

**Stock Code : 6196**

**Taiwan Stock Exchange  
Market Observation  
Post System :**

<http://mops.twse.com.tw>

**MIC annual report is  
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<http://www.micb2b.com>



**Marketech International Corp.**

## **2019 Annual Report**

**Printed on May 6, 2020**

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 discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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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 : [www.micb2b.com](http://www.micb2b.com)**

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# Part 1. Letter to Shareholders

## 1. Preface

Dear shareholders,

In the first half year of 2019, the uncertainty surrounding the U.S.-China trade war hit global growth and Taiwan's semiconductor industry also suffered from them. Despite the chaotic and unpredictable racket, the first light in the third quarter arrived and TSMC showed a brilliant business performance and announced to invest the highest capital expenditure in history. This has resulted in a rising performance of MIC in the fourth quarter and eventually ended 2019 with expectations. Comparing with 2018, MIC's performance slightly declined in 2019. MIC's consolidated sales revenue dropped from NTD24.4 billion (2018) to 24.182 billion (2019) with a small decline of 0.8%. The Company's annual operating income reached NTD768 million with a decline of 12%; the net income was NTD630 million with a decrease of 19% comparing with the previous year; and the consolidated earnings per share was NTD3.78.

In the early spring of 2020, the outbreak of Novel Coronavirus (2019-nCoV) impacted the world and mainland China implemented the lockdown strategy to halt the spread of pneumonia. Many companies therefore suffer from the crisis of supply chain disruption and material shortage in the first quarter. Although the epidemic continues to spread, Semiconductor Equipment and Materials International (SEMI) believes that this epidemic is only a short-term disturbance and, from the long-term perspective, the industry's overall demand momentum still exists because the development of 5G has pushed the demand for data center and AI. SEMI therefore holds an optimistic attitude towards the 2020 semiconductor market. According to the statistics and reports of major development and research institutions, the semiconductor industry is expected to have a growth of 7.7% in 2020 as the memory inventory level and price becomes stable. On the other hand, affected by advanced logic process, rebounding memory market and China's strong investment, the equipment and materials market expenditure continues to grow in 2020.

2020 will be a bustling and difficult year for MIC. To provide our customers with the best products and services, all of our staff will do our very best to optimize the Company's profit. With this short letter, I hereby thank every employee who works hard on the front line and every shareholder who supports MIC. In the new beginning of the year, all of MIC's employees will continue to pursue excellence, create good shareholders' remuneration, fulfill our social responsibilities and create values for this industry that represents the excellence of Taiwan.

Margaret Kao  
Chairman & CEO

## 2. Business Report

### 2.1 The operating results of 2019

#### 2.1.1 Operating results

The Company's consolidate revenue was NT\$24,182,681 thousand in 2019, with a decrease over 0.95% from NT\$ 24,415,723 thousand comparing with the previous year. Net incomewas NT\$669,120 thousand in 2019, with a decrease over 14.45% from NT\$782,164 thousand comparing with the previous year. The EPS was NT\$3.78 in 2019, with a decrease over 14.09% from NT\$4.40 comparing with the previous year.

Summary of the 2019 and 2018 Consolidated Financial Statement is listed as follows:

#### (1) Summary of Consolidated Financial Statement

Items	Unit : NT\$ thousands			
	2018	2019	Variance (\$)	Variance (%)
Operating Revenue	24,415,723	24,182,681	(233,042)	(0.95)
Gross Profit	2,819,196	2,566,979	(252,217)	(8.95)
Operating Income	875,753	819,338	(56,415)	(6.44)
Net Income	782,164	669,120	(113,044)	(14.45)
EPS(in dollars) (Note2)	4.40	3.78	(0.62)	(14.09)

Note 1: The above information is summarized from Audit Reports of 2018 and 2019.

Note 2: The Earnings per Share is calculated based on the no. of the weighted average outstanding shares.

#### 2.1.2 Budget Implementation

Due to the unclear industry boom in 2019, the performance in the first half of 2019 was not as expected. In the second half of 2019, the continued warming of the economy and the boost of the momentum of cross-strait production expansion, so the demand for orders from various industries increased, resulting in the annual consolidated operating income in MIC. MIC revenue is slightly higher than the budget in 2019. However, the profitability was still not as expected. MIC 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	
		2018	2019
Financial Structure	Ratio of liabilities to assets (%)	68.53	70.29
	Ratio of long-term capital to fixed assets (%)	273.52	319.46
Solvency	Current ratio (%)	125.95	124.21
	Quick ratio (%)	91.11	96.60
	Times interest earned	16.15	11.56
Profitability	Return on total assets (%)	4.87	3.89
	Return on shareholders' equity (%)	14.38	11.56
	Ratio of operating income to paid-in capital (%)	47.19	43.85
	Ratio of pre-tax income to paid-in capital (%)	53.93	47.69
	Profit margin (%)	3.20	2.77
	Earnings per share (dollar) (Note)	4.40	3.78

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

Items	Year	Consolidated Financial Statement	
		2018	2019
Research and development expenses (A)		256,600	220,168
Operating revenue (B)		24,415,723	24,182,681
Ratio (A)/(B)(%)		1.05	0.91

### (2) Developed technologies and products

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 2019 is shown below:

Year	R&D Performance	Applications
2019	Improvement of polyamide	Panel Industry
	Improvement of polyamide patch	Panel Industry
	LED Automatic Wafer mounter	LED Industry

## 2.2 Highlights of 2020 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

According to macro-economic overview, the IMF announced the global economic growth has reduced from 3.4% to 3.3% from the latest WEO report in 2020, which is higher than 2.9% in 2019. IMF indicated, the global economy has not reached a turning point currently, and global growth is still weak. From the beginning of 2020, it has faced the impact of the coronavirus pneumonia epidemic and the tremendous consequences of climate shock in Australia and parts of Africa and has reduced the global economic growth from 3.6% to 3.4%. According to SEMI semiconductor equipment forecast report, the global semiconductor equipment sales in 2019 slipped 10.5% from US\$ 64.4 billion to 57.6 billion (2018), which expect the market will be recovery in 2020, then reach a new peak in 2021. The global semiconductor equipment sales will raise 5.5% to US\$60.8 billion in 2020, and reach to US\$ 66.8 billion in 2021. SEMI indicated, this growth momentum mainly comes from the front-end manufacturers' investment in advanced process equipment below 5 nanometers, of which the investment from wafer foundries and logic chip manufacturers accounted for the largest amount.

Looking into 2020, MIC's business performance of 2020 is expected to be affected by positive effects.

### 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, MIC has implemented ISO9001, ISO13485, ISO14001, ISO45001, SA8000 and GMP 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 million in December.
1989	Cooperated with US TPI Systems and introduced the hi-tech products as well as technologies in February.
1995	Set up MIC's 1st semiconductor cleaning room in June.
1997	Started overseas 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 overseas markets in December.
1998	Set up MIC's 2nd semiconductor cleaning room in January.
1998	Changed company organization and name to Marketech International Corp.
2000	Divisions of Equipment & Material and Chemical Engineering received ISO 9002 certification in September.
2000	Hsin Chu office was officially opened.
2000	MIC-TECH VENTURES ASIA PACIFIC INC. was established and in charge of investment projects in China in December.
2001	MARKET GO PROFITS LTD. was established and in charge of overseas investment projects in February. Acquired MARKETECH INTEGRATED PTE LTD.
2001	MIC-Tech (WuXi) Co., Ltd. was established and in charge of equipment manufacturing business in May. MIC-Tech Shanghai Corp. Ltd. was established and in charge of trading business in China.
2001	Hsin Chu branch office was established in July.
2001	Tao Yuan bonded warehouse was established and operated in 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.
2002	Acquired Shanghai Puritic Co., Ltd. to expand business in China in January.
2002	Officially listed on Emerging Stock Market in April.
2002	Officially listed on OTC Market in October.
2003	Issued MIC's 1st domestic 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	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 2<sup>nd</sup> domestic unsecured convertible bond of NT\$ 580 million in October.
- 2004 Started building Tainan Science Park factory in March.
- 2004 Worked as OEM of US equipment supplier in March.
- 2004 Officially listed on Taiwan Security Exchange Market in May.
- 2004 Shan Hua factory was officially opened and operated in September.
- 2004 MIC-TECH GLOBAL CORP. was established in October.
- 2005 Tainan Science Park factory was officially opened and operated in May.
- 2005 Wu Xi factory was officially opened and operated in June.
- 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 Phase I of Tou Fen factory was officially opened and operated in November.
- 2007 Received ISO 14001 and OHSAS 18001 certification in January.
- 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.
- 2010 MIC-Tech Viet Nam Co., Ltd. was established for business expansion in Vietnam in January .
- 2011 Transferred semiconductor thermal process from Japan HiKE in June.
- 2011 Recognized as certified AEO company by Custom Administration, Minister of Finance in June.
- 2011 Hoa Phong Marketech Co., Ltd. was established for business expansion in Vietnam in July.
- 2013 Phase III of Tou Fen factory was officially opened and operated in June.
- 2014 Marketech Engineering Pte. Ltd. was established in January.
- 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
- 2016 Issued MIC's 3<sup>rd</sup> domestic unsecured convertible bond of NT\$ 500 million.
- 2017 Marketech Netherlands B.V. set-up
- 2018 Phase III of Tainan Science Park factory was officially opened and operated in June.

