent liabilities) ／Net property, plant and equipment
2.Solvency
(1)Current ratio＝Current assets／Current liabilities
(2)Quick ratio＝(Current assets - inventories - prepaid expenses)／Current liabilities
(3)Interest earned ratio (times)＝Earnings before interest and taxes／Interest expenses
3.Operating performance
(1)Accounts receivable turnover (times) (includes accounts collectable & checks collectable)＝ Net sales／Average trade receivables (includes accounts collectable & checks collectable)
(2)Average collection period＝365／Accounts receivable turnover (times)
(3)Inventory turnover (times)＝Cost of goods sold ／Average inventory
(4)Accounts payable turnover (times) (includes accounts payable & checks payable)＝ Cost of goods sold／Average payable (includes accounts payable & checks payable)
(5)Average days in sales＝365／Inventory turnover (times)
(6)Fixed assets turnover (times)＝Net sales／Average net property, plant and equipment
(7)Total assets turnover (times)＝Net sales／Average total Asset
4.Profitability
(1)Return on total assets＝〔Net income＋interest expense×（１－effective tax rate）〕／Average total asset
(2)Return on Stockholders' equity＝Net Income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent
(3)Profit ratio＝Net income／Net sales
(4)Earnings per share ＝(Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding (note 5)
5.Cash flow
(1)Cash flow ratio＝Net cash provided by operating activities / Current liabilities
(2)Cash flow adequacy ratio＝Five-year sum of cash from operations / Five-year sum of capital expenditures, iInventory additions, and cash dividend
(3)Cash reinvestment ratio＝(Cash provided by operating activities - cash dividends) /(Gross property, plant and equipment + Long-term Investments + Other Noncurrent Assets+ working capital) (note6)
6.Leverage
(1)Operating leverage＝(Net sales - variable cost) / Income from operations (note 7)
(2)Financial leverage＝Income from operations / (Income from operations – Interest expenses)
Note 5：the above formulas should note the following:
1.weighted average number of common share, not outstanding number of shares
2.capital increase by cash or common stock buyback should be calculated average weighted number of shares
3.Annual or semiannual EPS should be calculated by capital increase ratio for those by profit or by additional paid in capital, regardless of the issuance period.
4. If preferred stocks are non-convertible and accumulative, dividend should always be deducted from net profit, or added to net loss, regardless of distribution. If the preferred stock is non-accumulative, the dividend should be deducted from net profit, if there is a loss, then no adjustment is required.
Note 6：Cash analysis should note the following:
1.net operating cash flow is net cash inflow in the cash flow statement
2.capital expenditure is the annual net cash outflow
3.increase in inventory is only added when EOP balance is greater than BOP balance. If the balance is negative, than the increase will be null.
4.cash dividend includes common stocks and preferred stocks
5.gross fixed asset has taken consideration of accumulative depreciation
Year 2011 and 2012 adopts IFRS. All other years' report adhere to the local accounting regulation.
Note 7：issuer should classify the operating costs & expenses as fixed and variable accordingly. Prudence, rationality and consistency should be exercised while items are subjected to view.
Note 8：Stocks with no face value or a face value that is not NTD 10 are included in group equity ratio

2.1.2. Entity Capital Structure Analysis－IFRS(Individual Financial Statement)

Year / Items（Note4）		Financial Analysis over the last Five Years（Note1）				
		2014	2015	2016	2017	2018
Financial structure (%)	Debts ratio	52.43	52.26	58.26	58.58	61.99
	Ratio of long-term capital to property, plant and equipment	388.38	410.30	469.76	392.56	350.66
Solvency (%)	Current ratio	130.26	129.52	139.25	131.32	120.26
	Quick ratio	98.92	93.04	100.19	90.05	80.88
	Interest earned ratio (times)	158.04	71.28	55.50	71.29	58.29
Operating performance	Accounts receivable turnover (times)	5.08	5.52	5.10	5.15	5.38
	Average collection period	72	66	72	71	68

	Inventory turnover (times)	2.95	3.35	3.55	3.05	2.37
	Accounts payable turnover (times)	3.43	3.85	4.06	4.02	4.02
	Average days in sales	124	109	103	120	154
	Property, plant and equipment turnover (times)	8.76	10.88	11.85	11.90	10.56
	Total assets turnover (times)	1.24	1.35	1.31	1.31	1.23
Profitability	Return on total assets (%)	4.61	5.02	5.16	5.65	5.90
	Return on stockholders' equity (%)	9.05	10.38	11.36	13.39	14.66
	Pre-tax income to paid-in capital (%) (Note 8)	28.16	34.74	40.68	46.12	53.51
	Profit ratio (%)	3.69	3.67	3.87	4.26	4.73
	Earnings per share (NT$) (Note 3)	2.33	2.78	3.12	3.77	4.40
Cash flow	Cash flow ratio (%)	13.55	4.82	2.03	11.16	0.29
	Cash flow adequacy ratio (%)(Note 6)	100.50	50.51	45.60	40.23	29.15
	Cash reinvestment ratio (%)	8.44	(1.88)	(3.45)	11.32	(6.34)
Leverage	Operating leverage	2.02	1.99	1.92	1.79	2.17
	Financial leverage	1.01	1.01	1.02	1.01	1.02

Note on variation in capital ratio in the previous two years (Not applicable if the variation is < 20%)

1. Analysis of operational capabilities:

Decrease in inventory turnover rate and increase in average sales days: which mainly due to the increase in revenue growth which is increase in operational costs by joint influence in 2018. Additionally, increasing inventory because of business needs, which resulted in average inventory being over in 2017. But the operating cost is more than average inventory in 2018. So the inventory turnover rate is less than 2017 and average sale day is more than 2017.

2. Cash flow analysis:
   (1) Decrease in cash flow ratio: which mainly due to the decrease in net cash inflows from operating activities and the increase in current liabilities in 2018, resulting in the ratio of cash flow was lower than 2017.
   (2) Decrease in cash flow ratio: which mainly due to the decrease in net cash inflows from operating activities in the last five years, coupled with the increase in inventories and the increase in capital expenditure on property, plant and equipment, which resulted in the cash flow ratio was declined between 2017 and 2018.
   (3) Decrease in cash reinvestment ratio: which mainly due to the decrease in net cash inflows from operating activities, the increase in capital expenditure on property, plant and equipment, and the increase in cash dividends in 2018, which is resulting in reinvestment ratio was declined between 2017 and 2018.
3. Leverage analysis:
   (1) Increase in operating leverage: which mainly due to the decrease in operating net profit in 2018, which made the operating leverage rises in 2018.

＊Companies with its own financial statement shall prepare individual financial ratio analysis 。

＊Company who prepare financial reports under IFRSs, International Financial Reporting Standards less than five years shall prepare another financial report under Financial Accounting Standards, Taiwan.

Note 1: Company shall notify financial reports of which year are not being audited and certified by a certified public accountant. We’ve had our financial reports audited and certified by a certified public accountant within five years

Note 2: Public company or company which trades securities on over-the-counter markets shall have financial information by last season of annual report published date of the year incorporated into analysis.

Note 3: Number of shares increased annually due to surplus or additional paid in capital have been retroactively adjusted in basic earning per share calculation.

Note 4: Calculation formula shown as below shall be listed in the end of annual reports:

1.Financial structure

(1)Debt ratio＝Total liabilities／Total Assets

(2)Ratio of long-term capital to fixed assets＝(Shareholders’ equity + noncurrent liabilities) ／Net property, plant and equipment

2.Solvency

(1)Current ratio＝Current assets／Current liabilities

(2)Quick ratio＝(Current assets - inventories - prepaid expenses)／Current liabilities

(3)Interest earned ratio (times)＝Earnings before interest and taxes／Interest expenses

3.Operating performance

(1)Accounts receivable turnover (times) (includes accounts collectable & checks collectable)＝ Net sales／Average trade receivables (includes accounts collectable & checks collectable)
(2)Average collection period＝365／Accounts receivable turnover (times)
(3)Inventory turnover (times)＝Cost of goods sold ／Average inventory
(4)Accounts payable turnover (times) (includes accounts payable & checks payable)＝ Cost of goods sold／Average payable (includes accounts payable & checks payable)
(5)Average days in sales＝365／Inventory turnover (times)
(6)Fixed assets turnover (times)＝Net sales／Average net property, plant and equipment
(7)Total assets turnover (times)＝Net sales／Average total Asset
4.Profitability
(1)Return on total assets＝〔Net income＋interest expense×（１－effective tax rate）〕／ Average total asset
(2)Return on Stockholders' equity＝Net Income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent
(3)Profit ratio＝Net income／Net sales
(4)Earnings per share ＝(Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding (note 5)
5.Cash flow
(1)Cash flow ratio＝Net cash provided by operating activities / Current liabilities
(2)Cash flow adequacy ratio＝Five-year sum of cash from operations / Five-year sum of capital expenditures, iInventory additions, and cash dividend
(3)Cash reinvestment ratio＝(Cash provided by operating activities - cash dividends) / (Gross property, plant and equipment + Long-term Investments + Other Noncurrent Assets + working capital) (note6)
6.Leverage
(1)Operating leverage＝(Net sales - variable cost) / Income from operations (note 7)
(2)Financial leverage＝Income from operations / (Income from operations – Interest expenses)
Note 5: Please refer to the followings in calculation formula of earnings per share:
1. Based on weighted-average ordinary shares instead of stock shares issued by the end of the year.
2. Companies with seasoned equity offering or treasury stock trading shall take its circulation period into calculation of weighted-average shares.
3. Companies with capital increase out of surplus or additional paid in capital shall have annual or semi annual earning per share calculation retroactively adjusted instead of release duration.
4. The annual dividend (whether payout or not) of non-convertible cumulative preferred shares shall consider net profit or loss after tax deduction. When there’s net profit after tax deduction in non-cumulative preferred shares, the dividend shall be deducted from net profit after tax deduction; No adjustment needed when loss
Note 6: Please refer to the followings in cash flows analysis:
1. Net cash flow from operating activities refers to net cash inflows of operating activities in statements of cash flows.
2. Capital expenditures refers to annual amount of cash outflows in capital investment.
3. Inventory increase shall only be counted when the ending balance is greater than the opening balance. Count as 0 when ending inventory decrease.
4. Cash dividend includes cash dividend in ordinary shares and preferred shares.
5. Gross of real estate, plant and equipment refers to the net of accumulated depreciation of real estate, plant and equipment
Financial information of cash flows adequacy ratio within five years above from 2011 to 2012 were under financial information of IFRSs, International Financial Reporting Standards, and calculated under Financial Accounting Standards Board, Taiwan in other years.
Note 7: Issuing entity shall divide each operating costs and operating expenses into fixed and changes by its property, maintain consistency and rationality while estimates or subjective judgements involved.
Note 8: Shares of no value or none-NTD.10 value per share, the calculation of accounts paid in capital ratio above shall be altered to equity ratio attributable to owner of parent company in balance sheet

3. Audit Committee’s Report in the most recent fiscal year

Marketech International Corp.

Audit Committee Audit Report

To: Members of the 2019 Shareholders’ Meeting

We, as the Audit Committee of MIC Group, have audited the 2018 Business Report, Financial Statements and Earnings Distribution Proposal made and submitted by the board of directors. The said Financial Statements were audited by Independent Accountant Chang Shu-Chiung and Independent Accountant Weng Shih-Jung of Pricewaterhouse Coopers (PwC) Taiwan, and are supported with an audit report issued by PwC. We believe that there is no inconsistent information of aforementioned Business Report, Financial Statements and Earnings Distribution Proposal and hereby submit these documents to you according to Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act.

Sincerely yours,

Chairperson of Audit Committee, Lin Hsiao-Min

February 18, 2019

4. Consolidated Financial Statement in the most recent fiscal year：please refer to CPA’s consolidate report.
5. Separate Financial Statement of the Parent Company and Related Party in the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report：please refer to CPA’s parent company report.
6. Financial difficulties of the Company and Related Party in the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report: None.

Part 7 Review of Financial Conditions, Operating Results, and Risk Management

1. Analysis of Financial Position

1.1 Analysis of the consolidated financial situation (consolidated financial statement)

1.1.1. The last two annual balance sheets reported significant changes and impact on the assets and liabilities, owing to:

Unit: NT$thousands；%

Year / Description	As of December 31,2018	As of December 31,2017	Difference	
			Amount	%
Current assets	15,268,921	13,643,594	1,625,327	11.91
Property, plant and equipment	2,231,933	1,864,277	367,656	19.72
Intangible assets	19,441	20,115	(674)	(3.35)
Other assets	707,911	543,157	164,754	30.33
Total assets	18,228,206	16,071,143	2,157,063	13.42
Current liabilities	12,123,395	10,372,850	1,750,545	16.88
Non-current liabilities	367,508	554,291	(186,783)	(33.70)
Total liabilities	12,490,903	10,927,141	1,563,762	14.31
Capital stock	1,855,913	1,770,164	85,749	4.84
Capital surplus	970,381	843,057	127,324	15.10
Retained earnings	2,981,371	2,612,401	368,970	14.12
Other equity interest	(140,931)	(80,645)	(60,286)	(74.75)
Equity attributable to shareholders of the parent	5,666,734	5,144,977	521,757	10.14
Non-controlling interests	70,569	(975)	71,544	7337.85
Total equity	5,737,303	5,144,002	593,301	11.53

Analysis of ratio of change: (if the change is greater than 20% and the amount changed is NT$10,000,000)

(1) Increase in other assets: which mainly applicates the policy of IAS 9 “Financial Instruments” in 2018, resulting in the other assets increases more than 2017.

(2) Reduction of non-current liabilities: which primarily the convertible corporate bonds due within one year was transferred to current liabilities, resulting in a decrease in the non-current liabilities in 2017.

(3) Reduction of other equity: which mainly impact of the depreciation of the RMB exchange rate of the NTD and the application of IFRS No. 9 “Financial Instruments”in 2018, which resulting in the other equity is less than 2017.

(4) Increase in non-controlling interests: which mainly because the Group did not have a relative increase in the cash-investment of the consolidated subsidiaries in 2018, which resulted in a decrease in the shareholding ratio of the subsidiaries of the Group and a relative impact on the interests of the owners of the parent company. The non-controlling equity is more than 2017.

1.1.2. If significant changes are felt, they should be indicated in future response plans:

Changes in the Group’s last two annual balance sheets did not have any significant impact. The group continued to focus on improving the business performance, the stability of its earnings and the company’s financial structure in order to reduce the financial burden.

1.2 Analysis of the individual financial situation (individual financial statement)

1.2.1. The last two annual balance sheets reported significant changes and impact on the Assets and Liabilities, owing to:

Unit : NT$ thousands ; %

Year / Description	As of December 31,2018	As of December 31,2017	Difference	
			Amount	%
Current assets	10,679,609	8,819,329	1,860,280	21.09
Property, plant and equipment	1,719,499	1,453,359	266,140	18.31
Intangible assets	14,032	15,270	(1,238)	(8.11)
Other current assets	2,497,035	2,133,410	363,625	17.04
Total assets	14,910,175	12,421,368	2,488,807	20.04
Current liabilities	8,880,579	6,716,027	2,164,552	32.23
Non-current liabilities	362,862	560,364	(197,502)	(35.25)
Total liabilities	9,243,441	7,276,391	1,967,050	27.03
Capital stock	1,855,913	1,770,164	85,749	4.84
Capital surplus	970,381	843,057	127,324	15.10
Retained earnings	2,981,371	2,612,401	368,970	14.12
Other equity interest	(140,931)	(80,645)	(60,286)	(74.75)
Total equity	5,666,734	5,144,977	521,757	10.14

Analysis of ratio of change: (if the change is greater than 20% and the amount changed is NT$10,000,000)

(1) Increase in current assets: which primarily increases inventory because of the business growth demand, and increases the cost of construction in progress which results in increasing the contractual liability in 2018.

(2) Increase in current liabilities: which primarily increases the current liability because of the short-term working capital demand. In addition, current liabilities rises up than last year because the cost of contract fees and related expenses increased in 2018.

(3) Reduction of non-current liabilities: which primarily decreases which is because of the convertible corporate bonds transferring from non-current liabilities to current liabilities in 2018.

(4) Reduction of other equity: which mainly impact of the depreciation of the RMB exchange rate of the NTD and the application of IFRS No. 9 “Financial Instruments”in 2018, which resulting in the other equity is less than 2017.

1.2.2. If significant changes are felt, they should be indicated in future response plans:

Changes in the company’s last two annual balance sheets did not have any significant impact. The company continued to focus on improving the business performance, the stability of its earnings and the company’s financial structure in order to reduce the financial burden.

2. Analysis of Financial Performance

2.1 Consolidated Financial Performance Analysis (consolidated financial statement)

2.1.1.The last two Profit and Loss accounts reported significant changes in net profit and pre-tax profit, owing to:

Unit : NT$ thousands ; %

(In addition to earnings per share, NT$)

Year / Description		2018	2017	Amount increased (decreased)	Proportion change (%)
Net Operating Income		24,415,723	20,211,994	4,203,729	20.80
Operating Cost		21,596,527	17,910,657	3,685,870	20.58
Gross profit		2,819,196	2,301,337	517,859	22.50
Operating expenses		1,943,443	1,500,638	442,805	29.51
Operating income from operations		875,753	800,699	75,054	9.37
Non-operating income and expenses		125,086	13,276	111,810	842.20
Income before tax		1,000,839	813,975	186,864	22.96
Income Tax		218,675	165,146	53,529	32.41
Net Income of Continuing Operations		782,164	648,829	133,335	20.55
Income from discontinued operations		0	0	0	0
Net income		782,164	648,829	133,335	20.55
Other comprehensive income (income after tax)		(45,658)	(62,830)	17,172	27.33
Total comprehensive income		736,506	585,999	150,507	25.68
Net income attributable to shareholders of the parent		792,582	652,951	139,631	21.38
Net income attributable to noncontrolling interests		(10,418)	(4,122)	(6,296)	(152.74)
Total comprehensive income attributable to shareholders of the parent		747,730	589,971	157,759	26.74
Total comprehensive income attributable to the noncontrolling interests		(11,224)	(3,972)	(7,252)	(182.58)
EPS(NT$)	Basic EPS for current period	4.40	3.77	0.63	16.71
	Diluted EPS for current period	4.21	3.51	0.70	19.94

(1)The company’s analysis of change in the profit and loss ratio for the past two years shows that if the operating margin changes by more than 20%, then a different analysis should be made as in (2).

Change in the proportion of variation analysis: (if the change is greater than 20% and the amount changed is NT$10,000,000)

• Increase in operating income, operating costs, and operating margins: which primainly attributes to a steady growth trend in the semiconductor, optoelectronics, other electronics industries and the expanding relationship between Taiwan and China, resulting in the orders is more than last year.

, Increase in operating expenses: which primainly attributes to an increase in the personnel expenses and 12-month expected credit losses in 2018.

③Increase in net benefits of non-operating income and expenses: which primarily stems from the increase in net profit of financial assets at fair value through profit or loss, and gaining benefits arising from changes in foreign currency exchange rates in 2018.

④Increase in net profit before tax: which primarily stems from an increase in operating profit and net income from non-operating income and expenses in 2018.

⑤Increase in income tax expenses: which primarily stems from an increase in net profit before tax and the change of tax rate in 2018.

⑥Increase in net profit in the current period: which primarily stems from the pre-tax net profit was higher than the last year, and the income tax expenses increased accordingly in 2018.

⑦The decrease in net loss of other comprehensive (loss) gains (net after tax) in the current period: which primarily stems from the increase in net profit of financial assets at fair value through profit or loss, and gaining benefits arising from changes in foreign currency exchange rates in 2018.

(2)Analysis of changes in operating margins:

• Change Description: which primainly attributes to a steady growth trend in the semiconductor, optoelectronics, other electronics industries and the expanding relationship between Taiwan and China, resulting in the orders is more than last year.

, Price and volume analysis: Not applicable.

2.1.2. Expected sales volume and its possible impact on the company's future financial operations and the response plan:

The forecast of the Group's sales or service volumes in 2019 aims to assess changes of the industry conditions, future business environment, company and department's operation plans, market supply and demand, and future development plan. It is complied under reasonableassumptions including the operating performance of 2018 and orders to be released. Therefore, it does not have big impacts on the Group's finances.

2.2 Individual Financial Performance Analysis (individual financial statement)

2.2.1. The last two Profit and Loss accounts reported significant changes in net profit and pre-tax profit, owing to:

Unit : NT$ thousands ; %
(In addition to earnings per share, NT$)

Description \ Year		2018	2017	Amount increased (decreased)	Proportion change (%)
Net Operating Income		16,757,545	15,319,550	1,437,995	9.39
Operating Cost		14,819,701	13,470,021	1,349,680	10.02
Gross profit		1,937,844	1,849,529	88,315	4.77
Operating expenses		1,189,649	973,949	215,700	22.15
Operating income from operations		748,195	875,580	(127,385)	(14.55)
Non-operating income and expenses		244,957	(59,192)	304,149	513.83
Income before tax		993,152	816,388	176,764	21.65
Income Tax		200,570	163,437	37,133	22.72
Net Income of Continuing Operations		792,582	652,951	139,631	21.38
Income from discontinued operations		0	0	0	0
Net income		792,582	652,951	139,631	21.38
Other comprehensive income (income after tax)		(44,852)	(62,980)	18,128	28.78
Total comprehensive income for the year		747,730	589,971	157,759	26.74
EPS(NT$)	BasicEPS for current period	4.40	3.77	0.63	16.71
	Diluted EPS for current period	4.21	3.51	0.70	19.94

(1)The company's analysis of change in the profit and loss ratio for the past two years shows that if the operating margin changes by more than 20%, then a different analysis should be made as in (2).Change in the proportion of variation analysis: (if the change is greater than 20% and the amount changed is NT$10,000,000)

• Increase in operating expenses: which primainly attributes to an increase in the personnel expenses and 12-month expected credit losses in 2018.

, Increase in net loss of operating income and expenses: which primarily stems from the increase in net profit of financial assets at fair value through profit or loss, gaining benefits arising from changes in foreign currency exchange rates, and increase in the share of investment interests recognized by the equity method. in 2018.

l Increase in net profit before tax: which primarily stems from an increase in operating profit and net income from non-operating income and expenses in 2018.

④ Increase in income tax expenses: which primarily stems from an increase in net profit before tax and the change of tax rate in 2018.

⑤ Increase in net profit in the current period: which primarily stems from the pre-tax net profit was higher than the last year, and the income tax expenses increased accordingly in 2018.

⑥ The decrease in net loss of other comprehensive (loss) gains (net after tax) in the current period: which primarily stems from the increase in net profit of financial assets at fair value through profit or loss, and gaining benefits arising from changes in foreign currency exchange rates in 2018.

(2)Analysis of changes in operating margins:

• Change description: Since change is less than 20%, no explanation is required.

, Price and volume analysis: Not applicable.

2.2.2. Expected sales volume and its possible impact on the company's future financial operations and the response plan:

The forecast of the Company's expected sales or service volume in 2019 was prepared mainly according to evaluations of economic changes in the industry, future business environment, operational plans of the Company and its departments, supply and demand in the market, future development plans, etc. and also referred to 2018 annual business performance under reasonable assumptions of unfinished production of orders, which has no significant impact on the Company's results of operations and financial position.

3. Analysis of Cash Flow

Analyses of cash flows in the future one year from changes of cash flows in the latest year:

3.1 Analysis of consolidated cash flows (Consolidated Financial Statements)

3.1.1. Changes of cash flows in the latest year

Unit : NT$ thousands

Cash and cash equivalents at beginning of period (December 31, 2017)	Net cash flow from operating activities for the entire year	Net cash flow from investing activities for the entire year	Net cash flow from financing activities for the entire year	Effects of exchange rate change on cash	Cash and cash equivalents at end of period (December 31, 2018)
2,300,572	97,169	(505,328)	301,928	(38,984)	2,155,357

Analyses of changes in cash flows for the year (2018) are as follows:

• Net operating activity cash inflow at $97,169,000, which primarily attributes to operating activity net cash inflow derived from profit growth and increase to inventories, the cost of construction-in-progress and accounts receivable.

, Investment activity net cash outflow at $505,328,000, which primarily stems from building, purchasing real estate, plant, and equipment in response to operating and manufacture needs.

ƒ Capital raising activity net cash outflow at $301,928,000, which primarily stems from cash outflow in cash dividend distribution exceeding cash inflow on bank loans in response to working capital, resulting in a net cash outflow in capital raising activity.

Thus, the cash flow in 2018 was net cash inflow resulting in an increase in the cash balance in the end of the year compared to the beginning of the year.

3.1.2. Liquidity analysis in the latest year

Unit: %

Year / Item	2018	2017	Variance(%)
Cash Flow Ratio	0.80	12.10	(93.39)
Cash Flow Adequacy Ratio	27.82	26.81	3.77
Cash Reinvestment Ratio	(4.61)	12.69	(136.33)

Analyses of changes in the proportion of increase & decrease: (Explanation for analyses of the proportion of increase & decrease above 20% between two periods)

(1) Cash flow ratio declines: which primarily attributes to a decrease tooperating activity and an increase to current liabilities, pushing the 2018 cash flow ratio to less than that in 2018.

(2) Cash reinvestment ratio declines: which primarily attributes to an decrease to the 2018 business activity net cash inflow, the real estate, plant, equipment increase is greater than the last year and the distribution of cash dividend, resulting in the cash flow reinvestment ratio to rise than that in 2018.

3.1.3. Liquidity analysis in the future one year

Unit : NT$ thousands

Cash and cash equivalents at beginning of period (December 31, 2018) •	Net cash flow from operating activities ,	Cash outflow ƒ	Cash surplus (deficit) • + , - ƒ	Leverage of cash deficit	
				Invesment plans	Financing plans
2,155,357	641,499	(762,484)	2,034,372	Not applicable	

(1) Analyses of expected changes in cash flows for the year (2019) are as follows:

- • Operating activities: Net cash provided by operating activities is expected for the future one year mainly due to the business growth and the increase in cash collections of accounts receivables, and the net cash inflow was generated.
- , Investing activities: Net cash used in investing activities is expected for the future one year mainly due to the increase in long-term investments and the purchase of assets such as equipment.
- ƒ Financing activities: Net cash used in financing activities is expected for the future one year mainly due to the distribution of cash dividends.

(2) Contingency plans expected for projected insufficient cash position and the liquidity analysis: Not applicable.

3.2 Analysis of individual cash flows (Individual Financial Statements)

3.2.1. Changes of cash flows in the latest year

Unit : NT$ thousands

Cash and cash equivalents at beginning of period (December 31, 2017)	Net cash flow from operating activities for the entire year	Net cash flow from investing activities for the entire year	Net cash flow from financing activities for the entire year	Cash and cash equivalents at end of period (December 31, 2018)
750,892	25,664	(634,727)	537,269	679,098

Analyses of changes in cash flows for the year (2018) are as follows:

• Net operating activity cash inflow at $25,664,000, which primarily attributes to operating activity net cash inflow derived from profit growth and increase to inventories, the cost of construction-in-progress and accounts receivable.

, Investment activity net cash outflow at $505,328,000, which primarily stems from invenstment of equity method, and building, purchasing real estate, plant, and equipment in response to operating and manufacture needs.

ƒ Capital raising activity net cash outflow at $537,269,000, which primarily stems from cash outflow in cash dividend distribution exceeding cash inflow on bank loans in response to working capital, resulting in a net cash outflow in capital raising activity.

By recapping the above, the 2018 yearly cash flow being a net cash outflow, resulting in a decrease on ending cash balance than the starting cash balance

3.2.2. Liquidity analysis in the latest year

Unit: %

Item \ Year	2018	2017	Variance (%)
Cash Flow Ratio	0.29	11.16	-97.4
Cash Flow Adequacy Ratio	29.15	40.23	-27.55
Cash Reinvestment Ratio	-6.34	11.32	-156.00

Analyses of changes in the proportion of increase & decrease: (Explanation for analyses of the proportion of increase & decrease above 20% between two periods)

(1) Cash flow ratio declines: which primarily attributes to a decrease tooperating activity and an increase to current liabilities, pushing the 2018 cash flow ratio to less than that in 2018.

(2) Cash flow equivalent ratio declines: which primarily attributes to an increase in business activity net cash inflow in the most recent five years, an increase in inventories and real estate, plant, equipment and related capital expenditure, resulting in the 2017 cash flow equivalent ratio to rise than that in 2016.

(3) Cash reinvestment ratio declines: which primarily attributes to an decrease to the 2018 business activity net cash inflow, the real estate, plant, equipment increase is greater than the last year and the distribution of cash dividend, resulting in the cash flow reinvestment ratio to rise than that in 2018.

3.2.3. Liquidity analysis in the future one year

Unit : NT$ thousands

Cash and cash equivalents at beginning of period (December 31, 2018) •	Net cash flow from operating activities for the entire year ,	Cash outflows for the entire year ƒ	Cash surplus (deficient) • + , - ƒ	Contingency plans for projected insufficient cash position	
				Invesment plans	Financial plans
679,098	729,429	(697,744)	710,783	Not applicable	

(1) Analyses of expected changes in cash flows for the year (2019) are as follows:

- • Operating activities: Net cash provided by operating activities is expected for the future one year mainly due to the business growth and the increase in cash collections of accounts receivables, and the net cash inflow was generated.
- , Investing activities: Net cash used in investing activities is expected for the future one year mainly due to the increase in long-term investments and the purchase of assets such as equipment.
- ƒ Financing activities: Net cash used in financing activities is expected for the future one year mainly due to the distribution of cash dividends.

(2) Contingency plans expected for projected insufficient cash position and the liquidity analysis: Not applicable.

4. The Effect upon Financial Operations of any major capital expenditures during the most recent fiscal year:

4.1Operation condition of major capital expenditure and its capital resources in recent years: none.

4.2 Expected benefits: Not applicable

5. Investment Policy in the most recent fiscal year, Main Causes for profits or losses, Improvement Plans and the Investment Plans for the coming year:

5.1 Shift Policies in Investment in Recent Years

Based on the requirements of expanding business and enlarge service customers, the Group has invested and set service and dealing bases in Singapore, South Korea, Shanghai, Wuxi, Vietnam, Malaysia and Myanmar etc, so as to establish sales and service network and service customers in the neighborhood, and thus to improve market share and competitiveness of the company. In 2016, the group took product development and district development of the industry as the investment spindle and continued expand service fields. With regional resource distribution and integrated flexible scheduling support, the Group gave full play to the complementary synergy effect and improved business efficiency and scale. It will keep a foothold in Asia and become an integrated system service dealer with international reputation for professional high-tech industry process equipments, materials and factory service system facilities etc.

5.2. Causes Analysis of Benefits and Losses of Shift in Investment

Unit: A Thousand TWD : ％
Dec. 31, 2018

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
Direct Investment							
Marketech Integrated Pte .Ltd. (shortened as MIPL)	Directly invested subsidiary of the Company	100%	15,095	(288)	Losses in 2018 were mainly caused by reduction of hired engineering business and plant service system and the whole plant turnkey project revenue are insufficient to cope with the operation costs and expenses. Losses are shown, so it is listed as investment losses in current period.	MIPL is mainly engaged in automation supply systems business in the semiconductor industry. With the increased market demands in Southeast Asia, the company will expand agent business actively in the future and strengthen costs and expenses control. It will make a profit instead of suffering a loss and have balances to the parent company's investment benefits.	Take timely assessment according to the market requirements and industry development.
Market Go Profits Ltd. (shortened as Market Go)	Directly invested subsidiary of the Company	100%	1,070,484	36,179	It is the holding company of abroad shift investment business. Investment losses in 2018 were mainly caused by losses of indirectly invested subsidiary in mainland.	Not applicable.	Take timely assessment according to the market requirements and industry development.
Headquarter International Ltd. (shortened as Headquarter)	Directly invested subsidiary of the Company	100%	38,864	(307)	It is abroad holding and shift investment business. Major business is to purchase real estate in mainland and provide to local employees for accommodation. The benefits source is rental income. Benefits	With the growth demands of business in mainland, it will expand leasing business scale in the future and have balances to the parent company's investment benefits.	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
					in 2018 were mainly because the rental income is sufficient to cope with operation costs.		
Tiger United Finance Ltd. (shortened as Tiger)	Directly invested subsidiary of the Company	100%	37,813	(476)	It is abroad holding and shift investment business. Major business is to purchase real estate in mainland and provide to local employees for accommodation. The benefits source is rental income. Losses in 2018 were mainly caused by insufficient rental income.	With the growth demands of business in mainland, it will expand leasing business scale in the future and have balances to the parent company's investment benefits.	Take timely assessment according to the market requirements and industry development.
MIC-Tech Global Corp. (shortened as MICK)	Directly invested subsidiary of the Company	100%	6,607	(993)	Company business expansion falls short of expected in 2018, as its operating income falls short of covering the operating cost and expenditure to result in deficit.	Supporting the East Asia market's increasing demand, company would continue to develop new business, as it is expected to achieve a turnaround to contribute investment return to the parent company.	Take timely assessment according to the market requirements and industry development.
Marketech Engineering Pte. Ltd. (shortened as MEPL)	Directly invested subsidiary of the Company	100%	15,239	13,794	It is the holding company of abroad shift investment business. Investment gains in 2018 were mainly caused by gains of indirectly invested subsidiary in Myanmar.	Not applicable.	Take timely assessment according to the market requirements and industry development.
Marketech Integrated Manufacturing Company Limited (shortened as MIMC)	Directly invested subsidiary of the Company	100%	355,023	(3,532)	Because the sales expansion is still ongoing, our profit in 2018 was mainly from foreign exchange gains.	Established for the increasing demand in Myanmar, MIMC mainly provides design, production and assembly services for equipments and	Take timely assessment according to the market requirements and

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
						components of automated production machines. In the future, MIMC will proactively expand its business and efficiently hold its advantages in the market. The scale of its production business will gradually expand and have the profit increased, which will bring benefits to the parent company's investment.	industry development.
MIC-Tech Viet Nam Co., Ltd. (shortened as MIC-Tech VN)	Directly invested subsidiary of the Company	100%	27,562	(3,471)	Company business expansion falls short of expected in 2018, as its operating income falls short of covering the operating cost and expenditure to result in deficit.	MIC-Tech VN mainly focuses on professional engineering works and maintenance service through contracts. In the future, we also plan to increase sales expansion in cooperation with the increase in market demand in Vietnam to effectively grasp the market advantage by increasing the scales of engineering works. Thus, we expect to turn the loss into profit to ensure the beneficial investment return of the parent company on us.	Take timely assessment according to the market requirements and industry development.
Marketech Co., Ltd. (帆宣責任)	Directly invested subsidiary of the Company	100%	11,088	(6,843)	Company business expansion falls short of expected in 2018, as its operating income falls short of covering the operating cost and	Marketech Co., Ltd. is mainly engaged in professional engineering contracting and related	Take timely assessment according to the market

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
					expenditure to result in deficit.	maintenance services. With the increased market demands in Vietnam, the company will expand business actively and master the advantages of existed markets in future. Engineering business will be expanded gradually. It will make a profit instead of suffering a loss and have balances to the parent company's investment benefits.	requirements and industry development.
PT Marketech International Indonesia (PTMI)	Directly invested subsidiary of the Company	99.92%	36,670	2,622	Company business was still in development in 2018, affecting its current period's profitability mainly by bank interest receipt and exchange gains.	PTMII mainly focuses on international trade on machinery and components. In the future, we also plan to increase sales expansion in cooperation with the increase in market demand in Indonesia to effectively grasp the market advantage by increasing the scales of international trade. Thus, we expect to increase profit to ensure the beneficial investment return of the parent company on us.	Take timely assessment according to the market requirements and industry development.
eZoom Information, Inc. (shortened as "eZoom")	Directly invested subsidiary of the Company	100%	152,947	(6,743)	Company business expansion falls short of expected in 2018, as its income in computer information and cloud	EZoom is mainly engaged in software building tenders and self-developed software business with cloud	Take timely assessment according to the market

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
					computing and related integration technology falls short of covering the operating cost and expenditure to result in deficit.	application services. The company is now in business and human power integration stage. It will expand information and cloud business. It will make a profit instead of suffering a loss and have balances to the parent company's investment benefits.	requirements and industry development.
ADAT Technology Co., LTD. (shortened as “ADAT”)	Invested company of the Company adopting equity method	30.30%	13,034	(18,217)	Company business was still in development in 2018, resulting in operating losses.	ADAT primarily operates in information software R&D, application and services, and with said company currently at operations and manpower integrating stage, it is actively developing its information and AI business, and is expected to contribute investment gains to the parent company.	Take timely assessment according to the market requirements and industry development.
Glory Technology Service Inc. (shortened as “Glory)	Invested company of the Company adopting equity method	29.24%	61,236	13,881	Main benefits in 2018 were caused by actively business expanding and effectively grasping the market tendency, so that the business income and profits were all in growth tendency.	The company will continue developing new business to increase benefits.	Take timely assessment according to the market requirements and industry development.
MIC techno Co., Ltd.	Invested company of the Company adopting equity method	20%	1,842	(36)	Company business expansion falls short of expected in 2018, as its operating income falls short of covering the operating cost and	Huaxuan is mainly engaged in panel equipments and materials sales. The company will continue developing new	Take timely assessment according to the market