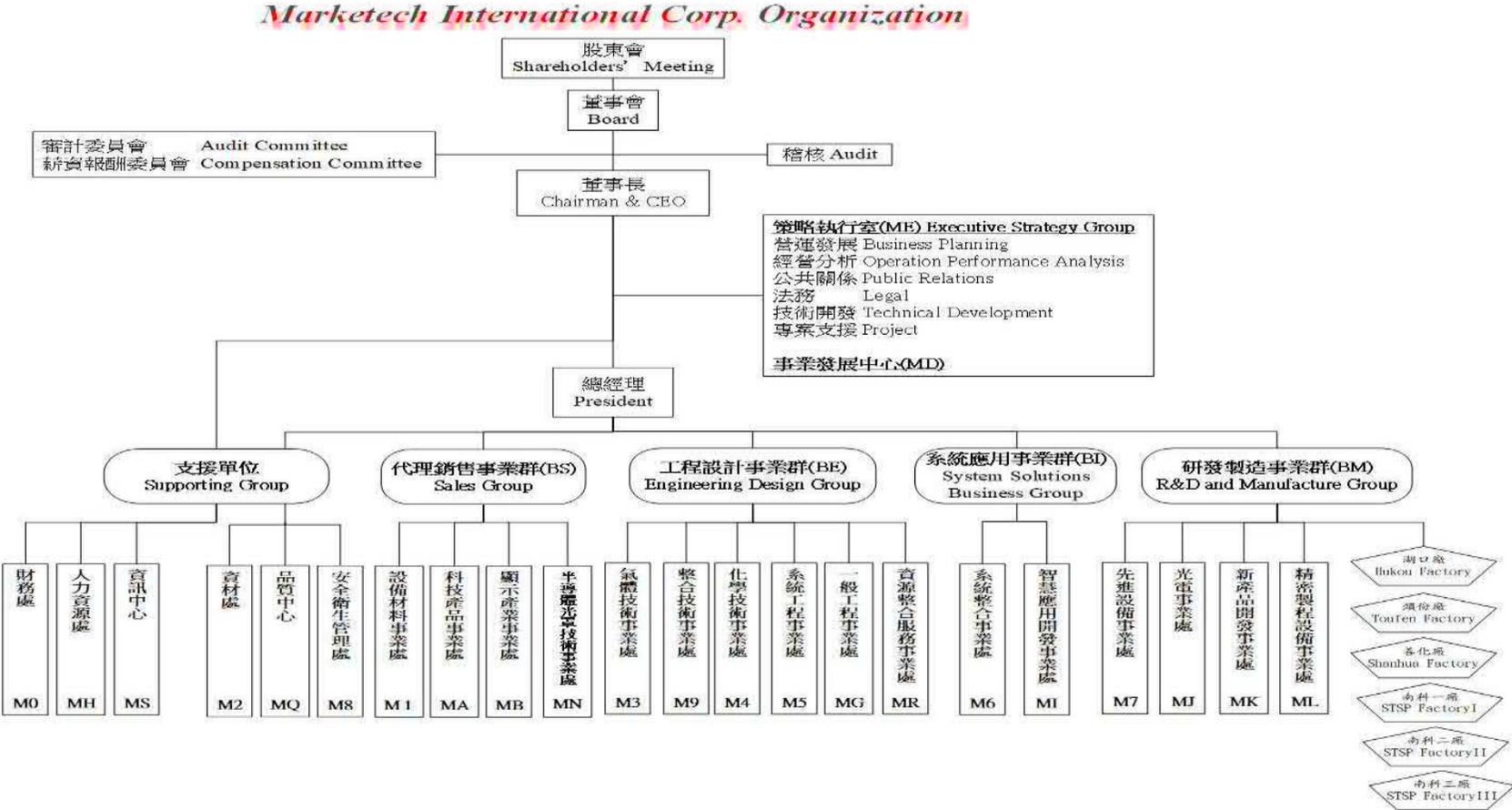
- 2018 The factory in Myanmar was officially opened and operated in December.
- 2018 The new office in Shanghai was officially opened and operated in December.
- 2018 Received the ISO 45001 certification in December
- 2018 Established the subsidiary (Marketch International Corporation USA).

2.2 In the most recent year up to the date of publication of the annual report, our company has not handled the merger and reorganization of the company, nor has there been many directors, supervisors, or shareholders with more than 10% of the shares transferred or replaced. There are also no changes in management rights, major transforms in business methods or business content, and others that are sufficient to affect the equity of shareholders.

# 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 and improves 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 among division.
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 within various divisions. Assists subsidiaries with internal audit tasks. Evaluates the robustness of internal control systems and related policies. Determines whether the internal control systems continues to be effective, and assesses the progress made by each department, while offering suggestions to improve 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
Equipment & 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 cabinet (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; provides construction services for electromechanical engineering projects such as planning, design, supervision and turnkey solutions. Constructs pumping station facilities, waste water treatment facilities, pumping station automation, air pollution control and other environmental protection facilities. Represents boiler and waste solvents. Provides installation 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.

Division	Functions
System Integration Division	The surveillance of factory services for high-technology and power-generation industry, Facility automation, 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 Prodcus 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 and networks. 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.
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.

Division	Functions
Semiconductor Mask Technology Business Division	Provided high-tech industry process, repair service, immediate after-sales service and technical support.
Smart Application Development Division	Provided the data generated by the Internet of Things, and combined with advanced technologies such as artificial intelligence, big data, digital technology security and automated production, with developing a diverse portfolio of products and solutions to provide innovative applications and added value services.

## 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)

March 29, 2020

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: Sung Kao,Hsin-Ming	F	2019/05/30	3	2001/10/22	11,005,795 *2,010,513	5.93% *1.08%	11,005,795 *2,010,513	5.88% *1.07%	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, Mchrotec Technology Corp. Chairman, Ji-Xuan INVESTMENT CO., LTD. Chairman, Smart Health Corp. Supervisor, Probleader Co., Ltd	Nil	Nil	Nil
Director	ROC	E-Win Investment co representative: Lin Yue- Yeh	M	2019/05/30	3	2001/10/22	6,647,112 *5,986,097	3.58% *3.22%	6,647,112 *5,986,097	3.55% *3.20%	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. Chairman, Probleader Co., Ltd Chairman, eZoom Information, Inc.	Nil	Nil	Nil
Director	ROC	Ennoconn international investment co., Ltd. representative: Chu,Fu- Chuan	M	2019/05/30	3	2019/05/30	83,468,613 *40,000	44.95% *0.02%	83,468,613 *40,000	44.62% *0.02%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	St. John's University of electrical engineering master Senior manager, Hon Hai Precision Industry Co., Ltd.	Director, Marketech International Corp. Chairman, ENNOCONN CORPORATION Director, ENNOCONN INTERNATIONAL INVESTMENT CO., LTD. Chairman, CASWELL, INC. Chairman, GOLDTEK TECHNOLOGY CO., LTD. Chairman, DEXATEK TECHNOLOGY LTD. Director, ENNOMECH PRECISION CO., LTD. Director, Vezow Co., Ltd. Chairman, Ennoconn (Suzhou) Technology Co., Ltd Chairman, AIS Cayman Technology Director, S&T AG Director, ENGA Technology Co., Ltd Director, POSLAB TECHNOLOGY CORPORATION	Nil	Nil	Nil
Director	ROC	Ennoconn international investment co., Ltd. representative: Lou Chao Tsung	M	2019/05/30	3	2018/10/31	83,468,613	44.95%	83,468,613	44.62%	0	0.00%	0	0.00%	FengChia University B.A Nan Ya Plastic Corporation, engineering administrator	Director, Marketech International Corp. Vice President, 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. Chairman, EnnoMech Precision (Cayman) Co., Ltd. Chairman, Ennoconn Investment Holding Co., Ltd. Chairman, Ennoconn (Foshan) Investment Co., Ltd. Chairman, Ennoconn Investment Co., Ltd. Chairman, ENGA Technology Co., Ltd.	Nil	Nil	Nil
Director	ROC	Ennoconn international investment co., Ltd. representative: Li Yu-Lung	M	2019/05/30	3	2019/05/30	83,468,613	44.95%	83,468,613	44.62%	0	0.00%	0	0.00%	Qing Hua University Materials Science and Engineering master Special Assitant, Ennoconn Coporation	Director, Marketech International Corp. Director, S&T AG CSO, Ennoconn Coporation	Nil	Nil	Nil
Director	ROC	Ennoconn international investment co., Ltd. representative: Wu, You-Mei(Note 6)	F	2019/05/30	3	2019/11/12	83,468,613	44.95%	83,468,613	44.62%	0	0.00%	0	0.00%	National Chengchi University Finance Master University of Reading,U.K.MSc International curities Investment and Banking Financial Supervisory Commission of Securities and Futures Bureau, Chief of management	Director, Marketech International Corp. CFO, Ennoconn Coporation Supervisor, ENNOCONN INTERNATIONAL INVESTMENT CO., LTD.	Nil	Nil	Nil
Independent	ROC	Lin Hsiao-Ming	M	2019/05/30	3	2016/05/31	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Taiwan University MBA Chairman and CEO, Taiwan Finance Corp.	Independent Director, Marketech International Chairman and CEO, Taiwan Finance Corp.	Nil	Nil	Nil



## 2.1.2 Major shareholders as institutions shareholders

Table I: Major shareholders as institutional shareholders

March 29, 2020

Name of institutional shareholders (Note 1)	Major shareholders as institutional investors (Note 2)
Ennoconn international investment co., Ltd.	Ennoconn Coporation(100.00%)
Ji-Xuan Investment Company	Sung Kao,Hsin-Ming (16.06%), Sung Bing-zhong (23.42%), Sung Feng-pei (22.56%), Bai Shuan Investment Company (19.02%), Ji Yung Investment Company (18.94%)
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%)

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.

Note 3:If the legal person shareholder is not a company or organization, the aforementioned name of the shareholder and shareholding ratio that should be disclosed is the name of the capital contributor or sponsor and the contribution or sponsoring ratio.

Note 4:The book closure date of the Company's 2020 regular shareholders' meeting is on March 29, 2020. The numbers of current shareholding listed in the table are the numbers of shareholding recorded in the 2020 shareholders' registry.

Table II: Major shares of institutional investors as institutional shareholders

March 29, 2020

Name of institutional shareholders (Note 1)	Major shareholders as institutional investors (Note 2)
Ennoconn Corporation	Bao Shin International Investmen Co., Ltd(34.79%), Fubon Life Insurance Co., Ltd(5.64%), Hyield Venture Capital Co., Ltd(2.16%), JPMorgan Chase Bank in custody for International Explorer Fund Investment Account(1.46%), New Labor Pension Fund(1.38%), JPMorgan Chase Bank Hosting Vanguard STAR Developed Markets Index Fund(1.06%), JPMorgan Chase Bank in custody for Schroder Small Explorer Fund Investment Account(1.14%), Chu,Fu-Chuan(0.96%), JPMorgan Chase Hosting Vanguard Developing Markets Index Fund(0.90%), Old Labor Pension Fund(0.83%)
Ji Yung Investment Company	Ji-Xuan Investment Company (98.04%), Sung Bing-zhong (1.84%), Sung Kao,Hsin-Ming (0.06%), Sung Feng-pei (0.06%)
Bai Shuan Investment Company	Ji-Xuan Investment Company (98.04%), Sung Feng-pei (1.84%), Sung Bing-zhong (0.10%), Sung Kao,Hsin-Ming (0.02%)

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.

Note 3:If the legal person shareholder is not a company or organization, the aforementioned name of the shareholder and shareholding ratio that should be disclosed is the name of the capital contributor or sponsor and the contribution or sponsoring ratio.

Note 4:The book closure date of the Company's 2020 regular shareholders' meeting is on March 29, 2020. The numbers of current shareholding listed in the table are the numbers of shareholding recorded in the 2020 shareholders' registry.

## 2.1.3 Information on the directors and supervisors (II)

March 29, 2020

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	11	12	
Ji-Xuan Investment Corp. Representative: Sung Kao,Hsin-Ming	Nil	Nil	✓	Nil	Nil	Nil	✓	Nil	Nil	Nil	Nil	✓	✓	✓	Nil	0
E-Win investment co Representative: Lin Yue-Yeh	Nil	Nil	✓	Nil	Nil	Nil	✓	Nil	Nil	Nil	Nil	✓	✓	✓	Nil	0
Ennoconn international investment co., Ltd. representative: Chu,Fu-Chuan	Nil	Nil	✓	Nil	Nil	✓	✓	Nil	Nil	✓	Nil	✓	✓	✓	Nil	0
Ennoconn international investment co., Ltd. representative: Lou Chao Tsung	Nil	Nil	✓	Nil	Nil	✓	✓	Nil	Nil	✓	Nil	✓	✓	✓	Nil	0
Ennoconn international investment co., Ltd. representative: Li,Yu-Lung	Nil	Nil	✓	Nil	✓	✓	✓	Nil	✓	✓	Nil	✓	✓	✓	Nil	0
Ennoconn international investment co., Ltd. representative: Wu, You-Mei (Note 4)	Nil	Nil	✓	Nil	Nil	✓	✓	Nil	✓	✓	Nil	✓	✓	✓	Nil	0
Lin, Hsiao-Ming	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wu ,Chung-Pao	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Wang, Yi-Chun	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

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, supervisor or to the company's affiliated enterprise (except where it is 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, unless they are concurrently serving as independent directors established by the Company and its parent company, its subsidiary or a subsidiary of the same parent company in accordance with this Act or the local laws of the country of the company.
- (6) Not a director, supervisor, employee of the other company controlled by the same person holding a director seat or more than half of the voting rights of the Company, unless they are concurrently serving as independent directors established by the Company and its parent company, its subsidiary or a subsidiary of the same parent company in accordance with this Act or the local laws of the country of the company.
- (7) Not a director, supervisor, or employee of the other company or organization whose chairperson, president or the person of equivalent position is the same as the person of the Company or their spouse, unless they are concurrently serving as independent directors established by the Company and its parent company, its subsidiary or a subsidiary of the same parent company in accordance with this Act or the local laws of the country of the company.
- (8) 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, unless the particular company or organization holds more than 20%, but not more than 50%, of the Company's total issued shares, and they are concurrently serving as independent directors established by the Company and its parent company, its subsidiary or a subsidiary of the same parent company in accordance with this Act or the local laws of the country of the company.
- (9) Not provide audit services, or provide commerce, receiving less than NT\$ 500,000 in the past two years, to the Company or to any affiliate of the Company, 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.
- (10) Not related to the other directors as a spouse or blood relation within two tiers.
- (11) Not involved in any of the circumstances specified under article 30 of the Corporate Law.
- (12) Not nominated as a governmental or institutional shareholder, or as the representative as stipulated under article 27 of the Corporate Law.

Note 2: All the independent directors formed the Audit Committee to replace the functions of supervisors.

Note 3: Our company re-elected the Board of Directors on May 30, 2019. Mr. Ma Kuo-Peng, Mr. Hsiao Ming-Chih, Mr. Lu Zong-Jenn and the representative of Ji-Xuan representative Mr. Lou Chao Tsung resigned the position of director due to the term expire. The shareholder Meeting appointed Ji-Xuan representative Ms. Sung Kao-Hsin-Ming, Mr. Lin Yue-Yeh, Mr. Chu, Fu-Chuan, Mr. Lou Chao Tsung, Mr. Li Yu-Lung, Mr. Wu, You-Mei to be director and Mr. Lin Hsiao-Ming, Mr. Wu Chung-Pao and Mr. Wang, Yi-Chun to be the independent directors on May 30, 2019.

Note 4: Ennoconn international investment co., Ltd. re-elected representative director on May 30, 2019, and the representative director was Mr. Shi Chunhao. Ennoconn international investment co., Ltd. resigned Mr. Shi Chunhao's representative director position and re-elected Mr. Deng Tantai to be the representative director on June 3, 2019. On Nov 12, 2019, Ennoconn international investment co., Ltd. resigned Mr. Deng Tantai's position and re-elected Ms. Wu, You-Mei to be the director.

Note 5: The book closure date of the Company's 2020 regular shareholders' meeting is on March 29, 2020. The numbers of current shareholding listed in the table are the numbers of shareholding recorded in the 2020 shareholders' registry.

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

March 29, 2020

Unit: NTD per thousand; share; %

Title (Note 1)	Nationality	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			Noted (Note 3)
					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	1989/01/01	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-Xuan Engineering Technology Co diretor Chairman, Smart Health Corp. Li Wei Electronics Co auditor	Nil	Nil	Nil	Nil
President	ROC	Lin, Yue- Yeh	M	2004/07/01	5,986,097	3.20%	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 Li Wei Electronics Corp chairman Chairman, eZoom Information ,Inc.	Nil	Nil	Nil	Nil
Group GM	ROC	Chen,Jian- tsuen	M	2010/04/01	122,000	0.07%	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	2010/04/01	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	Great Wall Enterprise Co., Ltd., Independent Director Asix Electronics Corporation, Independent Director	Nil	Nil	Nil	Nil
Divison GM	ROC	Huang Zhong-wen	M	2010/02/01	129,283	0.06%	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	M	2010/02/01	86,348	0.05%	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	M	2017/02/01	104,000	0.00%	25,700	0.01%	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	M	2018/04/11	42,000	0.02%	0	0.00%	0	0.00%	Master, Graduate School of Environmental Engineering, National Cheng Kung University	Nil	Nil	Nil	Nil	
Divison VGM	ROC	Lu Chien-kuo	M	2018/04/11	42,029	0.02%	28,000	0.01%	0	0.00%	Graduate School of Biotech Healthcare Management, National Yang-Ming University	Nil	Nil	Nil	Nil	
Divison VGM	ROC	Hsu Ta-chang (Note 4)	M	2018/04/11	58,000	0.03%	0	0.00%	0	0.00%	Master, Graduate School of Civil Engineering, Texas A&M University	Nil	Nil	Nil	Nil	
Divison VGM	ROC	Lo Ssu-yuan	M	2018/04/11	58,000	0.03%	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	

Title (Note 1)	Nationality	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			Noted (Note 3)
					Share count	Share- holding ratio	Share count	Share- holding ratio	Share count	Share- holding ratio			Title	Name	Relation	
Divison VGM	ROC	Tseng Lieh- huang	M	2018/04/11	30,000	0.02%	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	Nil
Divison VGM	ROC	Hou Kun-you	M	2018/11/01	91,835	0.05%	24,000	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	Nil
Divison VGM	ROC	Yang Yuan-zhi	M	2018/11/01	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	Nil
GM Finance	ROC	Hsieh Ming-ju	F	1998/07/01	531,459	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 administrator	Nil	Nil	Nil	Nil	Nil
Director, Finance & Accounting Divison	ROC	Zhong Chi- wen	F	2006/04/21	108,973	0.06%	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	Nil
Chief Audit	ROC	Lin Ya-qing	F	2016/09/01	7,000	0.00%	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	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: When the company's President or equivalent (the highest ranked managerial officer) and the Chairman are the same person, or relatives such as spouses or the first degree of kinship, the information such as the reason, reasonableness, necessity and response measures (For example, increasing the number of independent directors, and having more than half of the directors who do not serve concurrently as employees or managerial officer, etc.) should be provided.

Note 4: Mr. Hsu Ta-chang transferred the position of Enterprise Division President to be a Chief Engineer on November 4, 2019.

Note 5: The book closure date of the Company's 2020 regular shareholders' meeting is on March 29, 2020. The numbers of current shareholding listed in the table are the numbers of shareholding recorded in the 2020 shareholders' registry.

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

3.1 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):

3.1.1 When there is after-tax deficit in the most recent three 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.

3.1.2 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.

3.1.3 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).

3.1.4 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.

3.1.5 A TWSE-listed or TPEX-listed company which is ranked in the lowest tier in the corporate governance evaluation for the most recent fiscal year, or in the most recent fiscal year or as of the printing date of the annual report for that year, has been placed under an altered trading method, been suspended from trading, been delisted from the exchange, or the situations deemed by the Corporate Governance Evaluation Committee that it shall be excluded from evaluation.

3.1.6 A TWSE-listed or TPEX-listed company with the average annual salary of full-time non-supervisory employees in the most recent year being less than NT\$ 500,000.

3.2 If a TWSE-listed or TPEX-listed company has one of the situations specified in the above (1) or (5) of the preceding paragraph, the remuneration information of the supervisors with the highest five remuneration levels shall be individually disclosed.

In the absence of any of the foresaid par 3.1 to par 3.2 circumstances among company directors, presidents and vice presidents, the company has therefore adopted the means of consolidated tally, as coordinated with scale in disclosing the names.





## Remunerations Scale Table

Year 2019

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 \$1,000,000	Director : Sung Kao, Hsin-Ming, Lin, Yue-Yeh , Lou, Chao Tsung(Note12), Chu,Fu- Chuan, Li,Yu-Lung, Wu, You- Mei(Note13), Shi Chunhao(Note13), Deng Tantai(Note13) , Ma, Kuo- Peng(Note12), Hsiao, Ming- Chih(Note12). Independent Director: Lin,Hsiao-Ming Wu, Chung-Pao, Wang, Yi-Chun, Lu Zong-Jenn(Note12)	Director : Sung Kao, Hsin-Ming, Lin, Yue-Yeh , Lou, Chao Tsung(Note12), Chu,Fu-Chuan, Li,Yu-Lung, Wu, You-Mei(Note13), Shi Chunhao(Note13), Deng Tantai(Note13) , Ma, Kuo-Peng(Note12), Hsiao, Ming- Chih(Note12). Independent Director: Lin,Hsiao-Ming Wu, Chung-Pao, Wang, Yi-Chun, Lu Zong-Jenn(Note12)	Director : Lou, Chao Tsung(Note12), Chu,Fu- Chuan, Li,Yu-Lung, Wu, You- Mei(Note13), Shi Chunhao(Note13), Deng Tantai(Note13) , Ma, Kuo- Peng(Note12), Hsiao, Ming- Chih(Note12). Independent Director: Lin,Hsiao-Ming Wu, Chung-Pao, Wang, Yi-Chun, Lu Zong-Jenn(Note12)	Director : Lou, Chao Tsung(Note12), Chu,Fu-Chuan, Li,Yu-Lung, Wu, You-Mei(Note13), Shi Chunhao(Note13), Deng Tantai(Note13) , Ma, Kuo-Peng(Note12), Hsiao, Ming- Chih(Note12). Independent Director: Lin,Hsiao-Ming Wu, Chung-Pao, Wang, Yi- Chun, Lu Zong-Jenn(Note12)
\$1,000,000 (inclusive) ~ \$2,000,000 (preclusive)	Nil	Nil	Nil	Nil
\$2,000,000 (inclusive) ~ \$3,500,000 (preclusive)	Nil	Nil	Nil	Nil
\$3,500,000 (inclusive) ~ \$5,000,000 (preclusive)	Nil	Nil	Nil	Nil
\$5,000,000 (inclusive) ~ \$10,000,000 (preclusive)	Nil	Nil	Sung Kao,Hsin-Ming, Lin Yu-yeh	Sung Kao,Hsin-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	13	13	13	13

\* 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), (3-2-1) or(3-2-2) 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 2019 earnings distribution is formulated and finalized by the management board, and is motioned through before the 2020 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 Sung Kao,Hsin-Ming is allocated with one leased company vehicle, which carries a monthly lease at NTS\$75,000 spanning from Jan. 1, 2019 to Dec. 31 2019; President Lin Yu-Yeh is allocated with one leased company vehicle, which carries a monthly lease at NTS\$31,905 from Jan. 1, 2019 to Dec. 31 2019.