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
					expenditure to result in deficit.	business to increase benefits, including development and marketing of laminating machine. The company will enter into touch panel area, and seek sales and OEM opportunities of touch panel materials and products. It will improve operation performance.	requirements and industry development.
Marketech Ntherlands B.V. (shortened as MNBV)	Invested company of the Company adopting equity method	100%	6,339	(4,051)	Company business was still in development in 2018, resulting in operating losses.	MNBV primarily operates in machinery, equipment, parts sales and technical services, with said company currently at operations and manpower integrating stage, it is actively expanding its operations and effectively seizing its market edge, and is expected to achieve a turnaround, to contribute investment gains to the parent company.	Take timely assessment according to the market requirements and industry development.
Marketech International Sdn. Bhd. (shortened as MISB)	Invested company of the Company adopting equity method	100%	65,645	6,481	Its 2018 profitability mainly attributes to a steady business development, buoying its revenue and profitability growth, and which also suffices to cover its operating cost and expenditure.	MISB mainly engages in the contracting services of automated supply systems for the semiconductor industry. While the demand in South-East Asia is increasing, the Company aims to proactively expand its business while mastering its advantages in current market	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
						and the scale of its engineering services will gradually increased with an expectation to turn the deficit into surplus profits. This surely will bring positive influences to the parent company's investment.	
Indirect investment							
MIC-Tech Ventures Asia Pacific Inc. (shortened as MIC-Tech Ventures)	Shift invested subsidiary of SubsidiaryMarket Go	100%	1,068,756	36,252	It is the holding company of abroad shift investment business. Investment losses in 2018 were mainly caused by losses of directly and indirectly invested subsidiary in mainland.	Not applicable.	Take timely assessment according to the market requirements and industry development.
Marketech Integrated Construction Co., Ltd. (shortened as MICC)	Shift invested subsidiary of Subsidiary MEPL	95%	14,844	14,688	Company business expansion falls short of expected in 2018, as its operating income falls short of covering the operating cost and expenditure to result in deficit.	MICCis mainly engaged in mechanical and electrical installation and other engineering business. With the increased market demands in Southeast Asia, he company will expand business actively and master the advantages of existed markets in future. Engineering business will be expanded gradually. It will make a profit instead of suffering a loss and have balances to the parent company's investment	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
						benefits.	
MIC-Tech (Wu Xi) Co., Ltd. (shortened as MTW)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	35,644	28,697	Company was at operational transformation and product portfolio reshuffle in 2018, with revenue growth thanks to product development, yet the rising staffing cost, loss on inventory price fall classification, and bad debt losses curtail its business revenue from covering the payable business cost and expenditure, resulting in deficit.	MIT-Tech (Wu Xi) primarily operates in OEM customized equipment and parts assembly, backed by Mainland China's overall mild economic growth trend, it is currently actively expanding its business, including the good and slaughter industry's rear-end automated equipment manufacture, and smart warehousing development. While the capacity utilization of plant gradually increases, MIT-Tech (Wu Xi) is able to effectively reduce the adverse impact of high depreciation on plant machinery/ equipment, and is expected to achieve a turnaround in earnings.	Take timely assessment according to the market requirements and industry development.
MIC-Tech (Shanghai) Corp. Ltd. (shortened as MTS)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	351,218	25,652	The profit of 2018 was primarily generated from the income and profit of selling semiconductor equipments and materials.	SMTS is mainly engaged in semi-conductor production, testing equipment and supplies, power generation boilers wholesales, import and export agent and other trade services. The company will continue developing new agent business to increase	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
						benefits.	
Fuzhou Jiwei System Integrated Co., Ltd. (shortened as FJS)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	(1,016)	695	Company business expansion falls short of expected in 2018, resulting in operating deficit.	FFJS is mainly engaged in clean room and power system equipment, piping systems equipment installation and other services. China mainland is promoting economic reform and opening up policy actively and encouraging hi-tech industry development continuously. Plus the implementation of westward expansion of hi-industry in Taiwan, related factory facility services demand will be increased. It will make a profit instead of suffering a loss.	Take timely assessment according to the market requirements and industry development.
MIC-Tech Electroics Engineering Corp.. (shortened as MTE)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	417,743	(27,348)	Company business development continues in 2018, but lagging business gross profit, coupled with rising staffing cost and conservative bad debt estimate stall the business gross profit to fall short of covering the payable business expenditure, resulting in operating deficit.	MTEi mainly engages in contracting electrical and electronic engineering construction projects, projects of installing chemical and petrol equipments and pipelines, and relevant maintenance service. To increase the profit, the company will continue to expand its businesses including gas engineering, electrical engineering,	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
						production base expansion and purification engineering for biopharmaceutical industry in mainlander China, clean room and air-conditioning installation, and factory affairs system engineering for the semiconductor industry. It is expected the Company will have its deficit turned into profits.	
MIC-Tech China Trading (Shanghai) Co., Ltd.. (shortened as MCT)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	18,528	(7,308)	Our company's sales and industry expansion in 2018 was not up to expectation and the loss was as a result of a decrease in sales income and gross profit.	SMCT is mainly engaged in import and export business of chemical products, semiconductors, testing equipment, and solar energy equipment, etc. The company will integrated market demand and may increase benefits.	Take timely assessment according to the market requirements and industry development.
SKMIC (WuXi) Corp. (shortened as SKMIC)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	49%	60	(204)	Company still reports deficit in 2018, primarily stems from company operations still in an adjustment stage, preventing its revenue and profitability yet to manifest.	SKMIC mainly engages in the design, installation and maintenance of equipments designed for semiconducting components and crystals, equipments designed for electronic components, and environmental pollution prevention equipments. It is therefore expected that the growth of semiconductor industry will help to increase the Company's profit.	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
Russky H.K. Limited (shortened as Russky)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	(10,296)	4,156	It is the holding company of abroad shift investment business. Investment losses in 2018 were mainly caused by losses of indirectly invested subsidiary in mainland.	Not applicable.	Take timely assessment according to the market requirements and industry development.
Shanghai Puritic co., Ltd.. (shortened as SPC)	Shift invested subsidiary of Subsidiary Russky	87%	(12,644)	2,424	The profit gained in 2018 was mainly due to our company's active expansion of sales to effectively take advantage of the market trend so that our operating income and profit display a growing trend.	SPC is mainly engaged in waste barrel recycling in semiconductor manufacturing industry, piping systems and related equipment repair and installation services. China mainland is promoting economic reform and opening up policy actively and encouraging hi-tech industry development continuously. Plus the implementation of westward expansion of hi-industry in Taiwan, related factory facility services demand will be increased. It will increase benefits.	Take timely assessment according to the market requirements and industry development.
Chen Gao M&E Engineering (Shanghai) Co., Ltd. (shortened as CMES)	Shift invested subsidiary of Subsidiary Russky	100%	(588)	2,056	Company business expansion falls short of expected in 2018, resulting in operating deficit.	CMES is mainly engaged in project engineering design of electronics products and project engineering design, related technology, management, consulting and other service of display devices. China mainland takes	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
						expanding domestic demand as economic development target. Along with production expansion and continuous construction of all industries, associated electrical and mechanical design and project bidding markets still have increasing demands. It will make a profit instead of suffering a loss.	
Leader Fortune Enterprise Co., Ltd. (shortened as Leader)	Shift invested subsidiary of Subsidiary Russky	31.43%	(4,638)	(28,455)	It is the holding company of abroad shift investment business. Investment losses in 2018 were mainly caused by the deficit of indirectly invested subsidiary in mainland..	Not applicable.	Take timely assessment according to the market requirements and industry development.
Macrotec Technology (Shanghai) Co., Ltd. (shortened as JM)	Invested company of SubsidiaryLeaderadopting equity method	31.43%	(4,642)	(28,434)	Company still reports deficit in 2018, primarily stems from company operations still in an adjustment stage, preventing its revenue and profitability yet to manifest.	JMis main engaged in back plane agent and sales business and expands development of food equipment agents, group purchase business, channel sales and Internet transactions. With increased demands of green industry, it will make a profit instead of suffering a loss.	Take timely assessment according to the market requirements and industry development.
Frontken MIC Co., Limited (shortened as	Invested company of SubsidiaryMIC-Tech Ventures adopting equity	100%	5,414	(110)	It is the holding company of abroad shift investment business. Investment losses in	Not applicable.	Take timely assessment according to the

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
Frontken MIC)	method				2018 were mainly caused by the deficit of indirectly invested subsidiary in mainland..		market requirements and industry development.
Frontken-MIC (WuXi) Co., Ltd. (shortened as Forken-MIC)	Invested company of SubsidiaryFrontken MICadopting equity method	100%	5,393	(110)	Company still reports deficit in 2018, primarily stems from company operations still in an adjustment stage, preventing its revenue and profitability have yet to manifest.	Forken-MIC is mainly engaged in semiconductor device and equipment cleaning. It will continue expanding business and control cost strictly, and will make a profit instead of suffering a loss.	Take timely assessment according to the market requirements and industry development.
MICT International Limited (shortened as MICT)	Invested company of SubsidiaryMIC-Tech Ventures adopting equity method	60%	63,213	(10,126)	It is the holding company of abroad shift investment business. Investment losses in 2018 were mainly caused by the deficit of indirectly invested subsidiary in mainland..	Not applicable.	Take timely assessment according to the market requirements and industry development.
Integrated Manufacturing & Services Co., Ltd. (shortened as IMS)	Invested company of SubsidiaryRuixuan adopting equity method	60%	25,571	(10,154)	Company still reports deficit in 2018, primarily stems from company operations still in an adjustment stage, preventing its revenue and profitability have yet to manifest.	IMSis mainly engaged in semiconductors, flat panel industry, solar and LED industries. It uses differentiation technology and niche products with a small variety and high added values as Market Segment. It will make a profit instead of suffering a loss in future.	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
PT Marketech International Indonesia (shortened as PTMII)	Invested company of Subsidiary Russkys adopting equity method	0.08%	31	2,622	Company operation still in development in 2018, while its current period's profitability is affected mainly by bank interest receipt and exchange gains.	PTMII mainly focuses on international trade on machinery and components. In the future, we also plan to increase sales expansion in cooperation with the increase in market demand in Indonesia to effectively grasp the market advantage by increasing the scales of international trade. Thus, we expect to increase profit to ensure the beneficial investment return of the parent company on us.	Take timely assessment according to the market requirements and industry development.

Note 1: The table discloses subsidiaries directly and indirectly invested by the Company and information of invested company of the Company or subsidiaries using equity method by the end of December 31, 2018.
Note 2: It is the investment boo amount by the end of December 31, 2018

6.Analysis of Risk Mangement

6.1 By the latest annual report and the publish date of the annual report this year, the impact of the interest rate, exchange rate changes and inflation on our company and future response measures.

6.1.1 The interest rate risk of our group is mainly from bank loans and loans at floating rates which may cause interest rate risk for cash flow. We regularly assess interest rate for bank loan, and closely contact with banks for more favorable borrowing rates in order to lower the impact of interest rate change on the company. And in the future, we will review and consider the amount and cost of a variety of funding sources for raising the necessary funds.

6.1.2 As we operate internationally, the relevant currency risk is mainly from future commercial transactions, recognized assets and liabilities and net investments on foreign organizations. Our group's procurement personnel shall refer to the recent currency trend for the abroad suppliers' quotes to avoid increasing procurement cost due to currency fluctuation. The finance department should occasionally collect exchange rate information for references with exchange rate changes, so the purchase payment shall depend on the level of exchange rate to be paid by our foreign currency cash like U.S. dollars or by our foreign currency deposits account, with offset effect of foreign currency income and expense which the exchange rate changes may cause a certain hedge effect, in order to reduce the harmful impact on the company due to the exchange rate changes.

6.1.3 Our Group pays attention to the inflation all the time: our quotation for import and sales activities and service transactions is based on the market price in order to reduce influences caused by the inflation.

6.1.4 Our group has established appropriate risk management mechanisms, and will continue to monitor changes in interest rate, exchange rate and inflation, in order to avoid any harmful influence on company profit and loss account caused by the aforesaid situations.

6.2 By the latest annual report and the publish date of the annual report this year, the main reasons and future response measures for policy profits or losses of the engaged in high-risk and highly leveraged investments, capital lending to others, endorsement and derivatives financial commodity transactions.

6.2.1 Engaging in high-risk and highly leveraged investments and derivatives financial commodity transactions:

We focus upon our business operations, and for ensuring safety of assets, we do not engage in high-risk and highly leveraged investments and derivatives financial commodity transactions. And we shall take more robust fixed time deposits or risk-free bond funds for free capital flows to prevent losses.

6.2.2 Capital lending to others:

By the latest annual report and the publish date of the annual report this year, the capital lending to others we engaged in is mainly the short-term financing for working capital needs within company's subsidiaries, which should be operated in accordance with "Operation Procedures for Capital Lending to Others" and the relevant regulations and laws, and the amount of capital lending does not exceed the limit.

6.2.3 Endorsement

In recent years and up to the printing of the annual report, the endorsement guarantees provided by the Group include: the Company's bank financing guarantee to its subsidiaries and joint guarantee as required by subsidiaries' construction performance bond; and joint guarantee signed among subsidiaries due to engineering contracting bonds. And such endorsements operation shall be complied with the "Endorsement Operation Procedure" and the relevant regulations and laws, and the amount of endorsements does not exceed the limit.

6.3 The future R&D Plan and estimated R&D cost of the latest year and by the annual report's publish date.

6.3.1 The future R&D plan

Our company's research and development team has integration capability of high-tech process, automatic control and precision machinery technology in developing high-tech system equipment, which has achieved superb results. Some key technologies are briefly described as below:

The Latest Annual R&D Plan	Process Technology	Automatic Control	Precision Machinery
Digital X-ray flat panel sensor	Comply with the safety process of free radiation protection	-	Medical radiation camera equipment, Aging test equipment
Automatic replacement of chemical tank slots by robotic arm	Factory system	Production automation	Mechanical arm, Mechanical vision
Electronic signal processor	Manufacturing	Signal processing	Digital and analog signal conversion
LED wafer reflectance measurement technology	PSS process	Precision measurement	Optical lens

6.3.2 The estimated R&D cost:

The Latest Annual R&D Plan	Current progress	Further required R&D Cost	Expected Mass Production Start Time	Key Factors Influencing Success of Future R&D
Digital X-ray flat panel sensor	90%	NT$ 3 million	2019	Product requirements request for stability, software development in line with market preferences and manufacturing costs
Automatic replacement of chemical tank slots by robotic arm	80%	NT$ 0.5 million	2019	Speed and accuracy of system operation
Electronic signal processor	95%	NT$ -	2019	Product yield, speed of signal collection and manufacturing cost
LED wafer reflectance measurement technology	50%	NT$ 1 million	-	Detect product the accuracy of reflectivity speed

6.4 By the latest annual report and the publish date of the annual report this year, the impact of important domestic and international policy and legislation changes on the company's financial operations and response measures.

Recent domestic and foreign policy and legislation changes have no obvious effects on our current operations. We will closely monitor the important domestic and foreign policy and legislation changes, and under the quickest condition, assist in the company's internal transformation and change to enhance the overall operation capacity.

6.5 The impact of technological and industry changes on the company's finances and the response measures for the most recent year and the latest annual report:

The company has dedicated staff that collects the latest industry dynamics and market information. With a strong management team and experienced and excellent professionals, the company has rich experience in market development, customer relationship management, marketing and adaptiveness to industry changes, allowing itself to flexibly react to market dynamics, customer demand, technological development and supply and demand. The company also actively integrates and introduces advanced products and technology in the role of a supplier and a marketer, instantly and consistently delivers products and the supporting services of applications. Overall, technological change can bring more opportunities to the company's business development.

As the market development has gradually shifted to Asia, and with the globalization strategy and the establishment of oversea operations of the technology industry in general, the company establishes offices in China (Shanghai, Wuxi and others), Singapore, Malaysia, Vietnam, Myanmar, Indonesia and Korea to expand its business and serve more clients. In response to technological development, the company provides international sales of advanced technology, high-tech equipments and materials to reduce the communication barrier.

The company will make good use of technological and industry changes to enhance its business management capacity and reduce cost to improve the overall competitiveness.

6.6 The impact of image change on the company's risk management and the response measures for the most recent year and the latest annual report:

The corporate image has always been about modesty and stability. The company also operates honestly and maintains the shareholders' best interests for the company philosophy. In addition to improving business growth, the company also strives for transparency and enhances the relationship with shareholders and various investment institutions. If the media or the outside parties have any questions, the company maintains its openness and transparency and quickly offers explanation to achieve active communication.

6.7 The expected benefits, possible risk and the response measures of acquisitions of the most recent year and the latest annual report: None.

6.8 The expected benefits, possible risk and the response measures of plant expansion of the most recent year and the latest annual report:

6.8.1 The group has newly added of its Tainan Science-based Industrial Park III plant in the current year in response of a productivity expansion for maintaining a high shipping demand and resolving production area deficiency, which is conducive in excelling the group’s operational development and overall compatibility.

6.8.2 The group has added a new Myanmar plant for making an inroad into the ASEAN market, by which to instill a competitive edge in the Southeast Asia market, and to support the group’s existing development in ASEAN countries and venturing into other markets, which is conducive in excelling the group’s market expansion.

6.9 The risks and the response measures of purchase and sales of the most recent year and the latest annual report:

1. Risks and the response measures for purchase: None.
2. Risks and the response measures for sales: None.

6.10 The impact and the risks of directors, supervisors and major shareholders with more than ten percent of the equity and the transfer or change of equity in large volume and the response measures for the most recent year and the latest annual report:

The directors of the Company and the majority shareholder holding more than 10% of the shares on May 2018, which had transferred of equit in large volume because of acquisition by Ennoconn International Investment Co., Ltd.. The directors and management team of the Company have not changed till the latest annual report, and the above transfer of equity has no significant impact on the operation of the company.

6.11 The impact and risks of changes in right to operate and the response measures for the most recent year and the latest annual report:

Ennoconn International Investment Co., Ltd. publicly acquired more than 40% of the company's common shares on May, 2018. It has substantial control over the company, so the company is listed as its subsidiary. The ultimate parent company of the company is Ennoconn International Investment Co., Ltd. Due to the joining operation of Ennoconn International Investment Co., Ltd., the company will expand more new business areas and have a positive impact on the company's future business development. Its comprehensive effect will be reflected in the future development of business cooperation. The acquisition of the above equity shares shall have a beneficial impact on the important matters affecting shareholders' equity, such as the operation or business of the Company.

6.12 For the most recent year and the latest annual report, any litigation and non-litigation cases of the company, directors, supervisors, general manager, person in charge, major shareholders with more than ten percent of the equity and the subsidiaries should be clearly listed. For the results that can potentially present huge impact to the rights of shareholders and share price, the dispute, money, lawsuits starting date and the major parties to the suit should be disclosed:None

6.13 Other major risks and the response measures of the most recent year and the latest annual report:None

7.Other Important Matters: None.

Part 8. Special Disclosures

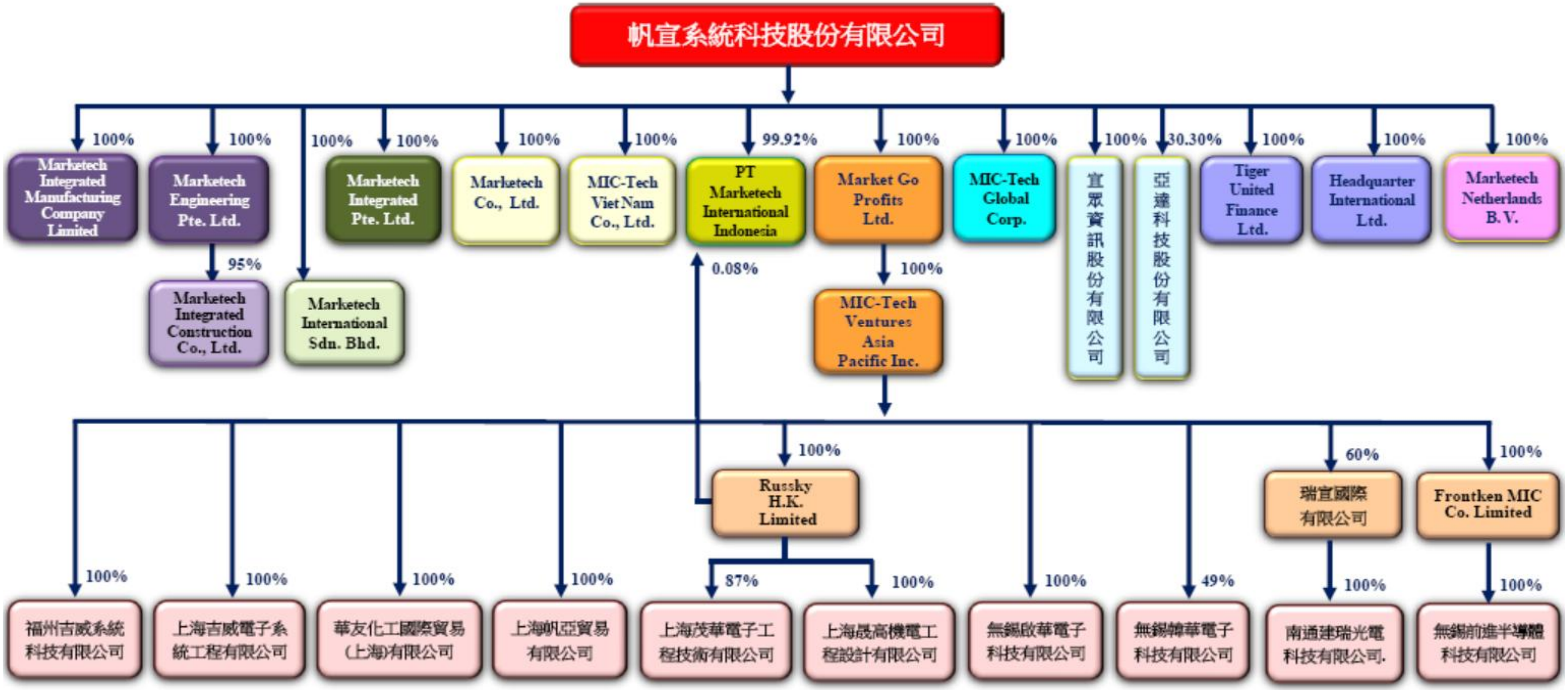
1.Information related to the Company's Affiliates

1.1 Consolidated report on subsidiaries

1.1.1. Organization profile of subsidiaries

(1) Organizational chart of subsidiaries

2018.12.31



(2) Controlled company and affiliation under the presumption of Article 369-3 of the Company Law: None.

(3) Affiliation with personnel, finances or business operations directly or indirectly controlled by the company under the second item of Article 369-2 of the Company Law: None.

1.1.2. Basic information of subsidiaries

Company Name	Date of establishment	Address	Paid in capital		Main businesses or production
			Original currency	NTD (in thousands)	
Marketech Integrated Pte. Ltd.	Jul. 10, 1997	86 KaKi Bukit Industrial Terrace, Singapore 416166	SGD 9,235,678	207,618	Handles the business of automated supply system in the semiconductor industry
Market Go Profits Ltd.	Dec. 20, 2000	P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 39,569,104	1,215,365	Engaged in holdings and reinvestment
Headquarter International Ltd.	Dec. 10, 2002	P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 1,289,367	39.603	Engaged in holdings and reinvestment
Tiger United Finance Ltd.	Oct. 9, 2002	P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 1,410,367	43,319	Engaged in holdings and reinvestment
MIC-Tech Global Corp.	Oct. 18, 2004	RM918,Hyundai Office Bldg,9-4,Sunae 1-dong,Bundang-gu,Seongnam-si, Gyeonggi-do,Korea	ARW 657,800,000	18,254	General international trade
MIC-Tech Viet Nam Co., Ltd.	Jan. 22, 2010	7F, No 36, Hoang Cau street, O Cho Dua Ward, Dong Da District,Ha Noi City, Vietnam	USD 1,300,000	39,930	Trading, installation and maintenance of various industrial machinery, equipments and supplies
Marketech Co., Ltd.	Jun 13, 2001	No 72 , Le Thanh Ton Street , Ben Nghe Ward , 1 District .Ho Chi Minh City, Viet Nam	USD 1,500,000	46,073	Construction contracting and the related repair business. Sale and maintance of machine tools, sale of cosmetics and daily necessities
MIC-Tech Ventures Asia Pacific Inc.	Feb. 1, 2001	Huntlaw Building, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	USD 39,466,604	1,212,217	Engaged in holdings and reinvestment
Marketech International Sdn. Bhd.	Feb. 10, 2009	36-02, Bilik 2, Jalan Molek 1/10Taman Molek, 81400 Johor Bahru Johor, Malaysia	MYR 12,242,750	87,070	Handles the business of automated supply system in the semiconductor industry
Russky H.K. Limited	Dec .17, 1992	Rm 1401, The Centre Mark, 287-299 Queen's Road Central, Hong Kong	USD 833,000	25,586	Engaged in holdings and reinvestment
Marketech Engineering Pte. Ltd.	Nov. 28, 2013	86 Kaki Bukit Industrial Terrace Singapore 416166	SGD 421,087	9,466	Handles mechanical and electrical installation and engineering businesses
Marketech Integrated Construction Co., Ltd.	Mar. 19, 2014	67/A, Htan Tapin Street, Kamayut Township, Yangon	USD 300,000	9,215	Handles mechanical and electrical installation and engineering businesses
Marketech Integrated Manufacturing Company Limited	Mar. 19, 2015	Lot No. B12, Tailawa Special Economic Zone A, Yangon Region, Myanmar	USD 14,000,000	430,010	Design, production and assembly services for equipments and components of automated production machines.
PT. Marketech International Indonesia	Oct. 18, 2016	VIP Chamber#2, Wisma GKBI Lt. 39 J1. Jend. Sudirman No. 28, Jakarta Pusat, Indonesia	USD 1,200,000	36,858	Trading machinery and equipment
Marketech Netherlands B.V.	Jun.30.2017	Luchthavenweg 81,8657 EA Eindhoven	EUR 300,000	10,560	Machinery, equipment, parts and related international trade operation and technical services
Shanghai Puritic Co., Ltd	Apr. 21, 1998	1F, Building A, No. 1281, Jin Hu Road, Pudong, Shanghai	USD 600,000	18,429	Design, installation, adjustment and technical services for scrubber regeneration , pipeline system and relevant

Company Name	Date of establishment	Address	Paid in capital		Main businesses or production
			Original currency	NTD (in thousands)	
					facilities used in the semiconductor industry; maintenance of equipments used in the semiconductor industry; technical advices for electronic and medical facilities; wholesaler, commission-based agent, export, import and related support services for electronic products, mechanical equipments, chemical products, communication equipments, metal products and plastic products.
Chen Gao M&E Engineering (Shanghai) Co., Ltd.	Feb. 2, 2008	25th Floor, No. 1, Lane 1040, Caoyang Road, Shanghai (Note 4)	USD 200,000	6,143	Microelectronics and display product design and consultation of the related technologies and management
MIC-Tech (Shanghai) Co. Ltd.	May 24, 2001	2F, Building A, No. 1281, Jin Hu Road, Pudong, Shanghai	USD 8,241,000	253,122	Semiconductor production, testing equipment and supplies, wholesale of power generation boiler, commission agents, import and export and other related business, boiler warehousing and distribution. international trade, entrepot trade, bonded area trade and agency, business advisory services.
Fuzhou Jiwei System Integratedy Co., Ltd.	Feb. 27, 2003	Room 510, No. 120, Cangshan Science and Technology Park, Fuzhou, Fujian Province	USD 300,000	9,215	Cleanroom and power system, pipeline system installation and related services.
MIC-Tech Electronics Engineering Corp.	Jun 30, 2003	1F, Building A, No. 1281, Jin Hu Road, Pudong, Shanghai	USD 17,619,000	541,168	Mechanical and electrical installation general contracting and sub-contracting, electronic engineering sub-contracting, petrochemical pipeline installation sub-contracting, pipeline sub-contracting and provide maintenance service at the end of project, related engineering consultation services.
MIC-Tech (WuXi) Co., Ltd.	May 16, 2001	No. 11, Xin Xi Road, Wuxi High-Tech Industrial Development Zone, Jiangsu Province	USD 25,500,000	783,233	Mechanical and electrical installation construction engineering construction, chemical oil construction engineering construction, municipal public construction construction construction, construction decoration decoration construction engineering construction, construction intelligent construction engineering professional construction, electronic construction engineering professional construction, and related technical services and technical consultation. Construction equipment, building materials, electronic products, chemical products, metal products, electrical equipment, communication equipment wholesale, commission agents and import and export, and provide related supporting services
SKMIC (WuXi) Corp.	Jul 4, 2006	Room 208, 2nd Floor, No. 87-A, Wuxi High-Tech Industrial Development Zone, Jiangsu Province	USD 305,000	9,368	Wholesaler, commission-based agent, export, import and related support services for equipments designed for the installation and maintenance of semiconducting components and crystals, equipments designed for electronic components, chemical products for environmental protection and pollution prevention

Company Name	Date of establishment	Address	Paid in capital		Main businesses or production
			Original currency	NTD (in thousands)	
					equipments, semiconductors, examination equipments and supplies, solar energy equipments supplies, furnace for power generation; international trade, entrepot trading, trading and trading agent services for enterprises within the region; and trading related consultations.
MIC-Tech China Trading (Shanghai) Co., Ltd.	Mar 21, 2013	Room 517, No. 8 Huajin Road, Shanghai Wai Gao Qiao Free Trade Zone	USD 1,500,000	46,073	Petrochemical products (except hazardous chemicals, precursor chemicals and specialty chemicals), semiconductors, testing equipments and supplies, solar equipment and supplies, wholesale of power generation boilers, commission agents, import and export and other related services, international trade, entrepot trade, trade and agent within the bonded area, trade advisory services.
MICT International Limited	Dec. 14, 2007	1004., AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.	USD 9,000,000	276,435	Engaged in holdings and reinvestment
Integrated Manufacturing & Services Co., Ltd.	Oct. 22, 2008	Huolong Industry Park, Sijia Town, Haimen, Nantong, Jiangsu, China (No. 60, Sizu , Liantong Village)	USD 5,000,000	153,575	To develop and produce equipments specially designed for the production of solar energy battery; key components of large screen color projection displays such as optical engines, light sources, projection screens, high resolution projection tubes and LCOS modules; new electronic components; and cleaning and regeneration services.
Frontken MIC Co.,Limited	Dec. 28, 2007	Room 1006, 10/F ., 299QRC, 287-299 Queen's Road Central, Hong Kong	USD 2,337,608	71,800	Engaged in holdings and reinvestment
Frontken MIC (WuXi) Co. Ltd	Oct. 31, 2008	No. 11, Xinxi Road, Wuxi National High-Technology Industrial Development Zone, Jiansu	USD 2,308,000	70,890	To clean equipments specialized for semiconductor components and integrated circuit. To clean parts and wafers of specific components, integrated circuits and micro-components of semiconductor devices. To develop semiconductor cleaning technology.
eZoom Information, Inc.	Nov. 20, 1996	6F-3, No. 3-2, Yuanqu Street, Nangang District, Taipei	NTD 200,000,000	200,000	Research and development, buying and selling and consultation of information system software and hardware
ADAT Technology Co., LTD.	Oct. 19, 2017	6F, No. 3-2, Yuanqu Street, Nangang District, Taipei	NTD 66,000,000	66,000	Software research and development, application and services; electronic information provisioning and equipment sales

Note 1: All affiliated companies should be disclosed regardless of size.
Note 2: For all affiliated companies that have factories and the sales revenue exceeds ten percent of the mother company, the names, founding dates, address and the main products should be listed.
Note 3: If the affiliated companies are foreign, the names and addresses can be presented in English. The founding dates can be shown in AD date, and the paid in capital should be converted by using the official currency conversion rate.
Note 4: The address is the actual business address.

1.1.3.Shareholders in commonand Its Subsidiaries with Deemed Control and Subordination:

Unit: NTD in thousands; shares: %

Presumed reasons	Name (Note 1)	Shareholding (Note 2)		Date of establishment	Address	Paid in Capital	Main areas of business
		Shares	Share ratios				
		Not applicable					

Note 1: Fill in the corporate name if the corporate shareholder is the same. Fill in the individual name if the individual shareholder is the same. For individual shareholders, only fill in the presumed reasons, name and the shares in holding.

Note 2: Fill in the shareholding information of the shareholder in the controlling company.

1.1.4. Businesses covered by the overall affiliation

(1) Industries covered by the company and the subsidiaries

(1.1)Semiconductor (including mask, wafer fabrication, packaging and testing), optoelectronics (color filter, TFT-LCD, LTPS TFT LCD, polarizer, LED, OLED, GaAs), solar power industries and others (SAW filter, biotechnology and MEMS) and their pipeline construction and turnkey project contracting.

(1.2) Electronics, circuits and construction pipeline businesses

(1.3)General investment

(1.4) Trading of chemical products and materials

(1.5) Sales and installation of boilers and equipments

(1.6) Research and development and manufacturing of customized equipments

(2) Business dealings and division of labor between the subsidiaries:

The company and its subsidiaries that it deals business with are involved in high-technology products related sales agent activities and services, factory affairs, production and system integration services and equipment production. The companies have adopted division of work based on their specialization in terms of their cooperation: The Company is responsible for the expansion of domestic and foreign market and related services as well as the overall operational planning, control, execution and technical instructions for its subsidiaries; eZoon aims to build ICT and cloud computation integrated technology as its core competitiveness, integrate the Group business and sources, and collaborate with the Group to conduct a comprehensive marketing in order to maximize the overall effectiveness and to expand business opportunity. Marketech Integrated Pte. Ltd., Marketech International Sdn. Bhd., Mic-Tech Viet Nam Co., Ltd., Hoa Phong Marketech Co., Ltd., Marketech Intergrated Construction Co., Ltd. and Marketech Integrated Manufacturing Company Limited are responsible not only for developing the South-East Asia market, but also for constructing pipelines required for Semiconductor and general industry customers in Mainlander China to expand their production capacity and the production, installation and maintenance of equipments. Besides, they also support the engineering of factory affair systems required for customers in the Greater China region to build plants. MIC-Tech (Shanghai) Co. Ltd., Wuxi Qihua Electronic Technology Co., Ltd., Wuxi Hanhua Electronic Technology Co., Ltd., Shanghai Puritic Co., Ltd., Shanghai Jiwei Electronic System Engineering Co., Ltd., Fuzhou Jiwei System Technology Co., Ltd., Shanghai Sheng Kao Mechanical and Electrical Engineering Design Co., Ltd., TPP-MIC (Wuxi) Co., Ltd., Integrated Manufacturing & Services Co., Ltd. , Frontken MIC Co. Limited and Shanghai Fan-Ya Trade Co., Ltd. are responsible for expanding the market of the Greater China region. These companies are specialized in fields of sales agent activities, equipment production, installation and maintenance, and factory affair system engineering for chemicals used to satisfy the domestic market of the Greater China. To respond to the demand of Korea’s semiconductor and TFT industries, MIC-Tech Global Corp. is appointed to expand the East Asia market. The parent company and the subsidiaries provide complementary synergy through distribution of regional resources and the integrated support.

1.1.5. Information of directors, supervisors and general manager of all subsidiaries

Unit: Doller; shares: %

Company Name	Title (Note 1)	Name or representative	Shareholding (Note 2 and 3)	
			Number of shares or capital contributions	Shareholding ratios
Marketech Integrated Pte. Ltd.	Chairman Director Director	Corporate representatives Kao Hsin-Ming Scott Lin Seetoh Oi Ying	SGD9,235,678	100%
Market Go Profits Ltd.	Director Director	Corporate representatives Kao Hsin-Ming Scott Lin	USD38,369,104	100%
Headquarter International Ltd.	Director Director	Corporate representatives Kao Hsin-Ming Scott Lin	USD1,289,367	100%
Tiger United Finance Ltd.	Director Director	Corporate representatives Kao Hsin-Ming Scott Lin	USD1,410,367	100%
MIC-Tech Global Corp.	Director Director Director Supervisor General Manager	Corporate representatives Kao Hsin-Ming Scott Lin Pu Zhen-Hao Li Yi-Jung Pu Zhen-Hao	KRW657,800,000	100%
MIC-Tech Viet Nam Co.,Ltd.	General manager	Corporate representatives Kao Hsin-Ming	USD 1,300,000	100%
Marketech Co., Ltd.	General manager	Corporate representatives Kao Hsin-Ming	USD 1,500,000	100%
Marketech Engineering Pte.Ltd.	Director Director Director	Corporate representatives Kao Hsin-Ming Scott Lin Seetoh OiYing	SGD421,087	100%
Marketech Integrated Manufacturing Company Limited	Director Director	Corporate representatives Kao Hsin-Ming Scott Lin	USD14,000,000	100%
MIC-Tech Ventures Asia Pacific Inc.	Director Director	Subsidiary- Market Go Profits Ltd. Corporate representatives Kao Hsin-Ming Scott Lin	USD39,466,604	100%
Marketech Integrated Construction Co., Ltd.	Director Director	Subsidiary- Marketech Enginnering Pte.Ltd. Corporate representatives Kao Hsin-Ming Scott Lin	USD285,000	95%

Company Name	Title (Note 1)	Name or representative	Shareholding (Note 2 and 3)	
			Number of shares or capital contributions	Shareholding ratios
Marketech International Sdn.Bhd.	 Director Director Director Director Director Director	Corporate representatives Kao Hsin-Ming Scott Lin Subsidiary- Marketech Integrated Pte Ltd. Corporate representative Ma Kuo-peng Individual representative Mohd Salleh Bin Mohamad Siti Zaleha Binti Mohd Salim	MYR12,242,750	100%
Russky H.K. Limited	 Director Director	Subsidiary- MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Kao Hsin-Ming Scott Lin	USD833,000	100%
Frontken MIC Co. Limited	 Director Director	Subsidiary MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Kao Hsin-Ming Scott Lin	USD1,013,200	100%
PT Marketech International Indonesia	 Director supervisor	Corporate representatives Kao Hsin-Ming Scott Lin	USD 1,200,000	100%
Marketech Netherlands B.V.	 Director Director Director	Corporate representatives Kao Hsin-Ming Scott Lin Ma Kuo-peng	EUR 300,000	100%
Shanghai Puritic Co., Ltd	 Chairman Director Director Supervisor Manager Director Director	Subsidiary- Russky H.K. Limited corporate representatives Kao Hsin-Ming Ma Kuo-peng Scott Lin Li Yi-Jung Kao Hsin-Ming Corporate representatives from other firms Shouhei Fukaya Osamu Watanabe	USD803,000	87%
Chen Gao M&E Engineering (Shanghai) Co., Ltd.	 Chairman Director Director Director Supervisor	Subsidiary- Russky H.K. Limited corporate representatives Li Yi-Jung Kao Hsin-Ming Scott Lin Li De-Qing	USD200,000	100%

Company Name	Title (Note 1)	Name or representative	Shareholding (Note 2 and 3)	
			Number of shares or capital contributions	Shareholding ratios
MIC-Tech (Shanghai) Corp. Ltd.	 Chairman Director Director General manager	Subsidiary- MIC-Tech Ventures Asia Pacific Inc. corporate representative Kao Hsin-Ming Scott Lin Ma Kuo-peng Kao Hsin-Ming	USD 8,241,000	100%
Fuzhou Jiwei System Integrated Co., Ltd.	 Chairman Director Director General manager	Subsidiary- MIC-Tech Ventures Asia Pacific Inc.corporate representatives Kao Hsin-Ming Ma Kuo-peng Scott Lin Kao Hsin-Ming	USD300,000	100%
MIC-Tech Electronics Engineering Corp.	 Chairman Director Director Supervisor	Subsidiary- MIC-Tech Ventures Asia Pacific Inc corporate representatives Kao Hsin-Ming Ma Kuo-peng Scott Lin Li Yi-Jung	USD 17,619,000	100%
MIC-Tech(WuXi) Co., Ltd.	 Chairman Director Director Supervisor General manager	Subsidiary- MIC-Tech Ventures Asia Pacific Inc corporate representatives Kao Hsin-Ming Ma Kuo-peng Scott Lin Li Yi-Jung Kao Hsin-Ming	USD25,500,000	100%
SKMIC (WuXi) CORP.	 Director Director Supervisor Chairman Director	Subsidiary- MIC-Tech Ventures Asia Pacific Inc. corporate representatives Kao Hsin-Ming Scott Lin Song Dong-Xuan corporate representatives from other firms Jin Ren-Shou Shen Yingfu	USD149,450	49%

Company Name	Title (Note 1)	Name or representative	Shareholding (Note 2 and 3)	
			Number of shares or capital contributions	Shareholding ratios
MIC-Tech China Trading (Shanghai)Co., Ltd	 Chairman Director Director Director Supervisor	Subsidiary MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Kao Hsin-Ming Scott Lin Ma Kuo-peng Li Yi-Jung	USD 1,500,000	100%
MICT International Limited	 Director Director	Subsidiary MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Kao Hsin-Ming Scott Lin	USD4,296,716	100%
Integrated Manufacturing & Services Co., Ltd.	 Chairman Director Director Supervisor General manager	Subsidiary MICT International Limited Corporate representatives Hou Fu-Jia Kao Hsin-Ming Wang,Chien-Yuan Scott Lin Lu Hsueh-Heng	USD3,096,716	100%
Frontken MIC(WuXi) Co. Limited	 Chairman Director Director Director Supervisor General manager	Subsidiary Frontken MIC Co. Limited Corporative representative Kao Hsin-Ming Scott Lin Ma Kuo-peng Hee Kok Hiong Li Yi-Jung Hou Fu-Jia	USD1,013,200	100%
eZoom Information, Inc.	 Chairman Director Director Director Supervisor	Corporate representatives Scott Lin Kao Hsin-Ming Sung Bing-zhong Li Yi-Jung Ma Kuo-peng	20,000,000 shares	100%
ADTA Technology Co., LTD	 Chairman Director Supervisor Director	Corporate representatives Scott Lin Kao Hsin-Ming Li Yi-Jung corporate representatives from other firms Su Kai-hung	2,000,000 shares	100%

Note 1: If the affiliated company is a foreign firm, list the person with the corresponding title.
Note 2: If the invested firm is a limited company, please fill in the number of shares and the shareholding ratios. For others, please fill in the paid in capital and the contribution ratio and provide explanation notes.
Note 3: When the directors and the supervisors are corporates, the related information of the representatives should be disclosed.