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 2019 consolidated financial statement is NTS\$703,006 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: Our company re-elected the Board of Directors on May 30, 2019. Mr. Ma Kuo-Peng, Mr. Hsiao Ming-Chih, Mr. Lu Zong-Jenn and the representative of Ji-Xuan representative Mr. Lou Chao Tsung resigned the position of director due to the term expire. The shareholder Meeting appointed Ji-Xuan representative Ms. Sung Kao, Hsin-Ming, Mr. Lin Yue-Yeh, Mr. Chu, Fu-Chuan, Mr. Lou Chao Tsung, Mr. Li, Yu-Lung, Mr. Wu, You-Mei to be director and Mr. Lin Hsiao-Ming, Mr. Wu Chung-Pao and Mr. Wang, Yi-Chun to be the independent directors on May 30, 2019.

Note 13: Ennoconn international investment co., Ltd. re-elected representative director on May 30, 2019, and the representative director was Mr. Shi Chunhao. Ennoconn international investment co., Ltd. resigned Mr. Shi Chunhao's representative director position and re-elected Mr. Deng Tantai to be the representative director on June 3, 2019. On Nov 12, 2019, Ennoconn international investment co., Ltd. resigned Mr. Deng Tantai's position and re-elected Ms. Wu, You-Mei to be the director.

### 3.2 The remunerations of the supervisors

All 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 2019

Unit: NTD per thousand; shares

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 8)		Whether collecting remuneration from reinvested entities beyond the subsidiaries (Note 9)
		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 5)	
								Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount			
Chairman doubling as CEO, also as subsidiary president	Sung Kao, Hsin- Ming	79,583	82,439	1,793	1,793	6,570	6,570	18,700	0	18,700	0	15.17%	15.58%	None
President	Lin, Yue-Yeh													
Group GM	Chen Jian-Tsuen													
Group VGM	Wei Jian-Ming													
Divison GM	Huang Zhong-Wen													
Divison GM	Chang Ruei-Ru													
Divison VGM	Li Ruei-Wen													
Divison VGM	Lin Chih-jen													
Divison VGM	Lu Chien-kuo													
Divison VGM	Hsu Ta-chang (Note 10)													
Divison VGM	Lo Ssu-yuan													
Divison VGM	Tseng Lieh-huang													
Divison VGM	Hou Kun-you													
Divison VGM	Yang Yuan-zhi													

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 C to the after-tax net return (%) (Note 8)		Whether collecting remuneration from reinvested entities beyond the subsidiaries (Note 9)
		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 5)	
								Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount			
GM Finance	Hsieh Ming-Ju													

**Remuneration Scale Table**

Year 2019

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 \$1,000,000	Nil	Nil
\$1,000,000 (inclusive) ~ \$2,000,000 (preclusive)	Nil	Nil
\$2,000,000 (inclusive) ~ \$3,500,000 (preclusive)	Hsu Ta-chang(Note 10)	Hsu Ta-chang(Note 10)
\$3,500,000 (inclusive) ~ \$5,000,000 (preclusive)	Yang Yuan-zhi, Lin Chih-jen	Yang Yuan-zhi, Lin Chih-jen
\$5,000,000 (inclusive) ~ \$10,000,000 (preclusive)	Huang Zhong-wen, Wei Jian-ming, Chen Jian-tsuen, Chang Ruei-ru, Li Ruei-Wen, Hsieh Ming-ju, Lo Ssu-yuan, Lu Chien-kuo, Tseng Lieh-huang, Hou Kun-you	Huang Zhong-wen, Wei Jian-ming, Chen Jian-tsuen, Chang Ruei-ru, Li Ruei-Wen, Hsieh Ming-ju, Lo Ssu-yuan, Lu Chien-kuo, Tseng Lieh-huang, Hou Kun-you
\$10,000,000 (inclusive) ~ \$15,000,000 (preclusive)	Sung Kao, Hsin-Ming, Lin, Yue-Yeh	Lin, Yue-Yeh
\$15,000,000 (inclusive) ~ \$30,000,000 (preclusive)	Nil	Sung Kao, Hsin-Ming,
\$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 Sung Kao, Hsin-Ming is allocated with one leased company vehicle, which carries a monthly lease at NT\$75,000 spanning from Jan. 1, 2019 to Dec 31, 2019; President Lin Yu-Yeh is allocated with one leased company vehicle, which carries a monthly lease at NT\$31,905 from Jan. 1, 2019 to Dec. 31 2019; 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\$404,613 from Jan. 1, 2019 to Dec. 31, 2019.

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 2019 individual financial statements' after-tax net return is at NT\$703,006 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. Hsu Ta-chang transferred the position of Enterprise Division President to be a Chief Engineer on November 4, 2019.

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

Year 2019

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	19,800	19,800	2.82%
	President	Lin, Yue-Yeh				
	Group GM	Chen Jian-Tsuen				
	Group VGM	Wei Jian-Ming				
	Divison GM	Huang Zhong-Wen				
	Divison GM	Chang Rucui-Ru				
	Divison VGM	Li Rucui-Wen				
	Divison VGM	Lo Ssu-yuan				
	Divison VGM	Lin Chih-jen				
	Divison VGM	Lu Chien-kuo				
	Divison VGM	Tseng Lieh-huang				
	Divison VGM	Hsu Ta-chang (Note 5)				
	Divison VGM	Hou Kun-you				
	Divison VGM	Yang Yuan-zhi				
	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 remuneration 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 2019 individual financial statements' after-tax net return is at NT\$703,006 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. Hsu Ta-chang transferred the position of Enterprise Division President to be a Chief Engineer on November 4, 2019.

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			
	Year 2018		Year 2019	
	The company	Consolidated statements on all companies	The company	Consolidated statements on all companies
Directors, President and vice presidents	17.05%	17.63%	20.61%	21.25%

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:

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.

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) 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.

(4) 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 11 meetings of the board of directors were held in the previous year (2019). The directors' attendance status is as follows:

① A total of 6 meetings of the 7<sup>th</sup> board of directors were held in the previous year(2019), and 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	6	0	100%	Re-elected on May 31, 2016
Director	Ji-Xuan Investment Corp. representative: Lou Chao Tzung(Note 3)	6	0	100%	Elected on October 31, 2018
Director	E-Win Investment Co. Representative: Lin, Yue-Yeh	5	1	83%	Re-elected on May 31, 2016
Director	Ma ,Kuo-Peng(Note 3)	6	0	100%	Elected on May 31, 2016
Director	Hsiao, Ming-Chih(Note 3)	6	0	100%	Elected on May 31, 2016
Independent Director	Lin, Hsiao-Ming	6	0	100%	Elected on May 31, 2016
Independent Director	Wu, Chung-Pao	5	1	83%	Re-elected on May 31, 2016
Independent Director	Lu, Zong-Jenn(Note 3)	6	0	100%	Re-elected on May 31, 2016

② A total of 5 meetings of the 8<sup>th</sup> board of directors were held in the previous year(2019), and 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	5	0	100%	Re-elected on May 30, 2019
Director	E-Win Investment co representative: Lin, Yue-Yeh	5	0	100%	Re-elected on May 30, 2019
Director	Ennoconn international investment co., Ltd. representative: Chu,Fu-Chuan	5	0	100%	Elected on May 30, 2019
Director	Ennoconn international investment co., Ltd. representative: Lou Chao Tsung	5	0	100%	Elected on May 30, 2019
Director	Ennoconn international investment co., Ltd. representative:Li, Yu-Lung	5	0	100%	Elected on May 30, 2019
Director	Ennoconn international investment co., Ltd. representative: Shi Chunhao (Note 4)	0	1	0%	Resigned on June 3, 2019
Director	Ennoconn international investment co., Ltd. representative: Deng Tantai (Note 4)	2	2	50%	Resigned on Novmeber 12, 2019
Director	Ennoconn international investment co., Ltd. representative: Wu, You-Mei (Note 4)	0	0	0%	Elected on Novmeber 12, 2019

Independent Director	Lin, Hsiao-Ming	5	0	93%	Elected on May 30, 2019
Independent Director	Wu, Chung-Pao	5	0	100%	Elected on May 30, 2019
Independent Director	Wang, Yi-Chun	5	0	100%	Elected on May 30, 2019

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 2018" held by the Board of Directors on the 23<sup>th</sup> of January, 2019, as two directors – Miss Sung 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 which held by the Board of Directors on the 6<sup>th</sup> of June 2019, as two directors – Mr. Lin, Hsiao-Ming and Mr. Wu, Chung-Pao – 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 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. To enhance the governance system and strengthen the function of the board of directors of the Company, Audit Committee was established to replace supervisors' duties.

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: Our company re-elected the Board of Directors on May 30, 2019. Mr. Ma Kuo-Peng, Mr.Hsiao Ming-Chih, Mr.Lu Zong-Jenn and the representative of Ji-Xuan representative Mr. Lou Chao Tsung resigned the position of director due to the term expire. The shareholder Meeting appointed Ji-Xuan representative Ms.Sung Kao,Hsin-Ming, Mr. Lin Yue-Yeh, Mr.Chu,Fu-Chuan, Mr. Lou Chao Tsung, Mr. Li,Yu-Lung, Mr.Wu, You-Mei to be director and Mr.Lin Hsiao-Ming, Mr. Wu Chung-Pao and Mr.Wang, Yi-Chun to be the independent directors on May 30, 2019.

Note 4: Ennoconn international investment co., Ltd. re-elected representative director on May 30, 2019, and the representative director was Mr. Shi Chunhao. Ennoconn international investment co., Ltd. resigned Mr. Shi Chunhao's representative director position and re-elected Mr. Deng Tantai to be the representative director on June 3,2019. On Nov 12, 2019, Ennoconn international investment co., Ltd. resigned Mr. Deng Tantai's position and re-elected Ms. Wu, You-Mei to be the director.

## 4.2 Audit Committee or Attendance of Supervisors for Board Meeting

### 4.2.1. Audit Committee

A total of 9 meetings of the audit committee were held in the previous year (2019). The attendance status of the members is as follows:

- ① A total of 4 meetings of the 1<sup>st</sup> audit committee were held in the previous year (2019). 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	4	100%	Elected on 31 May 2016
Independent Director	Wu, Chung-Pao	4	100%	Elected on 31 May 2016
Independent Director	Lu, Zong-Jenn (Note13)	4	100%	Elected on 31 May 2016

- ② A total of 5 meetings of the 2<sup>nd</sup> audit committee were held in the previous year (2019). 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	5	100%	Re-elected on 30 May 2019
Independent Director	Wu, Chung-Pao	5	100%	Re-elected on 30 May 2019
Independent Director	Wang, Yi-Chun	5	100%	Elected on 30 May 2019

Other matters to be disclosed :

- 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.
- 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.
- 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.)

(3.1) Communications between the independent directors and the internal auditors:

Date	The Major Items of the Communication	Result
2019/1/23	A. No sign of material weaknesses in Control Self-Assessment for 2018. Issuance of the internal control statement report stating that the company's internal control system is designed and implemented effectively. B. The internal audit report for December 2018.	For Board's approval
2019/2/18	The internal audit report for January 2019.	For Board's approval
2019/3/18	The internal audit report for February 2019.	For Board's approval
2019/5/8	The internal audit report for March and April 2019.	For Board's approval
2019/6/6	The internal audit report for May 2019.	For Board's approval
2019/8/2	The internal audit report for June and July 2019.	For Board's approval
2019/10/7	The internal audit report for August and September 2019.	For Board's approval
2019/11/4	A. The internal audit report for October 2019. B. Formulate annual audit plan for 2020 based on risk assessment results.	For Board's approval

(3.2) Communications between the independent directors and the independent auditors:

The independent directors and the independent auditors would communicate in advance before announcing the significant investment, bank financing or audited financial statements.

Date	The Major Items of the Communication	Result
108/2/18	<ol style="list-style-type: none"> <li>1. Reviewing 2018 audited consolidated financial statements and 2018 audited parent financial statements (including the draft of audit report, key audit matters, materiality, related parties transactions, discussion on significant matters with the management, financial analysis, critical accounting estimates and accounting principles, significant events after the balance sheet date and independent auditor independence) and other related matters.</li> <li>2. Independent auditor reported to independent directors the matters mentioned above, and responded to any audit questions raised from the independent directors.</li> <li>3. All of above matters were acknowledged and agreed by all of the independent directors.</li> </ol>	All of the independent directors raised no objection.
108/5/8	<ol style="list-style-type: none"> <li>1. Reviewing 2019 first quarter reviewed consolidated financial statements (including materiality, related parties transactions, significant matters, critical accounting estimates and accounting principles, fraud and unlawful events, significant events after the balance sheet date and management declaration) and independent auditor independence.</li> <li>2. Communicating all of reviewed matters mentioned above from the independent auditor in a written form.</li> <li>3. All of above matters were acknowledged and agreed by all of the independent directors.</li> </ol>	All of the independent directors raised no objection.
108/8/2	<ol style="list-style-type: none"> <li>1. Reviewing 2019 second quarter reviewed consolidated financial statements (including materiality, related parties transactions, significant matters, critical accounting estimates and accounting principles, fraud and unlawful events, significant events after the balance sheet date and management declaration) and independent auditor independence.</li> <li>2. Communicating all of reviewed matters mentioned above from the independent auditor in a written form.</li> <li>3. All of above matters were acknowledged and agreed by all of the independent directors.</li> </ol>	All of the independent directors raised no objection.
108/11/4	<ol style="list-style-type: none"> <li>1. Reviewing 2019 third quarter reviewed consolidated financial statements (including materiality, related parties transactions, significant matters, critical accounting estimates and accounting principles, fraud and unlawful events, significant events after the balance sheet date and management declaration) and independent auditor independence.</li> <li>2. Communicating all of reviewed matters mentioned above from the independent auditor in a written form.</li> <li>3. All of above matters were acknowledged and agreed by all of the independent directors.</li> </ol>	All of the independent directors raised no objection.

\*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.

\*Our company re-elected the Board of Directors on May 30, 2019. Mr. Lu Zong-Jenn resigned the position of independent director due to the term expire.

### 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	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.	None
(2) The company’s possession of a list of major shareholders and a list of ultimate owners of these major shareholders	V		(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) Risk management mechanism and “firewall” between the company and its affiliates	V		(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) Internal regulation to prevent insider trading	V		(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.	
3. Composition and Responsibilities of the Board of Directors				
(1) The diversity of board members	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.	None
(2) The establishment of other functional committees beside of Compensation Committee and Audit Committee	V		(2) Beside Compensation Committee in accordance with law, Audit Committee was set up in 2016 to execute supervisors’ responsibilities.	
(3) Board Performance Evaluation and Director Appraisal and report the results of the performance evaluation to the Board of Directors, and apply them as a reference for individual directors’ remuneration and nomination for reappointment.	V		(3) The Company has formulated the Regulations Governing Performance Evaluation of the Board of Directors, which specify the measurement items for the performance evaluation, including the level of participation in the Company’s operations, improving the quality of the Board’s decision-making, composition and structure of the Board of Directors, selection of the Board of Directors,	

(4) Regular evaluation of external auditors' independence	V		<p>continuous training, and internal control. After the end of the year, the evaluation is carried out based on various evaluation indicators, and reported to the Board of Directors in the following year. If there are any significant differences among the evaluation results of individual directors, they will be listed as a reference for nomination and performance.</p> <p>(4) The Company regularly evaluates the independence and suitability 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.</p>	
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	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.	None
(2) Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting	V		(2) The Company has designated a responsible person of Finance & Accounting Division to handle information collection and disclosure and has appointed a spokesperson.	

<p>investors conference)  (3) Does the company announce and register the annual financial report within two months after the end of the fiscal year, and announce and register the first, second and third quarter financial reports and the monthly operating situations before the prescribed time limit?</p>	V		<p>(3) The Company announces and registers the annual and quarterly financial reports and monthly operating situations before the prescribed time limit, in response to the laws and regulations and the Group's overall planning.</p>	
<p>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 risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors):</p>	V		<p>(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 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,</p>	None

			which can reduce risks resulting from fault and misconduct by directors, supervisors and officers.	
<p>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 “5th term public listed on April 30, 2019, 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:</p> <ol style="list-style-type: none"> <li>1. The term of the Company's directors expired in 2019 and the complete re-election of directors was held at the regular shareholders' meeting. After the re-election, the Company has two independent directors whose consecutive terms have not been more than nine years.</li> <li>2. The resolutions made by the Company’s Audit Committee are all disclosed in this annual report.</li> <li>3. The Company has purchased directors liability insurance for all directors, and reported to the Board of Directors on June 6, 2019.</li> </ol>				

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

March 29, 2020

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	9	10		
Independent Director	Wu, Chung-Pao	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	N/A
Independent Director	Lu, Zong- Jenn (Note3)	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	N/A
Independent Director	Lin Hsiao- Ming	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	N/A
Other	Chao, Rong- Shiang (Note3)	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	N/A
Other	Hsiao Minzhi	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	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, employee of the other company controlled by the same person holding a director seat or more than half of the voting rights of the Company, unless they are concurrently serving as independent directors established by the Company and its parent company, its subsidiary or a subsidiary of the same parent company in accordance with this Act or the local laws of the country of the company.
- (7) Not a director, supervisor, or employee of the other company or organization whose chairperson, president or the person of equivalent position is the same as the person of the Company or their spouse, unless they are concurrently serving as independent directors established by the Company and its parent company, its subsidiary or a subsidiary of the same parent company in accordance with this Act or the local laws of the country of the company.
- (8) 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, unless the particular company or organization holds more than 20%, but not more than 50%, of the Company's total issued shares, and they are concurrently serving as independent directors established by the Company and its parent company, its subsidiary or a subsidiary of the same parent company in accordance with this Act or the local laws of the country of the company.
- (9) Not provide audit services, or provide commerce, receiving less than NT\$ 500,000 in the past two years, to the Company or to any affiliate of the Company, 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.
- (10) Not been a person of any conditions defined in Article 30 of the Company Law.

Note 3: Our company re-elected the Board of Directors on May 30, 2019. The 4<sup>th</sup> Compensation Committee members were re-elected due to the 3<sup>rd</sup> Compensation Committee term expires on June 6, 2019.

Note 4: The book closure date of the Company's 2020 regular shareholders' meeting is on March 29, 2020. The numbers of current shareholding listed in the table are the numbers of shareholding recorded in the 2020 shareholders' registry.

- (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

The Compensation Committee consists of 3 members.

In 2019, Compensation Committee held 3 meetings(A). The Committee members' attendance status is as follows:

① The term of the 3<sup>rd</sup> committee was from June 8, 2016 to May30, 2019(Note3):

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%) (B/A)(Note)	Remarks
Chairman	Wu Chung-Pao	2	0	100%	Resigned on May 30, 2019
Member	Lu Zong-Jenn	2	0	100%	Resigned on May 30, 2019
Member	Chao, Rong-Shiang	2	0	100%	Resigned on May 30, 2019

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.

(3) Our company re-elected the Board of Directors due to the 3rd compensation committee term expires on May 30, 2019.

② The term of the 4<sup>th</sup> committee is from June 6, 2019 to May30, 2022(Note3):

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%) (B/A)(Note)	Remarks
Chairman	Wu Chung-Pao	1	0	100%	Re-elected on June 6, 2019
Member	Lu Zong-Jenn	1	0	100%	Re-elected on June 6, 2019
Member	Hsiao, Ming-Chih	1	0	100%	Re-elected on June 6, 2019

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.

(3) Our company approved the members of 4th Compensation Committee on the Board of Directors on June 6, 2019.

#### 4.5 Implementation of Social Responsibility

Item	Implementation Status(Note 1)			Deviation from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reason(s)
	Yes	No	Summary(Note 2)	
1. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations and formulate relevant risk management policies or strategies based on the principle of materiality? (Note3)	V		The Company implements ISO 14001 (environmental management system) and has also passed ISO 45001 (occupational safety and health management system) to incorporate sustainable environmental development strategies into the management system, such as climate change, resource efficiency improvement, suppression of environmental impacts caused by pollutants, etc. The Company fulfills the commitment of sustainable development, and meets the requirements of laws and regulations and customer requirements of continuous improvement, moving towards the goal of environmental safety and health sustainability.	None
2. Dedicated organization for the promotion and execution of corporate social responsibility	V		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.	None
3. Sustainable Environment Development				None
(1) Environmental management system designed to industry characteristics	V		(1) 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.	
(2) Commitment to improving resources utilization and the use of renewable materials	V		(2) 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.	
(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.	
(4) Does the company calculate the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving, carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	V		(4) The Company sets an energy saving and carbon reduction target of 1% per year, and calculates the discharge amounts of various discharge sources, electricity consumption, water consumption and waste recycling in each plant area. For the management of waste, in addition to adopting the method of source reduction, the Company continues to improve the recycling rate of waste, through the greenhouse gas inventory results, sets the priority of the reduction, confirms the reduction results, carries out the solar power planning of Nanke Plant, conducting sustainable environmental protection such as pollution prevention and energy management.	