(2) Operation profile of subsidiaries

(2.1) Financial position and operating results of the affiliated companies

Unit: NTD in thousands

Company Name	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating (loss) gain	(Loss) gain of the period (after tax)	Earning per share (loss) (NTD) (after tax)
Marketech Integrated Pte. Ltd.	207,618	138,163	123,068	15,095	284,134	(552)	(288)	-
Market Go Profits Ltd.	1,215,365	1,070,484	-	1,070,484	-	(73)	36,179	-
Headquarter International Ltd.	39,603	39,092	228	38,864	2,368	253	(307)	-
Tiger United Finance Ltd.	43,319	38,352	539	37,813	2,792	490	(476)	-
MIC-Tech Global Corp.	18,254	7,965	1,358	6,607	116,937	(1,215)	(993)	-
MIC-Tech Viet Nam Co., Ltd.	39,930	28,891	1,329	27,562	20,715	(3,665)	(3,471)	-
Marketech Co., Ltd.	46,073	14,082	2,994	11,088	7,618	(6,853)	(6,843)	-
Marketech Engineering Ptd. Ltd.	9,466	15,357	118	15,239	-	(153)	13,794	-
MIC-Tech Ventures Asia Pacific Inc.	1,212,217	1,090,455	21,699	1,068,756	315,847	25,838	36,252	-
Marketech International Sdn.Bhd.	87,070	76,676	12,173	64,503	146,678	4,874	6,481	-
Marketech Integrated Construction Co., Ltd.	9,215	22,908	7,283	15,625	52,940	14,648	14,688	-
Marketech Integrated Manufacturing Company Limited	430,010	360,909	5,886	355,023	-	(7,426)	(3,532)	-
Russky H.K. Limited	25,586	2,935	13,231	(10,296)	-	(19)	4,156	-
Frontken MIC Co. Limited	71,800	5,414	-	5,414	-	-	(110)	-
PT Marketech International Indonesia	36,858	36,701	-	36,701	-	(231)	2,622	-
Marketech Netherlands B.V.	10,560	6,339	-	6,339	-	(4,051)	(4,051)	-
Shanghai Puritic Co., Ltd	18,429	299,367	313,900	(14,533)	419,669	7,068	2,424	-
ChenGao M&E Engineering (Shanghai) Co., Ltd.	6,143	395	983	(588)	2,123	2,094	2,056	-
MIC-Tech (Shanghai) Corp. Ltd.	253,122	888,066	536,848	351,218	1,744,419	50,219	25,652	-
Fuzhou Jiwei System Integrated Co., Ltd.	9,215	347	1,363	(1,016)	1,622	763	695	-
MIC-Tech Electronics Engineering Corp.	541,168	2,073,677	1,655,934	417,743	3,545,175	47,220	(27,348)	-
MIC-Tech(WuXi) Co., Ltd.	783,233	664,994	626,513	38,481	1,152,991	54,984	28,697	-
SKMIC (WuXi) CORP.	9,368	122	-	122	-	(198)	(204)	-
MIC-Tech China Trading (Shanghai)Co., Ltd	46,073	67,576	49,048	18,528	110,565	(3,437)	(7,308)	-
MICT International Limited	276,435	104,078	-	104,078	-	-	(10,126)	-
Integrated Manufacturing & Services Co., Ltd.	153,575	48,749	6,131	42,618	30,027	(11,247)	(10,154)	-
Frontken MIC (WuXi) Co. Ltd	70,890	5,393	-	5,393	-	(245)	(110)	-
eZoom Information, Inc.	200,000	188,917	36,954	151,963	94,355	(20,940)	(6,743)	(0.34)
ADAT Technology Co., LTD	66,000	46,022	3,005	43,017	-	(18,230)	(18,217)	(2.76)

Note 1: If any of the above affiliated companies is foreign, the number should presented in NTD using the currency exchange rate of the report date.

Note 2: Earnings (loss) per share is calculated based on the number of shares outstanding of each company on December 31st, 2018.

1.2 The consolidated financial statements of affiliated companies: In 2018, The companies that should be included in the consolidated financial reports of affiliated companies based on ”Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” and the companies that should be included in the consolidated financial reports of subsidiaries based on "Consolidated and separate financial statements" of International Accounting Standards Section 27 are the same. The related information that should be disclosed in the consolidated financial statements of affiliated companies are also already disclosed in the consolidated financial reports for subsidiaries, so that the consolidated financial statements of affiliated companies will not be published separately. Please refer to the consolidated reports of this annual report.

1.3 Affiliation report: Not applicable.

2.Private Placement Securities in the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report: None.

3.The Shares in the Company Held or Disposal of by subsidiaries in the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report: None.

4.Other Disclosures : None.

Part 9 Any of the situations listed in Article 36, aragraph3,subparagraph 2 of the Securities and Exchange Act of Taiwan, which might materially affect Shareholders’ Equity or the price of the Company Securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report: None.

MARKETECH INTERNATIONAL CORP.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2018 AND 2017

For the convenience of readers and for information purpose only, the 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Marketech International Corp.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

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

Hereby declare,
Marketech International Corp.
Margaret Kao
February 18, 2019

pwc 資誠

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of

Marketech International Corp.

Opinion

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

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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, we do not provide a separate opinion on these matters.

Key audit matters on the consolidated financial statements for the year ended December 31, 2018 were as follows:

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

Recognition of construction contract revenue

Description

Please refer to Notes 4(28) for accounting policy on construction contract revenue. Please refer to Note 5(2) for the details of uncertainty of construction contract accounting estimation and assumption. Please refer to Notes 6(18) and 6(4) for description on construction contract revenue and construction contract cost.

The Group recognized revenue and profit by using the percentage of completion method. This method is also being used to calculate the cost for each contract at year-end. Management will re-evaluate the cost if the budget had increased or decreased, and depending on the cost after adjustment will recalculate the percentage of completion. The construction contract revenue may be affected by the appropriateness of determination of cost and estimated cost. Thus, we considered this as one of the key audit matters.

How our audit addressed the matter

We tailored the major audit scope as follows:

A. Obtained an understanding of the management's control system and determined whether the contract had been created or had significantly changed with respect to estimation of construction cost.

B. Obtained the newly added construction contract list for this fiscal year, and ensured that the total contract price is equal to the amount being used to calculate construction contract revenue. Ensured that the construction supplement can be traced back to supplementary contracts.

C. Checked the construction costs incurred estimation sheets in the current period, sample tested the basis of estimation and subcontracting amount, and ensured that it has been approved appropriately by the management.

D. Checked the rationality of significant changes in estimation of construction cost, and sample tested whether the revised plan had been approved by the management.

E. Obtained the billing details, and selected samples of related vouchers by using statistical procedures to check the correctness of input cost in engineering reports and computation of percentage of completion.

pwc 資誠

Valuation on inventories

Description

Please refer to Note 4(11) for description of accounting policy on inventory valuation. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation. Please refer to Note 6(4) for the description of inventory.

The Group is primarily engaged in import and export trading business, which include integrated circuit, electronic equipment, and materials, components used on electronic equipment. Due to the rapid technological changes, the semiconductor equipment industry has become more and more competitive, and the product price frequently changes. Therefore, the Group is now exposed to risk on inventory valuation loss and slow-moving inventory. Inventories are stated at the lower of cost or net realizable value, and the specific identification method is used to estimate the allowance for inventory valuation loss on slow-moving inventories.

The base stock of inventories is based on assumptions of future demand and development plan. Due to the large quantity of inventories for sale, and since the amounts involved are significant, the determination of net realizable value for obsolete or slow-moving inventory involves subjective judgement resulting in high degree of estimation uncertainty. As a result of the high uncertainties in these estimates, we considered this as one of the key audit matters.

How our audit addressed the matter

We tailored the major audit scope as follows:

A. Assessed the policy on allowance for inventory valuation loss, based on our understanding of the operations and industry of the Group.

B. Tested whether the basis of market value used in calculating the net realizable value of inventory is consistent with the policy of the Group and validated selling prices of selected samples of respective inventory and their accuracy of net realizable value calculation.

C. Acquired management's individually identified out-of-date inventory list, inspected the related supporting documents and proper recognition in the financial statements.

Valuation of allowance of accounts receivable

Description

Please refer to Note 4(8) for accounting policy of accounts receivable. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to accounts receivable. Please refer to Note 6(3) for the details of accounts receivable.

The Group assesses the significant accounts receivable individually, and for those that are not significant, are assessed either individually or collectively. If there is no impairment after individual assessment, then the group of accounts receivable will be added for collective assessment. If the accounts receivable over a certain age is significant, the management will re-examine the collectability and assesses each case for possible impairment. Management uses professional judgement during the process, and accounting estimates have a high possibility of becoming inappropriate. The professional judgement may be affected by several factors, such as customer's financial status, internal credit rating, order history, and economic situation. Accordingly, obtaining the supporting documents which management used for judgement is important. Thus, we considered the assessment on allowance for bad debts as one of our key audit matters.

How our audit addressed the matter

We tailored the major audit scope as follows:

A. Obtained an understanding of the process which management used to evaluate the collectibility of accounts receivable.

B. Ensured that the classification of impairment in the group of accounts receivable is appropriate and in accordance with the Group's accounting policy.

C. Checked the details of significant impairment recognized by the management, against the supporting documents to verify appropriateness.

D. Verified the subsequent collections details of significant accounts receivable.

E. Obtained the details of significant accounts receivable which have not yet been collected at year end, and re-evaluated the appropriateness.

pwc 資誠

Other matter – Parent company only financial reports

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

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

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

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

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

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

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

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

pwc 資誠

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

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

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

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

Chang, Shu-Chiung　　　　Weng, Shih-Jung

For and on behalf of PricewaterhouseCoopers, Taiwan

February 18 2019

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

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 2,155,357	12	$ 2,300,572	14
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	90,944	1	17,143	-
1125	Available-for-sale financial assets - current	12(4)	-	-	41,502	-
1140	Current contract assets	6(18)	4,229,541	23	-	-
1150	Notes receivable, net	6(3)	95,991	1	167,147	1
1170	Accounts receivable, net	6(3)	4,151,194	23	3,898,907	24
1180	Accounts receivable - related parties, net	7	109,476	1	168	-
1190	Construction contracts receivable	12(5)	-	-	3,163,858	20
1200	Other receivables		21,586	-	20,890	-
130X	Inventories, net	6(4)	3,800,814	21	3,049,761	19
1410	Prepayments	6(5)	421,951	2	811,826	5
1470	Other current assets	8	192,067	1	171,820	1
11XX	**Total current assets**		15,268,921	85	13,643,594	84
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2)	415,468	2	-	-
1543	Financial assets at cost - non-current	12(4)	-	-	279,343	2
1550	Investments accounted for using equity method	6(6)	63,078	-	52,117	-
1600	Property, plant and equipment, net	6(7), 7 and 8	2,231,933	12	1,864,277	12
1780	Intangible assets	7	19,441	-	20,115	-
1840	Deferred tax assets	6(22)	149,061	1	122,914	1
1900	Other non-current assets	6(2)	80,304	-	88,783	1
15XX	**Total non-current assets**		2,959,285	15	2,427,549	16
1XXX	**Total Assets**		$ 18,228,206	100	$ 16,071,143	100

(Continued)

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(8) and 8	$ 2,635,425	15	$ 2,012,182	13
2130	Current contract liabilities	6(18) and 7	3,320,466	18	-	-
2150	Notes payable	7	1,044,159	6	908,350	6
2170	Accounts payable	7	4,320,299	24	3,933,294	24
2190	Construction contracts payable	7 and 12(5)	-	-	1,851,105	12
2200	Other payables	6(9)	588,941	3	544,024	3
2230	Current tax liabilities		124,087	1	96,090	1
2310	Advance receipts	6(10)	28,545	-	1,014,888	6
2320	Long-term liabilities, current portion	6(11)	11,766	-	-	-
2399	Other current liabilities		49,707	-	12,917	-
21XX	**Total current liabilities**		12,123,395	67	10,372,850	65
	Non-current liabilities					
2530	Bonds payable	6(11)	-	-	200,199	1
2540	Long-term borrowings	6(12)	200,000	1	200,000	1
2570	Deferred tax liabilities	6(22)	835	-	-	-
2640	Accrued pension liabilities	6(13)	161,957	1	154,014	1
2670	Other non-current liabilities	6(6)	4,716	-	78	-
25XX	**Total non-current liabilities**		367,508	2	554,291	3
2XXX	**Total Liabilities**		12,490,903	69	10,927,141	68
	Equity					
	Share capital	6(15)				
3110	Ordinary shares		1,855,913	10	1,770,164	11
	Capital surplus	6(14)(16)				
3200	Capital surplus		970,381	5	843,057	5
	Retained earnings	6(17)				
3310	Legal reserve		692,068	4	626,773	4
3320	Special reserve		92,239	1	92,239	1
3350	Unappropriated retained earnings		2,197,064	12	1,893,389	12
	Other equity interest					
3400	Other equity interest		(140,931)	(1)	(80,645)	(1)
31XX	**Total equity attributable to owners of parent**		5,666,734	31	5,144,977	32
36XX	**Non-controlling interests**		70,569	-	(975)	-
3XXX	**Total Equity**		5,737,303	31	5,144,002	32
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the	11				
3X2X	**Total Liabilities and Equity**		$ 18,228,206	100	$ 16,071,143	100

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31 2018 AMOUNT	%	2017 AMOUNT	%
4000	**Operating Revenue**	6(18), 7 and 12(5)	$ 24,415,723	100	$ 20,211,994	100
5000	**Operating Costs**	6(4)(21) and 7	(21,596,527)	(88)	(17,910,657)	(89)
5900	**Gross Profit**		2,819,196	12	2,301,337	11
	Operating Expenses	6(21)				
6100	Sales and marketing expenses		(589,043)	(2)	(562,119)	(2)
6200	General and administrative expenses		(820,513)	(4)	(754,437)	(4)
6300	Research and development expenses		(256,600)	(1)	(184,082)	(1)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	(277,287)	(1)	-	-
6000	**Total operating expenses**		(1,943,443)	(8)	(1,500,638)	(7)
6900	**Operating Profit**		875,753	4	800,699	4
	Non-operating Income and Expenses					
7010	Other income	6(19)	92,805	-	63,054	-
7020	Other gains and losses	6(2)(20)	103,198	-	7,858	-
7050	Finance costs		(66,071)	-	(62,688)	-
7060	Share of (loss) profit of associates and joint ventures accounted for using equity method		(4,846)	-	5,052	-
7000	**Total non-operating income and expenses**		125,086	-	13,276	-
7900	**Profit before Income Tax**		1,000,839	4	813,975	4
7950	Income tax expense	6(22)	(218,675)	(1)	(165,146)	(1)
8200	**Net Income**		$ 782,164	3	$ 648,829	3

(Continued)

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
			Year ended December 31			
	Other Comprehensive Income					
	Other components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Gains (losses) on remeasurements of defined benefit plans	6(13)	($ 10,438)	-	($ 11,229)	-
8349	Income tax related to components of other comprehensive income (loss) that will not be reclassified to profit or loss	6(22)	2,859	-	1,909	-
8310	**Total components of other comprehensive loss that will not be reclassified to profit or loss**		(7,579)	-	(9,320)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign operations		(52,271)	-	(56,650)	-
8362	Unrealised gain on valuation of available-for-sale financial assets of foreign operations	12(4)	-	-	(6,395)	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method		190	-	(146)	-
8399	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	6(22)	14,002	-	9,681	-
8360	**Total components of other comprehensive loss that will be reclassified to profit or loss**		(38,079)	-	(53,510)	-
8300	**Other comprehensive loss, net of tax**		($ 45,658)	-	($ 62,830)	-
8500	**Total Comprehensive Income**		$ 736,506	3	$ 585,999	3
	Profit (loss) attributable to:					
8610	Owners of the parent		$ 792,582	3	$ 652,951	3
8620	Non-controlling interests		(10,418)	-	(4,122)	-
	Total		$ 782,164	3	$ 648,829	3
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		$ 747,730	3	$ 589,971	3
8720	Non-controlling interests		(11,224)	-	(3,972)	-
	Total		$ 736,506	3	$ 585,999	3
9750	**Basic earnings per share**	6(23)	$	4.40	$	3.77
9850	**Diluted earnings per share**	6(23)	$	4.21	$	3.51

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent										
			Capital Reserves		Retained Earnings			Other equity interest				
	Notes	Share capital - ordinary shares	Share premium	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interests	Total equity
Year 2017												
Balance at January 1, 2017		$ 1,650,698	$ 616,003	$ 32,443	$ 575,258	$ 92,239	$ 1,667,955	($ 56,393)	$ 29,408	$ 4,607,611	($ 2,416)	$ 4,605,195
Profit (loss) for 2017		-	-	-	-	-	652,951	-	-	652,951	(4,122)	648,829
Other comprehensive income (loss) for 2017		-	-	-	-	-	(9,320)	(47,265)	(6,395)	(62,980)	150	(62,830)
Total comprehensive income		-	-	-	-	-	643,631	(47,265)	(6,395)	589,971	(3,972)	585,999
Appropriations of and distribution of earnings for 2016	6(17)											
Legal reserve		-	-	-	51,515	-	(51,515)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(363,153)	-	-	(363,153)	-	(363,153)
Share-based payment	6(14)(15)(16)	14,225	18,151	133	-	-	-	-	-	32,509	-	32,509
Changes in equity of associates and joint ventures accounted for using equity method		-	-	-	-	-	(3,529)	-	-	(3,529)	-	(3,529)
Conversion of convertible bonds	6(11)(15)(16)(25)	105,241	188,751	(12,424)	-	-	-	-	-	281,568	-	281,568
Change in non-controlling interests	6(17)	-	-	-	-	-	-	-	-	-	5,413	5,413
Balance at December 31, 2017		$ 1,770,164	$ 822,905	$ 20,152	$ 626,773	$ 92,239	$ 1,893,389	($ 103,658)	$ 23,013	$ 5,144,977	($ 975)	$ 5,144,002
Year 2018												
Balance at January 1, 2018		$ 1,770,164	$ 822,905	$ 20,152	$ 626,773	$ 92,239	$ 1,893,389	($ 103,658)	$ 23,013	$ 5,144,977	($ 975)	$ 5,144,002
Effect of retrospective application and retrospective restatement		-	-	-	-	-	19,315	-	(23,013)	(3,698)	205	(3,493)
Balance at January 1, 2018 after restatement		1,770,164	822,905	20,152	626,773	92,239	1,912,704	(103,658)	-	5,141,279	(770)	5,140,509
Profit (loss) for the period		-	-	-	-	-	792,582	-	-	792,582	(10,418)	782,164
Other comprehensive income (loss) for the period		-	-	-	-	-	(7,579)	(37,273)	-	(44,852)	(806)	(45,658)
Total comprehensive income (loss) for the period		-	-	-	-	-	785,003	(37,273)	-	747,730	(11,224)	736,506
Appropriations and distribution of 2017 retained earnings:	6(17)											
Legal reserve		-	-	-	65,295	-	(65,295)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(442,541)	-	-	(442,541)	-	(442,541)
Share-based payment	6(14)(15)(16)	10,520	13,391	(3,521)	-	-	-	-	-	20,390	-	20,390
Changes in equity of associates and joint ventures accounted for using equity method	6(16)	-	-	2,000	-	-	7,193	-	-	9,193	-	9,193
Conversion of convertible bonds	6(11)(15)(16)(25)	75,229	123,663	(8,209)	-	-	-	-	-	190,683	-	190,683
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	82,563	82,563
Balance at December 31, 2018		$ 1,855,913	$ 959,959	$ 10,422	$ 692,068	$ 92,239	$ 2,197,064	($ 140,931)	$ -	$ 5,666,734	$ 70,569	$ 5,737,303

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,000,839	$ 813,975
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(20) and 12(4)	(93,134)	(9,846)
Impairment on expected credit loss	12(2)	277,287	-
Gain on reversal of bad debts	12(4)	-	(12,129)
Share of loss (profit) of associates and joint ventures accounted for using equity method		4,846	(5,052)
Gain on disposal of investments	6(20)	-	(35,556)
Depreciation	6(7)(21)	120,032	109,120
Amortisation	6(21)	17,154	20,431
Loss (gain) on disposal of property, plant and equipment	6(7)	(1,296)	1,353
Impairment loss on financial assets	6(20)	-	15,243
Compensation cost of share-based payments	6(14)(16)(21)	2,580	7,901
Interest income	6(19)	(8,349)	(7,881)
Interest expense		66,071	62,688
Dividend income	6(19)	(14,485)	(16,935)
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets-current		(1,065,683)	-
Notes receivable, net		79,649	38,599
Accounts receivable, net		(625,617)	100,180
Accounts receivable – related parties, net		(109,313)	250
Construction contracts receivable		-	(295,709)
Other receivables		95	(5,670)
Inventories		(760,871)	(437,591)
Prepayments		389,875	(355,530)
Other current assets		(60,442)	36,368
Changes in operating liabilities			
Contract liabilities-current		507,609	-
Notes payable		135,809	49,675
Accounts payable		416,125	482,469
Construction contracts payable		-	525,794
Other payables		59,556	100,616
Advance receipts		(24,591)	290,427
Other current liabilities		36,790	(511)
Other non-current liabilities		(2,495)	(1,858)
Cash inflow generated from operations		348,041	1,470,821
Interest received		9,159	7,164
Dividends received		14,485	16,935
Interest paid		(74,850)	(67,409)
Income tax paid		(199,666)	(172,702)
Net cash flows from operating activities		97,169	1,254,809

(Continued)

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		($ 81,498)	$ -
Proceeds from disposal of financial assets at fair value through profit or loss		56,872	-
Proceeds from capital reduction of financial assets at fair value through profit or loss		3,428	-
Proceeds from disposal of available-for-sale financial assets – current		-	32,233
Decrease in other financial assets – current		9,042	6,733
Acquisition of financial assets measured at cost – non-current		-	(66,915)
Proceeds from disposal of financial assets measured at cost – non-current		-	67,942
Proceeds from capital reduction of financial assets measured at cost – non-current		-	274
Acquisition of investments accounted for using equity method		(11,695)	(9,611)
Acquisition of property, plant and equipment	6(7)	(516,266)	(611,238)
Proceeds from disposal of property, plant and equipment	6(7)	10,199	19,051
Acquisition of intangible assets		(16,486)	(19,021)
Decrease (increase) in refundable deposits		38,697	(56,613)
Decrease (increase) in other non-current assets		2,379	(3,214)
Net cash flows used in investing activities		(505,328)	(640,379)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(26)	644,096	113,112
Increase in long-term borrowings		-	200,000
Decrease in guarantee deposits received		-	(6)
Proceeds from exercise of employee stock options	6(14)	17,810	24,609
Cash dividends paid	6(17)	(442,541)	(363,153)
Changes in non-controlling interests		82,563	-
Net cash flows from (used in) financing activities		301,928	(25,438)
Effect of exchange rate changes on cash and cash equivalents		(38,984)	(40,664)
Net (decrease) increase in cash and cash equivalents		(145,215)	548,328
Cash and cash equivalents at beginning of year	6(1)	2,300,572	1,752,244
Cash and cash equivalents at end of year	6(1)	$ 2,155,357	$ 2,300,572

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. ORGANIZATION AND OPERATIONS

Marketech International Corp. (the "Company") was incorporated in the Republic of China (R.O.C) on December 27, 1988. On October 17, 2002, the Company's common shares were officially listed on the Taiwan Over-The-Counter Securities Exchange and on May 24, 2004, the shares were transferred to be listed on the Taiwan Stock Exchange. The Company and its subsidiaries (collectively referred herein as the "Group") are mainly engaged in (i) import and trade of various integrated circuits, semiconductors, electrical and computer equipment and materials, chemicals, gas, components; (ii) factory affair and mechatronic system including clean room, automatic supply system of (specialty) gas and chemicals, monitor system, Turn-key and Hook-up Project services and (iii) design and manufacturing of customized equipment. Ennoconn International Investment Co., Ltd. owns 44.97% of the shares of the Company. The ultimate parent company of the Company is Ennoconn Corporation.

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

The consolidated financial statements were authorised for issuance by the Board of Directors on February 18, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle— Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle— Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle— Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

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

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

(c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Notes 12(3)B and C.

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

i. Presentation of assets and liabilities in relation to contracts with customers

In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheets as follows:

(i) Under IFRS 15, construction contracts whereby services have been rendered but not yet billed are recognised as contract assets but were previously presented as construction contracts receivable in the balance sheet. As of January 1, 2018, the balance amounted to \$3,163,858.

(ii) Under IFRS 15, liabilities in relation to construction contracts are recognised as contract liabilities, but were previously presented as construction contracts payable in the balance sheet. As of January 1, 2018, the balance amounted to \$1,851,105 and was reclassified to contract liabilities-current.

(iii) Under IFRS 15, liabilities in relation to sales contracts are recognised as contract liabilities, but were previously presented as advance receipts in the balance sheet. As of January 1, 2018, the balance amounted to \$961,752 and was reclassified to contract liabilities-current.

ii. Please refer to Note 12(5) for disclosure in relation to the first application of IFRS 15.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

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

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

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

In the first quarter of 2018, the Group reported to the Board of Directors that IFRS 16 has material impact to the Group.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and 'lease liability' will be increased by $1,050,801 and $1,008,742, respectively. Additionally, the Group will have to decrease 'prepaid rents' (presented as 'Prepayments') and 'long-term prepaid rents' (presented as 'Other non-current assets') by $4,971 and $37,088, respectively.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Statement of compliance

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

(2) Basis of preparation

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

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

(c) Liabilities on cash-settled share-based payment arrangements measured at fair value.

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

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

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended

December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

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

B. The subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2018	Percentage of Ownership (%) December 31, 2017	Note
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Contracting for semiconductor automatic supply system	100	100	-
Marketech International Corp.	Headquarter International Ltd.	Investment holding and reinvestment	100	100	-
Marketech International Corp.	Tiger United Finance Ltd.	Investment holding and reinvestment	100	100	-
Marketech International Corp.	Market Go Profits Ltd.	Investment holding and reinvestment	100	100	-
Marketech International Corp.	MIC-Tech Global Corp.	International trade	100	100	-
Marketech International Corp.	MIC-Tech Viet Nam Co., Ltd.	Trading, installation and repair of various machinery equipment and its peripherals	100	100	-
Marketech International Corp.	Marketech Engineering Pte. Ltd.	Contracting for electrical installing construction	100	100	-
Marketech International Corp.	eZoom Information, Inc.	Research, trading and consulting of information system software and hardware appliance	100	100	-
Marketech International Corp.	Marketech Co., Ltd.	Specialized contracting and related repair services; equipment sales and repair, sales of cosmetics and daily necessities	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2018	December 31, 2017	Note
Marketech International Corp.	Marketech Integrated Manufacturing Company Limited	Design, manufacturing, installation of automatic production equipment and its parts	100	100	-
Marketech International Corp.	Marketech International Sdn. Bhd.	Specialized contracting and related repair services	100	51.12	-
Marketech International Corp.	PT Marketech International Indonesia	Trading business of machine equipment and parts	99.92	99.92	-
Marketech International Corp.	Marketech Netherlands B.V.	International trade business of machine and components and technical service	100	100	-
Marketech International Corp.	ADAT Technology Ltd.	Research, development, application, and service of software; supply of electronic information and the buying and selling of equipment	30.30	83.33	Note
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	Investment holding and reinvestment	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	Russky H.K. Limited	Investment holding and reinvestment	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Investment holding and reinvestment	60	100	-
MIC-Tech Ventures Asia Pacific Inc.	Frontken MIC Co., Limited	Investment holdings and reinvestment	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2018	Percentage of Ownership (%) December 31, 2017	Note
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech (WuXi) Co., Ltd.	Design, manufacturing, installation and maintenance of semiconductor device, crystal dedicated device, electronic component device, environment pollution preventing equipment; assembling of wrapping device and cooling equipment; assembling of barbecue grill; wholesale, commission agency and import and export of the aforementioned products their components, textile, commodities, chemical products and cosmetics; lease of self-owned plants; design, manufacturing, sales and installation of automatic warehousing equipment and accessories, automatic logistics transporting equipment and accessories; R&D, sales and installation of supplementary engineering in logistics dispatch system	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2018	December 31, 2017	Note
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech (Shanghai) Corp.	Wholesale, commission agency, maintenance, repair, manufacture, import and export of semiconductor production, inspection equipment and its consumables and boilers that generate electricity; storage and allocation of mainly chemical and boiler products; international and entrepot trade; trading and trading agency among enterprises in customs bonded area; consulting services in customs bonded area	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2018	December 31, 2017	Note
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech Electronics Engineering Corp.	Installation and construction of mechanical and electrical systems; construction of chemical and petroleum projects; construction of public municipal infrastructure projects; professional building renovation and decoration services; design and construction of smart buildings; construction of electronic projects and related technical services and consulting. Building equipment, building materials (excluding steel and cement), electronic products, chemical products (excluding hazardous products), metal products, electrical equipment, wholesale of communications equipment, commission-based agency (excluding auctions) and import-export business, and delivery of all related and supplementary services	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	Fuzhou Jiwei System Integrated Co., Ltd.	Installation and complete services of clean room, mechanical system, street pipe system	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2018	Percentage of Ownership (%) December 31, 2017	Note
MIC-Tech Ventures Asia Pacific Inc.	SKMIC (WUXI) Corp.	Design, installation and repair of semi-conductor and transistor facilities, electronic components facilities and pollution prevention equipment, as well as wholesale, commission agent and export/import business of products listed above, industrial cleaning, repair and maintenance	49	49	Note
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech China Trading (Shanghai) Co., Ltd.	Wholesale, commission agency and import and export of chemical products, semiconductors, inspection equipment and its consumables, solar equipment consumables and boilers that generate electricity; international and entrepot trade, trading and trading agency among enterprises in customs bonded area; consulting service for trading; installation, repair, and maintenance of automation equipment, electronic equipment, and their parts	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2018	Percentage of Ownership (%) December 31, 2017	Note
Russky H.K. Limited	Shanghai Maohua Electronics Engineering Co., Ltd.	Production of scrubber bins for semiconductor manufacturers; design, installation, debugging and technology services of tunnel system; equipment repair for semiconductor manufacturers; consulting service for electrical and medical equipment wholesale, commissioned distribution, export, import and related services of electronic products, machinery equipment, chemical products, communication equipment, metal products, plastic products	87	87	-
Russky H.K. Limited	ChenGao M&E Engineering (Shanghai) Co., Ltd.	Design of microelectronic products and display devices; consulting service for related technology and management	100	100	-
Russky H.K. Limited	PT Marketech International Indonesia	Trading business of machine equipment and parts	0.08	0.08	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2018	Percentage of Ownership (%) December 31, 2017	Note
MICT International Limited	Integrated Manufacturing & Services Co., Ltd.	Development of special equipment for solar cell production, manufacture of optical engine, lighting source, projection screen, high definition projection cathode-ray tube and micro-display module, and production, cleaning and regeneration of new electrical device; sells the products that manufactured by itself; machinery equipment, research and development of production technology of utilities equipment, technology transfer, technology consulting, technology service; processing of metal salvage and junk (except for hazardous chemicals and hazardous waste); metallic material (except for steels and noble metal), ceramic product, paper products and wholesale, retail and import and export of hardware products	60	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2018	Percentage of Ownership (%) December 31, 2017	Note
Frontken MIC Co. Limited	Frontken-MIC (Wuxi) Co., Ltd.	Research of specialized cleaning equipment of semiconductor device and integrated circuit, cleaning of special components of semiconductor device, integrated circuit and micromodule and cleaning technology for semiconductor	100	100	-
Marketech Integrated Pte. Ltd.	Marketech International Sdn. Bhd.	Specialized contracting and related repair services	-	48.88	-
Marketech Engineering Pte. Ltd.	Marketech Integrated Construction Co., Ltd.	Specialized contracting for electrical installing construction	95	95	-

Note ：The Company holds less than 50% share ownership in ADAT Technology Ltd. and its subsidiary – SKMIC (Wuxi) Corp., however, as the definition of control is met, the subsidiary is included in the consolidated entities.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: As of December 31, 2018 and 2017, the non-controlling interests amounted to $70,569 and ($975), respectively. Subsidiaries that have non-controlling interests are not material to the Group.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars (NTD), which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

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

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

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

(d) Foreign exchange gains and loss based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

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

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

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

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

(b) When the foreign operation partially disposed of or sold is an associate or joint arrangements, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group still retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.

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

(d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

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

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

C. Assets and liabilities relating to undertaking construction are classified as a current and non-current based on operating cycle.

(6) Cash and cash equivalents

A. Cash and cash equivalents include petty cash, bank deposits and other short-term and highly liquid investments in the statements of cash flows.

B. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

Effective 2018

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

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

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

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

(8) Accounts and notes receivable

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

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

(9) Impairment of financial assets

At each reporting date, for accounts receivable, contract assets and financial guarantee contracts that have a significant financing component, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

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

(11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(13) Property, plant and equipment

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

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

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

Buildings	2 ~ 55 years
Machinery and equipment	3 ~ 15 years
Other equipment	2 ~ 10 years

(14) Leases (leasee)

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

(15) Intangible assets

A. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 3 years.

B. Goodwill

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

C. Other intangible assets

Other intangible assets are technology royalties which are stated at cost and amortized on a straight-line basis over the contract duration.

(16) Impairment of non-financial assets

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

B. Goodwill is evaluated annually and is recorded as cost less impairment loss. Impairment loss of goodwill shall not be reversed.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(17) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Convertible bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus - stock options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

A. Call options and put options embedded in convertible corporate bonds are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable/ preference share liabilities and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

C. Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognized in 'capital surplus - stock options' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable - net' as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus - stock options.

(20) Derecognition of financial liabilities

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

(21) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation on each balance sheet date.

(22) Non-hedging and embedded derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(24) Employee share-based payment

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

(25) Income tax

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

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

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

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

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

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(26) Share capital

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

(27) Dividends

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

(28) Revenue recognition

A. Sales of goods or products

(a) The Group manufactures and sells a range of various integrated circuits, semiconductors, electrical and computer equipment and materials, chemicals, gas, components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales revenue from products was recognised at contract price, and the amount was limited to the part that is highly possible of not incurring a significant reversal. The sales usually are made with a credit term of 30 days. which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer may possibly exceed one year, the Group does not adjust the transaction price to reflect the time value of money. However, the individual financial components of contracts are not significant.

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

B. Construction contract

(a) The Group is engaged in factory affair and mechatronic system including clean room, automatic supply system of (specialty) gas and chemicals, monitor system, turn-key and hook-up project services. Construction contract revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs spent relative to the total expected costs. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(b) The Group's estimate of revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management becomes aware of the changes in circumstances.

(29) Business combinations

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

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

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Construction contract

The Group recognises contract revenue and profit based on management's evaluation to contract profit and percentage of completion. Management assesses and adjusts the contract profit and cost during execution of the contract. The actual result of the total profit and cost may be higher or lower than the estimation, and the effect is recognised in revenue and profit.

B. Evaluation of inventories

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

C. Assessing the doubtful accounts

During the process of assessing the doubtful accounts, the Group uses judgement and evaluation to consider collectibility. The collectibility assessment is affected by various factors: customers' financial conditions, historical transaction records, current economic conditions, etc. If the collectibility of those accounts is in doubt, the Group will recognize allowance for uncollectible accounts individually. The evaluation of allowance is based on the status as of balance sheets date for reasonable expectations of future events. However, the actual results may be different than estimation. Therefore, it may have significant changes.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 15,005	$ 14,144
Checking accounts and demand deposits	2,089,059	2,269,006
Time deposits	51,293	17,422
Total	$ 2,155,357	$ 2,300,572

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

B. Except for the cash and cash equivalents pledged to others as shown in Note 8 that was transferred to 'other current assets', the Group has no cash and cash equivalents pledged to others.

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

		December 31, 2018
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	$	15,442
Hybrid instruments-call provision of convertible corporate bonds (Note 6(11))		250
		15,692
Valuation adjustment		75,252
Total	$	90,944
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	$	17,019
Unlisted stocks		345,238
Hybrid instruments-convertible corporate bonds		23,646
		385,903
Valuation adjustment		29,565
Total	$	415,468
Prepayments to long-term investments (listed as 'other non-current assets')		
Unlisted stocks	$	4,800

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

		Year ended December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	$	93,338
Hybrid instruments	(	204)
	$	93,134

B. The Group has no financial assets at fair value through profit or loss pledged to others.

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

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

(3) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 95,991	$ 175,641
Less: Loss allowance	-	(8,494)
Total	$ 95,991	$ 167,147

	December 31, 2018	December 31, 2017
Accounts receivable	$ 4,766,868	$ 4,277,063
Less: Loss allowance	(615,674)	(378,156)
Total	$ 4,151,194	$ 3,898,907

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

(a) Notes receivable

	December 31, 2018	December 31, 2017
Without past due	$ 95,991	$ 167,147
Up to 90 days	-	8,494
	$ 95,991	$ 175,641

(b) Accounts receivable

	December 31, 2018	December 31, 2017
Without past due	$ 3,266,339	$ 2,763,353
Up to 90 days	546,472	479,289
91 to 180 days	154,711	99,915
181 to 365 days	184,105	176,846
Over 365 days	724,722	757,828
	$ 4,876,349	$ 4,277,231

The above ageing analysis was based on past due date.

B. As of December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were $95,991 and $167,147, respectively. As of December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were $4,151,194 and $3,898,907, respectively.