Item	Implementation Status(Note 1)			Deviation from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reason(s)
	Yes	No	Summary(Note 2)	
4. 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) Does the company establish and implement reasonable employee welfare measures (including compensation, leaves, other benefits, etc.), and appropriately reflect the operating performance or results in employee compensation?	V		(2) The Group's Human Resources Department and the Remuneration Compensation Committee jointly formulate policies on compensation and remuneration. The design of compensation is mainly to support the Company's goals, effective recruitment, incentives and retention of talents. The Company continues to collect and analyze information on the salary market externally, and make adjustment in response to inflation, in order to maintain the overall salary level and competitiveness. Internally, it is expected to provide incentives to excellent employees and comply with internal fairness. Regarding the salary of newly recruited employees, the Company provides different salaries according to the background conditions such as the position and level of responsibility, academic background and work experience, and will not discriminate against factors such as gender, race, religious belief, political position, marital status, groups participated, etc. There are also reasonable and complete specifications on the distribution of bonuses. The Company also establishes the Regulations Governing Reward and Punishment, and the relevant reward and punishment will also reflect in the adjustment of the annual performance assessment as a basis for salary adjustment and promotion.	
(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) Effective capabilities development program for employees	V		(4) 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.	
(5) Compliance with products and services marketing and labeling regulations and international standards	V		(5) 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.	
(6) Evaluation of suppliers	V		(6) 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 protection, safety and hygiene management system, industrial safety	

Item	Implementation Status(Note 1)			Deviation from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reason(s)
	Yes	No	Summary(Note 2)	
			evaluation rules and high-risk operations skills certification system.	
5. Enhancement of Information Disclosure (1) Does the company take reference to international reporting standards or guidelines to prepare reports such as the corporate social responsibility report, etc., that disclose the company’s non-financial information?	V		The Company has the aforementioned report obtained the confirmation or assurance opinion of a third-party certification unit? The Company’s report issued every year is prepared in the spirit of GRI Standards. The corporate social responsibility report prepared by the Company has not obtained the confirmation or assurance opinions of a third-party certification unit.	None
6. 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”.				
7. 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.				

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.

Note 3: The principle of materiality refers to those have material impacts on the company’s investors and other stakeholders in relation to environmental, social and corporate governance issues.

#### 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.	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.	None

Item	Implementation Status			Deviation from “Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies” and reason(s)
	Yes	No	Summary	
(3) The company establishes appropriate measures for preventing bribery and illegal political contribution for higher potential unethical conduct in the relevant policies.	V		(3) The Company is in compliance with “Corporate Conduct and Ethics Best Practice 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 Division. The mailbox related information shall be	

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	V		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) Measures to protect reporters	V		(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

### Marketch International Corp. Internal Control Statement

Date: March 5<sup>th</sup>, 2020

Based on the results of examination from the 2019 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 31<sup>st</sup> of December 2019 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 March 5<sup>th</sup>, 2020 with the presence of 9 directors without any objection. The rest also agreed with the content of the statement.

Marketch 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
2019/05/30	<ol style="list-style-type: none"> <li>1. Recognized company 2018 operating report and financial report proposal. State of implementation: voted and approved before the 2019 shareholders' meeting.</li> <li>2. Recognized company 2018 earnings distribution proposal. State of implementation: a resolution voted before the 2019 shareholders' meeting approving for distributed cash dividend of NT\$3.0 per share, with cash dividend having been distributed as of August 8, 2019.</li> <li>3. Approved amending company "Acquisition or Disposal of Assets" proposal. State of implementation: a resolution has been approved before the 2019 shareholders' meeting, with relevant matters having been executed per the amended Acquisition or Disposal of Assets procedure..</li> <li>4. Approved amending company "endorsement, guarantee operating procedure" proposal. State of implementation: a resolution has been approved before the 2019 shareholders' meeting, with relevant matters having been executed per the amended endorsement, guarantee operating procedure.</li> <li>5. Approved amending company "capital lending to other operating procedure" proposal. State of implementation: a resolution has been approved before the 2019 shareholders' meeting, with relevant matters having been executed per the amended capital lending to others operating procedure.</li> <li>6. Re-elected the Board of Director. State of implementation: a resolution has been approved before the 2019 shareholders' meeting, with relevant matters having been announced the election results and registration of changes.</li> <li>7. Approved dismissal of non-competition restrictions on directors proposal. State of implementation: a resolution has been approved before the 2019 shareholders' meeting, with relevant matters having been executed by related law and regulations.</li> </ol>

#### 4.11.2. Important Resolutions at Board of Directors' Meeting

Date	Resolutions
2019/01/23	<ol style="list-style-type: none"> <li>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.</li> <li>2. Approved the independent review of CPAs (certified public accountant) and accounting firm to which they belong in 2019.</li> <li>3. Approved the Company's bank financing quota.</li> <li>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.</li> <li>5. Approved the cancellation of the endorsement/guarantee provided by the Company to its subsidiary Marketech International Sdn. Bhd.</li> </ol>
2019/02/18	<ol style="list-style-type: none"> <li>1. Approved the Company's 2018 Individual Financial statements and Consolidated Financial Statements.</li> <li>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.</li> <li>3. Approved the Company's 2018 Distribution of Compensations of Board Directors and Employees.</li> <li>4. Approved the Company's 2018 Earnings Distribution.</li> <li>5. Approved the Company's 2018 Internal Control Statement.</li> <li>6. Approved the date of, location of and reasons for holding the Company's 2019 Shareholders' Meeting.</li> <li>7. Approved the re-election of the Company' board directors.</li> <li>8. Approved the stipulation of the nomination period of to-be-re-elected board directors and independent directors in 2019.</li> <li>9. Approved the Company's 2019 Distribution of Special Bonus.</li> </ol>

Date	Resolutions
2019/03/18	<ol style="list-style-type: none"> <li>1. Approved the case of re-election of candidates by the directors and independent directors of the Company in 2019.</li> <li>2. Approved company 2019 scheduled shareholders' convening reason proposal.</li> </ol>
2019/03/28	<ol style="list-style-type: none"> <li>1. Approved the case of re-election of candidates by the board of directors in 2019.</li> </ol>
2019/04/02	<ol style="list-style-type: none"> <li>1. Approved company 2018 individual financial report and consolidated financial report proposal.</li> <li>2. Audited the case of re-election of candidates by the directors and independent directors of the Company in 2019.</li> <li>3. Approved the case of dismissal of non-competition restrictions on newly elected directors.</li> <li>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".</li> <li>5. Approved the Company's bank financing quota.</li> <li>6. Approved the proposal of having the Company provided product sales guarantee for its subsidiary Marketech Integrated Pte. Ltd.</li> <li>7. Approved the purchase of ordinary stocks with issued employee stock option for the issuance of new shares.</li> <li>8. Approved the conversion of the 3rd offering of domestic unsecured convertible corporate bonds into ordinary shares for issuing of new shares.</li> </ol>
2019/05/08	<ol style="list-style-type: none"> <li>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.</li> <li>2. Approved the proposal of having the Company loaned money to its subsidiary Marketech Integrated Pte. Ltd.</li> <li>3. Approved the proposal of investing Stek Co., Ltd.</li> </ol>
2019/05/30	<ol style="list-style-type: none"> <li>1. Approved the re-election of the CEO.</li> </ol>
2019/06/06	<ol style="list-style-type: none"> <li>1. Approved the Company's cash dividend distribution base date.</li> <li>2. Approved the appointment of members of Compensation Committee.</li> <li>3. Approved the proposal of the amendments to the "Remuneration Committee Charter."</li> <li>4. Approved the proposal of the amendments to the "payroll and personnel cycle" of the internal control system.</li> <li>5. Approved the proposal of the formulation of the "Standard Operating Procedures for Handling Directors' Requests."</li> <li>6. Approved the Company's bank financing quota.</li> <li>7. Approved the proposal of having Company become the bank financing guarantor of its reinvested subsidiary MIC-Tech Electronics Engineering Corp. and MIC-Tech (Shanghai) Co. Ltd.</li> <li>8. Approved the purchase of ordinary stocks with issued employee stock option for the issuance of new shares.</li> <li>9. Approved the conversion of the 3rd offering of domestic unsecured convertible corporate bonds into ordinary shares for issuing of new shares.</li> <li>10. Approved the proposal of increasing the Company's investment to our subsidiary Marketech Integrated Manufacturing Co., Ltd.</li> </ol>
2019/08/02	<ol style="list-style-type: none"> <li>1. Approved the Company's bank financing quota.</li> <li>2. Approved the proposal of having Company become the bank financing guarantor of its subsidiaries MIC-Tech Electronics Engineering Corp., MIC-Tech (Shanghai) Co. Ltd and MIC-Tech (WuXi) Co., Ltd.</li> <li>3. Approved the proposal of having the Company provided product sales guarantee to Japan Pionics Co., Ltd. for its subsidiary Shanghai Puritic Co., Ltd.</li> <li>4. Approved the proposal of having the Company provided product sales guarantee to Japan Pionics Co., Ltd. for its subsidiary Shanghai Puritic Co., Ltd and Marketech Integrated Pte. Ltd.</li> <li>5. Approved amendments to the Board of Performance Evaluation proposal.</li> <li>6. Approved amendments to the proposal of compensation of directors.</li> <li>7. Approved the consolidated financial budgets of 2019.</li> </ol>
2019/10/07	<ol style="list-style-type: none"> <li>1. Approved the Company's bank financing quota.</li> <li>2. Approved the proposal of having Company become the bank financing guarantor of its subsidiaries Shanghai Puritic Co., Ltd.</li> </ol>

Date	Resolutions
	<ol style="list-style-type: none"> <li>3. Approved the proposal of having Company become the bank financing guarantor of its subsidiaries Marketech International Corporation USA.</li> <li>4. Approved the proposal of having the Company provided product sales guarantee to its subsidiary MIC-Tech Electronics Engineering Corp.</li> <li>5. Approved the purchase of ordinary stocks with issued employee stock option for the issuance of new shares.</li> <li>6. Approved the conversion of the 3rd offering of domestic unsecured convertible corporate bonds into ordinary shares for issuing of new shares.</li> <li>7. Approved the proposal of having Company become the bank financing guarantor of its business partner Te Chang Construction Co., Ltd.</li> </ol>
2019/11/04	<ol style="list-style-type: none"> <li>1. Approved the Company's bank financing quota.</li> <li>2. Approved the proposal of having Company become the bank financing guarantor of its subsidiaries Marketech International Sdn. Bhd.</li> <li>3. Approved the proposal of having Company become the bank financing guarantor of its subsidiaries eZoom Information Inc.</li> <li>4. Approved the proposal of the bank account opening agreement.</li> <li>5. Approved the Company's 2020 Audit Plan.</li> </ol>
2020/01/09	<ol style="list-style-type: none"> <li>1. Approved the Company's internal control system Proposal.</li> <li>2. Approved the Company's bank financing quota.</li> <li>3. Approved the proposal of having Company become the bank financing guarantor of its subsidiaries MIC-Tech Electronics Engineering Corp., MIC-Tech (Shanghai) Co. Ltd and MIC-Tech (WuXi) Co., Ltd.</li> <li>4. Approved the amemdation proposal of having Company become the bank financing guarantor of its subsidiaries MIC-Tech Electronics Engineering Corp and MIC-Tech (Shanghai) Co. Ltd.</li> <li>5. Approved the proposal of having Company become the bank financing guarantor of its subsidiaries Marketech International Corporation USA.</li> <li>6. Approved company capital lending proposal to its subsidiary Marketech International Sdn. Bhd.</li> <li>7. Approved the Company's 2018 undistributed surplus for substantive investment proposal.</li> <li>8. Approved the independent review of CPAs (certified public accountant) and accounting firm to which they belong in 2020.</li> <li>9. Approved the purchase of ordinary stocks with issued employee stock option for the issuance of new shares.</li> <li>10. 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.</li> </ol>
2020/03/05	<ol style="list-style-type: none"> <li>1. Approved the Company's 2019 Individual Financial statements and Consolidated Financial Statements.</li> <li>2. Approved the Company's 2019 Distribution of Compensations of Board Directors and Employees.</li> <li>3. Approved the Company's 2019 Earnings Distribution.</li> <li>4. Approved the Company's 2019 Internal Control Statement.</li> <li>5. Approved the date of, location of and reasons for holding the Company's 2020 Shareholders' Meeting.</li> <li>6. Approved company 2019 individual financial report and consolidated financial report proposal.</li> <li>7. Approved company articles of incorporation amendment proposal</li> <li>8. Approved the case of mending the Company's "Procedures for Acquisition or Disposal of Assets".</li> <li>9. Approved the case of dismissal of non-competition restrictions on newly elected directors.</li> <li>10. Approved the Company's 2018 Distribution of Special Bonus.</li> <li>11. Approved the proposal of having Company become the bank financing guarantor of its subsidiaries MIC-Tech (WuXi) Co., Ltd.</li> <li>12. Approved company capital lending proposal to its subsidiary Marketech Integrated Pte. Ltd.</li> <li>13. Approved the consolidated financial budgets of 2019.</li> <li>14. Approved the proposal of building the clean room in Phase I of Tainan Science Park factory.</li> <li>15. Approved the proposal of building the Solar photovoltaic system.</li> <li>16. Approved the proposal of investing Kinestral Technologies, Inc.'s bridge loan.</li> </ol>
2020/04/10	<ol style="list-style-type: none"> <li>1. Approved the purchase of ordinary stocks with issued employee stock option for the issuance of new shares.</li> </ol>