C. The Group does not hold any collateral as security.

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

(4) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	$ 538,814	($ 27,922)	$ 510,892
Merchandise inventory	617,983	(85,195)	532,788
Raw materials	908,155	(29,328)	878,827
Supplies	42,119	(2,866)	39,253
Work in process	1,478,925	(22,960)	1,455,965
Semi-finished goods and finished goods	417,758	(34,669)	383,089
Total	$ 4,003,754	($ 202,940)	$ 3,800,814

	December 31, 2017		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	$ 319,700	($ 22,087)	$ 297,613
Merchandise inventory	785,052	(73,129)	711,923
Raw materials	591,528	(18,582)	572,946
Supplies	33,770	(1,999)	31,771
Work in process	1,286,363	(39,749)	1,246,614
Semi-finished goods and finished goods	206,197	(17,303)	188,894
Total	$ 3,222,610	($ 172,849)	$ 3,049,761

A. Relevant expenses of inventories recognised as operating costs for the years ended December 31, 2018 and 2017 are as follows:

	Years ended December 31,	
	2018	2017
Construction cost	$ 11,930,987	$ 9,202,564
Cost of sales	8,647,631	7,816,885
Other operating cost	986,936	830,148
Loss on market value decline and obsolete and slow-moving inventories	30,973	61,060
Total	$ 21,596,527	$ 17,910,657

B. The Group has no inventories pledged to others.

(5) Prepayments

	December 31, 2018	December 31, 2017
Prepayment for purchases	$ 347,988	$ 683,113
Others	73,963	128,713
Total	$ 421,951	$ 811,826

(6) Investments accounted for using equity method

A. Details of investments accounted for using the equity method:

	December 31, 2018		December 31, 2017	
	Carrying amount	% interest held	Carrying amount	% interest held
Glory Technology Service Inc.	$ 61,236	29.24%	$ 46,153	34.11%
MIC Techno Co., Ltd.	1,842	20%	1,849	20%
Leader Fortune Enterprise Co., Ltd.	(4,638)	31.43%	4,115	31.43%
	58,440		52,117	
Add: Credit of long-term equity investment transfer to'other non-current liabilities, others'	4,638		-	
Total	$ 63,078		$ 52,117	

B. Associates

Associates using equity method are all individually immaterial and the Group's share of the operating results are summarized below:

	Years ended December 31,	
	2018	2017
(Loss) Profit for the year from continuing operations	($ 14,610)	$ 15,154
Other comprehensive income (loss) - net of tax	605	(465)
Total comprehensive (loss) income	($ 14,005)	$ 14,689

C. The investment accounted for using equity method for the years ended December 31, 2018 and 2017 was evaluated based on the financial statements of the entity which were audited by independent accountants.

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
At January 1, 2018						
Cost	$ 205,438	$ 1,961,031	$ 598,400	$ 207,804	$ 364,423	$ 3,337,096
Accumulated depreciation	-	(855,248)	(463,220)	(139,742)	(14,609)	(1,472,819)
Book value	$ 205,438	$ 1,105,783	$ 135,180	$ 68,062	$ 349,814	$ 1,864,277
Year ended December 31, 2018						
Opening net book amount	$ 205,438	$ 1,105,783	$ 135,180	$ 68,062	$ 349,814	$ 1,864,277
Additions	-	11,293	55,423	34,476	417,176	518,368
Transfers	-	421,461	5,932	2,797	(432,292)	(2,102)
Disposals	-	(406)	(2,608)	(1,062)	(4,798)	(8,874)
Depreciation	-	(60,962)	(31,053)	(25,741)	(2,276)	(120,032)
Net exchange differences	-	(1,063)	(803)	(190)	(17,648)	(19,704)
Closing net book amount	$ 205,438	$ 1,476,106	$ 162,071	$ 78,342	$ 309,976	$ 2,231,933
At December 31, 2018						
Cost	$ 205,438	$ 2,389,961	$ 636,198	$ 227,223	$ 326,017	$ 3,784,837
Accumulated depreciation	-	(913,855)	(474,127)	(148,881)	(16,041)	(1,552,904)
Book value	$ 205,438	$ 1,476,106	$ 162,071	$ 78,342	$ 309,976	$ 2,231,933

	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
At January 1, 2017						
Cost	$ 205,438	$ 1,778,562	$ 655,128	$ 200,042	$ 36,457	$ 2,875,627
Accumulated depreciation	-	(802,731)	(533,214)	(136,296)	(14,800)	(1,487,041)
Book value	$ 205,438	$ 975,831	$ 121,914	$ 63,746	$ 21,657	$ 1,388,586
Year ended December 31, 2017						
Opening net book amount	$ 205,438	$ 975,831	$ 121,914	$ 63,746	$ 21,657	$ 1,388,586
Additions	-	191,431	51,106	27,838	340,863	611,238
Disposals	-	-	(9,691)	(761)	(10,007)	(20,459)
Depreciation	-	(56,897)	(27,463)	(22,587)	(2,173)	(109,120)
Net exchange differences	-	(4,582)	(686)	(174)	(526)	(5,968)
Closing net book amount	$ 205,438	$ 1,105,783	$ 135,180	$ 68,062	$ 349,814	$ 1,864,277
At December 31, 2017						
Cost	$ 205,438	$ 1,961,031	$ 598,400	$ 207,804	$ 364,423	$ 3,337,096
Accumulated depreciation	-	(855,248)	(463,220)	(139,742)	(14,609)	(1,472,819)
Book value	$ 205,438	$ 1,105,783	$ 135,180	$ 68,062	$ 349,814	$ 1,864,277

A. The Group has no interest capitalised to property, plant and equipment.

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

(8) Short-term borrowings

		December 31, 2018	Interest rate range	Collateral
Bank borrowings				
Credit borrowings	$	2,610,697	0.88%~5.4971%	None
Mortgage loan		24,728	3.39883%~3.40633%	Buildings
	$	2,635,425		

		December 31, 2017	Interest rate range	Collateral
Bank borrowings				
Credit borrowings	$	1,992,148	0.88%~5.133%	None
Mortgage loan		20,034	2.75513%~2.88188%	Buildings
	$	2,012,182		

Details of mortgage loan are provided in Note 8.

(9) Other payables

		December 31, 2018		December 31, 2017
Salaries and bonus payable	$	383,471	$	350,061
Accrued employees' compensation and directors' remuneration		152,657		123,169
Others		52,813		70,794
Total	$	588,941	$	544,024

(10) Advance receipts

		December 31, 2018		December 31, 2017
Sales revenue received in advance	$	-	$	931,407
Others		28,545		83,481
Total	$	28,545	$	1,014,888

(11) Bonds payable

		December 31, 2018		December 31, 2017
Bonds payable	$	11,900	$	206,100
Less: Discount on bonds payable	(	134)	(	5,901)
		11,766		200,199
Less: Long-term liabilities, current portion	(	11,766)		-
Total	$	-	$	200,199

A. The Company issued the 3rd domestic unsecured convertible bonds, as approved by the regulatory authority on August 1, 2016. The terms and conditions are as follows:

(a) Total issuance amount: $500,000

(b) Issuance period: 3 years, and a circulation period from August 22, 2016 to August 22, 2019.

(c) Coupon rate: 0%

(d) Conversion period: The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds before the maturity date, except the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(e) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted.

(f) Redemption Method:

i. Redemption on the maturity date: Redeemed in cash at face value at the maturity date.

ii. Redemption before the maturity date: The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after one month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after one month of the bonds issue to 40 days before the maturity date.

iii. Under the terms of the bonds, all bonds redeemed, matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

(g) For the year ended December 31, 2018, the convertible corporate bonds with par value totaling $194,200 have been converted into 7,523 thousand ordinary shares, generating capital surplus of $123,663 and resulting in a decrease in 'capital surplus - stock options' by $8,209.

(h) As of December 31, 2018, the convertible corporate bonds with par value totaling $488,100 have been converted into 18,047 thousands of ordinary shares, generating capital surplus of $312,414 and resulting in a decrease in 'capital surplus - stock options' by $20,633.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to $21,136 were separated from the liability component and were recognised in 'capital surplus - stock options' in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation is 1.788%.

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2018
Long-term bank borrowings				
Credit borrowings	Borrowing period is from December 27, 2018 to March 27, 2020; interest is repayable monthly; payable at maturity date	0.985%	None	$ 200,000

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2017
Long-term bank borrowings				
Credit borrowings	Borrowing period is from December 29, 2017 to March 29, 2019; interest is repayable monthly; payable at maturity date	0.92%	None	$ 200,000

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 290,342	$ 272,010
Fair value of plan assets	(128,385)	(117,996)
Net defined benefit liability	$ 161,957	$ 154,014

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 272,010)	$ 117,996	($ 154,014)
Current service cost	(1,279)	-	(1,279)
Interest (expense) income	(3,381)	1,494	(1,887)
	(276,670)	119,490	(157,180)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,234	3,234
Change in demographic assumptions	(2,201)	-	(2,201)
Change in financial assumptions	(8,629)	-	(8,629)
Experience adjustments	(2,842)	-	(2,842)
	(13,672)	3,234	(10,438)
Pension fund contribution	-	5,661	5,661
Balance at December 31	($ 290,342)	$ 128,385	($ 161,957)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 257,124)	$ 112,481	($ 144,643)
Current service cost	(1,249)	-	(1,249)
Interest (expense) income	(3,812)	1,688	(2,124)
	(262,185)	114,169	(148,016)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(830)	(830)
Change in demographic assumptions	(1,593)	-	(1,593)
Change in financial assumptions	(8,564)	-	(8,564)
Experience adjustments	(242)	-	(242)
	(10,399)	(830)	(11,229)
Pension fund contribution	-	5,231	5,231
Paid pension	574	(574)	-
Balance at December 31	($ 272,010)	$ 117,996	($ 154,014)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Years ended December 31,	
	2018	2017
Discount rate	1.00%	1.25%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 8,713)	$ 9,087	$ 8,974	($ 8,650)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 8,626)	$ 9,011	$ 8,921	($ 8,584)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis during 2018 and 2017 are the same.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2019 amounts to $6,009.

(g) As of December 31, 2018, the weighted average duration of the defined benefit retirement plan is 12 years.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's Mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) Certain overseas subsidiaries have a defined contribution plan. Contributions to an independent fund are based on certain percentage of employees' monthly salaries and wages and are recognised as pension cost. Other than the monthly contributions, the Group has no further obligations.

(d) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2018 and 2017 were $98,556 and $89,738, respectively.

(14) Share-based payment

A. For the years ended December 31, 2018 and 2017, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	2015.9.11	3,956	6 years	2~4 years' service

The share-based payment arrangements above are all settled by equity.

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

	Years ended December 31,			
	2018		2017	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	2,456	$ 17.30	3,956	$ 18.20
Options granted	-	-	-	-
Options exercised	(1,052)	16.70	(1,423)	17.30
Options forfeited	(79)	-	(77)	-
Options outstanding at end of the year	1,325	16.70	2,456	17.30
Options exercisable at end of the year	83		520	
Options approved but not yet issued at end of the year	44		44	

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2018	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)
2015.9.11	2021.9.10	1,325	$ 16.70

		December 31, 2017	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)
2015.9.11	2021.9.10	2,456	$ 17.30

D. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2015.9.11	$ 19.60	$ 19.60	34.91%	4.375 years	0%	0.81%	$ 5.8326

E. Expenses incurred on share-based payment transactions are $2,580 and $7,901 for the years ended December 31, 2018 and 2017, respectively.

(15) Share capital

A. As of December 31, 2018, the Company's authorised capital was $2,500,000, consisting of 250 million shares of ordinary stock (including 9,800 thousand shares reserved for employee stock options), and the paid-in capital was $1,840,971 with a par value of $10 (in dollars) per share amounting to 184,097,147 shares. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares outstanding are as follows:

	Years ended December 31,	
	2018	2017
At January 1	177,016,429	165,069,756
Conversion of convertible bonds	7,522,835	10,524,173
Exercise of employee stock options	1,052,000	1,422,500
At December 31	185,591,264	177,016,429

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

Details of movements in capital surplus are as follows:

	Year ended December 31, 2018				
	Share premium	Employee stock options	Stock options	Others	Total
At January 1	$ 822,905	$ 11,089	$ 8,712	$ 351	$ 843,057
Exercise of employee stock options	13,391	(6,101)	-	-	7,290
Compensation cost of employee stock options	-	2,580	-	-	2,580
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	2,000	2,000
Conversion of convertible bonds	123,663	-	(8,209)	-	115,454
At December 31	$ 959,959	$ 7,568	$ 503	$ 2,351	$ 970,381

	Year ended December 31, 2017				
	Share premium	Employee stock options	Stock options	Others	Total
At January 1	$ 616,003	$ 10,956	$ 21,136	$ 351	$ 648,446
Exercise of employee stock options	18,151	(7,768)	-	-	10,383
Compensation cost of employee stock options	-	7,901	-	-	7,901
Conversion of convertible bonds	188,751	-	(12,424)	-	176,327
At December 31	$ 822,905	$ 11,089	$ 8,712	$ 351	$ 843,057

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve. The remaining amount along with the prior years' unappropriated earnings are resolved by the Board of Directors and proposed to the stockholders for appropriation or reserve.

B. The Company's dividend policy is summarized below: in consideration of the overall environment development and industrial growth, fulfilling future operation development needs as priority and optimizing financial structure, distribution of dividends shall not exceed 50% of the stock dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a)In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b)The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Financial-Supervisory-Securities-Firms No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. (a) Details of 2017 and 2016 earnings appropriation resolved by the shareholders on May 30, 2018 and May 26, 2017, respectively are as follows:

	Years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 65,295	$ -	$ 51,515	$ -
Cash dividends	442,541	2.5	363,153	2.2
Total	$ 507,836		$ 414,668	

The earnings appropriation for the years ended December 31, 2017 and 2016 listed above had no difference from that proposed by the Board of Directors on February 24, 2018 and February 20, 2017, respectively.

Information about the earnings distribution of 2017 and 2016 as approved by the Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(b) Details of 2018 earnings appropriation proposed by the Board of Directors on February 18, 2019 are as follows:

	Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 79,258	$ -
Cash dividends	556,774	3.0
Total	$ 636,032	

Information about the earnings appropriation for 2018 by the Company as approved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

The earnings appropriation of 2018 has not been resolved by the shareholders, thus, no dividend was accrued in these separate financial statements.

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(21).

(18) Operating revenue

	Year ended December 31, 2018
Sales contract revenue	$ 10,002,731
Construction contract revenue	12,881,136
Other contract revenue	1,531,856
Total	$ 24,415,723

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Year ended December 31, 2018	
R&D and manufacturing of customized equipment	$	7,321,516
Total Facility Engineering Turnkey Project		6,989,209
Sales and service of high-tech equipment and materials		5,376,632
Automatic supplying system		4,728,366
Total	$	24,415,723
Timing of revenue recognition		
At a point in time	$	10,425,153
Over time		13,990,570
Total	$	24,415,723

B. Contract assets and liabilities

(a) The Group has recognized the following revenue-related contract assets and liabilities:

	December 31, 2018	
Contract assets:		
Contract assets – construction contracts	$	4, 229, 541
Contract liabilities:		
Contract liabilities – construction contracts	$	2,202,925
Contract liabilities – sales contracts		1,088,219
Contract liabilities – service contracts		29,322
	$	3,320,466

(b) Revenue recognized that was included in the contract liability balance at the beginning of the year:

	Year ended December 31, 2018	
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Construction contracts	$	1,437,587
Sales contracts		421,636
Service contracts		30,356
	$	1,889,579

(c) All contracts of the Group are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction prices allocated to these unsatisfied contracts are not disclosed.

C. Information on operating revenue for the year ended December 31, 2017 is provided in Note 12(5) B.

(19) Other income

	Years ended December 31, 2018	Years ended December 31, 2017
Government grants revenue	$ 42,114	$ 17,774
Dividend income	14,485	16,935
Rental revenue	4,496	4,733
Interest income	8,349	7,881
Other income	23,361	15,731
Total	$ 92,805	$ 63,054

(20) Other gains and losses

	Years ended December 31, 2018	Years ended December 31, 2017
Net gains on financial assets at fair value through profit or loss	$ 93,134	$ 9,846
Foreign exchange gains (losses)	11,947	(17,501)
Gains on disposals of investments	-	35,556
Impairment loss on financial assets	-	(15,243)
Other losses	(1,883)	(4,800)
Total	$ 103,198	$ 7,858

(21) Employee benefit expense, depreciation and amortisation

A. Employee benefit expense, depreciation and amortisation

	Year ended December 31, 2018		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	$ 680,255	$ 876,893	$ 1,557,148
Compensation cost of employee stock options	-	2,580	2,580
Labour and health insurance fees	67,800	65,315	133,115
Pension costs	51,598	50,124	101,722
Other employee benefit expense	21,734	24,877	46,611
Depreciation	74,016	46,016	120,032
Amortisation	8,289	8,865	17,154

	Year ended December 31, 2017		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	$ 592,674	$ 817,814	$ 1,410,488
Compensation cost of employee stock options	-	7,901	7,901
Labour and health insurance fees	62,968	60,639	123,607
Pension costs	47,826	45,285	93,111
Other employee benefit expense	18,735	21,382	40,117
Depreciation	62,971	46,149	109,120
Amortisation	11,827	8,604	20,431

B. Employees' compensation and directors' remuneration

(a) According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall not be higher than 3% for directors' remuneration and shall be 1~15% for employees' compensation. If the company has accumulated deficit, earnings should be reserved to cover losses.

(b) For the years ended December 31, 2018 and 2017, employees' compensation and directors' remuneration are accrued as follows:

	Years ended December 31,	
	2018	2017
Employees' compensation	$ 111,000	$ 89,000
Directors' remuneration	11,111	10,431
	$ 122,111	$ 99,431

For the year ended December 31, 2018, employees' compensation and directors' remuneration were estimated and accrued based on 9.95% and 1.14% of distributable profit of current year as of the end of reporting period. The employees' compensation and directors'and supervisors' remuneration for 2018 resolved by the Board of Directors on February 18, 2019 were $111,00 and $11,111, respectively, and the employees'compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration for 2017 as resolved
by the Board of Directors were in agreement with those amounts recognised in the 2017 financial statements.

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

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2018	2017
Current tax		
Current tax on profits for the year	$ 215,736	$ 164,472
Tax on undistributed earnings	6,790	8,669
Adjustments in respect of prior years	4,600	(244)
Total current tax	227,126	172,897
Deferred tax		
Origination and reversal of temporary differences	12,055	(7,751)
Impact of change in tax rate	(20,506)	-
Income tax expense	$ 218,675	$ 165,146

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

	Years ended December 31,	
	2018	2017
Currency translation differences of foreign operations	$ 14,002	$ 9,681
Remeasurements of defined benefit obligations	2,859	1,909
	$ 16,861	$ 11,590

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 200,168	$ 138,376
Effect of items disallowed by tax regulation	7,216	18,345
Tax on undistributed earnings	6,790	8,669
Adjustments in respect of prior years	4,600	(244)
Effect from changes in tax regulation	(20,506)	-
Change in assessment of realisation of deferred tax assets	20,407	-
Income tax expense	$ 218,675	$ 165,146

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

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

	Year ended December 31, 2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Loss allowance	$ 32,399	$ 12,778	$ -	$ 45,177
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	18,020	11,980	-	30,000
Defined benefit obligation	26,182	3,350	2,859	32,391
Impairment loss on financial assets	7,097	1,252	-	8,349
Unused compensated absences payable	10,098	1,129	-	11,227
Unrealised loss on investments	24,015	(23,300)	-	715
Unrealised construction loss	674	4,186	-	4,860
Unrealised exchange loss	2,089	(2,089)	-	-
Exchange differences on translation	2,340	-	14,002	16,342
Subtotal	122,914	9,286	16,861	149,061
—Deferred tax liabilities:				
Unrealised exchange gain	-	(835)	-	(835)
Subtotal	-	(835)	-	(835)
Total	$ 122,914	$ 8,451	$ 16,861	$ 148,226

	Year ended December 31, 2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Loss allowance	$ 32,355	$ 44	$ -	$ 32,399
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	11,390	6,630	-	18,020
Defined benefit obligation	24,589	(316)	1,909	26,182
Impairment loss on financial assets	4,506	2,591	-	7,097
Unused compensated absences payable	7,241	2,857	-	10,098
Unrealised loss on investments	32,079	(8,064)	-	24,015
Unrealised construction loss	1,763	(1,089)	-	674
Unrealised exchange loss	-	2,089	-	2,089
Exchange differences on translation	-	-	2,340	2,340
Subtotal	113,923	4,742	4,249	122,914
—Deferred tax liabilities:				
Unrealised exchange gain	(3,009)	3,009	-	-
Exchange differences on translation	(7,341)	-	7,341	-
Subtotal	(10,350)	3,009	7,341	-
Total	$ 103,573	$ 7,751	$ 11,590	$ 122,914

D. Assessment of the Company's and domestic subsidiary's income tax returns is as follows:

	Assessment
The Company	Through 2016
eZoom Information, Inc.	Through 2016

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

(23) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 792,582	180,063	$ 4.40
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	1,799	5,191	
Employee stock option	-	855	
Employees' compensation	-	2,654	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 794,381	188,763	$ 4.21

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 652,951	173,068	$ 3.77
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	3,830	10,230	
Employee stock option	-	1,152	
Employees' compensation	-	2,605	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 656,781	187,055	$ 3.51

(24) Operating leases

Details are provided in Note 9(1).

(25) Supplemental cash flow information

	Years ended December 31,	
	2018	2017
Convertible bonds being converted to capital stocks	$ 190,683	$ 281,568

(26) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2018	$ 2,012,182	$ 200,000	$ 2,212,182
Changes in cash flow from financing activities	644,096	-	644,096
Impact of changes in foreign exchange rate	(20,853)	-	(20,853)
At December 31, 2018	$ 2,635,425	$ 200,000	$ 2,835,425

7. RELATED PARTY TRANSACTIONS

(1) Parent company

The Company is controlled by Ennoconn International Investment Co., Ltd. (registered in the Republic of China), who owns 44.97% of the shares of the Company. The remaining 55.03% of the shares of the Company are held by the general public. The ultimate parent company of the Company is Ennoconn Corporation (registered in the Republic of China).

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Japan Pionics Co., Ltd	Other related parties
Chung-Hsin Precision Machinery Co., Ltd.	"
Shenzhen Hyper Power Information Technology Co., Ltd.	"
Hon Hai Precision Industry Co., Ltd.	"
Chung-Hsin Electric & Machinery Mfg. Corp.	"
Hong Kong Ennopower Information Technology Co., Limited	"

Names of related parties	Relationship with the Group
MIC Techno Co., Ltd.	Associates
Glory Technology Service Inc.	〃
Macrotec Technology Corp.	Entities controlled by key management or entities with significant influence
ProbeLeader Co., Ltd.	〃
STS Glory Technology Corp.	〃
Forward Science Corp.	〃

(3) Significant related party transactions and balances

A. Sales of goods and services

Construction contract revenue

	Years ended December 31,	
	2018	2017
Other related parties	$ 281,364	$ 2,363
Entities controlled by key management or entities with significant influence	4	-
Total	$ 281,368	$ 2,363

(a) Construction contract revenue from related parties and non-related parties are collected based on the general construction contract or general agreement. In addition, construction contracts entered into with related parties are based on the price lists in force and terms that would be available to third parties while collection for construction contracts are about 2 to 3 months after inspection of construction depending on the construction contracts or individual agreements.

(b) As of December 31, 2018 and 2017, contract price and priced contract of unfinished construction are as follows:

	December 31, 2018		December 31, 2017	
	Total contract price (before tax)	Billed contracts	Total contract price (before tax)	Billed contracts
Other related parties	$ 486,501	$ 174,447	$ 4,990	$ 4,572
Associates	19,516	10,316	19,516	10,316
Entities controlled by key management or entities with significant influence	4,500	1,800	-	-
Total	$ 510,517	$ 186,563	$ 24,506	$ 14,888

B. Acquisition of goods and services

Purchase of goods

	Years ended December 31,	
	2018	2017
Other related parties	$ 13,947	$ 21,477
Entities controlled by key management or entities with significant influence	4,984	3,490
Total	$ 18,931	$ 24,967

Purchases from related parties and third parties are based on normal purchase prices and terms and are collectible about 2 to 3 months after inspection.

Outsourcing construction costs

	Years ended December 31,	
	2018	2017
Entities controlled by key management or entities with significant influence	$ 14,892	$ 5,141
Other related parties	-	5,214
Total	$ 14,892	$ 10,355

The outsourcing construction costs paid to related parties and third parties are based on normal construction contracts or individual agreements. Furthermore, the payment terms to related parties are approximately the same to third parties, which is about 2 months after inspection of constructions depending on the construction contracts or individual agreements.

C. Receivables from related parties

Accounts receivable

	December 31, 2018	December 31, 2017
Other related parties	$ 109,439	$ 124
Entities controlled by key management or entities with significant influence	42	44
Subtotal	109,481	168
Less: Allowance for uncollectible accounts	(5)	-
Total	$ 109,476	$ 168

The collection terms to related parties and third parties are about 2 to 3 months after the sales while terms for construction are about 2 to 3 months after inspection of construction depending on the construction contracts or individual agreements.

D. Payables to related parties

Notes payable

	December 31, 2018	December 31, 2017
Other related parties	$ 7,314	$ -
Entities controlled by key management or entities with significant influence	6,360	3,147
Total	$ 6,360	$ 3,147

Accounts payable

	December 31, 2018	December 31, 2017
Other related parties	$ 7,200	$ 10,951
Entities controlled by key management or entities with significant influence	6,920	11,081
Associates	-	21
Total	$ 14,120	$ 22,053

The payment terms to related parties and third parties are about 2 to 3 months after inspection of purchases. The payment terms for outsourcing construction costs are about 2 months after inspection of construction, depending on normal construction contracts or individual agreements.

E. Property transactions

For the years ended December 31, 2018 and 2017, the Group has acquired computer equipment and related software from entities controlled by key management and the acquisition price was $20,111 and $15,918 (recorded as 'property, plant and equipment' and 'intangible assets'), respectively.

(4) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 93,297	$ 70,109

8. PLEDGED ASSETS

Details of the book value of the Group's assets pledged as collateral are as follows:

Pledged asset	Book value December 31, 2018	Book value December 31, 2017	Purpose
Time deposits (recorded as 'other current assets')	$ 1,584	$ 10,626	Performance guarantee, warranty guarantee and other guarantee
Guarantee deposits paid (recorded as 'other current assets')	68,834	99,987	Bid bond and performance guarantee
Buildings and structures (recorded as 'property, plant and equipment')	14,384	14,545	Guarantee for bank's borrowing facility
	$ 84,802	$ 125,158	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Commitments

(1) Operating lease agreements

The Group leases buildings under non-cancellable operating lease agreements. The lease terms are under 10 years, and all these lease agreements are renewable at the end of the lease period. Rental is increased periodically to reflect market rental rates. The Group recognised rental costs and expenses of $190,804 and $177,925 for these leases in profit or loss for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 50,178	$ 81,668
Later than one year but not later than five years	182,565	127,336
Later than five years	548,737	214,249
Total	$ 781,480	$ 423,253

(2) As of December 31, 2018, the notes and letters of guarantee used for construction performance and custom security amounted to $1,340,969.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For details of 2018 earnings appropriation proposed by the Board of Directors on February 18, 2019, please refer to Note 6(17) E(b).

12. OTHERS

(1) Capital management

The Group's main objective when managing capital is to maintain an optimal credit ranking and capital ratio to support the operation and to maximize stockholders' equity.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 506,412	$ -
Financial assets held for trading	-	17,143
Available-for-sale financial assets	-	41,502
Financial assets at cost	-	279,343
Financial assets at amortised cost /Loans and receivables		
Cash and cash equivalents	2,155,357	2,300,572
Notes receivable	95,991	167,147
Accounts receivable (including related parties)	4,260,670	3,899,075
Other accounts receivable	21,586	20,890
Guarantee deposits paid (recorded as 'other current assets' and 'other non-current assets')	104,600	143,297
Other financial assets (recorded as 'other current assets')	1,584	10,626
	$ 7,146,200	$ 6,879,595
Financial liabilities		
Financial liabilities measured at fair value through profit or loss		
Short-term borrowings	$ 2,635,425	$ 2,012,182
Notes payable (including related parties)	1,044,159	908,350
Accounts payable (including related parties)	4,320,299	3,933,294
Other accounts payable	588,941	544,024
Bonds payable (including current portion)	11,766	200,199
Long-term borrowings	200,000	200,000
Guarantee deposits received (recorded as 'other non-current liabilities, others')	78	78
	$ 8,800,668	$ 7,798,127

B. Financial risk management policies

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

(b) Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, RMB, JPY and EUR. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency.

iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, RMB, SGD, IDR, MMK and MYR). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018					
				Sensitivity analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD：NTD	$ 44,916	30.715	$ 1,379,609	1%	$ 13,796	$ -
USD：RMB	15,905	6.8685	488,527	1%	4,885	-
EUR：NTD	12,789	35.2	450,183	1%	4,502	-
JPY：NTD	754,164	0.2782	209,808	1%	2,098	-
JPY：RMB	164,868	0.0622	45,866	1%	459	-
RMB：NTD	11,453	4.4719	51,214	1%	512	-
USD：IDR	1,183	14,420	36,337	1%	363	-
Financial liabilities						
Monetary items						
USD：NTD	$ 4,894	30.715	$ 150,318	1%	$ 1,503	$ -
USD：RMB	27,124	6.8685	833,112	1%	8,331	-
JPY：NTD	285,633	0.2782	79,463	1%	795	-

December 31, 2017						
				Sensitivity analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD：NTD	$ 45,906	29.76	$ 1,366,163	1%	$ 13,662	$ -
USD：RMB	20,276	6.5194	603,416	1%	6,034	-
EUR：NTD	7,406	35.57	263,447	1%	2,634	-
JPY：NTD	276,632	0.2642	73,086	1%	731	-
RMB：NTD	37,561	4.5648	171,460	1%	1,715	-
USD：MMK	6,121	1.362	182,162	1%	1,822	-
USD：IDR	1,191	13,345	35,436	1%	354	-
Financial liabilities						
Monetary items						
USD：NTD	$ 4,472	29.76	$ 133,090	1%	$ 1,331	$ -
USD：RMB	35,250	6.5194	1,049,051	1%	10,491	-
USD：SGD	1,625	1.3369	48,355	1%	484	-
USD：MYR	1,882	4.2081	56,004	1%	560	-

iv. Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group.

	Year ended December 31, 2018		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
EUR：NTD	$ -	35.200	$ 3,383
JPY：NTD	-	0.2782	2,116
EUR：USD	(240)	0.8726	(7,381)
USD：MMK	974	1,550	2,029
USD：IDR	1,262,742	14,420	2,690
Financial liabilities			
Monetary items			
USD：RMB	($ 7,359)	6.8685	($ 32,909)

	Year ended December 31, 2017		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD：NTD	$ -	29.76	($ 16,192)
USD：RMB	(1,842)	6.5194	(8,408)
EUR：USD	(207)	0.8367	(6,154)
USD：MMK	(162,670)	1,362	(3,562)
Financial liabilities			
Monetary items			
USD：RMB	$ 7,260	6.5194	$ 33,140
USD：MYR	1,357	4.2081	5,711

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $3,777 and $74, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $185, as a result of other comprehensive income classified as available-for-sale equity investment.

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from bank borrowings with variable rates, which expose the Group to cash flow interest rate risk. For the years ended December 31, 2018 and 2017, the Group's borrowings at variable rate were mainly denominated in NTD, USD, SGD and RMB.

ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate of NTD, USD, SGD and RMB had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have decreased/increased by $22,683 and $18,361, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of excellence are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments are past due over 30 days based on the terms, there is a significant increase in credit risk on that instrument since initial recognition.

iv. The Group adopts the historical experience and industrial characteristics, the default occurs when the sale and construction contract payments are past due over 1 to 2 years in line with credit risk management procedure.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using the provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.

vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2018, the Group has no written-off financial assets that are still under recourse procedures.

viii. The Group used the forecastability of global boom information to adjust historical and timely information to assess the default possibility of notes and accounts receivable (including related parties). On December 31, 2018, the provision matrix and loss rate methodology are as follows:

(i) Accounts receivable in relation to construction

December 31, 2018	Expected loss rate	Total book value	Loss allowance
Without past due	0%~0.1718%	$ 1,776,124	$ 565
Up to 90 days	0%~1.4256%	351,288	1,273
91 to 180 days	0%~1.6415%	98,900	1,242
181 to 365 days	0%~2.6826%	152,724	2,290
1 to 2 years	0%~47.3808%	96,777	7,797
Over 2 years	100%	129,458	129,459
Total		$ 2,605,271	$ 142,626

(ii) Accounts receivable in relation to sales

December 31, 2018	Expected loss rate	Total book value	Loss allowance
Without past due	0%~1.2138%	$ 1,283,899	$ 1,153
Up to 90 days	0%~5.8324%	154,025	2,339
91 to 180 days	0%~7.5017%	43,520	740
181 to 365 days	0%~24.8094%	31,381	1,351
Over 365 days	100%	74,326	74,326
Total		$ 1,587,151	$ 79,909

(iii) Based on historical experience, the Group applies individual assessment to evaluate expected credit loss of the high-credit risk customers. On December 31, 2018, accounts receivable and loss allowance amounted to $490,992 and $393,053, respectively.

(iv) Due to the expected insignificant impairment, the Group applies individual assessment to evaluate expected credit loss of receivables due from construction warranties and notes receivable. On December 31, 2018, notes and accounts receivable and loss allowance amounted to $288,926 and $91, respectively.

ix. Movements in relation to the group applying the simplified approach to provide loss allowance for receivables (including notes and accounts receivable) are as follows:

	Year ended December 31, 2018		
	Notes receivable	Accounts receivable	Total
At January 1_IAS 39	$ 8,494	$ 378,156	$ 386,650
Adjustments under new standards	-	29,297	29,297
At January 1_IFRS 9	8,494	407,453	415,947
Provision for (reversal of) impairment	(8,494)	285,781	277,287
Write-offs	-	(71,085)	(71,085)
Effect of foreign exchange	-	(6,470)	(6,470)
At December 31	$ -	$ 615,679	$ 615,679

For provisioned loss for the year ended December 31, 2018, the impairment loss arising from customers' contracts is $277,287.

x. Credit risk information for 2017 is provided in Note 12(4).

(c) Liquidity risk

i. The Group invests in financial assets measured at fair value through profit or loss in active markets, so it expects to sell the financial assets in markets with prices approximate to fair value. Financial assets at cost are not traded in active markets, thus, liquidity risk is expected. However, the Group's operating capital is sufficient to fulfill the Group's capital needs and it does not expect significant liquidity risk.

ii. The Group has the following undrawn borrowing facilities:

	December 31, 2018	December 31, 2017
Floating rate:		
Expiring beyond one year	$ 200,000	$ 400,000
Fixed rate:		
Expiring beyond one year	13,938	13,801
	$ 213,938	$ 413,801

iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities.

Non-derivative financial liabilities

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 2,635,425	$ -	$ -	$ -
Notes payable (including related parties)	1,044,159	-	-	-
Accounts payable (including related parties)	4,320,299	-	-	-
Other payables	588,941	-	-	-
Bonds payable (including current portion)	11,766	-	-	-
Long-term borrowings	-	200,000	-	-

Non-derivative financial liabilities

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 2,012,182	$ -	$ -	$ -
Notes payable	908,350	-	-	-
Accounts payable (including related parties)	3,933,294	-	-	-
Other payables	544,024	-	-	-
Bonds payable	-	200,199	-	-
Long-term borrowings	-	200,000	-	-

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

Except for financial assets at fair value through profit or loss and available-for-sale financial assets, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, other financial assets (recorded as other current assets), financial assets measured at cost, guarantee deposits paid (recorded as other current and non-current assets), short-term borrowings, notes payable (including related parties), accounts payable (including related parties), other payables, long-term borrowings (including current portion) and guarantee deposits received (recorded as other non-current liabilities, others) are approximate to their fair values.

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

(a) The related information of nature of the assets is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 102,936	$ -	$ 379,824	$ 482,760
Hybrid instruments	-	-	23,652	23,652
Total	$ 102,936	$ -	$ 403,476	$ 506,412

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 16,933	$ -	$ -	$ 16,933
Call provision of convertible corporate bonds	-	-	210	210
Available-for-sale financial assets				
Equity securities	41,502	-	-	41,502
Total	$ 58,435	$ -	$ 210	$ 58,645

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

Instruments which use market quoted prices as their fair value (that is, Level 1), are using the closing prices of listed shares as market quoted prices based on characteristics of the instruments.

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2018 and 2017:

	Years ended December 31,		
	2018		2017
	Equity instruments	Hybrid instruments	Hybrid instruments
At January 1	$ -	$ 210	$ 50
Acquired in the period	349,641	23,646	-
Gains and losses recognised in profit or loss	(4,403)	-	-
Recorded as non-operating income and expenses (Note)	34,586	(204)	160
Total	$ 379,824	$ 23,652	$ 210
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at end of the year (Note)	$ 34,586	($ 204)	$ 160

Note: Recorded as non-operating income and expense.

F. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

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

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

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument :					
Unlisted shares	$ 344,499	Market comparable companies	Note 1	Not applicable	Note 2
Venture capital shares	35,325	Net asset value	Not applicable	Not applicable	Not applicable
Hybrid instrument :					
Convertible bond – call provision	6	Binomial tree pricing model	Volatility	38.01%~48.01%	The higher the stock price volatility, the higher the fair value
Convertible bond	23,646	Market comparable companies	Note 2	Not applicable	Note 2

Note 1: Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability.

Note 2: The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value.

	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument :					
Convertible bond – call provision	$ 210	Binomial tree pricing model	Volatility	21.31% ~31.31%	The higher the stock price volatility, the higher the fair value

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

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity instrument	Stock price	± 10%	$ 37,982	($ 37,982)	$ -	$ -
Convertible bond						
- call provision	Stock price	± 10%	30	(20)	-	-
"	Volatility	± 5%	40	(30)	-	-
Total			$ 38,052	($ 38,032)	$ -	$ -

			December 31, 2017			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Convertible bond						
- call provision	Stock price	± 10%	$ -	($ 20)	$ -	$ -
"	Volatility	± 5%	50	(60)	-	-
Total			$ 50	($ 80)	$ -	$ -

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted for the year ended December 31, 2017:

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

i. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

ii. Financial assets that are designated as at fair value through profit or loss on initial recognition are recognised using settlement date accounting.

iii. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b) Available for sale financial assets

i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

iii. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c) Notes and accounts receivable

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset directly.