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, 2019 – Dec. 31, 2019	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

Public expense		Audit Fee	Non-audit Fee	Total
Amount				
1	Below 2,000	0	0	0
2	2,000 (included)~4,000	0	0	0
3	4,000 (included)~6,000	0	0	0
4	6,000 (included)~8,000	6,317	0	6,317
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 10 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: None.

## 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	2019		Till March 31, 2020	
		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 1) (4 seats)	Ennoconn International Investment Co., Ltd. (Note 2)	0	0	0	0
Director (2 seats)	Ji-Xuan Investment Corp.	0	0	0	0
Director	E-Win Investment Company	0	0	0	0
Independent director	Wu, Chung -pao	0	0	0	0
Independent director	Lin, Hsiao-Ming	0	0	0	0
Independent director	Wang, Yi-Chun	0	0	0	0
Independent director	Lu, Zong-Jenn(Note3)	0	0	0	0
Director	Ma, Guo-peng(Note3)	0	0	0	0
Director	Hsiao, Min-chih(Note3)	0	0	0	0
Chairman and CEO	Sung Kao,Hsin-Ming	0	0	0	0
President	Lin, Yue-yeh	0	0	0	0
Group GM	Chen Jian-Tsuen	47,000	0	0	0
Group VGM	Wei Jian-Ming	0	0	0	0
Divison GM	Huang, Zhong-wen	28,000	0	17,500	0
Divison GM	Chang Ruei-Ru	28,000	0	0	0
Divison VGM	Li Ruei-wen	59,000	0	45,000	0
Divison VGM	Lin Chih-jen	0	0	(13,000)	0
Divison VGM	Lu Chien-kuo	(8,000)	0	15,000	0
Divison VGM	Hsu Ta-chang (Note 5)	(20,000)	0	0	0
Divison VGM	Lo Ssu-yuan	43,000	0	15,000	0
Divison VGM	Tseng Lieh-huang	7,500	0	7,500	0
Divison VGM	Hou Kun-you	57,250	0	0	0
Divison VGM	Yang Yuan-zhi	0	0	0	0
Vice General Manager and Financial Supervisor	Hsieh, Ming-Ju	20,000	0	0	0
Accounting Supervisor	Zhong, Chi-wen	17,500	0	0	0

Note 1: Shareholders with 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: Our company re-elected the Board of Directors on May 30, 2019. Mr. Ma Kuo-Peng, Mr.Hsiao Ming-Chih, Mr.Lu Zong-Jenn and the representative of Ji-Xuan representative Mr. Lou Chao Tsung resigned the position of director due to the term expire. The shareholder Meeting appointed Ji-Xuan representative Ms.SungKao,Hsin-Ming, Mr. Lin Yue-Yeh, Mr.Chu,Fu-Chuan, Mr. Lou Chao Tsung, Mr. Li,Yu-Lung, Mr.Wu, You-Mei to be director and Mr.Lin Hsiao-Mingon, Mr. Wu Chung-Pao and Mr.Wang, Yi-Chun to be the independent directors on May 30, 2019.

Note 4: Ennoconn international investment co., Ltd. re-elected representative director on May 30, 2019, and the representative director was Mr. Shi Chunhao. Ennoconn international investment co., Ltd. resigned Mr. Shi Chunhao's representative director position and re-elected Mr. Deng Tantai to be the representative director on June 3,2019. On Nov 12, 2019, Ennoconn international investment co., Ltd. resigned Mr. Deng Tantai's position and re-elected Ms. Wu, You-Mei to be the director.

Note 5: Mr. Hsu Ta-chang transferred the position of Enterprise Division President to be a Chief Engineer on November 4, 2019.

Note 6: The book closure date of the Company's 2020 regular shareholders' meeting is on March 29, 2020. The numbers of current shareholding listed in the table are the numbers of shareholding recorded in the 2020 shareholders' registry.

### 8.2 Equity transfer

Directors, supervisors, managers and other shareholders with more than 10% of shares have no transfer of the equity.

### 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 or a relative within the second degree of kinship of another

March 29, 2020  
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	44.62% *0.00%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	None	None	None
Ji-Xuan Investment Corp: Sung Kao,Hsin-Ming	11,005,795 *2,010,513	5.88% *1.07%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	Sung Kao,Hsin-Ming	Person in charge of the company	None
E-Win Investment Company: Lin, Yu-yeh	6,647,112 *5,986,097	3.55% *3.20%	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	3.20%	0	0.00%	0	0.00%	• Probeleader Co., Ltd. • Lin, Yu-Yao	• Person in charge of the company • Brother relationship	None
Ji Chang Investment Company: Sung, Bing-Zhong	2,898,955 *2,398,492	1.55% *1.28%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	• Sung Kao,Hsin-Ming • Sung, Feng-Pei	• Mother and son in relationship • Sisters relationship	None
Sung, Bing-Zhong	2,398,492	1.28%	0	0.00%	0	0.00%	• Ya Tai Investment Company Yang, Yi-Shun • Sung Kao,Hsin-Ming • Sung, Feng-Pei	• Person in charge of the company • Mother and son in relationship • Sisters relationship	None
Lin, Yu-Yao	2,279,515	1.22%	0	0.00%	0	0.00%	Lin, Yu-yeh	Brothers	None
Ya Tai Investment Company: Yang, Yi-Shun	2,150,000 *232,000	1.15% *0.12%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	None	None	None
Sung Kao,Hsin-Ming	2,010,513	1.07%	0	0.00%	0	0.00%	• Ji-Xuan Investment Corp: Sung Kao,Hsin-Ming • Sung, 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	1.05%	0	0.00%	0	0.00%	• Sung Kao,Hsin-Ming • Sung, 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.

Note 4: The book closure date of the Company's 2020 regular shareholders' meeting is on March 29, 2020. The numbers of current shareholding listed in the table are the numbers of shareholding recorded in the 2020 shareholders' registry.

**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, 2019

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.	40,069,104	100.00%	0	0.00%	40,069,104	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.	894,987	100.00%	0	0.00%	894,987	100.00%
Marketech Integrated Manufacturing Company Limited	1,535,600	100.00%	0	0.00%	1,535,600	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.	600,000	100.00%	0	0.00%	600,000	100.00%
Marketech International Corporation USA.	750,000	100.00%	0	0.00%	750,000	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	29.41%	2,700,000	40.91%	4,700,000	69.11%
MIC-Tech Ventures Asia Pacific Inc.	0	0.00%	39,966,604	100.00%	39,966,604	100.00%
Marketech Integrated Construction Co., Ltd.	0	0.00%	63,500	97.69%	63,500	97.69%
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 Integrededy 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%
Rusky 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%
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%
Smart Health Corp.	150,000	42.86%	0	0.00%	150,000	42.86%
Leader Fortune Enterprise Co., Ltd.	0	0.00%	303,000	31.43%	303,000	31.43%
Macrotec Technology(Shanghai) Co.LTD.	0	0.00%	0	31.43%	0	31.43%
Fortune Blessing Co., Limited	0	0.00%	500,000	27.78%	500,000	27.78%
Fortune International Corporation	0	0.00%	0	27.78%	0	27.78%

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:

April 30, 2020  
Unit : NTD per share

mm/yy	Issue price	Rated capital for shares		Actual received capital for shares		Note	Stock of assets other than cash	Others
		Shares	Amount	Shares	Amount			
Jan. 2019	10	250,000,000	2,500,000,000	185,591,264	1,855,912,640	shares changed from the equity for employees dividends: 132,250 shares changed from the equity for Corporate Bond: 1,361,867	N/A	Note 1
Apr. 2019	10	250,000,000	2,500,000,000	185,690,424	1,856,904,240	shares changed from the equity for employees dividends: 60,250 shares changed from the equity for Corporate Bond: 872,175	N/A	Note 2
Jul. 2019	10	250,000,000	2,500,000,000	185,787,007	1,857,870,070	shares changed from the equity for employees dividends: 46,000 shares changed from the equity for Corporate Bond: 50,583	N/A	Note 3
Oct. 2019	10	250,000,000	2,500,000,000	186,669,950	1,866,699,500	shares changed from the equity for employees dividends: 486,250 shares changed from the equity for Corporate Bond: 396,693	N/A	Note 4
Feb. 2020	10	250,000,000	2,500,000,000	186,839,950	1,868,399,500	shares changed from the equity for employees dividends: 170,000	N/A	Note 5
Apr. 2020	10	250,000,000	2,500,000,000	187,075,700	1,870,757,000	shares changed from the equity for employees dividends: 235,750	N/A	Note 6

Note 1: As stipulated under the Financial Supervisory Commission's Taiwan FSC correspondence No. 10801007010 directive on January 19, 2019.  
 Note 2: As stipulated under the Financial Supervisory Commission's Taiwan FSC correspondence No. 10801045290 directive on April 22, 2019.  
 Note 3: As stipulated under the Financial Supervisory Commission's Taiwan FSC correspondence No. 10801098720 directive on July 18, 2019.  
 Note 4: As stipulated under the Financial Supervisory Commission's Taiwan FSC correspondence No. 10801145920 directive on October 28, 2019.  
 Note 5: As stipulated under the Financial Supervisory Commission's Taiwan FSC correspondence No. 10901012350 directive on February 4, 2020.  
 Note 6: As stipulated under the Financial Supervisory Commission's Taiwan FSC correspondence No. 10901066860 directive on April 28, 2020.