(iii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

						Effects		
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Measured at cost	Accounts receivable, net	Total	Retained earnings	Other equity	Non-controlling interests
IAS 39	$ 17,143	$41,502	$279,343	$ 3,898,907	$4,236,895	$ -	$ -	$ -
Transferred into and measured at fair value through profit or loss	320,845	(41,502)	(279,343)	-	-	-	-	-
Fair value adjustment	25,804	-	-	-	25,804	48,817	(23,013)	-
Impairment loss adjustment	-	-	-	(29,297)	(29,297)	(29,502)	-	205
IFRS 9	$ 363,792	$ -	$ -	$ 3,869,610	$4,233,402	$19,315	($ 23,013)	$ 205

(a) Under IAS 39, the equity instruments, which were classified as financial assets at fair value through profit or loss, available-for-sale financial assets, financial assets at cost, amounting to $17,143, $41,502 and $279,343, respectively, were reclassified as "financial assets at fair value through profit or loss (equity instruments)" amounting to $363,792, and accordingly, retained earnings increased and other equity interest decreased in the amounts of $48,817 and $23,013, respectively under IFRS 9.

(b) In line with the regulations of IFRS 9 on provision for impairment, accounts receivable was reduced by $29,297, retained earnings decreased by $29,502 and non-controlling interest increased by $205.

C. The reconciliation of allowance for impairment and provision from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

		Allowance for uncollectible accounts
IAS 39	$	386,650
Impairment loss adjustment		29,502
Non-controlling interests adjustment	(	205)
IFRS 9	$	415,947

D. The significant accounts as of December 31, 2017 is as follows:

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

		December 31, 2017
Financial assets held for trading		
Listed stocks	$	7,439
Call provision of convertible corporate bonds (Note 6(11))		250
		7,689
Valuation adjustment		9,454
Total	$	17,143

i. The Group recognised net gain of $9,686 on financial assets held for trading for the year ended December 31, 2017.

ii. The Group recognised net gain of $160 on the call provision of convertible corporate bonds issued by the Company for the year ended December 31, 2017.

iii. The Group has no financial assets at fair value through profit or loss pledged to others.

(b) Available-for-sale financial assets-current

		December 31, 2017
Listed stocks		
Calitech Co., Ltd.	$	18,489
Valuation adjustment		23,013
Total	$	41,502

i. The Company has recognised changes in fair value of the unrealised gains on available-for-sale financial assets in profit or loss and in other comprehensive loss amounting to ($6,395) for the year ended December 31, 2017.

ii. The Group has no available-for-sale financial assets pledged as collateral.

(c) Financial assets measured at cost

		December 31, 2017
Non-current items:		
Taiwan Intelligent Fiber Optic Network Co., Ltd.	$	44,024
Taiwan Puritic Corp.		39,287
Taiwan Special Chemicals Corp.		29,013
Taiwan Colour & Imaging Technology Corp.		25,330
Kinestral Technologies, Inc.		21,165
ProbeLeader Co., Ltd.		14,490
Civil Tech Pte. Ltd.		13,650
Foresight Energy Technologies Co., Ltd.		10,875
IP Fund Six Co., Ltd.		10,000
Innorich Venture Capital Corp.		10,000
Others (companies individually not exceeding $10,000)		61,509
Total	$	279,343

i. Based on the Group's investment purpose, the abovementioned stocks held by the Group shall be classified as 'available-for-sale financial assets'. However, as the stocks are not traded in an active market, and no sufficient industry information of companies similar to the abovementioned companies can be obtained, the fair value of the stocks cannot be measured reliably. Accordingly, the Group classified those stocks as 'financial assets at cost – non-current'.

ii. The Group has no financial assets measured at cost pledged to others.

iii. As of December 31, 2017, the net value of VEEV Interactive Pte. Ltd. has significantly declined and is lower than its original investment cost at period end based on the Company's assessment. Because the investment value of the equity had been impaired, the Company provided an impairment loss in the amount of $15,243.

E. Credit risk information for the year ended December 31, 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. This is described as below:

i. The Group has assessed the credit status of counterparties upon sale of products and goods or services. So it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount.

ii. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

iv. For banks and financial institutions, only rated parties with good ratings are accepted.

v. The endorsements and guarantees provided by the Group are all in accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies". The Group knows the credit status of endorsees well and does not require any security. If there is any non-performance, the performance amount is the possible credit risk.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The ageing analysis of notes and accounts receivable (including related parties) that were past due but not impaired is calculated from the past due date as follows:

	December 31, 2017
Up to 90 days	$ 474,429
91 to 180 days	97,506
181 to 365 days	167,665
Over 365 days	423,579
	$ 1,163,179

(d) Movement analysis of notes and accounts receivable (including related parties) that were impaired is as follows:

i. As of December 31, 2017, the Group's notes and accounts receivable that was impaired amounted to $386,650.

ii.Movements on the Group's provision for impairment of notes and accounts receivable (including related parties) are as follows:

	Year ended December 31, 2017		
	Individual provision	Group provision	Total
At January 1	$ 207,856	$ 198,525	$ 406,381
Provision (Reversal) of impairment during the year	36,328	(48,457)	(12,129)
Write-offs during the year	(5,008)	-	(5,008)
Transfer during the year	41,430	(41,430)	-
Effect of exchange rate	(385)	(2,209)	(2,594)
At December 31	$ 280,221	$ 106,429	$ 386,650

(e) The credit quality of notes and accounts receivable (including related parties) that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017
Type A	$ 23,382
Type B	1,794,437
Type C	1,085,224
	$ 2,903,043

Type A: No credit limit. Clients include government institutions and government-owned corporations.

Type B: Credit limit is 130% of the average of transactions in the past year. Clients are counterparties whose average annual transactions reach NT$30,000 for the most recent 3 years and who have stable sales and optimal financials.

Type C: Credit limit is gained through assessment based on 'Client Credit Ranking Sheet'.

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 is set out below.

(a) Construction revenue/construction contracts

i. IAS 11, 'Construction Contracts', defines a construction contract as a contract specifically negotiated for the construction of an asset. If the outcome of a construction contract can be estimated reliably and it is probable that this contract would make a profit, contract revenue is recognized by reference to the stage of completion of the contract activity, using the percentage-of-completion method of accounting, over the contract term. Contract costs are expensed as incurred. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract. An expected loss where total contract costs will exceed total contract revenue on a construction contract is recognized as an expense as soon as such loss is probable. If the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

ii. Contract revenue should include the revenue arising from variations from the original contract work, claims and incentive payments that are agreed by the customer and can be measured reliably.

iii. The excess of the cumulative costs incurred plus recognized profits (less recognized losses) over the progress billings on each construction contract is presented as an asset within 'receivables from customers on construction contracts'. While, the excess of the progress billings over the cumulative costs incurred plus recognized profits (less recognized losses) on each construction contract is presented as a liability within 'Construction contracts payables'.

(b) Sales of goods

Sales revenue is measured at the fair value of the consideration received or receivable for the sale of goods (products) to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods (products) is recognized when the Group has delivered the goods (products) to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods (products) sold, and the customer has accepted the goods (products) based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenues recognized by using above accounting policies for the year ended December 31, 2017 is as follows:

		Year ended December 31, 2017
Construction revenue	$	9,854,257
Sales revenue		9,073,992
Other operating revenue		1,283,745
Total	$	20,211,994

C. The construction contract receivable/payable recognized by using above construction contract accounting policies as of December 31, 2017 is as follows:

		December 31, 2017
Aggregate costs incurred plus recognised profits (less recognised losses	$	26,582,074
Less: Progress billings	(	25,269,321)
Net balance sheet position for construction in progress	$	1,312,753
Presented as:		
Receivables from customers on construction contracts	$	3,163,858
Payables to customers on construction	(	1,851,105)
	$	1,312,753
Retentions relating to construction contracts	$	46,151
Advances received before the related construction work is performed	$	599,077

D. For the year ended December 31, 2018, the effects and description of current balance sheet and comprehensive income statement items if the Group continues adopting above accounting policies are as follows:

		December 31, 2018		
Balance sheet items	Description	Balance by using IFRS 15	Balance by using previous accounting policies	Effects from changes in accounting policy
Construction contracts receivable	(a)	$ -	$ 4,229,541	($ 4,229,541)
Contract assets	(a)	4,229,541	-	4,229,541
Construction contracts payable	(b)	-	2,022,925	(2,022,925)
Advance receipts	(c)	28,545	1,268,996	(1,297,541)
Contract liabilities	(b)(c)	3,320,466	-	3,320,466

Comprehensive income statement items: No effect.

(a) Under IFRS 15, construction contracts whereby services have been rendered but not yet billed are recognized as contract assets, but were previously presented as part of due from customers for contract work in the balance sheet.

(b) Under IFRS 15, contract liabilities in relation to construction contracts are recognized as contract liabilities, but were previously presented as due to customers for contract work in the balance sheet.

(c) Under IFRS 15, contract liabilities in relation to sales contracts are recognized as contract liabilities, but were previously presented as advance sales receipts in the balance sheet.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

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

C. Holding of marketable securities at the end of the period (not including subsidiaries and associates): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions.

The Group is divided into the following 4 segments:

A. Agency for equipment materials segment: mainly engaged in semiconductor, optoelectronics and other high-tech industrial processing and trading, distribution, after-sale service and technical support of factory equipment and its materials, chemicals and parts.

B. Process system and mechatronic system service segment: mainly contracting electrical, clean room, peripheral system facilities and process, engaged in lump sum contracts, providing integrated services consisting of planning, design, construction, supervision, installation, testing, operational consulting, maintenance and repair for gas, automatic supply system of chemicals, special gas and factory monitor system. Services for general industries such as petrochemical plant, conventional industry plant, mechatronic system for intelligent buildings.

C. Customized equipment manufacturing segment: mainly engaged in research and development of customized automation equipment and process based on request of customers in semiconductor, optoelectronics and traditional industry.

D. Other segments: mainly providing repair, cleaning and renewal services to customers' equipment and device in semiconductor, optoelectronics and traditional industry.

(2) Measurement of segment information

Management evaluates the performance of the operating segments based on their operational efficiency. The Group's Chief Operating Decision-Maker allocates resources and assesses performance of the operating segments based on the measurement and it is measured in a manner consistent with operating income in the consolidated statement of comprehensive income. There is no material change in the operating segments' accounting policies and accounting estimates and assumptions.

(3) Segment profit information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018				
	Sales and services for equipment materials segment	Facility system and mechanic & electric system service segment	Customized equipment manufacturing segment	Other segments	Total
Revenue from external customers	$ 3,611,877	$ 14,675,155	$ 6,128,229	$ 462	$ 24,415,723
Inter-segment revenue	140,058	237,425	9,422	5,894	392,799
Total segment revenue	$ 3,751,935	$ 14,912,580	$ 6,137,651	$ 6,356	$ 24,808,522
Segment profit (loss)	$ 259,951	$ 350,380	$ 270,663	($ 5,241)	$ 875,753
Segment profit including:					
Depreciation and amortisation	$ 12,463	$ 60,611	$ 60,486	$ 3,626	$ 137,186

	Year ended December 31, 2017				
	Sales and services for equipment materials segment	Facility system and mechanic & electric system service segment	Customized equipment manufacturing segment	Other segments	Total
Revenue from external customers	$ 3,190,164	$ 11,885,187	$ 5,136,268	$ 375	$ 20,211,994
Inter-segment revenue	103,945	99,673	2,423	4,784	210,825
Total segment revenue	$ 3,294,109	$ 11,984,860	$ 5,138,691	$ 5,159	$ 20,422,819
Segment profit (loss)	$ 221,021	$ 164,775	$ 420,955	($ 6,052)	$ 800,699
Segment profit including:					
Depreciation and amortisation	$ 13,168	$ 60,720	$ 51,958	$ 3,705	$ 129,551

(4) Reconciliation for segment income (loss)

Sales and services between segments are carried out at arm's length. The revenue and financial information from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment income or loss to the income before tax from continuing operations for the years ended December 31, 2018 and 2017 is provided as follows:

	Years ended December 31,	
	2018	2017
Reportable segments income	$ 880,994	$ 806,751
Other reportable segments loss	(5,241)	(6,052)
Total segments	875,753	800,699
Other gains and losses	191,157	55,651
Finance costs	(66,071)	(62,688)
Gain on disposal of investments	-	35,556
Impairment loss on financial assets	-	(15,243)
Income before tax from continuing operations	$ 1,000,839	$ 813,975

(5) Information on products

Details of revenue balance is as follows:

	Years ended December 31, 2018	Years ended December 31, 2017
R&D and manufacturing of customized equipment	$ 7,321,516	$ 5,980,118
Total Facility Engineering Turnkey Project	6,989,209	4,716,085
Sales and service of high-tech equipment and materials	5,376,632	5,051,537
Automatic supplying system	4,728,366	4,464,254
Total	$ 24,415,723	$ 20,211,994

(6) Geographical information

Financial information by geographical area for the years ended December 31, 2018 and 2017 is as follows:

	Years ended December 31, 2018		2017	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 10,498,456	$ 1,744,188	$ 8,371,819	$ 1,478,535
China	7,546,686	166,827	6,452,850	179,695
Others	6,370,581	380,097	5,387,325	271,635
Total	$ 24,415,723	$ 2,291,112	$ 20,211,994	$ 1,929,865

Note: Revenue is classified based on geographic location of customers and non-current assets are classified based on assets location.

(7) Major customer information

Information of customers whose revenue exceeds 10% of the total operating revenue for the years ended December 31, 2018 and 2017:

	Years ended Decmeber 31, 2018		2017	
	Revenue	Segment	Revenue	Segment
Customer A	$ 3,053,247	Facility system and mechanic & electric system service segment	$ 2,823,781	Facility system and mechanic & electric system service segment
Customer B	2,151,639	R&D and manufacturing of customized equipment segment	2,102,001	R&D and manufacturing of customized equipment segment

Note: Operating revenue from other customers does not exceed 10% of consolidated operating revenue.

Table 1

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2018

Expressed in thousands of NTD
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018 (Note 3)	Balance at December 31, 2018 (Note 8)	Actual amount drawn down	Interest rate (%)	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for bad debts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
0	Marketech International Corp.	Marketech International Sdn.Bhd.	Other receivables	Y	$ 55,056	$ -	$ -	-	Short-term financing	$ -	Operations	$ -	None	-	$ 2,266,694	$ 2,266,694	Note 7
0	Marketech International Corp.	eZoom Information, Inc.	Other receivables	Y	50,000	50,000	-	4.616	Short-term financing	-	Operations	-	None	-	2,266,694	2,266,694	Note 7
0	Marketech International Corp.	MIC-Tech (WuXi) Co., Ltd.	Other receivables	Y	107,503	-	-	-	Short-term financing	-	Operations	-	None	-	2,266,694	2,266,694	Note 7
1	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	Other receivables	Y	58,574	40,247	40,247	4.785	Short-term financing	-	Operations	-	None	-	167,097	334,194	Note 7
1	MIC-Tech Electronics Engineering Corp.	Fuzhou Jiwei System Integrated Co., Ltd.	Other receivables	Y	1,406	1,342	1,331	4.785	Short-term financing	-	Operations	-	None	-	334,194	334,194	Note 7
1	MIC-Tech Electronics Engineering Corp.	ChenGao M&E Engineering (Shanghai) Co., Ltd.	Other receivables	Y	2,109	-	-	-	Short-term financing	-	Operations	-	None	-	334,194	334,194	Note 7
2	MIC-Tech (Shanghai) Corp.	Integrated Manufacturing & Services Co., Ltd.	Other receivables	Y	17,097	-	-	-	Short-term financing	-	Operations	-	None	-	140,487	280,974	Note 7
2	MIC-Tech (Shanghai) Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	Other receivables	Y	18,588	-	-	-	Short-term financing	-	Operations	-	None	-	140,487	280,974	Note 7
2	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co., Ltd.	Other receivables	Y	86,115	31,303	31,303	4.7850	Short-term financing	-	Operations	-	None	-	280,974	280,974	Note 7
3	MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech Electronics Engineering Corp.	Other receivables	Y	46,073	-	-	-	Short-term financing	-	Operations	-	None	-	855,005	855,005	Note 7
4	Marketech Integrated Manufacturing Co., Ltd.	Marketech Integrated Construction Co., Ltd.	Other receivables	Y	6,191	6,143	6,143	5	Short-term financing	-	Operations	-	None	-	142,009	284,018	Note 7
5	MIC-Tech Viet Nam Co., Ltd	Marketech Co., Ltd	Other receivables	Y	1,190	-	-	-	Short-term financing	-	Operations	-	None	-	22,049	22,049	Note 7

Note 1:The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1)The Company is '0'.
(2)The subsidiaries are numbered in order starting from '1'.

Note 2:Fill in the name of account in which the loans are recognised, such as receivables–related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3:Fill in the maximum outstanding balance of loans to others during the nine-month period ended December 31, 2018

Note 4:The column of 'Nature of loan' shall fill in 'Business transaction or 'Short-term financing'.

Note 5:Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6:Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7:Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.
The Company's ceiling on loans to others are as follows:
(1) Limit on the total loans to others provided by the Company is 40% of the net assets based on the Company's latest financial statements.
(2) Limit on the loans provided by the Company granted for a single party are as follows:
(2-1)Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.
(2-2)For short-term financing, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.
(3) Limit on the accumulated balance of loans to others provided by the foreign companies whose voting rights are 100% owned directly and indirectly by the Company is not under the limit stated on (1). However, it shall make the limit and period for the loans to others in each subsidiary's internal Companies. procedures based on Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies.
Limit on the loans from MIC-Tech Ventures Asia Pacific Inc.
(1) Limit on the accumulated balance of loans to others provided by MIC-Tech Ventures Asia Pacific Inc. is 80% of the net assets based on the latest financial statements of the lending companies
(2) Limit on the loans provided by MIC-Tech Ventures Asia Pacific Inc. granted for a single party are as follows:
(2-1) Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.
(2-2) For short-term financing between the Company and MIC-Tech Ventures Asia Pacific Inc. which the ultimate parent company holds 100% of the voting rights directly or indirectly, limit on loans granted for a single party is 80% of the net assets based on the latest financial statements of the lending companies.
(2-3) For short-term financing between MIC-Tech Ventures Asia Pacific Inc. and aforementioned associates, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.
Limit on the loans provided by the Company's mainland subsidiaries:
(1) Limit on the total loans to others provided by the Company's mainland subsidiaries is 80% of the net assets based on the latest financial statements of the lending companies.
(2) Limit on the loans provided by the Company's mainland subsidiaries granted for a single party are as follows:
(2-1) Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.
(2-2) For short-term financing between the Company's mainland subsidiary and the foreign companies which the ultimate parent company holds 100% of the voting rights directly or indirectly, limit on loans granted for a single party is 80% of the net assets based on the latest financial statements of the lending companies.
(2-3) For short-term financing between the Company's mainland subsidiaries and aforementioned associates, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.

Limit on the loans provided by the Company's Myanmar subsidiaries:

(1) Limit on the total loans to others provided by the Company's Myanmar subsidiaries is 80% of the net assets based on the latest financial statements of the lending companies.

(2) Limit on the loans provided by the Company's Myanmar subsidiaries granted for a single party are as follows:

(2-1) Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.

(2-2) For short-term financing between the Company's Myanmar subsidiary and the foreign companies which the ultimate parent company holds 100% of the voting rights directly or indirectly, limit on loans granted for a single party is 80% of the net assets based on the latest financial statements of the lending companies.

(2-3) For short-term financing between the Company's Myanmar subsidiaries and aforementioned associates, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.

Limit on the loans provided by the Company's Vietnam subsidiaries:

(1) Limit on the total loans to others provided by the Company's Vietnam subsidiaries is 80% of the net assets based on the latest financial statements of the lending companies.

(2) Limit on the loans provided by the Company's Vietnam subsidiaries granted for a single party are as follows:

(2-1) Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.

(2-2) For short-term financing between the Company's Vietnam subsidiary and the foreign companies which the ultimate parent company holds 100% of the voting rights directly or indirectly, limit on loans granted for a single party is 80% of the net assets based on the latest financial statements of the lending companies.

(2-3) For short-term financing between the Company's Vietnam subsidiaries and aforementioned associates, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment.
In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Table 1-2

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2018

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 5)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018 (Note 6)	Outstanding endorsement/ guarantee amount at December 31, 2018	Actual amount drawn down (Note 7)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 4)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 8)	Provision of endorsements/ guarantees to the party in Mainland China (Note 8)	Footnote
0	Marketech International Corp.	Marketech Integrated Pte. Ltd.	2	$ 2,833,367	$ 56,525	$ 56,338	$ 3,027	$ -	0.99%	$ 5,666,734	Y	N	N	Note 4
0	Marketech International Corp.	eZoom Information, Inc.	2	2,833,367	120,000	120,000	12,003	-	2.12%	5,666,734	Y	N	N	Note 4
0	Marketech International Corp.	Marketech International Sdn. Bhd.	2	2,833,367	245,720	245,720	13,691	-	4.34%	5,666,734	Y	N	N	Note 4
0	Marketech International Corp.	MIC-Tech China Trading (Shanghai) Co., Ltd.	2	2,833,367	32,801	-	-	-	0.00%	5,666,734	Y	N	Y	Note 4
0	Marketech International Corp.	MIC-Tech (WuXi) Co., Ltd.	2	2,833,367	411,581	411,581	304,079	-	7.26%	5,666,734	Y	N	Y	Note 4
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	2	2,833,367	1,026,300	977,875	194,192	-	17.26%	5,666,734	Y	N	Y	Note 4
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	2	2,833,367	1,531,207	1,398,810	652,481	-	24.68%	5,666,734	Y	N	Y	Note 4
0	Marketech International Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	2	2,833,367	198,223	198,223	117,375	-	3.50%	5,666,734	Y	N	Y	Note 4
0	Marketech International Corp.	Special Triumph Sdn. Bhd.	5	2,833,367	40,431	27,092	-	-	0.48%	5,666,734	N	N	N	Note 4
1	Marketech Co., Ltd.	MIC-Tech Viet Nam Co., Ltd.	4	110,879	7,740	7,740	7,740	-	69.81%	110,879	N	N	N	Note 4
2	MIC-Tech Electronics Engineering Corp.	MIC-Tech (WuXi) Co., Ltd.	4	1,253,229	4,405	-	-	-	0.00%	2,088,715	N	N	Y	Note 4
2	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	5	1,253,229	73,212	69,868	69,868	-	16.73%	2,088,715	N	N	Y	Note 4
2	MIC-Tech Electronics Engineering Corp.	MIC-Tech (Shanghai) Corp.	4	1,253,229	112,412	107,278	107,278	-	25.68%	2,088,715	N	N	Y	Note 4
3	MIC-Tech (Shanghai) Corp.	MIC-Tech Electronics Engineering Corp.	4	1,053,654	645,959	616,455	616,455	-	175.52%	1,756,090	N	N	Y	Note 4

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

(1)The Company is '0'.

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

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

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directlyand indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 4:Limit on endorsements and guarantees stated in"Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies":

(1)In accordance with mutual guarantee requirement in the same industry for contracting constructions, limit on the total amount is 5 times of the Company's net assets.

(2)Except for guarantees for contracting constructions, limit on the Company's accumulated endorsement/guarantee is the Company's net assets; limit on endorsement/guarantee to a single party is 50% of the Company's net assets. Limit on the total endorsement/guarantee of the Company and its subsidiaries as a whole is 1.5 times of the Company's net assets; limit on endorsement/guarantee to a single party is 75% of the Company's net assets.

Limit on endorsements and guarantees of the Group's subsidiary - Marketech Co., Ltd.:

(1) In accordance with mutual guarantee requirement in the same industry or the common builders for contracting constructions, or provision of endorsements and guarantees for joint ventures from shareholders in proportion to shareholding ratio, limit on the total amount is 5 times of the net assets of Marketech Co., Ltd.. Limit on endorsement/guarantee to a single party is three times of the net assets of Marketech Co., Ltd..

(2) Except for (1), the Group follows standards of endorsements and guarantees as below:

(2-1) Total amount: (2-1-1) Limit on the accumulated endorsements and guarantees is 10 times of the net assets of Marketech Co., Ltd.;

(2-1-2) Limit on endorsements and guarantees to a company of which the endorser company and the Company directly or indirectly holds 90%, should meet the requirement in (2-1-1) and may not exceed 10% of the Company's net assets. However, the endorsements and guarantees of Marketech Co., Ltd. to the Company which it holds 100% of voting shares are not subjected.

(2-1-3) Total endorsements and guarantees of Marketech Co., Ltd. and its subsidiaries are limited to 10 times of the net assets of Marketech Co., Ltd..

(2-2) Limit on endorsement/guarantee to a single party

(2-2-1) For the companies having business relationship with Marketech Co., Ltd. and thus being provided endorsements/guarantees, limit on endorsements to a single party is the total value of business transactions within past 12 months. (the value of business transactions is the higher of purchase or sales)

(2-2-2) Limit on endorsement/guarantee to a single party who having business relationship with the Group is 10 times of the net assets of Marketech Co., Ltd..

Limit on endorsements and guarantees of the Group's subsidiary - MIC-Tech Electronics Engineering Corp. and MIC-Tech (Shanghai) Corp.:

(1) In accordance with mutual guarantee requirement in the same industry or the common builders for contracting constructions, or provision of endorsements and guarantees for joint ventures from shareholders in proportion to shareholding ratio, limit on the total amount is 5 times of the net assets of the endorser/guarantor on endorsement/guarantee to a single party is three times of the net assets of the endorser/guarantor.

(2) Except for (1), the Group follows standards of endorsements and guarantees as below:

(2-1) Total amount: (2-1-1) Limit on the accumulated endorsements and guarantees is 5 times of the net assets of the endorser/guarantor;

(2-1-2) Limit on endorsements and guarantees to a company of which the endorser company and the Company directly or indirectly holds 90%, should meet the requirement in (2-1-1) and may not exceed 10% of the ultimate parent's net assets.

(2-1-3) Total endorsements and guarantees of the endorser/guarantor and its subsidiaries are limited to 5 times of the net assets of the endorser/guarantor.

(2-2) Limit on endorsement/guarantee to a single party

(2-2-1) For the companies having business relationship with the endorser/guarantor and thus being provided endorsements/guarantees, limit on endorsements to a single party is the total value of business transactions within past 12 months. (the value of business transactions is the higher of purchase or sales)

(2-2-2) Limit on endorsement/guarantee to a single party who having business relationship with the Group is 3 times of the net assets of the endorser/guarantor.

Note 5: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 6: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 7: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 8: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Table 2-2

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

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

For the year ended December 31, 2018

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Type of marketable securities	Name of marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	As of December 31, 2018 Number of shares	Book value (Note 2)	Ownership (%)	Fair value	Collateral	Footnote
Marketech International Corp.	Ordinary shares	Lasertec Corporation	None	Financial assets measured at fair value through profit or loss - current	20,000	$ 15,590	-	$ 15,590	None	
〃	〃	Solar Applied Materials Technology Corp.	〃	〃	44,078	804	-	804	〃	
〃	〃	Aerospace Industrial Development Corp.	〃	〃	25,925	796	-	796	〃	
〃	〃	Calitech Co., Ltd.	〃	〃	645,199	17,711	2.04%	17,711	〃	
〃	〃	ACM Research Inc.	〃	〃	167,684	56,037	-	56,037	〃	
						$ 90,938		$ 90,938		
〃	Ordinary shares	Taiwan Colour & Imaging Technology Corp.	None	Financial assets measured at fair value through profit or loss - non-current	1,700,000	$ 1,300	13.03%	$ 1,300	None	
〃	〃	Highlight Tech Corp.	〃	〃	453,000	9,558	0.46%	9,558	〃	
〃	〃	Ennoconn Corporation	The ultimate parent company	〃	10,000	2,440	0.01%	2,440	〃	
〃	〃	WINGS GLOBAL TECHNOLOGY INC.	None	〃	750,000	15,000	18.75%	15,000	〃	
〃	〃	Promos Technologies,Inc.	〃	〃	250,331	-	0.56%	-		
〃	〃	Taiwan Puritic Corp.	〃	〃	6,191,181	153,368	10.32%	153,368	〃	
〃	〃	SOPOWER Technology Corp.	〃	〃	189,223	-	12.61%	-	〃	
〃	〃	VEEV Interactive Pte. Ltd.	〃	〃	840,000	-	6.45%	-	〃	
〃	〃	Taiwan Intelligent Fiber Optic Network Co.,Ltd.	〃	〃	3,868,261	25,177	1.58%	25,177	〃	
〃	〃	H&D Venture Capital Investment Corp.	Entities controlled by key management or entities with significant influence	〃	499,200	4,992	6.67%	4,992	〃	
〃	〃	Civil Tech Pte. Ltd.	None	〃	336,374	11,844	0.58%	11,844	〃	
〃	〃	ProbeLeader Co., Ltd.	Entities controlled by key management or entities with significant influence	〃	966,000	6,912	3.46%	6,912	〃	
〃	〃	Top Green Energy Technologies,Inc.	None	〃	1,111,111	-	0.89%	-	〃	
〃	〃	IP Fund Six Co., Ltd.	〃	〃	1,000,000	10,000	1.79%	10,000	〃	
〃	〃	Innorich Venture Capital Corp.	〃	〃	1,000,000	10,000	1.87%	10,000	〃	
〃	〃	Taiwan Foresight Co., Ltd.	〃	〃	380,000	4,416	2.24%	4,416	〃	
〃	〃	Long Time Technology Corp.	〃	〃	346,000	7,274	0.29%	7,274	〃	
〃	〃	Paradigm Venture Capital Corp.	〃	〃	90,187	902	3.50%	902	〃	
〃	〃	Taiwan Special Chemicals Corp.	〃	〃	4,201,333	60,213	1.00%	60,213	〃	
〃	〃	Atech Totalsolution Co., Ltd.	〃	〃	128,000	-	0.23%	-	〃	
〃	〃	East Wind Life Science Systems	〃	〃	124,457	-	12.87%	-	〃	
〃	〃	EcoLand Corp.	〃	〃	310,715	-	13.51%	-	〃	
〃	〃	Radisen Co. Ltd	〃	〃	87,803	3,759	19.41%	3,759	〃	
〃	〃	Foresight Energy Technologies Co., Ltd.	〃	〃	1,350,000	10,582	4.50%	10,582	〃	
〃	〃	Sum Capital Healthcare Investment Corp. (BE Healthcare Investment Co., Ltd.)	Entities controlled by key management or entities with significant influence	〃	943,050	9,431	7.44%	9,431	〃	
〃	〃	Intellicares co.,Ltd	〃	〃	200,000	565	19.99%	565	〃	
〃	〃	Forward Science Corp.	〃	〃	2,000,000	20,000	10.00%	20,000	〃	
〃	Convertible bonds	Nitride Solutions Inc.	None	〃	-	2,916	-	2,916	〃	
〃	〃	HALLYS CORPORATION	〃	〃	-	20,730	-	20, 730	〃	
〃	Preferred stock	Adant Technologies Inc.	〃	〃	174,520	-	Note3	-	〃	
〃	〃	Kinestral Technologies, Inc.	〃	〃	501,532	24,089	〃	24,089	〃	
MIC-Tech (Shanghai) Corp. Ltd.	Ordinary shares	MIC-Tech (Beijing) Environment Co.	Entities controlled by key management or entities with significant influence	〃	-	-	19.00%	-	〃	
		Total				$ 415,468		$ 415,468		

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.
Note 2: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.
Note 3: Holding preferred stock.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

For the year ended December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Marketech International Corp.	Hong Kong Ennopower Information Technology Co., Limited	Other related parties	Sales (Note 2)	$ 189,534	1.13%	Note 1	$ -	-	$ 104,338	3.44%	
Shanghai Maohua Electronics Engineering Co.,Ltd.	MIC-Tech Electronics Engineering Corp.	Brother Company	Sales (Note 2)	174,681	42.64%	Note 1	-	-	45,699	42.32%	

Note 1: Repaid in installment based on the contract.

Note 2: Revenue arising from contracting constructions recognised based on the percentage of completion method for the year ended December 31, 2018.

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

Table 5

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2018

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018 (Note 1)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Marketech International Corp.	Hong Kong Ennopower Information Technology Co., Limited	Other related parties	$ 104,338	Note 2	$ -	-	$ -	$ 5

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties,...
Note 2: Other receivables are generated from loans, it's not applicable to this.

Table 5-1

Table 6

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
For the year ended December 31, 2018

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Sales revenue	$ 38,924	Sales revenue: Prices and terms of sales of goods to related parties are approximately the same to third parties. A certain percentage of profit is negotiated for sale of services with related parties. Construction revenue: The price of construction charges to related parties and third parties are based on normal construction contracts or individual agreements. Furthermore, the collection terms to related parties are approximately the same to third parties, which is about 2 to 3 months after inspection of constructions depending on the construction contracts or individual agreements.	0.16%
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Non-operating revenue	9,552		0.04%
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	1	Non-operating revenue	20,578		0.08%
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	1	Construction revenue	10,482		0.04%
0	Marketech International Corp.	MIC-Tech (WuXi) Co., Ltd.	1	Accounts receivable	6,025		0.03%
0	Marketech International Corp.	MIC-Tech (WuXi) Co., Ltd.	1	Sales revenue	6,013		0.02%
0	Marketech International Corp.	eZoom Information, Inc.	1	Accounts payable	7,433		0.04%
1	eZoom Information, Inc.	Marketech International Corp.	2	Services revenue	35,340		0.14%
2	MIC-Tech Global Corp.	Marketech International Corp.	2	Sales revenue	94,313		0.39%
3	MIC-Tech Electronics Engineering Corp.	Marketech International Corp.	2	Accounts payable	10,976		0.06%
3	MIC-Tech Electronics Engineering Corp.	MIC-Tech Ventures Asia Pacific Inc.	3	Other receivables	40,246		0.22%
3	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	3	Other payable	45,699		0.25%
4	Shanghai Maohua Electronics Engineering Co.,Ltd.	MIC-Tech Electronics Engineering Corp.	3	Construction revenue	174,681		0.72%
5	MIC-Tech (Shanghai) Corp.	Marketech International Corp.	3	Accounts payable	8,833		0.05%
5	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co. Ltd.	3	Other receivables	31,303		0.17%
6	Marketech Integrated Manufacturing Company Limited	Marketech Integrated Construction Co., Ltd.	3	Other receivables	5,614		0.03%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1)Parent company is '0'.
(2)The subsidiaries are numbered in order starting from '1'.

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

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

Note 4: Individual amounts less than $5,000 are not disclosed.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2018

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount (Note2) Balance as at Decmber 31, 2018	Initial investment amount (Note2) Balance as at December 31, 2017	Shares held as at December 31, 2018 Number of shares	Shares held as at December 31, 2018 Ownership (%)	Shares held as at December 31, 2018 Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 1)	Footnote
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Singapore	Contracting for semiconductor automatic supply system	$ 215,087	$ 192,522	9,235,678	100	$ 15,095	($ 288)	($ 288)	The Company's subsidiary
Marketech International Corp.	Market Go Profits Ltd.	Virgin Islands	Investment holding and reinvestment	1,282,562	1,245,570	39,569,104	100	1,070,484	36,179	36,179	The Company's subsidiary
Marketech International Corp.	MIC-Tech Global Corp.	South Korea	International trade	19,147	19,147	131,560	100	6,607	(993)	(993)	The Company's subsidiary
Marketech International Corp.	Headquarter International Ltd.	Virgin Islands	Investment holding and reinvestment	42,475	42,475	1,289,367	100	38,864	(307)	(307)	The Company's subsidiary
Marketech International Corp.	Tiger United Finance Ltd.	Virgin Islands	Investment holding and reinvestment	46,475	46,475	1,410,367	100	37,813	(476)	(476)	The Company's subsidiary
Marketech International Corp.	Marketech Engineering Pte. Ltd.	Singapore	Contracting for electrical installing construction	10,129	10,129	421,087	100	15,239	13,794	13,794	The Company's subsidiary
Marketech International Corp.	Marketech Integrated Manufacturing Company Limited	Myanmar	Design, manufacturing, installation of automatic production equipment and its parts	438,298	438,298	1,400,000	100	355,023	(3,532)	(3,532)	The Company's subsidiary
Marketech International Corp.	MIC-Tech Viet Nam Co., Ltd.	Vietnam	Trading, installation and repair of various machinery equipment and its peripherals	39,345	39,345	-	100	27,562	(3,471)	(3,471)	The Company's subsidiary
Marketech International Corp.	Marketech Co., Ltd.	Vietnam	Specialized contracting and related repair services; equipment sales and repair; sales of cosmetics and daily necessities	45,246	29,922	-	100	11,088	(6,843)	(6,843)	The Company's subsidiary
Marketech International Corp.	eZoom Information, Inc.	Taiwan	Research, trading and consulting of information system software and hardware appliance	195,737	67,737	20,000,000	100	152,947	(6,743)	(6,743)	The Company's subsidiary
Marketech International Corp.	Marketech International Sdn.Bhd.	Malaysia	Specialized contracting and related repair services	87,070	44,431	12,242,750	100	65,645	6,481	3,013	The Company's subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount (Note2)		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 1)	Footnote
				Balance as at Decmber 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
Marketech International Corp.	ADAT Technology CO., LTD.	Taiwan	The research, development, application, and service of software; supply of electronic information and the buying and selling of equipment	$ 20,000	$ 10,000	$ 2,000,000	30.3	$ 13,034	($ 18,217)	($ 10,904)	The Company's subsidiary
Marketech International Corp.	PT Marketech International Indonesia	Indonesia	Trading business of machine equipment and parts	38,042	38,042	1,199,000	99.92	36,670	2,622	2,662	The Company's subsidiary
Marketech International Corp.	Marketech Netherlands B.V	Netherlands	International trade business of machine and components and technical service	10,671	10,671	300,000	100	6,339	(4,051)	(4,051)	The Company's subsidiary
Marketech International Corp.	Glory Technology Service Inc..	Taiwan	Sale and installation of information and communication equipment	42,714	31,019	5,510,305	29.24	61,236	13,881	4,105	The Company's investee accounted for using equity method
Marketech International Corp.	MIC Techno Co., Ltd.	Taiwan	Sale of panels and its materials	2,000	2,000	200,000	20	1,842	(36)	(7)	The Company's investee accounted for using equity method
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	Cayman Islands	Investment holding and reinvestment	1,277,065	1,240,073	39,466,604	100	1,068,756	36,252	-	The investor's subsidiary
Marketech Integrated Pte Ltd.	Marketech International Sdn. Bhd.	Malaysia	Specialized contracting and related repair services	-	42,481	-	-	-	6,481	-	The Company's investee accounted for using equity method
Marketech Engineering Pte Ltd.	Marketech Integrated Construction Co., Ltd.	Myanmar	Contracting for electrical installing construction	8,569	8,569	28,500	95	14,844	14,688	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Russky H.K. Limited	Hong Kong	Investment holding and reinvestment	34,551	34,551	833,000	100	(10,296)	4,156	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Frontken MIC Co. Limited	Hong Kong	Investment holding and reinvestment	31,422	31,422	2,337,608	100	5,414	(110)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Hong Kong	Investment holding and reinvestment	132,282	95,290	5,400,000	60	63,213	(10,126)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Leader Fortune Enterprise Co., Ltd.	Samoa	Investment holding and reinvestment	8,990	8,990	303,000	31.43	(4,638)	(28,455)	-	The investor's investee accounted for using equity method
Russky H.K. Limited	PT Marketech International Indonesia	Indonesia	Trading business of machine equipment and parts	32	32	1,000	0.08	31	2,622	-	The investor's investee accounted for using equity method

Note 1: The amount of $0 means that the Company does not directly recognise gain or loss on investments.

Note 2: Except for subsidiaries in Malaysia are translated at the current rate as of December 31, 2018, the initial investment amounts of other investees are translated at the current rate as of the investment date.

Table 7-2

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2018

Table 8

1. Basic information

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018 (Note 3)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 (Note 3)	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MIC-Tech (WuXi) Co., Ltd.	Design, manufacturing, installation and maintenance of semiconductor device, crystal dedicated device, electronic component device, environment pollution preventing equipment; assembling of wrapping device and cooling equipment; assembling of barbecue grill; wholesale, commission agency and import and export of the aforementioned products their components, textile, commodities, chemical products and cosmetics; lease of self-owned plants: design, manufacturing, sales and installation of automatic warehousing equipment and accessories, automatic logistics transporting equipment and accessories; R&D, sales and installation of supplementary engineering in logistics dispatch system	$ 783,233	Note1(2)	$ 629,658	$ -	$ -	$ 629,658	$ 28,697	100	$ 29,264	$ 35,644	$ -	Note 2 (2)B
MIC-Tech (Shanghai) Corp.	Wholesale, commission agency, maintenance, repairment, manufacture, import and export of semiconductor production, inspection equipment and its consumables and boilers that generate electricity; storage and allocation of mainly chemical and boiler products; international and entrepot trade; trading and trading agency among enterprises in customs bonded area; consulting services in customs bonded area	253,122	Note1(2)	15,358	-	-	15,358	25,652	100	25,652	351,218	-	Note 2 (2)B
Fuzhou Jiwei System Integrated Co., Ltd.	Installation and complete services of clean room, mechanical system, street pipe system	9,215	Note1(2)	9,215	-	-	9,215	695	100	695	(1,016)	-	Note 2 (2)B
Shanghai Maohua Electronics Engineering Co.,Ltd.	Production of scrubber bins for semiconductor manufacturers, design, installation, debugging and technology services of tunnel system, equipment repair for semiconductor manufacturers, consulting service for electrical and medical equipment; wholesale, commissioned distribution (exclude auction), export, import and related services of electronic products, machinery equipment, chemical products (exclude dangerous articles), communication equipment, metal products, plastic products	18,429	Note1(2)	18,521	-	-	18,521	2,424	87	2,109	(12,644)	-	Note 2 (2)B
MIC-Tech Electronics Engineering Corp.	Installation and construction of mechanical and electrical systems; construction of chemical and petroleum projects; construction of public municipal infrastructure projects; professional building renovation and decoration services; design and construction of smart buildings; construction of electronic projects and related technical services and consulting. Building equipment, building materials (excluding steel and cement), electronic products, chemical products (excluding hazardous products), metal products, electrical equipment, wholesale of communications equipment, commission-based agency (excluding auctions) and import-export business, and delivery of all related and supplementary services	541,168	Note1(2)	261,692	-	-	261,692	(27,348)	100	(27,348)	417,743	-	Note 2 (2)B
SKMIC (WUXI) Corp.	Design, installation and repairment of semi-conductor and transistor facilities, electronic components facilities and pollution prevention equipment, as well as wholesale, commission agent and export/import business of products listed above, industrial cleaning, repairment and maintenance.	9,368	Note1(2)	1,505	-	-	1,505	(204)	49	(100)	60	-	Note 2 (2)B
ChenGao M&E Engineering (Shanghai) Co., Ltd.	Design of microelectronic products and display devices, consulting service for related technology and management	6,143	Note1(2)	6,143	-	-	6,143	2,056	100	2,056	(588)	-	Note 2 (2)B
Frontken-MIC (Wuxi) Co., Ltd.	Research of specialized cleaning equipment of semiconductor device and integrated circuit, cleaning of special components of semiconductor device, integrated circuit and micromodule and cleaning technology for semiconductors, assembling, installation and maintenance of cooling equipment; design, manufacture, sale and installation of automatic warehouse equipment and fittings, and automatic logistics transporting equipment and fittings; development, sale and installation of computer aided engineering; wholesale, commission, import and export of above products and parts	70,890	Note1(2)	28,356	-	-	28,356	(110)	100	(110)	5,393	-	Note 2 (2)B

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018 (Note 3)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 (Note 3)	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Integrated Manufacturing & Services Co., Ltd.	Development of special equipment for solar cell production, manufacture of optical engine, lighting source, projection screen, high definition projection cathode-ray tube and micro-display module, and production, cleaning and regeneration of new electrical device; sells the products that manufactured by itself; machinery equipment, research and development of production technology of utilities equipment, technology transfer, technology consulting, technology service; processing of metal salvage and junk (except for hazardous chemicals and hazardous waste); metallic material (except for steels and noble metal), ceramic product, paper products and wholesale, retail and import and export of hardware products.	$ 153,575	Note1(2)	$ 82,931	$ -	$ -	$ 82,931	($ 10,154)	60	($ 6,093)	$ 25,571	$ -	Note 2 (2)B
MIC-Tech China Trading (Shanghai) Co., Ltd.	Wholesale, commission agency and import and export of chemical products (except for hazardous chemicals, chemicals used in production of narcotic drugs and psychotropic substances and special chemicals), semiconductors, inspection equipment and its consumables, solar equipment consumables and boilers that generate electricity, International and entrepot trade, trading and trading agency among enterprises in customs bonded area, consulting service for trading, installation, repair, and maintenance of automation equipment, electronic equipment, and their parts	46,073	Note1(2)	46,073	-	-	46,073	(7,308)	100	(7,308)	18,528	-	Note 2 (2)B
Macrotec Technology (Shanghai) Co., Ltd.	Wholesale, commission agency, import and export and other complementary service of electrical products, food, textile, commodities, cosmetics, valve switch, instrumentation, metal products, electrical equipment, International and entrepot trade, trading and trading agency among enterprises in customs bonded area, simple commercial processing in customs bonded area, and consulting service for trading in customs bonded area	29,391	Note1(2)	9,237	-	-	9,237	(28,434)	31.43	(8,937)	(4,642)	-	Note 2 (2)B

Note 1: Investment methods are classified into the following three categories:
(1)Directly invest in a company in Mainland China.
(2)Through investing in Market Go Profits Ltd., which then invested in the investee in Mainland China.
(3)Others.
Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2018' column:
(1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
(2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
A.The financial statements that are reviewed and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
B.The financial statements that are reviewed and attested by R.O.C. parent company's CPA.
C.Others - unreviewed financial statements.
Note 3: Paid-in capital and investment amount were translated at the original currency times exchange rate at period end.

2. Limit on investees in Mainland China

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 (Note 1) (Note 2)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Marketech International Corp.	$ 1,157,642	$ 2,006,210	$ 3,442,382

Note 1: The amount was translated at the original currency times exchange rate at period end.
Note 2: The Company has sold WUXI Probeleader Electronics Co., Ltd. at the end of November 2011. As the accumulated investment was different from the investment collected back, the difference between accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 and accumulated amount of remittance from Taiwan to Mainland China registered at and approved by MOEA was US$186 thousand.
Note 3: The liquidation of TPP-MIC (WuXi) Co., Ltd. was completed in November, 2015. As the accumulated investment was different from the investment collected back, the difference between accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018, and accumulated amount of remittance from Taiwan to Mainland China registered at and approved by MOEA was US$186 thousand.

Table 8-2

MARKETECH INTERNATIONAL CORP.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

For the convenience of readers and for information purpose only, the 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

pwc 資誠

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of

Marketech International Corp.

Opinion

We have audited the accompanying parent company only balance sheets of Marketech International Corp. (the "Company") as at December 31, 2018 and 2017, and the parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the only financial position of the company as at December 31, 2018 and 2017, and its only 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 generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters on the parent company only financial statements for the year ended December 31, 2018 were as follows:

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

pwc 資誠

Recognition of construction contract revenue

Description

Please refer to Notes 4(27) for accounting policy on construction contract and revenue. Please refer to Note 5(2) for the details of uncertainty of construction contract accounting estimation and assumption. Please refer to Notes 6(17) and 6(4) for details of construction contract revenue and construction cost.

The Company recognized revenue and profit by using the percentage of completion method. This method is also being used to calculate the cost for each contract at year-end. Management will re-evaluate the cost if the budget had increased or decreased, and depending on the cost after adjustment will recalculate the percentage of completion. The construction contract revenue may be affected by the appropriateness of determination of cost and estimated cost. Thus, we considered this as one of the key audit matters.

How our audit addressed the matter

We tailored the major audit scope as follows:

A. Obtained an understanding of the management's control system and determined whether the contract had been created or significant change with respect to estimate cost.

B. Obtained the newly added construction contract list for this fiscal year, and ensured that the total contract price is equal to the amount being used to calculate construction contract revenue. Ensured that any additional construction supplement can be traced back to supplementary contracts.

C. Checked the construction costs incurred estimation sheets in the current period, and sampling the basis of estimation and subcontracting amount, and ensured that it has been approved appropriately by the management.

D. Checked the rationality of significant changes in estimation of construction cost, and sample tested whether the revised plan had been approved by the management.

E. Obtained the billing details, and selected samples of related vouchers by using statistical procedure to check the correctness of input cost in engineering reports and computation of percentage of completion.

pwc 資誠

Valuation on inventories

Description

Please refer to Note 4(10) for description of accounting policy on inventory valuation. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation. Please refer to Note 6(4) for the description of inventory.

The Company is primarily engaged in import and export trading business, which include integrated circuit, electronic equipment, and materials, components used on electronic equipment. Due to the rapid technological changes, the semiconductor equipment industry has become more and more competitive, and the product price frequently changes. Therefore, the Company is now exposed to risk on inventory valuation loss and slow-moving inventory. Inventories are stated at the lower of cost or net realizable value, and the specific identification method is used to estimate the allowance for inventory valuation loss slow-moving inventories.

The base stock of inventories is based on assumptions of future demand and development plan. Due to the large quantity of inventories for sale, and since the amounts involved are significant, the determination of net realizable value for obsolete or slow-moving inventory involves subjective judgement resulting in high degree of estimation uncertainty. As a result of the high uncertainties in these estimates, we considered this is one of the key audit matters.

How our audit addressed the matter

We tailored the major audit scope as follows:

A. Assessed the policy on allowance for inventory valuation loss, based on our understanding of the operations and industry of the company.

B. Tested whether the basis of market value used in calculating the net realizable value of inventory is consistent with the policy of the company and validated selling prices of selected samples of respective inventory and their accuracy of net realizable value calculation.

C. Acquired management's individually identified out-of-date inventory list, inspected the related supporting documents and proper recognition in the financial statements.

Valuation of allowance of accounts receivable

Description

Please refer to Note 4(7) for accounting policy of accounts receivable. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to accounts receivable. Please refer to Note 6(3) for the details of accounts receivable.

The Company assesses the significant accounts receivable individually, and those that are not significant are assessed either individually or collectively. If there is no impairment after individual assessment, then the group of accounts receivable will be subject to collectively assessment. If the accounts receivable over a certain age is significant, the management will re-examine the collectibility, and assesses each case for possible impairment. Management uses professional judgement during the process, and accounting estimates have a high possibility of becoming inappropriate. The professional judgement may be affected by several factors, such as customer's financial status, internal credit rating, order history, and economic situation. Accordingly, obtaining the supporting documents which management used for judgement is important. Thus, we considered the assessment on allowance for bad debts as one of our key audit matters.

How our audit addressed the matter

We tailored the major audit scope as follows:

A. Obtained an understanding of the process which management used to evaluate the collectibility of accounts receivable.

B. Ensured that the classification of impairment in the group of accounts receivable is appropriate and in accordance with the Company's accounting policy.

C. Checked the details of significant impairment recognized by the management, against the supporting documents to verify appropriateness.

D. Verified the subsequent collections details of significant accounts receivable.

E. Obtained the details of significant accounts receivable which have not yet been collected at year end, and re-evaluated the appropriateness.

pwc 資誠

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the parent company only financial statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

pwc 資誠

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

Chang, Shu-Chiung　　　Weng, Shih-Jung

For and on behalf of PricewaterhouseCoopers, Taiwan

February 18, 2019

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

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

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 679,098	5	$ 750,892	6
1110	Financial assets at fair value through profit or loss - current	6(2) and 12(4)	90,944	1	17,143	-
1125	Available-for-sale financial assets - current	12(4)	-	-	41,502	-
1140	Current contract assets	6(17)	3,297,707	22	-	-
1150	Notes receivable, net	6(3)	18,359	-	64,957	1
1170	Accounts receivable, net	6(3)	2,896,102	20	2,650,543	21
1180	Accounts receivable - related parties, net	7	114,677	1	7,102	-
1190	Construction contracts receivable	12(5)	-	-	2,398,711	19
1200	Other receivables	7	35,464	-	83,714	1
130X	Inventories, net	6(4)	3,183,449	21	2,295,799	19
1410	Prepayments		313,722	2	475,970	4
1470	Other current assets	8	50,087	-	32,996	-
11XX	**Total current assets**		10,679,609	72	8,819,329	71
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2)	415,468	3	-	-
1543	Financial assets at cost-non-current	12(4)	-	-	277,607	2
1550	Investments accounted for using equity method	6(5)	1,915,488	13	1,716,459	14
1600	Property, plant and equipment, net	6(6) and 7	1,719,499	11	1,453,359	12
1780	Intangible assets	7	14,032	-	15,270	-
1840	Deferred tax assets	6(21)	149,061	1	122,914	1
1900	Other non-current assets	6(2)	17,018	-	16,430	-
15XX	**Total non-current assets**		4,230,566	28	3,602,039	29
1XXX	**Total Assets**		$ 14,910,175	100	$ 12,421,368	100

(Continued)

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(7)	$ 1,612,000	11	$ 650,000	5
2130	Current contract liabilities	6(17) and 7	2,768,245	19	-	-
2150	Notes payable		1,044,159	7	908,350	8
2170	Accounts payable		2,799,224	19	2,582,979	21
2180	Accounts payable - related parties	7	15,393	-	19,944	-
2190	Construction contracts payable	7 and 12(5)	-	-	1,278,326	10
2200	Other payables	6(8)	443,542	3	407,884	3
2230	Current tax liabilities		120,550	1	96,090	1
2310	Advance receipts	6(9)	20,906	-	760,815	6
2320	Long-term liabilities, current portion	6(10)	11,766	-	-	-
2399	Other current liabilities		44,794	-	11,639	-
21XX	**Total current liabilities**		8,880,579	60	6,716,027	54
	Non-current liabilities					
2530	Corporate bonds payable	6(10)	-	-	200,199	2
2540	Long-term borrowings	6(11)	200,000	1	200,000	2
2570	Deferred tax liabilities	6(21)	835	-	-	-
2640	Net defined benefit liability - non-current	6(12)	161,957	1	154,014	1
2670	Other non-current liabilities	6(5)	70	-	6,151	-
25XX	**Total non-current liabilities**		362,862	2	560,364	5
2XXX	**Total Liabilities**		9,243,441	62	7,276,391	59
	Equity					
	Share capital	6(14)				
3110	Ordinary shares		1,855,913	12	1,770,164	14
	Capital surplus	6(13)(15)				
3200	Capital surplus		970,381	6	843,057	7
	Retained earnings	6(16)				
3310	Legal reserve		692,068	5	626,773	5
3320	Special reserve		92,239	1	92,239	1
3350	Unappropriated retained earnings		2,197,064	15	1,893,389	15
	Other equity interest					
3400	Other equity interest		(140,931)	(1)	(80,645)	(1)
3XXX	**Total Equity**		5,666,734	38	5,144,977	41
	Significant contingent liabilities and unrecognised contract commitments	7 and 9				
	Significant events after the balance sheet date	11				
3X2X	**Total Liabilities and Equity**		$ 14,910,175	100	$ 12,421,368	100

The accompanying notes are an integral part of these parent company only financial statements.

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

	Items	Notes	Year ended December 31 2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
4000	**Operating Revenue**	6(17), 7 and 12(5)	$ 16,757,545	100	$ 15,319,550	100
5000	**Operating Costs**	6(4)(20) and 7	(14,819,701)	(88)	(13,470,021)	(88)
5900	**Gross Profit**		1,937,844	12	1,849,529	12
	Operating Expenses	6(20) and 7				
6100	Sales and marketing expenses		(313,099)	(2)	(285,763)	(2)
6200	General and administrative expenses		(532,254)	(3)	(510,266)	(3)
6300	Research and development expenses		(238,017)	(1)	(177,920)	(1)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	(106,279)	(1)	-	-
6000	**Total operating expenses**		(1,189,649)	(7)	(973,949)	(6)
6900	**Operating Profit**		748,195	5	875,580	6
	Non-operating Income and Expenses					
7010	Other income	6(18) and 7	103,161	-	89,877	-
7020	Other gains and losses	6(2)(19)	137,035	1	(26,303)	-
7050	Finance costs		(17,337)	-	(11,615)	-
7070	Share of gain (loss) of subsidiaries, associates and joint ventures accounted for using equity method		22,098	-	(111,151)	(1)
7000	**Total non-operating income and expenses**		244,957	1	(59,192)	(1)
7900	**Profit before Income Tax**		993,152	6	816,388	5
7950	Income tax expense	6(21)	(200,570)	(2)	(163,437)	(1)
8200	**Net Income**		$ 792,582	4	$ 652,951	4
	Other Comprehensive Income (Loss)					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains (losses) on remeasurements of defined benefit plans	6(12)	($ 10,438)	-	($ 11,229)	-
8349	Income tax related to components of other comprehensive income (loss) that will not be reclassified to profit or loss	6(21)	2,859	-	1,909	-
8310	**Total components of other comprehensive loss that will not be reclassified to profit or loss**		(7,579)	-	(9,320)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign operations		(51,465)	-	(56,800)	-
8362	Unrealized gains on valuation of available-for-sale financial assets	12(4)	-	-	(6,395)	-
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		190	-	(146)	-
8399	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	6(21)	14,002	-	9,681	-
8360	**Total components of other comprehensive loss that will be reclassified to profit or loss**		(37,273)	-	(53,660)	-
8300	**Other comprehensive loss, net of tax**		($ 44,852)	-	($ 62,980)	-
8500	**Total Comprehensive Income**		$ 747,730	4	$ 589,971	4
9750	**Basic earnings per share**	6(22)	$	4.40	$	3.77
9850	**Diluted earnings per share**	6(22)	$	4.21	$	3.51

The accompanying notes are an integral part of these parent company only financial statements.

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - ordinary shares	Capital Reserves: Capital surplus - share premium	Capital Reserves: Capital surplus - others	Retained Earnings: Legal reserve	Retained Earnings: Special reserve	Retained Earnings: Unappropriated retained earnings	Other equity interest: Financial statements translation differences of foreign operations	Other equity interest: Unrealized gain or loss on available-for-sale financial assets	Total equity
Year ended December 31, 2017										
Balance at January 1, 2017		$1,650,698	$ 616,003	$ 32,443	$ 575,258	$ 92,239	$ 1,667,955	($ 56,393)	$ 29,408	$4,607,611
Profit for 2017		-	-	-	-	-	652,951	-	-	652,951
Other comprehensive loss for 2017		-	-	-	-	-	(9,320)	(47,265)	(6,395)	(62,980)
Total comprehensive income (loss)		-	-	-	-	-	643,631	(47,265)	(6,395)	589,971
Appropriations and distribution of earnings for 2016	6(16)									
Legal reserve		-	-	-	51,515	-	(51,515)	-	-	-
Cash dividends		-	-	-	-	-	(363,153)	-	-	(363,153)
Share-based payment	6(13)(14)(15)	14,225	18,151	133	-	-	-	-	-	32,509
Changes in equity of associates and joint ventures accounted for using equity method		-	-	-	-	-	(3,529)	-	-	(3,529)
Conversion of convertible bonds	6(10)(14)(15)(24)	105,241	188,751	(12,424)	-	-	-	-	-	281,568
Balance at December 31, 2017		$1,770,164	$ 822,905	$ 20,152	$ 626,773	$ 92,239	$ 1,893,389	($ 103,658)	$ 23,013	$5,144,977
Year ended December 31, 2018										
Balance at January 1, 2018		$1,770,164	$ 822,905	$ 20,152	$ 626,773	$ 92,239	$ 1,893,389	($ 103,658)	$ 23,013	$5,144,977
Effect of retrospective application and retrospective restatement		-	-	-	-	-	19,315	-	(23,013)	(3,698)
Balance at January 1 after adjustments		1,770,164	822,905	20,152	626,773	92,239	1,912,704	(103,658)	-	5,141,279
Profit for 2018		-	-	-	-	-	792,582	-	-	792,582
Other comprehensive loss for 2018		-	-	-	-	-	(7,579)	(37,273)	-	(44,852)
Total comprehensive income (loss)		-	-	-	-	-	785,003	(37,273)	-	747,730
Appropriations and distribution of earnings for 2017	6(16)									
Legal reserve		-	-	-	65,295	-	(65,295)	-	-	-
Cash dividends		-	-	-	-	-	(442,541)	-	-	(442,541)
Share-based payment	6(13)(14)(15)	10,520	13,391	(3,521)	-	-	-	-	-	20,390
Changes in equity of associates and joint ventures accounted for using equity method	6(15)	-	-	2,000	-	-	7,193	-	-	9,193
Conversion of convertible bonds	6(10)(14)(15)(24)	75,229	123,663	(8,209)	-	-	-	-	-	190,683
Balance at December 31, 2018		$1,855,913	$ 959,959	$ 10,422	$ 692,068	$ 92,239	$ 2,197,064	($ 140,931)	$ -	$5,666,734

Note: The stockholders have resolved to distribute directors' and supervisors' remuneration of $10,431 and employees' bonus of $89,000 for 2017 and distribute directors' and supervisors' remuneration of $7,545 and employees' bonus of $75,452 for 2016. All amounts have been deducted from the statements of comprehensive income.

The accompanying notes are an integral part of these parent company only financial statements.

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 993,152	$ 816,388
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(19) and 12(4)	(93,134)	(9,846)
Impairment on expected credit loss	12(2)	106,279	-
Provision (profit) for bad debt expense	12(4)	-	8,494
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		(22,098)	111,151
Gain on disposal of investments	6(19)	-	(35,556)
Depreciation	6(6)(20)	91,359	80,845
Amortisation	6(20)	16,301	19,222
Gain on disposal of property, plant and equipment	6(6)	(2,808)	(1,666)
Impairment loss on financial assets	6(19)	-	15,243
Compensation cost of share-based payments	6(13)(15)(20)	2,580	7,901
Interest income	6(18) and 7	(4,116)	(3,569)
Interest expense		17,337	11,615
Dividend income	6(18)	(14,485)	(16,935)
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets - current		(898,996)	-
Notes receivable, net		55,092	64,426
Accounts receivable, net		(400,327)	(28,822)
Accounts receivable - related parties, net		(103,580)	3,996
Construction contracts receivable		-	(462,847)
Other receivables		49,795	1,703
Inventories, net		(887,650)	(346,216)
Prepayments		162,248	(170,088)
Other current assets		(25,436)	1,196
Changes in operating liabilities			
Contract liabilities-current		562,851	-
Notes payable		135,809	49,998
Accounts payable		216,245	243,334
Accounts payable - related parties		(4,551)	(4,362)
Construction contracts payable		-	141,863
Other payables		35,298	69,101
Advance receipts		187,159	337,407
Other current liabilities		33,154	2,074
Other non-current liabilities		(2,495)	(1,859)
Cash inflow generated from operations		204,983	904,191
Interest received		4,116	2,753
Dividends received		14,485	16,935
Interest paid		(14,727)	(6,704)
Income tax paid		(183,193)	(167,481)
Net cash flows from operating activities		25,664	749,694

(Continued)

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Financial assets measured at fair value through profit or loss - current		($ 81,498)	$ -
Proceeds from disposal of financial assets at fair value through profit or loss		56,872	-
Proceeds from capital reduction of financial assets at fair value through profit or loss		3,428	-
Proceeds from disposal of available-for-sale financial assets - current		-	32,233
Acquisition of financial assets measured at cost – non-current		-	(66,915)
Proceeds from disposal of financial assets measured at cost – non-current		-	67,942
Proceeds from capital reduction of financial assets measured at cost – non-current		-	274
Acquisition of investments accounted for using equity method – subsidiaries		(244,635)	(424,745)
Acquisition of investments accounted for using equity method – non-subsidiaries		(11,695)	(9,611)
Acquisition of property, plant and equipment	6(6)	(364,324)	(422,981)
Proceeds from disposal of property, plant and equipment	6(6)	9,633	10,987
Acquisition of intangible assets		(15,063)	(18,977)
Decrease (increase) in refundable deposits		12,555	(9,982)
Net cash flows used in investing activities		(634,727)	(841,775)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(7)(25)	962,000	100,000
Increase in long-term borrowings		-	200,000
Proceeds from exercise of employee stock options	6(13)	17,810	24,609
Cash dividends paid	6(16)	(442,541)	(363,153)
Net cash flows from (used in) financing activities		537,269	(38,544)
Net decrease in cash and cash equivalents		(71,794)	(130,625)
Cash and cash equivalents at beginning of year	6(1)	750,892	881,517
Cash and cash equivalents at end of year	6(1)	$ 679,098	$ 750,892

The accompanying notes are an integral part of these parent company only financial statements.

MARKETECH INTERNATIONAL CORP.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. ORGANIZATION AND OPERATIONS

Marketech International Corp. (the "Company") was incorporated in the Republic of China (ROC) on December 27, 1988. On October 17, 2002, the Company's common shares were officially listed on the Taiwan Over-The-Counter Securities Exchange and on May 24, 2004, the shares were transferred to be listed on the Taiwan Stock Exchange. The Company is mainly engaged in (i) import and trade of various integrated circuits, semiconductors, electrical and computer equipment and materials, chemicals, gas, components; (ii) factory affair and mechatronic system including clean room, automatic supply system of (specialty) gas and chemicals, monitor system, Turn-key and Hook-up Project and (iii) design and manufacturing of customized equipment. Ennoconn International Investment Co., Ltd. owns 44.97% of the shares of the Company. The ultimate parent company of the Company is Ennoconn Corporation.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

The parent company only financial statements were approved and authorized for issuance by the Board of Directors on February 18, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

Note : The aforementioned new, revised or amended standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

A. IFRS 9, 'Financial instruments'

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

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

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

B. IFRS 15, 'Revenue from contracts with customers'

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11 'Construction contracts', IAS 18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognized when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognize revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Company has elected not to restate prior period financial statements and recognized the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarized below:

i. Presentation of assets and liabilities in relation to contracts with customers

In line with IFRS 15 requirements, the Company changed the presentation of certain accounts in the balance sheets as follows:

(i) Under IFRS 15, construction contracts whereby services have been rendered but not yet billed are recognized as contract assets but were previously presented as construction contracts receivable in the balance sheet. The balance amounted to $2,398,711 on January 1, 2018.

(ii) Under IFRS 15, liabilities in relation to construction contracts are recognized as contract liabilities, but were previously presented as construction contracts payable in the balance sheet. The balance amounted to $1,278,326 on January 1, 2018, and was reclassified to contract liabilities-current.

(iii)Under IFRS 15, liabilities in relation to sales contracts are recognized as contract liabilities, but were previously presented as advance receipts in the balance sheet. The balance amounted to $709,754 on January 1, 2018, and was reclassified to contract liabilities-current.

ii. Please refer to Note 12(5) for disclosure in relation to the first application of IFRS 15.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Company expects to provide additional disclosure to explain the changes in liabilities arising from financing activities.

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

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

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

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Company expects to recognize the lease contract of lessees in line with IFRS 16. However, the Company does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and 'lease liability' will be increased by $890,151 and $885,984, respectively. Additionally, the Company will have to decrease 'prepaid rents' (presented as 'Prepayments') by $4,167.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Statement of compliance

The parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

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

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

(c) Liabilities on cash-settled share-based payment arrangements measured at fair value.

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

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

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollars (NTD), which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

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

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

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

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

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

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

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

(b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company still retains partial interest in the former foreign associate or jointly controlled entity after losing significant influence over the former foreign associate, or losing joint control of the former jointly controlled entity, such transactions should be accounted for as disposal of all interest in these foreign operations.

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

(4) Classification of current and non-current items

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

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

C. Assets and liabilities relating to the construction contracts are classified as current and non-current based on the operating cycle.

(5) Cash and cash equivalents

A. Cash and cash equivalents include petty cash, bank deposits and other short-term and highly liquid investments in the separate statements of cash flows.

B. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

Effective 2018

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

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

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

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

(7) Accounts and notes receivable

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

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

(8) Impairment of financial assets

At each reporting date, for accounts receivable, contract assets and financial guarantee contracts that have a significant financing component, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

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

(10) Inventories

The perpetual inventory system is adopted for inventory recognition. Cost is the basis for recognition and is determined using the weighted-average method. Costs include acquisition, manufacturing or processing costs to make inventories available for sale or use. These exclude borrowing costs. The item by item approach is used in applying the lower of cost and net realizablevalue for the measure of the ending inventories. Net realizablevalue is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Investments accounted for using equity method / subsidiaries, associates and joint ventures

A. Investments in subsidiaries

(a) Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(b) Unrealized profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

(c) The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

(d) If changes in shareholdings in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognized in equity.

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

B. Investments in associates

(a) Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

(b) The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

(c) When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

(d) Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

(e) In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

(f) Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.

(g) When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(h) When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

C. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared for consolidation.

(12) Property, plant and equipment

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

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

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	2～55 years
Machinery and office equipment	3～15 years
Other equipment	2～10 years

(13) Leases (leasee)

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

(14) Intangible assets

A. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 3 years.

B. Goodwill

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

C. Other intangible assets

Other intangible assets are technology royalties which are stated at cost and amortized on a straight-line basis over the contract duration.

(15) Impairment of non-financial assets

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

B. Goodwill is evaluated annually and is recorded as cost less impairment loss. Impairment loss of goodwill shall not be reversed.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(16) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(17) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Convertible bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus—share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

A. Call options and put options embedded in convertible corporate bonds are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. Bonds payable of convertible corporate bonds is initially recognized at fair value and subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

C. Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognized in 'capital surplus—share options' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable—net' as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus - share options.

(19) Derecognition of financial liabilities

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

(20) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation on each balance sheet date.

(21) Non-hedging and embedded derivatives

Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

iii. Past service costs are recognized immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(23) Employee share-based payment

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

(24) Income tax

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

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

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

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

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

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

(25) Share capital

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

(26) Dividends

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

(27) Revenue recognition

A. Sales of goods or products

(a) The Company manufactures and sells a range of various integrated circuits, semiconductors, electrical and computer equipment and materials, chemicals, gas, components. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales revenue from products is recognized based on the contract price, and the amount is limited to the part that is highly possible of not incurring a significant reversal. The sales are usually made with a credit term of 30 days, which is consistent with the market practice. As the time interval between the transfer of committed goods or services and the payment of customers may possibly exceed one year, the Company does not adjust the transaction price to reflect the time value of money. However, the individual financial components of contracts are not significant.

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

B. Construction contracts

(a) The Company provides factory affair and mechatronic system including clean room, automatic supply system of (specialty) gas and chemicals, monitor system, turn-key and hook-up project services. Construction revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs spent relative to the total expected costs. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(b) The Company's estimate of revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Construction contracts

The Company recognises contract revenue and profit based on management's evaluation of contract profit and percentage of completion. Management assesses and adjusts the contract profit and cost during execution of the contract. The actual result of the total profit and cost may be higher or lower than the estimation, and the effect is recognized in revenue and profit.

B. Evaluation of inventories

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

C. Assessing the doubtful accounts

During the process of assessing the doubtful accounts, the Company uses judgement in evaluating the collectability of receivables. The collectability assessment is affected by various factors: customers' financial conditions, historical transaction records, current economic conditions, etc. If the collectability of those accounts is in doubt, the Company will recognize allowance for uncollectible account individually. Since the evaluation of allowance is based on the status as of balance sheet date for reasonable expectations of future events, the actual results may be different than the estimation. Therefore, it may have significant changes.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 5,998	$ 5,546
Checking accounts and demand deposits	673,100	745,346
Total	$ 679,098	$ 750,892

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

B. The Company has no cash and cash equivalents pledged to others.

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

	December 31, 2018
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Listed stocks	$ 15,442
Hybrid instruments-call provision of convertible corporate bonds (Note 6(10))	250
	15,692
Valuation adjustment	75,252
Total	$ 90,944
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Listed stocks	$ 17,019
Unlisted stocks	345,238
Hybrid instruments-convertible corporate bonds	23,646
	385,903
Valuation adjustment	29,565
Total	$ 415,468
Prepayments to long-term investments (listed as 'other non-current assets')	
Unlisted stocks	$ 4,800

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Year ended December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss	
Equity instruments	$ 93,338
Hybrid instruments	(204)
	$ 93,134

B. The Company has no financial assets at fair value through profit or loss pledged to others.

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

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

(3) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 18,359	$ 73,451
Less: Loss allowance	-	(8,494)
Total	$ 18,359	$ 64,957

	December 31, 2018	December 31, 2017
Accounts receivable	$ 3,154,841	$ 2,862,056
Less: Loss allowance	(258,739)	(211,513)
Total	$ 2,896,102	$ 2,650,543

A. The ageing analysis of notes and accounts receivable (including related parties) that were past due but not impaired is as follows:

(a) Notes receivable

	December 31, 2018	December 31, 2017
Without past due	$ 18,359	$ 64,957
Up to 90 days	-	8,494
	$ 18,359	$ 73,451

(b) Accounts receivale

	December 31, 2018	December 31, 2017
Without past due	$ 2,431,402	$ 2,034,838
Up to 90 days	324,466	342,818
91 to 180 days	45,247	32,891
181 to 365 days	127,759	78,402
Over 365 days	340,649	380,209
	$ 3,269,523	$ 2,869,158

The above ageing analysis was based on past due date.

B. As of December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes receivable were $18,359 and $64,957, respectively. As of December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were $2,896,102 and $2,650,543, respectively.

C. The Company does not hold any collateral as security.

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

(4) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	$ 503,970	($ 18,192)	$ 485,778
Merchandise inventory	311,581	(72,278)	239,303
Raw materials	804,668	(22,402)	782,266
Supplies	41,855	(2,606)	39,249
Work in process	1,345,197	(20,144)	1,325,053
Semi-finished goods and finished goods	326,178	(14,378)	311,800
Total	$ 3,333,449	($ 150,000)	$ 3,183,449

	December 31, 2017		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	$ 299,252	($ 12,357)	$ 286,895
Merchandise inventory	287,611	(45,974)	241,637
Raw materials	510,163	(10,690)	499,473
Supplies	33,179	(1,408)	31,771
Work in process	1,124,836	(32,746)	1,092,090
Semi-finished goods and finished goods	146,758	(2,825)	143,933
Total	$ 2,401,799	($ 106,000)	$ 2,295,799

A. Relevant expenses of inventories recognized as operating costs for the years ended December 31, 2018 and 2017 are as follows:

	Years ended December 31,	
	2018	2017
Construction cost	$ 8,074,819	$ 6,912,111
Cost of sales	5,840,901	5,779,679
Other operating cost	859,981	739,231
Loss on market value decline and obsolete and slow-moving inventories	44,000	39,000
Total	$ 14,819,701	$ 13,470,021

B. The Company has no inventories pledged to others.

(5) Investments accounted for using equity method

	December 31,			
	2018		2017	
	Carrying amount	% interest held	Carrying amount	% interest held
Subsidiaries:				
Market Go Profits Ltd.	$ 1,070,484	100%	$ 1,038,755	100%
Marketech Integrated Manufacturing Company Limited	355,023	100%	396,325	100%
Headquarter International Ltd.	38,864	100%	37,958	100%
Tiger United Finance Ltd.	37,813	100%	37,107	100%
PT Marketech International Indonesia	36,670	99.92%	35,649	99.92%
MIC-Tech Viet Nam Co., Ltd.	27,562	100%	30,802	100%
Marketech International Sdn. Bhd.	65,645	100%	29,533	51.12%
eZoom Information, Inc.	152,947	100%	31,690	100%
MIC-Tech Global Corp.	6,607	100%	7,706	100%
Marketech Co., Ltd.	11,088	100%	4,002	100%
Marketech Engineering Pte. Ltd.	15,239	100%	2,448	100%
Marketech Integrated Pte. Ltd.	15,095	100%	(6,081)	100%
Marketech Netherlands B.V.	6,339	100%	10,453	100%
ADAT Technology Ltd.	13,034	30.30%	6,029	83.33%
Add: Credit of long-term equity investment transfer to 'other non-current liabilities, others'	-	-	6,081	-
Associates:				
Glory Technology Service Inc.	61,236	29.24%	46,153	34.11%
MIC Techno Co., Ltd.	1,842	20%	1,849	20%
	$ 1,915,488		$ 1,716,459	

A. Subsidiaries

Details of the Company's subsidiaries are provided in Note 4(3) of the Company's 2018 consolidated financial statements.

B. Associates

Associates using equity method are all individually immaterial and the Company's share of the operating results are summarized below:

	Years ended December 31,	
	2018	2017
Profit for the period from continuing operations	$ 13,845	$ 9,076
Other comprehensive income - net of tax	-	-
Total comprehensive income	$ 13,845	$ 9,076

(6) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
At January 1, 2018						
Cost	$ 205,438	$ 1,604,540	$ 394,872	$ 135,461	$ 170,790	$ 2,511,101
Accumulated depreciation	-	(657,795)	(301,420)	(90,411)	(8,116)	(1,057,742)
Book value	$ 205,438	$ 946,745	$ 93,452	$ 45,050	$ 162,674	$ 1,453,359
Year ended December 31, 2018						
Opening net book amount	$ 205,438	$ 946,745	$ 93,452	$ 45,050	$ 162,674	$ 1,453,359
Additions	-	11,109	54,450	23,162	286,288	375,009
Transfers	-	421,461	-	2,797	(434,943)	(10,685)
Disposals	-	(406)	(2,068)	(11)	(4,340)	(6,825)
Depreciation	-	(45,632)	(24,926)	(19,290)	(1,511)	(91,359)
Closing net book amount	$ 205,438	$ 1,333,277	$ 120,908	$ 51,708	$ 8,168	$ 1,719,499
At December 31, 2018						
Cost	$ 205,438	$ 2,035,231	$ 434,272	$ 154,332	$ 17,539	$ 2,846,812
Accumulated depreciation	-	(701,954)	(313,364)	(102,624)	(9,371)	(1,127,313)
Book value	$ 205,438	$ 1,333,277	$ 120,908	$ 51,708	$ 8,168	$ 1,719,499

	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
At January 1, 2017						
Cost	$ 205,438	$ 1,413,168	$ 380,126	$ 124,582	$ 18,040	$ 2,141,354
Accumulated depreciation	-	(616,109)	(311,879)	(85,715)	(7,107)	(1,020,810)
Book value	$ 205,438	$ 797,059	$ 68,247	$ 38,867	$ 10,933	$ 1,120,544
Year ended December 31, 2017						
Opening net book amount	$ 205,438	$ 797,059	$ 68,247	$ 38,867	$ 10,933	$ 1,120,544
Additions	-	191,372	46,189	23,127	162,293	422,981
Disposals	-	-	-	(14)	(9,307)	(9,321)
Depreciation	-	(41,686)	(20,984)	(16,930)	(1,245)	(80,845)
Closing net book amount	$ 205,438	$ 946,745	$ 93,452	$ 45,050	$ 162,674	$ 1,453,359
At December 31, 2017						
Cost	$ 205,438	$ 1,604,540	$ 394,872	$ 135,461	$ 170,790	$ 2,511,101
Accumulated depreciation	-	(657,795)	(301,420)	(90,411)	(8,116)	(1,057,742)
Book value	$ 205,438	$ 946,745	$ 93,452	$ 45,050	$ 162,674	$ 1,453,359

A. The Company has no interest capitalized to property, plant and equipment.

B. The Company has no property, plant and equipment pledged to others.

(7) Short-term borrowings

	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$ 1,612,000	0.88%~1.05%	None

	December 31, 2017	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$ 650,000	0.88%~0.886%	None

(8) Other payables

	December 31, 2018	December 31, 2017
Salaries and bonus payable	$ 268,304	$ 256,228
Accrued employees' compensation and directors' remuneration	152,657	123,169
Others	22,581	28,487
Total	$ 443,542	$ 407,884

(9) Advance receipts

	December 31, 2018	December 31, 2017
Sales revenue received in advance	$ -	$ 680,143
Others	20,906	80,672
Total	$ 20,906	$ 760,815

(10) Bonds payable

	December 31, 2018	December 31, 2017
Bonds payable	$ 11,900	$ 206,100
Less: Discount on bonds payable	(134)	(5,901)
	11,766	200,199
Less: Long-term liabilities, current portion	(11,766)	-
Total	$ -	$ 200,199

A. The Company issued the 3rd domestic unsecured convertible bonds, as approved by the regulatory authority on August 1, 2016. The terms and conditions are as follows:

(a) Total issuance amount: NT$500,000

(b) Issuance period: 3 years, and a circulation period from August 22, 2016 to August 22, 2019.

(c) Coupon rate: 0%

(d) Conversion period: The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds before the maturity date, except the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(e) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted.

(f) Redemption Method:

i. Redemption on the maturity date: Redeemed in cash at face value at the maturity date.

ii. Redemption before the maturity date: The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after one month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after one month of the bonds issue to 40 days before the maturity date.

iii. Under the terms of the bonds, all bonds redeemed, matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

(g) For the year ended December 31 2018, the convertible corporate bonds with par value totaling $194,200 have been converted into 7,523 thousand of ordinary shares, generating capital surplus of $123,663 and resulting in a decrease in 'capital surplus - stock options' by $8,209.

(h) As of December 31, 2018, the convertible corporate bonds with par value totaling $488,100 have been converted into 18,047 thousand of ordinary shares, generating capital surplus of $312,414 and resulting in a decrease in 'capital surplus - stock options' by $20,633.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to $21,136 were separated from the liability component and were recognized in 'capital surplus—stock warrants' in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognized in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation is 1.788%.

(11) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2018
Long-term bank borrowings Credit borrowings	Borrowing period is from December 27, 2018 to March 27, 2020; interest is repayable monthly; payable at maturity date	0.985%	None	$ 200,000

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2017
Long-term bank borrowings Credit borrowings	Borrowing period is from December 29, 2017 to March 29, 2019; interest is repayable monthly; payable at maturity date	0.92%	None	$ 200,000

(12) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 290,342	$ 272,010
Fair value of plan assets	(128,385)	(117,996)
Net defined benefit liability	$ 161,957	$ 154,014

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	($ 272,010)	$ 117,996	($ 154,014)
Current service cost	(1,279)	-	(1,279)
Interest (expense) income	(3,381)	1,494	(1,887)
	(276,670)	119,490	(157,180)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,234	3,234
Change in demographic assumptions	(2,201)	-	(2,201)
Change in financial assumptions	(8,629)	-	(8,629)
Experience adjustments	(2,842)	-	(2,842)
	(13,672)	3,234	(10,438)
Pension fund contribution	-	5,661	5,661
Balance at December 31	($ 290,342)	$ 128,385	($ 161,957)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 257,124)	$ 112,481	($ 144,643)
Current service cost	(1,249)	-	(1,249)
Interest (expense) income	(3,812)	1,688	(2,124)
	(262,185)	114,169	(148,016)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(830)	(830)
Change in demographic assumptions	(1,593)	-	(1,593)
Change in financial assumptions	(8,564)	-	(8,564)
Experience adjustments	(242)	-	(242)
	(10,399)	(830)	(11,229)
Pension fund contribution	-	5,231	5,231
Paid Pension	574	(574)	-
Balance at December 31	($ 272,010)	$ 117,996	($ 154,014)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Years ended December 31,	
	2018	2017
Discount rate	1.00%	1.25%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 8,713)	$ 9,087	$ 8,974	($ 8,650)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 8,626)	$ 9,011	$ 8,921	($ 8,584)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2019 amounts to $6,009.

(g) As of December 31, 2018, the weighted average duration of the defined benefit retirement plan is 12 years.

B.(a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2018 and 2017 were $37,278 and $36,316, respectively.

(13) Share-based payment

A. For the years ended December 31, 2018 and 2017, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	2015.9.11	3,956	6 years	2~4 years' service

The share-based payment arrangements above are all settled by equity.

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

	Years ended December 31,			
	2018		2017	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	2,456	$ 17.30	3,956	$ 18.20
Options granted	-	-	-	-
Options exercised	(1,052)	16.70	(1,423)	17.30
Options forfeited	(79)	-	(77)	-
Options outstanding at end of the year	1,325	16.70	2,456	17.30
Options exercisable at end of the year	83		520	
Options approved but not yet issued at end of the year	44		44	

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2018	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)
2015.9.11	2021.9.10	1,325	$ 16.70

		December 31, 2017	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)
2015.9.11	2021.9.10	2,456	$ 17.30

D. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Employee stock options	2015.9.11	$ 19.60	$ 19.60	34.91%	4.375 years	0%	0.81%	$ 5.8326

E. Expenses incurred on share-based payment transactions are $2,580 and $7,901 for the years ended December 31, 2018 and 2017, respectively.

(14) Share capital

As of December 31, 2018, the Company's authorized capital was $2,500,000, consisting of 250 million shares of ordinary stock (including 9,800 thousand shares reserved for employee stock options), and the paid-in capital was $1,855,913 with a par value of $10 (in dollars) per share amounting to 185,591,264 shares. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	Years ended December 31,	
	2018	2017
At January 1	177,016,429	165,069,756
Conversion of convertible bonds	7,522,835	10,524,173
Exercise of employee stock options	1,052,000	1,422,500
At December 31	185,591,264	177,016,429

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

Details of movements in capital surplus are as follows:

	Year ended December 31, 2018				
	Share premium	Employee stock options	Stock options	Others	Total
At January 1	$ 822,905	$ 11,089	$ 8,712	$ 351	$ 843,057
Exercise of employee stock options	13,391	(6,101)	-	-	7,290
Compensation cost of employee stock options	-	2,580	-	-	2,580
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	2,000	2,000
Conversion of convertible bonds	123,663	-	(8,209)	-	115,454
At December 31	$ 959,959	$ 7,568	$ 503	$2,351	$ 970,381

	Year ended December 31, 2017				
	Share premium	Employee stock options	Stock options	Others	Total
At January 1	$ 616,003	$ 10,956	$ 21,136	$ 351	$ 648,446
Exercise of employee stock options	18,151	(7,768)	-	-	10,383
Compensation cost of employee stock options	-	7,901	-	-	7,901
Conversion of convertible bonds	188,751	-	(12,424)	-	176,327
At December 31	$ 822,905	$ 11,089	$ 8,712	$ 351	$ 843,057

(16) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve. The remaining amount along with the prior years' unappropriated earnings are resolved by the Board of Directors and proposed to the stockholders for appropriation or reserve.

B. The Company's dividend policy is summarized below: in consideration of the overall environment development and industrial growth, fulfilling future operation development needs as priority and optimizing financial structure, distribution of dividends shall not exceed 50% of the stock dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D.(a)In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b)The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Financial-Supervisory-Securities-Firms No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E.(a) Details of 2017 and 2016 earnings appropriation resolved by the stockholders on May 30, 2018 and May 26, 2017, respectively are as follows:

	Years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 65,295	$ -	$ 51,515	$ -
Cash dividends	442,541	2.5	363,153	2.2
Total	$ 507,836		$ 414,668	

The earnings appropriation for the years ended December 31, 2017 and 2016 listed above had no difference from that proposed by the Board of Directors on February 24, 2018 and February 20, 2017, respectively.

Information about the earnings distribution for 2017 and 2016 as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(b) Details of 2018 earnings appropriation proposed by the Board of Directors on February 18, 2019 are as follows:

	Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 79,258	$ -
Cash dividends	556,774	3.0
Total	$ 636,032	

Information about the earnings appropriation for 2018 by the Company as approved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

The earnings appropriation for 2018 has not been resolved by the shareholders, thus, no dividend was accrued in these parent company only financial statements.

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(20).

(17) Operating revenue

	Year ended December 31, 2018
Sales contract revenue	$ 6,812,688
Construction contract revenue	8,633,153
Other contract revenue	1,311,704
Total	$ 16,757,545

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Year ended December 31, 2018
R&D and manufacturing of customized equipment	$ 6,144,105
Total Facility Engineering Turnkey Project	4,377,542
Sales and service of high-tech equipment and materials	3,150,613
Automatic supplying system	3,085,285
Total	$ 16,757,545
Timing of revenue recognition	
At a point in time	$ 7,129,738
Over time	9,627,807
Total	$ 16,757,545

B. Contract assets and liabilities

(a) The Company has recognized the following revenue-related contract assets and liabilities:

	December 31, 2018
Contract assets:	
Contract assets – construction contracts	$ 3,297,707
Contract liabilities:	
Contract liabilities – construction contracts	$ 1,818,194
Contract liabilities – sales contracts	927,067
Contract liabilities – service contracts	22,984
	$ 2,768,245

(b) Revenue recognized that was included in the contract liability balance at the beginning of the year:

	Year ended December 31, 2018
Revenue recognised that was included in the contract liability balance at the beginning of the year	
Construction contracts	$ 948,836
Sales contracts	212,888
Service contracts	29,611
	$ 1,191,335

(c) All contracts of the Company are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

C. Information on operating revenue for the year ended December 31, 2017 is provided in Note 12(5) B.

(18) Other income

	Years ended December 31, 2018	Years ended December 31, 2017
Service fee-endorsements and guarantees (Please refer to Note 7(2) I(b))	$ 37,750	$ 32,478
Government grants revenue	27,873	17,774
Dividend income	14,485	16,935
Rental revenue	6,632	6,345
Interest income	4,116	3,569
Other income	12,305	12,776
Total	$ 103,161	$ 89,877

(19) Other gains and losses

	Years ended December 31, 2018	Years ended December 31, 2017
Net gain on financial assets at fair value through profit or loss	$ 93,134	$ 9,846
Gain on disposal of investments	-	35,556
Impairment loss on financial assets	-	(15,243)
Exchange gains (loss)	41,093	(58,136)
Other gains	2,808	1,674
Total	$ 137,035	($ 26,303)

(20) Employee benefit expense, depreciation and amortization

A. Employee benefit expense, depreciation and amortization

	Year ended December 31, 2018		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	$ 318,856	$ 598,491	$ 917,347
Compensation cost of employee stock options	-	2,580	2,580
Labour and health insurance fees	27,666	36,215	63,881
Pension costs	16,877	23,567	40,444
Directors' remuneration	-	11,111	11,111
Other employee benefit expense	14,808	15,736	30,544
Depreciation	62,994	28,365	91,359
Amortization	7,857	8,444	16,301

	Year ended December 31, 2017		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	$ 309,653	$ 576,094	$ 885,747
Compensation cost of employee stock options	-	7,901	7,901
Labour and health insurance fees	27,540	34,951	62,491
Pension costs	16,641	23,048	39,689
Directors' remuneration	-	10,431	10,431
Other employee benefit expense	14,093	14,381	28,474
Depreciation	52,152	28,693	80,845
Amortisation	10,963	8,259	19,222

Note: As of December 31, 2018 and 2017, the Company had 744 and 749 employees, respectively. The directors who are not employees are 6 and 7, respectively.

B. Employees' compensation and directors' remuneration

(a) According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall not be higher than 3% for directors' remuneration and shall be 1~15% for employees' compensation. If the company has accumulated deficit, earnings should be reserved to cover losses.

(b) For the years ended December 31, 2018 and 2017, employees' compensation and directors' and supervisors' remuneration are accrued as follows:

	Years ended December 31,	
	2018	2017
Employees' compensation	$ 111,000	$ 89,000
Directors' remuneration	11,111	10,431
Total	$ 122,111	$ 99,431

For the year ended December 31, 2018, employees' compensation and directors' remuneration were estimated and accrued based on 9.95% and 1.14% of distributable profit of current year as of the end of reporting period. The employees' compensation and directors' and supervisors' remuneration for 2018 as resolved by the Board of Directors were $111,000 and $11,111, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2017 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2017 financial statements.

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

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2018	Years ended December 31, 2017
Current tax		
Current tax on profits for the year	$ 197,903	$ 162,926
Tax on undistributed earnings	6,790	8,669
Adjustments in respect of prior years	4,328	(407)
Total current tax	209,021	171,188
Deferred tax		
Origination and reversal of temporary differences	12,055	(7,751)
Impact of change in tax rate	(20,506)	-
Income tax expense	$ 200,570	$ 163,437

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

	Years ended December 31, 2018	Years ended December 31, 2017
Currency translation differences of foreign operations	$ 14,002	$ 9,681
Remeasurement of defined benefit obligations	2,859	1,909
Total	$ 16,861	$ 11,590

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2018	Years ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	$ 198,630	$ 138,786
Effect of items disallowed by tax regulation	(9,079)	16,389
Tax on undistributed earnings	6,790	8,669
Adjustments in respect of prior years	4,328	(407)
Effect from changes in tax regulation	(20,506)	-
Change in assessment of realisation of deferred tax assets	20,407	-
Income tax expense	$ 200,570	$ 163,437

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

	Year ended December 31, 2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Loss allowance	$ 32,399	$ 12,778	$ -	$ 45,177
Valuation loss and loss on market value decline and obsolete and slow-moving inventories	18,020	11,980	-	30,000
Defined benefit obligation	26,182	3,350	2,859	32,391
Impairment loss	7,097	1,252	-	8,349
Unused compensated absences payable	10,098	1,129	-	11,227
Unrealized loss on investments	24,015	(23,300)	-	715
Unrealized construction loss	674	4,186	-	4,860
Unrealized exchange loss	2,089	(2,089)	-	-
Exchange differences on translation	2,340	-	14,002	16,342
Subtotal	122,914	9,286	16,861	149,061
—Deferred tax liabilities:				
Unrealized exchange gain	-	(835)	-	(835)
Subtotal	-	(835)	-	(835)
Total	$ 122,914	$ 8,451	$ 16,861	$ 148,226

	Year ended December 31, 2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Loss allowance	$ 32,355	$ 44	$ -	$ 32,399
Valuation loss and loss on market value decline and obsolete and slow-moving inventories	11,390	6,630	-	18,020
Defined benefit obligation	24,589	(316)	1,909	26,182
Impairment loss	4,506	2,591	-	7,097
Unused compensated absences payable	7,241	2,857	-	10,098
Unrealized loss on investments	32,079	(8,064)	-	24,015
Unrealized construction loss	1,763	(1,089)	-	674
Unrealized exchange loss	-	2,089	-	2,089
Exchange differences on translation	-	-	2,340	2,340
Subtotal	113,923	4,742	4,249	122,914
—Deferred tax liabilities:				
Unrealized exchange gain	(3,009)	3,009	-	-
Exchange differences on translation	(7,341)	-	7,341	-
Subtotal	(10,350)	3,009	7,341	-
Total	$ 103,573	$ 7,751	$ 11,590	$ 122,914

D. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

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

(22) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit for the year	$ 792,582	180,063	$ 4.40
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	1,799	5,191	
Employee stock option	-	855	
Employees' compensation	-	2,654	
Profit plus assumed conversion of all dilutive potential ordinary shares	$ 794,381	188,763	$ 4.21

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit for the year	$ 652,951	173,068	$ 3.77
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	3,830	10,230	
Employee stock option	-	1,152	
Employees' compensation	-	2,605	
Profit plus assumed conversion of all dilutive potential ordinary shares	$ 656,781	187,055	$ 3.51

(23) Operating leases

Details are provided in Note 9(1).

(24) Supplemental cash flow information

	Years ended December 31,	
	2018	2017
Convertible bonds being converted to capital stocks	$ 190,683	$ 281,568

(25) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2018	$ 650,000	$ 200,000	$ 850,000
Changes in cash flow from financing activities	962,000	-	962,000
At December 31, 2018	$ 1,612,000	$ 200,000	$ 1,812,000

7. RELATED PARTY TRANSACTIONS

(1) Parent company

The Company is controlled by Ennoconn International Investment Co., Ltd. (registered in the Republic of China), who owns 44.97% of the shares of the Company. The remaining 55.03% of the shares of the Company are held by the general public. The ultimate parent company of the Company is Ennoconn Corporation (registered in the Republic of China).

(2) Names of related parties and relationship

Names of related parties	Relationship with the Company
Marketech Integrated Pte. Ltd.	Subsidiary
Marketech International Sdn. Bhd.	"
MIC-Tech Global Corp.	"
eZoom Information, Inc.	"
MIC-Tech Electronics Engineering Corp.	"
MIC-Tech (WuXi) Co., Ltd.	"
MIC-Tech (Shanghai) Corp.	"
Shanghai Maohua Electronics Engineering Co., Ltd.	"
MIC-Tech China Trading (Shanghai) Co., Ltd.	"
Hon Hai Precision Industry Co., Ltd.	Other related parties
Hong Kong Ennopower Information Technology Co., Limited	"
Macrotec Technology Corp.	Entities controlled by key management or entities with significant influence
ProbeLeader Co., Ltd.	"
STS Glory Technology Corp.	"
Forward Science Corp.	"
MIC Techno Co., Ltd.	Associate

(3) Significant related party transactions and balances

A. Sales of goods and services

Sales of goods	Years ended December 31, 2018	2017
Subsidiaries	$ 39,334	$ 43,204

Prices to related parties and third parties are based on normal sales transactions and sales are collected 2 to 3 months after the completion of transactions.

Construction contract revenue	Years ended December 31, 2018	2017
Other related parties	$ 216,134	$ -
Subsidiaries	20,715	34,751
Entities controlled by key management or entities with significant influence	4	-
Total	$ 236,853	$ 34,751

(a) Construction contract revenue from related parties and non-related parties are collected based on the general construction contract or general agreement. In addition, construction contracts entered into with related parties are based on the price lists in force and terms that would be available to third parties while collection for construction contracts are about 2 to 3 months after inspection of construction depending on the construction contracts or individual agreements.

(b) As of December 31, 2018 and 2017, contract price and billed contract of unfinished construction are as follows:

	December 31, 2018		December 31, 2017	
	Total contract price (before tax)	Billed contract	Total contract price (before tax)	Billed contract
Other related parties	$ 486,501	$ 174,447	$ -	$ -
Subsidiaries	43,008	9,400	4,622	4,297
Associates	19,516	10,316	19,516	10,316
Entities controlled by key management or entities with significant influence	4,500	1,800	-	-
Total	$ 553,525	$ 195,963	$ 24,138	$ 14,613

(c) Contract assets

	December 31, 2018
Subsidiaries	$ 14,055
Associates	6,152
Total	$ 20,207

B. Acquisition of goods and services

	Years ended December 31, 2018	Years ended December 31, 2017
Purchases of goods		
Subsidiaries	$ 92,987	$ 40,473
Entities controlled by key management or entities with significant influence	4,838	2,928
Total	$ 97,825	$ 43,401

Prices to related parties and third parties are based on normal purchase terms and are collectible about 2 to 3 months after inspection.

	Years ended December 31, 2018	Years ended December 31, 2017
Outsourcing construction costs		
Entities controlled by key management or entities with significant influence	$ 14,892	$ 5,141
Subsidiaries	5,241	10,957
Total	$ 20,133	$ 16,098

The outsourcing construction costs paid to related parties and third parties are based on normal construction contracts or individual agreements. Furthermore, the payment terms to related parties are approximately the same to third parties, which is about 2 months after inspection of constructions depending on the construction contracts or individual agreements.

C. Receivables from related parties

Accounts receivable

	December 31, 2018	December 31, 2017
Other related parties	$ 104,338	$ -
Subsidiaries	10,344	7,098
Entities controlled by key management or entities with significant influence	-	4
Subtotal	114,682	7,102
Less: Loss allowance	(5)	-
Total	$ 114,677	$ 7,102

The collection terms to related parties and third parties are about 2 to 3 months after the sales while terms for construction are about 2 to 3 months after inspection of construction depending on the construction contracts or individual agreements.

D. Payables to related parties

Accounts payable

	December 31, 2018	December 31, 2017
Subsidiaries	$ 10,671	$ 10,609
Entities controlled by key management or entities with significant influence	4,722	9,335
Total	$ 15,393	$ 19,944

The payment terms to related parties and third parties are about 2 to 3 months after inspection of purchases. The payment terms for outsourcing construction costs are about 2 months after inspection of construction, depending on normal construction contracts or individual agreements.

E. Property transactions

For the years ended December 31, 2018 and 2017, the Company has acquired computer equipment and related software from entities controlled by key management and the acquisition price was $18,240 and $21,404 (recorded as 'property, plant and equipment' and 'intangible assets'), respectively.

F. Operating expense

The information maintenance service fee in 2018 and 2017 allocated to subsidiaries by the Company amounted to $34,446 and $29,850, respectively.

G. Financing

Financing to related parties in 2018 and 2017 are as follows:

	Year ended December 31, 2018			
	Maximum balance	Ending balance	Interest rate	Interest income
Subsidiaries	$ 212,559	$ -	4.616%	$ 2,850

	Year ended December 31, 2017			
	Maximum balance	Ending balance	Interest rate	Interest income
Subsidiaries	$ 87,522	$ 55,056	4.616%	$ 2,664

H. Endorsements and guarantees

(a) As of December 31, 2018 and 2017, the balances of endorsements and guarantees provided to subsidiaries by the Company are as follows:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 3,408,547	$ 2,881,622

(b) The revenue (recorded as 'other receivables' and 'other income') recognized from the abovementioned endorsements and guarantees are as follows:

	Years ended December 31,			
	2018		2017	
	Other receivables	Other income	Other receivables	Other income
Subsidiaries	$ 17,957	$ 37,750	$ 16,965	$ 32,478

(4) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	$ 90,353	$ 67,102

8. PLEDGED ASSETS

Details of the book value of the Company's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2018	December 31, 2017	Purpose
Guarantee deposits paid (recorded as 'other current assets')	$ 19,230	$ 27,573	Bid bond and performance guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Commitments

(1) Operating lease agreements

The Company leases buildings under non-cancellable operating lease agreements. The lease terms are under 10 years, and all these lease agreements are renewable at the end of the lease period. Rental is increased periodically to reflect market rental rates. The Company recognized rental costs and expenses of $101,865 and $87,351 for these leases in profit or loss for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 5,733	$ 52,086
Later than one year but not later than five years	117,908	117,506
Later than five years	548,737	214,249
Total	$ 672,378	$ 383,841

(2) As of December 31, 2018, the notes and letters of guarantee used for construction performance and custom security amounted to $1,293,771.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For details of 2018 earnings appropriation proposed by the Board of Directors on February 18, 2019, please refer to Note 6(16) E(b).

12. OTHERS

(1) Capital management

The Company's main objective when managing capital is to maintain an optimal credit ranking and capital ratio to support the operation and to maximize stockholders' equity

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 506,412	$ -
Financial assets held for trading	-	17,143
Available-for-sale financial assets	-	41,502
Financial assets at cost	-	277,607
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	679,098	750,892
Notes receivable	18,359	64,957
Accounts receivable (including related parties)	3,010,779	2,657,645
Other accounts receivable	35,464	83,714
Guarantee deposits paid (recorded as 'other current assets' and 'other non-current assets')	31,448	44,003
	$ 4,281,560	$ 3,937,463

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities measured at fair value through profit or loss		
Short-term borrowings	$ 1,612,000	$ 650,000
Notes payable	1,044,159	908,350
Accounts payable (including related parties)	2,814,617	2,602,923
Other accounts payable	443,542	407,884
Bonds payable (including current portion)	11,766	200,199
Long-term borrowings	200,000	200,000
Guarantee deposits received (recorded as 'other non-current liabilities, others')	70	70
	$ 6,126,154	$ 4,969,426

B. Financial risk management policies

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

(b) Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD, RMB, JPY and EUR. Exchange rate risk arises from future commercial transactions and recognized assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency.

iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD.) The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018					
				Sensitivity analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD：NTD	$ 44,916	30.715	$ 1,379,609	1%	$ 13,796	$ -
EUR：NTD	12,789	35.2	450,183	1%	4,502	-
JPY：NTD	754,164	0.2782	209,808	1%	2,098	-
RMB：NTD	11,453	4.4719	51,214	1%	512	-
Non-monetary items						
USD：NTD	$ 37,845	30.715	$ 1,162,400	1%	$ -	$ 11,624
VND：NTD	32,207,828	0.0012	38,649	1%	-	386
IDR：NTD	17,216,228	0.0021	36,671	1%	-	367
MMK：NTD	17,930,417	0.0044	79,455	1%	-	795
MYR：NTD	9,230	7.112	65,645	1%	-	656
Financial liabilities						
Monetary items						
USD：NTD	$ 4,894	30.715	$ 150,318	1%	$ 1,503	$ -
JPY：NTD	285,633	0.2782	79,463	1%	795	-

	December 31, 2017					
				Sensitivity analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD : NTD	$ 45,906	29.76	$ 1,366,163	1%	$ 13,662	$ -
EUR : NTD	7,406	35.57	263,447	1%	2,634	-
JPY : NTD	276,632	0.2642	73,086	1%	731	-
RMB : NTD	37,561	4.5648	171,460	1%	1,715	-
Investments accounted for using equity method						
USD : NTD	37,509	29.760	1,116,268	1%	11,163	-
VND : NTD	29,247,231	0.00119	34,804	1%	348	-
MMK : NTD	18,097,039	0.0219	396,325	1%	3,963	-
IDR : NTD	15,986,105	0.00223	35,649	1%	356	-
Financial liabilities						
Monetary items						
USD : NTD	$ 4,472	29.76	$ 133,090	1%	$ 1,331	$ -

iv. Please refer to the following table for the details of Unrealized exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Company.

	Year ended December 31, 2018		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD : NTD	$ -	30.715	($ 57)
EUR : NTD	-	35.2	3,383
JPY : NTD	-	0.2782	2,116
Financial liabilities			
Monetary items			
USD : NTD	$ -	30.715	$ 379
JPY : NTD	-	0.2782	(1,646)

	Year ended December 31, 2017		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD：NTD	$ -	29.76	($ 16,192)
EUR：NTD	-	35.57	1,892
JPY：NTD	-	0.2642	(1,946)
Financial liabilities			
Monetary items			
USD：NTD	$ -	29.76	$ 2,010

Price risk

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

ii. The Company's investments in equity securities comprise listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $3,777 and $74, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $185, as a result of other comprehensive income classified as available-for-sale equity investment.

Cash flow and fair value interest rate risk

i. The Company's main interest rate risk arises from bank borrowings with variable rates, which expose the Company to cash flow interest rate risk. For the years ended December 31, 2018 and 2017, the Company's borrowings at variable rate were mainly denominated in NTD.

ii. The Company's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate of NTD, USD, SGD and RMB had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have decreased/increased by $14,496 and $7,055, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Company manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of excellence are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments are past due over 30 days based on the terms, there is a significant increase in credit risk on that instrument since initial recognition.

iv. The Company adopts the historical experience and industrial characteristics, the default occurs when the sale and construction contract payments are past due over 1 to 2 years in line with credit risk management procedure.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Company classifies customers' accounts receivable in accordance with customer types.

The Company applies the simplified approach using the provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.

vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2018, the Company has no written-off financial assets that are still under recourse procedures.

viii. The Company used the forecastability of global boom information to adjust historical and timely information to assess the default possibility of notes and accounts receivable (including related parties). On December 31, 2018, the provision matrix and loss rate methodology are as follows:

(i) Accounts receivable in relation to construction

December 31, 2018	Expected loss rate	Total book value	Loss allowance
Without past due	0%~0.0047%	$ 1,411,075	$ 67
Up to 90 days	0.0275%~0.1425%	205,995	75
91 to 180 days	0.2182%~0.3656%	23,302	70
181 to 365 days	0.4535%~1.7393%	109,033	1,392
1 to 2 years	1.7510%~26.9441%	76,512	6,248
Over 2 years	100%	34,210	34,210
Total		$ 1,860,127	$ 42,062

(ii) Accounts receivable in relation to sales

December 31, 2018	Expected loss rate	Total book value	Loss allowance
Without past due	0%	$ 894,820	$ -
Up to 90 days	0%	77,313	-
91 to 180 days	0.0001%~0.0003%	9,654	-
181 to 365 days	0.0007%~24.8094%	18,725	252
Over 365 days	100%	12,940	12,940
Total		$ 1,013,452	$ 13,192

(iii) Based on historical experience, the Company applies individual assessment to evaluate expected credit loss of the high-credit risk customers. On December 31, 2018, accounts receivable and loss allowance amounted to $283,818 and $203,399, respectively.

(iv) Due to the expected insignificant impairment, the Company applies individual assessment to evaluate expect credit loss of receivables due from construction warranties and notes receivable. On December 31, 2018, notes and accounts receivable and loss allowance amounted to $130,485 and $91, respectively.

ix. Movements in relation to the Company applying the simplified approach to provide loss allowance for receivables (including notes and accounts receivable) are as follows:

	Year ended December 31, 2018		
	Notes receivable	Accounts receivable	Total
At January 1_IAS 39	$ 8,494	$ 211,513	$ 220,007
Adjustments under new standards	-	-	-
At January 1_IFRS 9	8,494	211,513	220,007
Provision for (reversal of) impairment	(8,494)	114,773	106,279
Write-offs	-	(67,405)	(67,405)
Effect of foreign exchange	-	(137)	(137)
At December 31	$ -	$ 258,744	$ 258,744

For provisioned loss for the year ended December 31, 2018, the impairment loss arising from customers' contracts is $106,279.

x. Credit risk information for 2017 is provided in Note 12(4).

(c) Liquidity risk

i. The Company invests in financial assets measured at fair value through profit or loss in active markets, so it expects to sell the financial assets in markets with prices approximate to fair value. Financial assets at cost are not traded in active markets, thus, liquidity risk is expected. However, the Company's operating capital is sufficient to fulfill the Company's capital needs and it does not expect significant liquidity risk.

ii. The Company has the following undrawn borrowing facilities:

	December 31, 2018	December 31, 2017
Floating rate:		
Expiring beyond one year	$ 200,000	$ 400,000
Fixed rate:		
Expiring beyond one year	-	-
	$ 200,000	$ 400,000

iii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities.

Non-derivative financial liabilities

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 1,612,000	$ -	$ -	$ -
Notes payable	1,044,159	-	-	-
Accounts payable (including related parties)	2,814,617	-	-	-
Other payables	443,542	-	-	-
Bonds payable (including current portion)	11,766	-	-	-
Long-term borrowings	-	200,000	-	-

Non-derivative financial liabilities

December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 650,000	$ -	$ -	$ -
Notes payable	908,350	-	-	-
Accounts payable (including related parties)	2,602,923	-	-	-
Other payables	407,884	-	-	-
Bonds payable	-	200,199	-	-
Long-term borrowings	-	200,000	-	-

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

Except for financial assets at fair value through profit or loss and available-for-sale financial assets, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), contract assets (including related parties), construction contracts receivable (including related parties), other receivables, other financial assets (recorded as other current assets), financial assets measured at cost, guarantee deposits paid (recorded as other current and non-current assets), short-term borrowings, notes payable, accounts payable (including related parties), contract liabilities (including related parties), construction contracts payable (including related parties), other payables, long-term borrowings (including current portion) and guarantee deposits received (recorded as other non-current liabilities, others) are approximate to their fair values.

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

(a) The related information of nature of the assets is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 102,936	$ -	$ 379,824	$ 482,760
Hybrid instruments	-	-	23,652	23,652
Total	$ 102,936	$ -	$ 403,476	$ 506,412

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 16,933	$ -	$ -	$ 16,933
Call provision of convertible corporate bonds	-	-	210	210
Available-for-sale financial assets				
Equity securities	41,502	-	-	41,502
Total	$ 58,435	$ -	$ 210	$ 58,645

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

Instruments which use market quoted prices as their fair value (that is, Level 1), are using the closing prices of listed shares as market quoted prices based on characteristics of the instruments.

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2018 and 2017:

	Years ended December 31,		
	2018		2017
	Equity instruments	Hybrid instruments	Hybrid instruments
At January 1	$ -	$ 210	$ 50
Acquired in the period	349,641	23,646	-
Gains and losses recognised in profit or loss	(4,403)	-	-
Recorded as non-operating income and expenses (Note)	34,586	(204)	160
Total	$ 379,824	$ 23,652	$ 210
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at end of the period (Note)	$ 34,586	($ 204)	$ 160

Note: Recorded as non-operating income and expense.

F. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

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

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

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument :					
Unlisted shares	$ 344,499	Market comparable companies	Note 1	Not applicable	Note 2
Venture capital shares	35,325	Net asset value	Not applicable	Not applicable	Not applicable
Hybrid instrument :					
Convertible bond – call provision	6	Binomial tree pricing model	Volatility	38.01%~48.01%	The higher the stock price volatility, the higher the fair value
Convertible bond	23,646	Market comparable companies	Note 2	Not applicable	Note 2

Note 1: Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability.

Note 2: The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value.

	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument :					
Convertible bond – call provision	$ 210	Binomial tree pricing model	Volatility	21.31% ~31.31%	The higher the stock price volatility, the higher the fair value

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

	Input	Change	December 31, 2018			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity	Stock price	± 10%	$ 37,982	($ 37,982)	$ -	$ -
Convertible bond						
- call provision	Stock price	± 10%	30	(20)	-	-
"	Volatility	± 5%	40	(30)	-	-
Total			$ 38,052	($ 38,032)	$ -	$ -

	Input	Change	December 31, 2017			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Convertible bond						
- call provision	Stock price	± 10%	$ -	($ 20)	$ -	$ -
"	Volatility	± 5%	50	(60)	-	-
Total			$ 50	($ 80)	$ -	$ -

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted for the year ended December 31, 2017:

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

i. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

ii. Financial assets that are designated as at fair value through profit or loss on initial recognition are recognized using settlement date accounting.

iii. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(b) Available for sale financial assets

i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

iii. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(c) Notes and accounts receivable

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

i. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the issuer or debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) The disappearance of an active market for that financial asset because of financial difficulties;

(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the Company, including adverse changes in the payment status of borrowers in the Company or national or local economic conditions that correlate with defaults on the assets in the Company;

(vii) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

iii. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset directly.

(iii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Measured at cost	Accounts receivable, net	Total	Effects: Retained earnings	Effects: Other equity
IAS 39	$ 17,143	$ 41,502	$ 277,607	$ 1,716,459	$ 2,052,711	$ -	$ -
Transferred into and measured at fair value through profit or loss	319,109	(41,502)	(277,607)	-	-	-	-
Fair value adjustment	27,540	-	-	(1,736)	25,804	48,817	(23,013)
Impairment loss adjustment	-	-	-	(29,502)	(29,502)	(29,502)	-
IFRS 9	$ 363,792	$ -	$ -	$ 1,685,221	$ 2,049,013	$ 19,315	($ 23,013)

(a) Under IAS 39, the equity instruments, which were classified as: financial assets at fair value through profit or loss, available-for-sale financial assets, financial assets at cost, amounting to $41,502, $277,607 and $1,736, respectively, were reclassified as "financial assets at fair value through profit or loss (equity instruments)" amounting to $346,649, and accordingly retained earnings was increased and other equity interest was decreased by $48,817 and $23,013 under IFRS 9, respectively.

(b) In line with the regulations of IFRS 9 on provision for impairment, investments accounted for using equity method decreased by $29,502 and retained earnings decreased by $29,502.

C. The reconciliation of allowance for impairment and provision from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

	Allowance for uncollectible accounts
IAS 39 (IFRS 9)	$ 220,007

D. The significant accounts as of December 31, 2017 is as follows:

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

	December 31, 2017
Financial assets held for trading	
Listed stocks	$ 7,439
Call provision of convertible corporate bonds (Note 6(10))	250
	7,689
Valuation adjustment	9,454
Total	$ 17,143

i. The Company recognized net gain of $9,686 on financial assets held for trading for the year ended December 31, 2017.

ii. The Company recognized net gain of $160 on the call provision of convertible corporate bonds issued by the Company for the year ended December 31, 2017.

iii. The Company has no financial assets at fair value through profit or loss pledged to others.

(b) Available-for-sale financial assets-current

	December 31, 2017
Listed stocks	
Calitech Co., Ltd.	$ 18,489
Valuation adjustment	23,013
Total	$ 41,502

i. The Company has recognized changes in fair value of the Unrealized gains on available-for-sale financial assets in profit or loss and in other comprehensive loss amounting to $6,395 for the year ended December 31, 2017.

ii. The Company has no available-for-sale financial assets pledged as collateral.

(c) Financial assets measured at cost

	December 31, 2017
Non-current items:	
Taiwan Intelligent Fiber Optic Network Co., Ltd.	$ 44,024
Taiwan Puritic Corp.	39,287
Taiwan Special Chemicals Corp.	29,013
Taiwan Colour & Imaging Technology Corp.	25,330
Kinestral Technologies, Inc.	21,165
ProbeLeader Co., Ltd.	14,490
Civil Tech Pte. Ltd.	13,650
Foresight Energy Technologies Co., Ltd.	10,875
IP Fund Six Co., Ltd.	10,000
Innorich Venture Capital Corp.	10,000
Others (companies individually not exceeding $10,000)	59,773
Total	$ 277,607

i. Based on the Company's investment purpose, the abovementioned stocks held by the Company shall be classified as 'available-for-sale financial assets'. However, as the stocks are not traded in an active market, and no sufficient industry information of companies similar to the abovementioned companies can be obtained, the fair value of the stocks cannot be measured reliably. Accordingly, the Company classified those stocks as 'financial assets at cost – non-current'.

ii. The Company has no financial assets measured at cost pledged to others.

iii. As of December 31, 2017, the net value of VEEV Interactive Pte. Ltd. has significantly declined and is lower than its original investment cost at period end based on the Company's assessment. Because the investment value of the equity had been impaired, the Company provided an impairment loss in the amount of $15,243.

E. Credit risk information for the year ended December 31, 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. This is described as below:

i. The Company has assessed the credit status of counterparties upon sale of products and goods or services. So it expects that the probability of counterparty default is remote. The Company's maximum exposure to credit risk at balance sheet date is the carrying amount.

ii. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

iv. For banks and financial institutions, only rated parties with good ratings are accepted.

v. The endorsements and guarantees provided by the Company are all in accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies". The Company knows the credit status of endorsees well and does not require any security. If there is any non-performance, the performance amount is the possible credit risk.

(b) For the year ended December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The ageing analysis of notes and accounts receivable (including related parties) that were past due but not impaired is calculated from the past due date as follows:

	December 31, 2017
Up to 90 days	$ 339,418
91 to 180 days	32,260
181 to 365 days	76,613
Over 365 days	193,413
	$ 641,704

(d) Movement analysis of notes and accounts receivable (including related parties) that were impaired is as follows:

i. As of December 31, 2017, the Company's notes and accounts receivable that were impaired amounted to $220,007.

ii.Movements on the Company's provision for impairment of notes and accounts receivable (including related parties) are as follows:

	Year ended December 31, 2017		
	Individual provision	Group provision	Total
At January 1	$ 131,931	$ 79,582	$ 211,513
Provision of impairment during the period	8,494	-	8,494
Transfer during the period	31,289	(31,289)	-
At December 31	$ 171,714	$ 48,293	$ 220,007

(e) The credit quality of notes and accounts receivable (including related parties) that were neither past due nor impaired was in the following categories based on the Company's Credit Quality Control Policy:

	December 31, 2017
Type A	$ 21,416
Type B	1,562,102
Type C	497,380
	$ 2,080,898

Type A: No credit limit. Clients include government institutions and government-owned corporations.

Type B: Credit limit is 130% of the average of transactions in the past year. Clients are counterparties whose average annual transactions reach NT$30,000 for the most recent 3 years and who have stable sales and optimal financials.

Type C:Credit limit is gained through assessment based on 'Client Credit Ranking Sheet'.

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 is set out below.

(a) Construction revenue/construction contracts

i. IAS 11, 'Construction Contracts', defines a construction contract as a contract specifically negotiated for the construction of an asset. If the outcome of a construction contract can be estimated reliably and it is probable that this contract would make a profit, contract revenue is recognized by reference to the stage of completion of the contract activity, using the percentage-of-completion method of accounting, over the contract term. Contract costs are expensed as incurred. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract. An expected loss where total contract costs will exceed total contract revenue on a construction contract is recognized as an expense as soon as such loss is probable. If the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

ii. Contract revenue should include the revenue arising from variations from the original contract work, claims and incentive payments that are agreed by the customer and can be measured reliably.

iii. The excess of the cumulative costs incurred plus recognized profits (less recognized losses) over the progress billings on each construction contract is presented as an asset within 'receivables from customers on construction contracts'. While, the excess of the progress billings over the cumulative costs incurred plus recognized profits (less recognized losses) on each construction contract is presented as a liability within 'Construction contracts payables'.

(b) Sales of goods

Sales revenue is measured at the fair value of the consideration received or receivable for the sale of goods (products) to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods (products) is recognized when the Company has delivered the goods (products) to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods (products) sold, and the customer has accepted the goods (products) based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenues recognized by using above accounting policies for the year ended December 31, 2017 is as follows:

	Year ended December 31, 2017
Construction revenue	$ 7,466,980
Sales revenue	6,722,769
Other operating revenue	1,129,801
Total	$ 15,319,550

C. The construction contract receivable/payable recognized by using above construction contract accounting policies as of December 31, 2017 is as follows:

		December 31, 2017
Aggregate costs incurred plus recognised profits (less recognised losses)	$	19,519,144
Less: Progress billings	(	18,398,759)
Net balance sheet position for construction in progress	$	1,120,385
Presented as:		
Receivables from customers on construction contracts	$	2,398,711
Payables to customers on construction contracts	(	1,278,326)
	$	1,120,385
Retentions relating to construction contracts	$	46,151
Advances received before the related construction work is performed	$	-

D. For the year ended December 31, 2018, the effects and description of current balance sheet and comprehensive income statement if the Company continues adopting above accounting policies are as follows:

		December 31, 2018					
Balance sheet items	Description		Balance by using IFRS 15		Balance by using previous accounting policies		Effects from chages in accounting policy
Construction contracts receivable	(a)	$	-	$	3,297,707	($	3,297,707)
Contract assets	(a)		3,297,707		-		3,297,707
Construction contracts payable	(b)		-		1,818,193	(	1,818,193)
Advance receipts	(c)		20,906		970,958	(	950,052)
Contract liabilities	(b)(c)		2,768,245		-		2,768,245

Comprehensive income statement items: No effects.

(a) Under IFRS 15, construction contracts whereby services have been rendered but not yet billed are recognized as contract assets, but were previously presented as part of due from customers for contract work in the balance sheet.

(b) Under IFRS 15, contract liabilities in relation to construction contracts are recognized as contract liabilities, but were previously presented as due to customers for contract work in the balance sheet.

(c) Under IFRS 15, contract liabilities in relation to sales contracts are recognized as contract liabilities, but were previously presented as advance sales receipts in the balance sheet.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

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

C. Holding of marketable securities at the end of the period (not including subsidiaries and associates): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company's paid-in capital:None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

14. SEGMENT INFORMATION

Not applicable.

MARKETECH INTERNATIONAL CORP.

Loans to others

For the year ended December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018 (Note 3)	Balance at December 31, 2018 (Note 8)	Actual amount drawn down	Interest rate (%)	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for bad debts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
0	Marketech International Corp.	Marketech International Sdn.Bhd.	Other receivables	Y	$ 55,056	$ -	$ -	-	Short-term financing	$ -	Operations	$ -	None	-	$ 2,266,694	$ 2,266,694	Note 7
0	Marketech International Corp.	eZoom Information, Inc.	Other receivables	Y	50,000	50,000	-	4.616	Short-term financing	-	Operations	-	None	-	2,266,694	2,266,694	Note 7
0	Marketech International Corp.	MIC-Tech (WuXi) Co., Ltd.	Other receivables	Y	107,503	-	-	-	Short-term financing	-	Operations	-	None	-	2,266,694	2,266,694	Note 7
1	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	Other receivables	Y	58,574	40,247	40,247	4.785	Short-term financing	-	Operations	-	None	-	167,097	334,194	Note 7
1	MIC-Tech Electronics Engineering Corp.	Fuzhou Jiwei System Integrated Co., Ltd.	Other receivables	Y	1,406	1,342	1,331	4.785	Short-term financing	-	Operations	-	None	-	334,194	334,194	Note 7
1	MIC-Tech Electronics Engineering Corp.	ChenGao M&E Engineering (Shanghai) Co., Ltd.	Other receivables	Y	2,109	-	-	-	Short-term financing	-	Operations	-	None	-	334,194	334,194	Note 7
2	MIC-Tech (Shanghai) Corp.	Integrated Manufacturing & Services Co., Ltd.	Other receivables	Y	17,097	-	-	-	Short-term financing	-	Operations	-	None	-	140,487	280,974	Note 7
2	MIC-Tech (Shanghai) Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	Other receivables	Y	18,588	-	-	-	Short-term financing	-	Operations	-	None	-	140,487	280,974	Note 7
2	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co., Ltd.	Other receivables	Y	86,115	31,303	31,303	4.785	Short-term financing	-	Operations	-	None	-	280,974	280,974	Note 7
3	MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech Electronics Engineering Corp.	Other receivables	Y	46,073	-	-	-	Short-term financing	-	Operations	-	None	-	855,005	855,005	Note 7
4	Marketech Integrated Manufacturing Co., Ltd.	Marketech Integrated Construction Co., Ltd.	Other receivables	Y	6,191	6,143	6,143	5	Short-term financing	-	Operations	-	None	-	142,009	284,018	Note 7
5	MIC-Tech Viet Nam Co., Ltd	Marketech Co., Ltd	Other receivables	Y	1,190	-	-	-	Short-term financing	-	Operations	-	None	-	22,049	22,049	Note 7

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

(1)The Company is '0'.

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

Note 2:Fill in the name of account in which the loans are recognised, such as receivables–related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3:Fill in the maximum outstanding balance of loans to others during the nine-month period ended December 31, 2018

Note 4:The column of 'Nature of loan' shall fill in 'Business transaction or 'Short-term financing'.

Note 5:Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6:Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7:Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

The Company's ceiling on loans to others are as follows:

(1) Limit on the total loans to others provided by the Company is 40% of the net assets based on the Company's latest financial statements.

(2) Limit on the loans provided by the Company granted for a single party are as follows:

(2-1)Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.

(2-2)For short-term financing, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.

(3) Limit on the accumulated balance of loans to others provided by the foreign companies whose voting rights are 100% owned directly and indirectly by the Company is not under the limit stated on (1). However, it shall make the limit and period for the loans to others in each subsidiary's internal Companies. procedures based on Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies.

Limit on the loans from MIC-Tech Ventures Asia Pacific Inc.

(1) Limit on the accumulated balance of loans to others provided by MIC-Tech Ventures Asia Pacific Inc. is 80% of the net assets based on the latest financial statements of the lending companies

(2) Limit on the loans provided by MIC-Tech Ventures Asia Pacific Inc. granted for a single party are as follows:

(2-1) Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.

(2-2) For short-term financing between the Company and MIC-Tech Ventures Asia Pacific Inc. which the ultimate parent company holds 100% of the voting rights directly or indirectly, limit on loans granted for a single party is 80% of the net assets based on the latest financial statements of the lending companies.

(2-3) For short-term financing between MIC-Tech Ventures Asia Pacific Inc. and aforementioned associates, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.

Limit on the loans provided by the Company's mainland subsidiaries:

(1) Limit on the total loans to others provided by the Company's mainland subsidiaries is 80% of the net assets based on the latest financial statements of the lending companies.

(2) Limit on the loans provided by the Company's mainland subsidiaries granted for a single party are as follows:

(2-1) Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.

(2-2) For short-term financing between the Company's mainland subsidiary and the foreign companies which the ultimate parent company holds 100% of the voting rights directly or indirectly, limit on loans granted for a single party is 80% of the net assets based on the latest financial statements of the lending companies.

(2-3) For short-term financing between the Company's mainland subsidiaries and aforementioned associates, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.

Limit on the loans provided by the Company's Myanmar subsidiaries:

(1) Limit on the total loans to others provided by the Company's Myanmar subsidiaries is 80% of the net assets based on the latest financial statements of the lending companies.

(2) Limit on the loans provided by the Company's Myanmar subsidiaries granted for a single party are as follows:

(2-1) Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.

(2-2) For short-term financing between the Company's Myanmar subsidiary and the foreign companies which the ultimate parent company holds 100% of the voting rights directly or indirectly, limit on loans granted for a single party is 80% of the net assets based on the latest financial statements of the lending companies.

(2-3) For short-term financing between the Company's Myanmar subsidiaries and aforementioned associates, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.

Limit on the loans provided by the Company's Vietnam subsidiaries:

(1) Limit on the total loans to others provided by the Company's Vietnam subsidiaries is 80% of the net assets based on the latest financial statements of the lending companies.

(2) Limit on the loans provided by the Company's Vietnam subsidiaries granted for a single party are as follows:

(2-1) Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.

(2-2) For short-term financing between the Company's Vietnam subsidiary and the foreign companies which the ultimate parent company holds 100% of the voting rights directly or indirectly, limit on loans granted for a single party is 80% of the net assets based on the latest financial statements of the lending companies.

(2-3) For short-term financing between the Company's Vietnam subsidiaries and aforementioned associates, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment.
In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

Table 1-2

Table 2

MARKETECH INTERNATIONAL CORP.
Provision of endorsements and guarantees to others
For the year ended December 31, 2018

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 5)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018 (Note 6)	Outstanding endorsement/ guarantee amount at December 31, 2018	Actual amount drawn down (Note 7)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 4)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 8)	Provision of endorsements/ guarantees to the party in Mainland China (Note 8)	Footnote
0	Marketech International Corp.	Marketech Integrated Pte. Ltd.	2	$ 2,833,367	$ 56,525	$ 56,338	$ 3,027	$ -	0.99%	$ 5,666,734	Y	N	N	Note 4
0	Marketech International Corp.	eZoom Information, Inc.	2	2,833,367	120,000	120,000	12,003	-	2.12%	5,666,734	Y	N	N	Note 4
0	Marketech International Corp.	Marketech International Sdn. Bhd.	2	2,833,367	245,720	245,720	13,691	-	4.34%	5,666,734	Y	N	N	Note 4
0	Marketech International Corp.	MIC-Tech China Trading (Shanghai) Co., Ltd.	2	2,833,367	32,801	-	-	-	0.00%	5,666,734	Y	N	Y	Note 4
0	Marketech International Corp.	MIC-Tech (WuXi) Co., Ltd.	2	2,833,367	411,581	411,581	304,079	-	7.26%	5,666,734	Y	N	Y	Note 4
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	2	2,833,367	1,026,300	977,875	194,192	-	17.26%	5,666,734	Y	N	Y	Note 4
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	2	2,833,367	1,531,207	1,398,810	652,481	-	24.68%	5,666,734	Y	N	Y	Note 4
0	Marketech International Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	2	2,833,367	198,223	198,223	117,375	-	3.50%	5,666,734	Y	N	Y	Note 4
0	Marketech International Corp.	Special Triumph Sdn. Bhd.	5	2,833,367	40,431	27,092	-	-	0.48%	5,666,734	N	N	N	Note 4
1	Marketech Co., Ltd.	MIC-Tech Viet Nam Co., Ltd.	4	110,879	7,740	7,740	7,740	-	69.81%	110,879	N	N	N	Note 4
2	MIC-Tech Electronics Engineering Corp.	MIC-Tech (WuXi) Co., Ltd.	4	1,253,229	4,405	-	-	-	0.00%	2,088,715	N	N	Y	Note 4
2	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	5	1,253,229	73,212	69,868	69,868	-	16.73%	2,088,715	N	N	Y	Note 4
2	MIC-Tech Electronics Engineering Corp.	MIC-Tech (Shanghai) Corp.	4	1,253,229	112,412	107,278	107,278	-	25.68%	2,088,715	N	N	Y	Note 4
3	MIC-Tech (Shanghai) Corp.	MIC-Tech Electronics Engineering Corp.	4	1,053,654	645,959	616,455	616,455	-	175.52%	1,756,090	N	N	Y	Note 4

Note 1:The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1)The Company is '0'.
(2)The subsidiaries are numbered in order starting from '1'.

Note 2:Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:
(1)Having business relationship.
(2)The endorser/guarantor parent company owns directlyand indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
(4)The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 4:Limit on endorsements and guarantees stated in"Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies":
(1)In accordance with mutual guarantee requirement in the same industry for contracting constructions, limit on the total amount is 5 times of the Company's net assets.
(2)Except for guarantees for contracting constructions, limit on the Company's accumulated endorsement/guarantee is the Company's net assets; limit on endorsement/guarantee to a single party is 50% of the Company's net assets. Limit on the total endorsement/guarantee of the Company and its subsidiaries as a whole is 1.5 times of the Company's net assets; limit on endorsement/guarantee to a single party is 75% of the Company's net assets.

Limit on endorsements and guarantees of the Group's subsidiary - Marketech Co., Ltd.:

(1) In accordance with mutual guarantee requirement in the same industry or the common builders for contracting constructions, or provision of endorsements and guarantees for joint ventures from shareholders in proportion to shareholding ratio, limit on the total amount is 5 times of the net assets of Marketech Co., Ltd.. Limit on endorsement/guarantee to a single party is three times of the net assets of Marketech Co., Ltd..

(2) Except for (1), the Group follows standards of endorsements and guarantees as below:

(2-1) Total amount: (2-1-1) Limit on the accumulated endorsements and guarantees is 10 times of the net assets of Marketech Co., Ltd.;

(2-1-2) Limit on endorsements and guarantees to a company of which the endorser company and the Company directly or indirectly holds 90%, should meet the requirement in (2-1-1) and may not exceed 10% of the Company's net assets. However, the endorsements and guarantees of Marketech Co., Ltd. to the Company which it holds 100% of voting shares are not subjected.

(2-1-3) Total endorsements and guarantees of Marketech Co., Ltd. and its subsidiaries are limited to 10 times of the net assets of Marketech Co., Ltd..

(2-2) Limit on endorsement/guarantee to a single party

(2-2-1) For the companies having business relationship with Marketech Co., Ltd. and thus being provided endorsements/guarantees, limit on endorsements to a single party is the total value of business transactions within past 12 months. (the value of business transactions is the higher of purchase or sales)

(2-2-2) Limit on endorsement/guarantee to a single party who having business relationship with the Group is 10 times of the net assets of Marketech Co., Ltd..

Limit on endorsements and guarantees of the Group's subsidiary - MIC-Tech Electronics Engineering Corp. and MIC-Tech (Shanghai) Corp.:

(1) In accordance with mutual guarantee requirement in the same industry or the common builders for contracting constructions, or provision of endorsements and guarantees for joint ventures from shareholders in proportion to shareholding ratio, limit on the total amount is 5 times of the net assets of the endorser/guarantor on endorsement/guarantee to a single party is three times of the net assets of the endorser/guarantor.

(2) Except for (1), the Group follows standards of endorsements and guarantees as below:

(2-1) Total amount: (2-1-1) Limit on the accumulated endorsements and guarantees is 5 times of the net assets of the endorser/guarantor;

(2-1-2) Limit on endorsements and guarantees to a company of which the endorser company and the Company directly or indirectly holds 90%, should meet the requirement in (2-1-1) and may not exceed 10% of the ultimate parent's net assets.

(2-1-3) Total endorsements and guarantees of the endorser/guarantor and its subsidiaries are limited to 5 times of the net assets of the endorser/guarantor.

(2-2) Limit on endorsement/guarantee to a single party

(2-2-1) For the companies having business relationship with the endorser/guarantor and thus being provided endorsements/guarantees, limit on endorsements to a single party is the total value of business transactions within past 12 months. (the value of business transactions is the higher of purchase or sales)

(2-2-2) Limit on endorsement/guarantee to a single party who having business relationship with the Group is 3 times of the net assets of the endorser/guarantor.

Note 5: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 6: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 7: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 8: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Table 2-2

MARKETECH INTERNATIONAL CORP.

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

For the year ended December 31, 2018

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

					As of December 31, 2018					
Securities held by	Type of marketable securities	Name of marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	Number of shares	Book value (Note 2)	Ownership (%)	Fair value	Collateral	Footnote
Marketech International Corp.	Ordinary shares	Lasertec Corporation	None	Financial assets measured at fair value through profit or loss - current	20,000	$ 15,590	-	$ 15,590	None	
〃	〃	Solar Applied Materials Technology Corp.	〃	〃	44,078	804	-	804	〃	
〃	〃	Aerospace Industrial Development Corp.	〃	〃	25,925	796	-	796	〃	
〃	〃	Calitech Co., Ltd.	〃	〃	645,199	17,711	2.04%	17,711	〃	
〃	〃	ACM Research Inc.	〃	〃	167,684	56,037	-	56,037	〃	
						$ 90,938		$ 90,938		
〃	Ordinary shares	Taiwan Colour & Imaging Technology Corp.	None	Financial assets measured at fair value through profit or loss - non-current	1,700,000	$ 1,300	13.03%	$ 1,300	None	
〃	〃	Highlight Tech Corp.	〃	〃	453,000	9,558	0.46%	9,558	〃	
〃	〃	Ennoconn Corporation	The ultimate parent company	〃	10,000	2,440	0.01%	2,440	〃	
〃	〃	WINGS GLOBAL TECHNOLOGY INC.	None	〃	750,000	15,000	18.75%	15,000	〃	
〃	〃	Promos Technologies,Inc.	〃	〃	250,331	-	0.56%	-		
〃	〃	Taiwan Puritic Corp.	〃	〃	6,191,181	153,368	10.32%	153,368	〃	
〃	〃	SOPOWER Technology Corp.	〃	〃	189,223	-	12.61%	-	〃	
〃	〃	VEEV Interactive Pte. Ltd.	〃	〃	840,000	-	6.45%	-	〃	
〃	〃	Taiwan Intelligent Fiber Optic Network Co.,Ltd.	〃	〃	3,868,261	25,177	1.58%	25,177	〃	
〃	〃	H&D Venture Capital Investment Corp.	Entities controlled by key management or entities with significant influence	〃	499,200	4,992	6.67%	4,992	〃	
〃	〃	Civil Tech Pte. Ltd.	None	〃	336,374	11,844	0.58%	11,844	〃	
〃	〃	ProbeLeader Co., Ltd.	Entities controlled by key management or entities with significant influence	〃	966,000	6,912	3.46%	6,912	〃	
〃	〃	Top Green Energy Technologies,Inc.	None	〃	1,111,111	-	0.89%	-	〃	
〃	〃	IP Fund Six Co., Ltd.	〃	〃	1,000,000	10,000	1.79%	10,000	〃	
〃	〃	Innorich Venture Capital Corp.	〃	〃	1,000,000	10,000	1.87%	10,000	〃	
〃	〃	Taiwan Foresight Co., Ltd.	〃	〃	380,000	4,416	2.24%	4,416	〃	
〃	〃	Long Time Technology Corp.	〃	〃	346,000	7,274	0.29%	7,274	〃	
〃	〃	Paradigm Venture Capital Corp.	〃	〃	90,187	902	3.50%	902	〃	
〃	〃	Taiwan Special Chemicals Corp.	〃	〃	4,201,333	60,213	1.44%	60,213	〃	
〃	〃	Atech Totalsolution Co., Ltd.	〃	〃	128,000	-	0.23%	-	〃	
〃	〃	East Wind Life Science Systems	〃	〃	124,457	-	12.87%	-	〃	
〃	〃	EcoLand Corp.	〃	〃	310,715	-	13.51%	-	〃	
〃	〃	Radisen Co. Ltd	〃	〃	87,803	3,759	19.41%	3,759	〃	
〃	〃	Foresight Energy Technologies Co., Ltd.	〃	〃	1,350,000	10,582	4.50%	10,582	〃	
〃	〃	Sum Capital Healthcare Investment Corp. (BE Healthcare Investment Co., Ltd.)	Entities controlled by key management or entities with significant influence	〃	943,050	9,431	7.44%	9,431	〃	
〃	〃	Intellicares co.,Ltd	〃	〃	200,000	565	19.99%	565	〃	
〃	〃	Forward Science Corp.	〃	〃	2,000,000	20,000	10.00%	20,000	〃	
〃	Convertible bonds	Nitride Solutions Inc.	None	〃	-	2,916	-	2,916	〃	
〃	〃	HALLYS CORPORATION	〃	〃	-	20,730	-	20,730	〃	
〃	Preferred stock	Adant Technologies Inc.	〃	〃	174,520	-	Note3	-	〃	
〃	〃	Kinestral Technologies, Inc.	〃	〃	501,532	24,089	〃	24,089	〃	
MIC-Tech (Shanghai) Corp. Ltd.	Ordinary shares	MIC-Tech (Beijing) Environment Co.	Entities controlled by key management or entities with significant influence	〃	-	-	19.00%	-	〃	
		Total				$ 415,468		$ 415,468		

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.
Note 2: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.
Note 3: Holding preferred stock.

Table 3-1

MARKETECH INTERNATIONAL CORP.

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

For the year ended December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Marketech International Corp.	Hong Kong Ennopower Information Technology Co., Limited	Other related parties	Sales(Note 2)	$ 189,534	1.13%	Note 1	$ -	-	$ 104,338	3.44%	
Shanghai Maohua Electronics Engineering Co.,Ltd.	MIC-Tech Electronics Engineering Corp.	Brother Company	Sales(Note 2)	174,681	42.64%	Note 1	-	-	45,699	42.32%	

Note 1: Repaid in installment based on the contract.

Note 2: Revenue arising from contracting constructions recognised based on the percentage of completion method for the year ended December 31, 2018.

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

MARKETECH INTERNATIONAL CORP.

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018 (Note 1)	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Marketech International Corp.	Hong Kong Ennopower Information Technology Co., Limited	Other related parties	$ 104,338	Note 2	$ -	-	$ -	$ 5

Note 1: Fill in separately the balances of accounts receivable–related parties, notes receivable–related parties, other receivables–related parties....

Note 2: Other receivables are generated from loans, it's not applicable to this.

MARKETECH INTERNATIONAL CORP.
Significant inter-company transactions during the reporting period
For the year ended December 31, 2018

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Sales revenue	$ 38,924	Sales revenue: Prices and terms of sales of goods to related parties are approximately the same to third parties. A certain percentage of profit is negotiated for sale of services with related parties. Construction revenue: The price of construction charges to related parties and third parties are based on normal construction contracts or individual agreements. Furthermore, the collection terms to related parties are approximately the same to third parties, which is about 2 to 3 months after inspection of constructions depending on the construction contracts or individual agreements.	0.16%
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Non-operating revenue	9,552		0.04%
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	1	Non-operating revenue	20,578		0.08%
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	1	Construction revenue	10,482		0.04%
0	Marketech International Corp.	MIC-Tech (WuXi) Co., Ltd.	1	Accounts receivable	6,025		0.03%
0	Marketech International Corp.	MIC-Tech (WuXi) Co., Ltd.	1	Sales revenue	6,013		0.02%
0	Marketech International Corp.	eZoom Information, Inc.	1	Accounts payable	7,433		0.04%
1	eZoom Information, Inc.	Marketech International Corp.	2	Services revenue	35,340		0.14%
2	MIC-Tech Global Corp.	Marketech International Corp.	2	Sales revenue	94,313		0.39%
3	MIC-Tech Electronics Engineering Corp.	Marketech International Corp.	2	Accounts payable	10,976		0.06%
3	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	3	Other receivables	40,246		0.22%
3	MIC-Tech Electronics Engineering Corp.	MIC-Tech Ventures Asia Pacific Inc.	3	Other payable	45,699		0.25%
4	Shanghai Maohua Electronics Engineering Co.,Ltd.	MIC-Tech Electronics Engineering Corp.	3	Construction revenue	174,681		0.72%
5	MIC-Tech (Shanghai) Corp.	Marketech International Corp.	3	Accounts payable	8,833		0.05%
5	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co. Ltd.	3	Other receivables	31,303		0.17%
6	Marketech Integrated Manufacturing Company Limited	Marketech Integrated Construction Co., Ltd.	3	Other receivables	5,614		0.03%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1)Parent company is '0'.
(2)The subsidiaries are numbered in order starting from '1'.

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

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

Note 4: Individual amounts less than $5,000 are not disclosed.

MARKETECH INTERNATIONAL CORP.
Information on investees
For the year ended December 31, 2018

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount (Note2) Balance as at Decmber 31, 2018	Initial investment amount (Note2) Balance as at December 31, 2017	Shares held as at December 31, 2018 Number of shares	Shares held as at December 31, 2018 Ownership (%)	Shares held as at December 31, 2018 Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 1)	Footnote
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Singapore	Contracting for semiconductor automatic supply system	$ 215,087	$ 192,522	9,235,678	100	$ 15,095	($ 288)	($ 288)	The Company's subsidiary
Marketech International Corp.	Market Go Profits Ltd.	Virgin Islands	Investment holding and reinvestment	1,282,562	1,245,570	39,569,104	100	1,070,484	36,179	36,179	The Company's subsidiary
Marketech International Corp.	MIC-Tech Global Corp.	South Korea	International trade	19,147	19,147	131,560	100	6,607	(993)	(993)	The Company's subsidiary
Marketech International Corp.	Headquarter International Ltd.	Virgin Islands	Investment holding and reinvestment	42,475	42,475	1,289,367	100	38,864	(307)	(307)	The Company's subsidiary
Marketech International Corp.	Tiger United Finance Ltd.	Virgin Islands	Investment holding and reinvestment	46,475	46,475	1,410,367	100	37,813	(476)	(476)	The Company's subsidiary
Marketech International Corp.	Marketech Engineering Pte. Ltd.	Singapore	Contracting for electrical installing construction	10,129	10,129	421,087	100	15,239	13,794	13,794	The Company's subsidiary
Marketech International Corp.	Marketech Integrated Manufacturing Company Limited	Myanmar	Design, manufacturing, installation of automatic production equipment and its parts	438,298	438,298	1,400,000	100	355,023	(3,532)	(3,532)	The Company's subsidiary
Marketech International Corp.	MIC-Tech Viet Nam Co., Ltd.	Vietnam	Trading, installation and repair of various machinery equipment and its peripherals	39,345	39,345	-	100	27,562	(3,471)	(3,471)	The Company's subsidiary
Marketech International Corp.	Marketech Co., Ltd.	Vietnam	Specialized contracting and related repair services; equipment sales and repair; sales of cosmetics and daily necessities	45,246	29,922	-	100	11,088	(6,843)	(6,843)	The Company's subsidiary
Marketech International Corp.	eZoom Information, Inc.	Taiwan	Research, trading and consulting of information system software and hardware appliance	195,737	67,737	20,000,000	100	152,947	(6,743)	(6,743)	The Company's subsidiary
Marketech International Corp.	Marketech International Sdn.Bhd.	Malaysia	Specialized contracting and related repair services	87,070	44,431	12,242,750	100	65,645	6,481	3,013	The Company's subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount (Note2)		Shares held as at December 31, 2018			Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 1)	Footnote
				Balance as at Decmber 31, 2018	Balance as at December 31, 2017	Number of shares	Ownership (%)	Book value			
Marketech International Corp.	ADAT Technology CO., LTD.	Taiwan	The research, development, application, and service of software; supply of electronic information and the buying and selling of equipment	$ 20,000	$ 10,000	$ 2,000,000	30.3	$ 13,034	($ 18,217)	($ 10,904)	The Company's subsidiary
Marketech International Corp.	PT Marketech International Indonesia	Indonesia	Trading business of machine equipment and parts	38,042	38,042	1,199,000	99.92	36,670	2,622	2,662	The Company's subsidiary
Marketech International Corp.	Marketech Netherlands B.V	Netherlands	International trade business of machine and components and technical service	10,671	10,671	300,000	100	6,339	(4,051)	(4,051)	The Company's subsidiary
Marketech International Corp.	Glory Technology Service Inc..	Taiwan	Sale and installation of information and communication equipment	42,714	31,019	5,510,305	29.24	61,236	13,881	4,105	The Company's investee accounted for using equity method
Marketech International Corp.	MIC Techno Co., Ltd.	Taiwan	Sale of panels and its materials	2,000	2,000	200,000	20	1,842	(36)	(7)	The Company's investee accounted for using equity method
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	Cayman Islands	Investment holding and reinvestment	1,277,065	1,240,073	39,466,604	100	1,068,756	36,252	-	The investor's subsidiary
Marketech Integrated Pte Ltd.	Marketech International Sdn. Bhd.	Malaysia	Specialized contracting and related repair services	-	42,481	-	-	-	6,481	-	The Company's investee accounted for using equity method
Marketech Engineering Pte Ltd.	Marketech Integrated Construction Co., Ltd.	Myanmar	Contracting for electrical installing construction	8,569	8,569	28,500	95	14,844	14,688	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Russky H.K. Limited	Hong Kong	Investment holding and reinvestment	34,551	34,551	833,000	100	(10,296)	4,156	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Frontken MIC Co. Limited	Hong Kong	Investment holding and reinvestment	31,422	31,422	2,337,608	100	5,414	(110)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Hong Kong	Investment holding and reinvestment	132,282	95,290	5,400,000	60	63,213	(10,126)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Leader Fortune Enterprise Co., Ltd.	Samoa	Investment holding and reinvestment	8,990	8,990	303,000	31.43	(4,638)	(28,455)	-	The investor's investee accounted for using equity method
Russky H.K. Limited	PT Marketech International Indonesia	Indonesia	Trading business of machine equipment and parts	32	32	1,000	0.08	31	2,622	-	The investor's investee accounted for using equity method

Note 1: The amount of $0 means that the Company does not directly recognise gain or loss on investments.
Note 2: Except for subsidiaries in Malaysia are translated at the current rate as of December 31, 2018, the initial investment amounts of other investees are translated at the current rate as of the investment date.

MARKETECH INTERNATIONAL CORP.

Information on investments in Mainland China

For the year ended December 31, 2018

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

1. Basic information

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018 (Note 3) Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 (Note 3)	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
MIC-Tech (WuXi) Co., Ltd.	Design, manufacturing, installation and maintenance of semiconductor device, crystal dedicated device, electronic component device, environment pollution preventing equipment; assembling of wrapping device and cooling equipment; assembling of barbecue grill; wholesale, commission agency and import and export of the aforementioned products their components, textile, commodities, chemical products and cosmetics; lease of self-owned plants: design, manufacturing, sales and installation of automatic warehousing equipment and accessories, automatic logistics transporting equipment and accessories; R&D, sales and installation of supplementary engineering in logistics dispatch system	$ 783,233	Note1(2)	$ 629,658	$ -	$ -	$ 629,658	$ 28,697	100	$ 29,264	$ 35,644	$ -	Note 2 (2)B
MIC-Tech (Shanghai) Corp.	Wholesale, commission agency, maintenance, repairment, manufacture, import and export of semiconductor production, inspection equipment and its consumables and boilers that generate electricity; storage and allocation of mainly chemical and boiler products; international and entrepot trade; trading and trading agency among enterprises in customs bonded area; consulting services in customs bonded area	253,122	Note1(2)	15,358	-	-	15,358	25,652	100	25,652	351,218	-	Note 2 (2)B
Fuzhou Jiwei System Integrated Co., Ltd.	Installation and complete services of clean room, mechanical system, street pipe system	9,215	Note1(2)	9,215	-	-	9,215	695	100	695	(1,016)	-	Note 2 (2)B
Shanghai Maohua Electronics Engineering Co.,Ltd.	Production of scrubber bins for semiconductor manufacturers, design, installation, debugging and technology services of tunnel system, equipment repair for semiconductor manufacturers, consulting service for electrical and medical equipment; wholesale, commissioned distribution (exclude auction), export, import and related services of electronic products, machinery equipment, chemical products (exclude dangerous articles), communication equipment, metal products, plastic products	18,429	Note1(2)	18,521	-	-	18,521	2,424	87	2,109	(12,644)	-	Note 2 (2)B
MIC-Tech Electronics Engineering Corp.	Installation and construction of mechanical and electrical systems; construction of chemical and petroleum projects; construction of public municipal infrastructure projects; professional building renovation and decoration services; design and construction of smart buildings; construction of electronic projects and related technical services and consulting. Building equipment, building materials (excluding steel and cement), electronic products, chemical products (excluding hazardous products), metal products, electrical equipment, wholesale of communications equipment, commission-based agency (excluding auctions) and import-export business, and delivery of all related and supplementary services	541,168	Note1(2)	261,692	-	-	261,692	(27,348)	100	(27,348)	417,743	-	Note 2 (2)B
SKMIC (WUXI) Corp.	Design, installation and repairment of semi-conductor and transistor facilities, electronic components facilities and pollution prevention equipment, as well as wholesale, commission agent and export/import business of products listed above, industrial cleaning, repairment and maintenance.	9,368	Note1(2)	1,505	-	-	1,505	(204)	49	(100)	60	-	Note 2 (2)B
ChenGao M&E Engineering (Shanghai) Co., Ltd.	Design of microelectronic products and display devices, consulting service for related technology and management	6,143	Note1(2)	6,143	-	-	6,143	2,056	100	2,056	(588)	-	Note 2 (2)B
Frontken-MIC (Wuxi) Co., Ltd.	Research of specialized cleaning equipment of semiconductor device and integrated circuit, cleaning of special components of semiconductor device, integrated circuit and micromodule and cleaning technology for semiconductors, assembling, installation and maintenance of cooling equipment; design, manufacture, sale and installation of automatic warehouse equipment and fittings, and automatic logistics transporting equipment and fittings; development, sale and installation of computer aided engineering; wholesale, commission, import and export of above products and parts	70,890	Note1(2)	28,356	-	-	28,356	(110)	100	(110)	5,393	-	Note 2 (2)B

Table 8-1

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018 (Note 3)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 (Note 3)	Net income of investee for the year ended December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Integrated Manufacturing & Services Co., Ltd.	Development of special equipment for solar cell production, manufacture of optical engine, lighting source, projection screen, high definition projection cathode-ray tube and micro-display module, and production, cleaning and regeneration of new electrical device; sells the products that manufactured by itself; machinery equipment, research and development of production technology of utilities equipment, technology transfer, technology consulting, technology service; processing of metal salvage and junk (except for hazardous chemicals and hazardous waste); metallic material (except for steels and noble metal), ceramic product, paper products and wholesale, retail and import and export of hardware products.	$ 153,575	Note1(2)	$ 82,931	$ -	$ -	$ 82,931	($ 10,154)	60	($ 6,093)	$ 25,571	$ -	Note 2 (2)B
MIC-Tech China Trading (Shanghai) Co., Ltd.	Wholesale, commission agency and import and export of chemical products (except for hazardous chemicals, chemicals used in production of narcotic drugs and psychotropic substances and special chemicals), semiconductors, inspection equipment and its consumables, solar equipment consumables and boilers that generate electricity, International and entrepot trade, trading and trading agency among enterprises in customs bonded area, consulting service for trading, installation, repair, and maintenance of automation equipment, electronic equipment, and their parts	46,073	Note1(2)	46,073	-	-	46,073	(7,308)	100	(7,308)	18,528	-	Note 2 (2)B
Macrotec Technology (Shanghai) Co., Ltd.	Wholesale, commission agency, import and export and other complementary service of electrical products, food, textile, commodities, cosmetics, valve switch, instrumentation, metal products, electrical equipment, International and entrepot trade, trading and trading agency among enterprises in customs bonded area, simple commercial processing in customs bonded area, and consulting service for trading in customs bonded area	29,391	Note1(2)	9,237	-	-	9,237	(28,434)	31.43	(8,937)	(4,642)	-	Note 2 (2)B

Note 1: Investment methods are classified into the following three categories:
(1)Directly invest in a company in Mainland China.
(2)Through investing in Market Go Profits Ltd., which then invested in the investee in Mainland China.
(3)Others.
Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2018' column:
(1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
(2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
A.The financial statements that are reviewed and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
B.The financial statements that are reviewed and attested by R.O.C. parent company's CPA.
C.Others - unreviewed financial statements.
Note 3: Paid-in capital and investment amount were translated at the original currency times exchange rate at period end.

2. Limit on investees in Mainland China

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 (Note 1) (Note 2)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Marketech International Corp.	$ 1,157,642	$ 2,006,210	$ 3,442,382

Note 1: The amount was translated at the original currency times exchange rate at period end.
Note 2: The Company has sold WUXI Probeleader Electronics Co., Ltd. at the end of November 2011. As the accumulated investment was different from the investment collected back, the difference between accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018 and accumulated amount of remittance from Taiwan to Mainland China registered at and approved by MOEA was US$186 thousand.
Note 3: The liquidation of TPP-MIC (WuXi) Co., Ltd. was completed in November, 2015. As the accumulated investment was different from the investment collected back, the difference between accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018, and accumulated amount of remittance from Taiwan to Mainland China registered at and approved by MOEA was US$186 thousand.