March 3, 2020 : Unit: shares

Share type	Rated capital for shares					Note
	Issued shares (note)			Unissued shares	Total	
	Listed (note)	OTC (counter)	Total			
Registered ordinary shares	187,075,700	0	187,075,700	62,924,300	250,000,000	N/A

Note1: 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.)

Note2: The book closure date of the Company's 2020 regular shareholders' meeting is on March 29, 2020. The numbers of current shareholding listed in the table are the numbers of shareholding recorded in the 2020 shareholders' registry.

Related information of General Application System: not applicable

#### 1.2 Structure of shareholders

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

March 29, 2020  
Unit: shar; person; %

Structure of shareholders Number	Government agency	Financial constitutions	Other juristic person	Individual	Foreign constitution and foreigner	Total
Number (person)	0	1	55	13,781	51	13,888
Number (share)	0	36,000	112,817,025	66,133,169	8,089,506	187,075,700
Ration of shareholding (%)	0.00%	0.02%	60.30%	35.36%	4.32%	100.00%

#### 1.3 Allocation of shares

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

March 29, 2020  
Unit: shar; person;

Shareholding level	Shareholder (persons)	Number (shares)	Shareholding ration (%)
1 to 999	1,738	427,626	0.23%
1,000 to 5,000	10,403	19,515,623	10.43%
5,001 to 10,000	976	7,844,601	4.19%
10,001 to 15,000	267	3,414,904	1.83%
15,001 to 20,000	173	3,239,726	1.73%
20,001 to 30,000	118	3,045,280	1.63%
30,001 to 40,000	52	1,845,753	0.99%
40,001 to 50,000	33	1,529,516	0.82%
50,001 to 100,000	54	3,687,042	1.97%
100,001 to 200,000	35	4,731,561	2.53%
200,001 to 400,000	15	4,080,866	2.18%
400,001 to 600,000	4	2,108,059	1.13%
600,001 to 800,000	2	1,382,422	0.74%
800,001 to 1,000,000	2	1,773,000	0.95%
Above 1,000,001	16	128,449,721	68.65%
Total	13,888	187,075,700	100.00%

Note: The book closure date of the Company's 2020 regular shareholders' meeting is on March 29, 2020. The numbers of current shareholding listed in the table are the numbers of shareholding recorded in the 2020 shareholders' registry.

#### 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:

March 29, 2020			
Names of major shareholders	Shares	Share held (shares)	Shareholding ratio (%)
Ennconn International Investment Co., Ltd.		83,468,613	44.62%
Ji-Xuan Investment Corp		11,005,795	5.88%
E-Win Investment Company		6,647,112	3.55%
Lin, Yu-yeh		5,986,097	3.20%
Ji Chang Investment Company		2,898,955	1.55%
Sung, Bing-Zhong		2,398,492	1.28%
Lin, Yu-Yao		2,279,515	1.22%
Ya Tai Investment Company		2,150,000	1.15%
Sung Kao, Hsin-Ming		2,010,513	1.07%
Sung, Feng-Pei		1,959,734	1.05%

Note: The book closure date of the Company's 2020 regular shareholders' meeting is on March 29, 2020. The numbers of current shareholding listed in the table are the numbers of shareholding recorded in the 2020 shareholders' registry.

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

Unit : NT\$ ; thousand shares ; %

Item	2018	2019	Jan 1 to Mar 31, 2020(Note 8)
Market Price per Share(Note 1)	Highest Market Price(Note 1)	82.80	94.80
	Lowest Market Price(Note 1)	37.10	44.85
	Average Market Price(Note 1)	56.40	56.08
Net Worth per Share(Note 2)	Before Distribution	30.53	31.04
	After Distribution(Note 2)	27.53(Note2)	28.44(Note2)
Earnings per Share	Weighted Average Shares	180,063	186,085
	Earning (loss) per share (before the retroactive adjustment)(Note 3)	4.40	3.78
	Earning (loss) per share (after the retroactive adjustment) (Note 3)	4.40	3.78
Dividends per Share	Cash Dividends	3.00(Note2)	2.60(Note2)
	Stock Dividends	Dividends from Retained Earnings	0
		Dividends from Capital Surplus	0
	Accumulated Undistributed Dividends(Note 4)	0	0
Return on Investment	Price - Earnings Ratio (Note 5)	12.82	14.84
	Price - Dividend Ratio(Note 6)	18.80(Note2)	21.57(Note2)
	Cash Dividend Yield Rate(Note 7)	5.32%( Note2)	4.64%( Note2)

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.

Note 2: Refers to the number of issued shares at the end of the year and the distribution finalized at Annual Shareholders' Meeting; 2019 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-Earnings Ratio = average closing price per share of 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 2018 and 2019 consolidated financial statement certified by the accountant and 2020 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	\$ 1,561,032,300
Deduction: Adjusted un-appropriated earnings in 2019(Note 1)	(8,625,416)
Unappropriated earnings after the adjustment	1,552,406,884
Increment: Net income in 2019	703,006,135
Deduction: Legal reserve	(70,300,614)
Deduction: Special reserve (Note 2)	(78,008,004)
To-be- appropriated earnings in total	2,107,104,401
Appropriation item(s): (Note 3)	
Shareholders' dividend – Cash 2.60 / per share	(485,783,870)
Unappropriated earnings at period end	\$1,621,320,531

Note 1: 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 2019 and then transferred into retained earnings, NTD 8,625,416.

Note 2: The net amount of other equity deductions exceeded the special surplus reserve provided in 2019.

Note 3: The distributed profit was generated mainly in 2019 as the priority.

Note 4: Regarding the dividend distribution rate set in profit distribution proposal, if the 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 2020 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 2019 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 2019 Employees' Compensation and Directors Remuneration, Board of Director already approved the proposal in the meeting held on March 5 of 2020, where NT\$ 98,676,035 will be distributed to employees as compensation and NT\$ 9,867,603 will be distributed to directors as remuneration.

Unit: dollars	
Subject	Amount to be appointed
Employees' Compensation-Cash dividends	98,676,035
Employees' Compensation-Stock dividends	0
Director and supervisor compensation	9,867,603

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

The 2019 estimated dividends are 98,676,035 dollars and the director compensation is 9,867,603 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 2019			
	The appointed amount	Estimated amount	Difference	Cause
Status				
1. Cash dividends	111,000,000	111,000,000	0	0
2. Stock dividends				
(1) Stock	0	0	0	0
(2) Cash	0	0	0	0
3. Compensation for directors	11,111,000	11,111,000	0	0

1.9 Buy-back: None

**2. Bonds :**

The company issued the 3<sup>rd</sup> domestic unsecured convertible corporate bond on August 22, 2016. The converted corporate bonds were fully converted before maturity, and the total value of the converted corporate bonds of NT \$ 500,000,000 was converted into 18,533,194 ordinary shares.

**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, 2020

Types of Employee Subscription Warrants (Note 2)	1 <sup>st</sup> 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	3,472,750 shares
Amount of subscribed shares	NT\$ 58,197,625
Number of non-subscribed shares	312,500 shares
The subscription price of each share for people have not yet subscribed the share.	NT\$15.70
Percentage of non-subscribed shares to total issued shares (%)(%)	0.1670% (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 handling 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 2020), which is 187,075,700 shares.
- Note 7: The Company's 1<sup>st</sup> 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 2020), 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 share subscription warrants and the top ten employees who have acquired share subscription warrants and are eligible to subscribe the shares.

April 30, 2020

	Job Title (Note 1)	Name	Number of share subscription with subscription (thousand shares)	Percentage of share subscription to the total issued shares (Note4)	Performed (Note 2)			To be Performed (Note 2)				
					Quantity of share subscription (thousand shares)	Price of share subscription (NT\$) (Note5)	Amount of share subscription (NT\$1,000)	Quantity of share subscription to the total issued shares (Note4)	Quantity of share subscription (thousand shares)	Price of share subscription (NT\$) (Note6)	Amount of share subscription (NT\$1,000)	Quantity of share subscription to the total issued shares (Note4)
Managers	Group GM	Chen Chien-Tun	594	0.32%	446	15.70、 16.70	7,389.63	0.24%	148	15.70	2,323.60	0.08%
	Divison GM	Huang Tsung-Wen										
	Divison GM	Chang Jui-Ju										
	Divison VGM	Li Ruei-wen										
	Divison VGM	Lin Chih-jen										
	Divison VGM	Lu Chieh-Kuo										
	Divison VGM	Hsu Ta-chang										
	Divison VGM	Lo Ssu-yuan										
	Divison VGM	Hou Kun-you										
	Divison VGM	Yang Yuan-zhi										
	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	625	0.33%	585	15.70、 16.70	9,264.50	0.31%	40	15.70	628.00	0.02%
		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										
Hsu Ta-chang												

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 employees refer 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 2020), which is 187,075,700 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: Mr. Hsu Ta-chang transferred the position of Enterprise Division President to be a Chief Engineer on November 4, 2019.

## 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:None.

# 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 ; %

Product or service cat.	Year	2018		2019	
		Business incomes	Business %	Business incomes	Business %
R &D and manufacturing of customized equipment		7,321,516	29.98	6,684,181	27.64
Sales and service of high-tech equipment and material		6,989,209	28.63	7,094,866	29.34
Total Facility Engineering Turnkey Project		5,376,632	22.02	5,597,464	23.15
Automatic Supplying system		4,728,366	19.37	4,806,170	19.87
Total		24,415,723	100.00	24,182,681	100.00

Note: Disclosed based on the consolidated reports of 2018 and 2019 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
  - (1.2) IC manufacturing process
  - (1.3) IC packaging process
  - (1.4) LCD and color filter processes
  - (1.5) GaAs process for LEDs
  - (1.6) Front end process for LEDs
  - (1.7) Solar power equipment
- (2) Total Facility Engineering Turnkey Project:
  - (2.1) Design, manufacturing, construction, installation and testing of automatic supply system of gas/chemical/ultrapure water/pure steam/injection water/wastewater treatment
  - (2.2) Factory automation
    - A. Factory management and control system (FMCS)
    - B. Computer-integrated manufacturing (CIM)
    - C. Importing of automation products
  - (2.3) Information, communications, corporate information and program service
    - A. Information/communication solution introduction and system integration
    - B. Value-added service system
    - C. Planning and consulting for communication systems
    - D. Importing and sales of software and hardware of communications and corporate information service
    - E. Outsourced management for information/communication systems
    - F. Sensing and messaging platform
    - G. Application System Performance
    - H. New Generation Internet Surveillance and Warning System
    - I. Automated meeting room asset management system - AMM
    - J. Radio voice integration solution - KoKoRadio
    - K. E-Commerce Platform design and installation services - eCommerce Service
    - L. Smart Healthcare Service Platform and Smart Hospital Solution
- (3) Total facility engineering turnkey project
  - (3.1) Turn-key projects for high-tech factories, pharmaceutical factories and biotechnical labs
  - (3.2) Engineering projects for mass transit system
  - (3.3) Water resource and energy management
  - (3.4) Information data center project

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

##### 1.1.4. New product planning and development (service)

According to the needs of markets and customers, MIC will continue to cooperate with the original equipment manufacturer to develop equipment modules and customized equipments in the future.

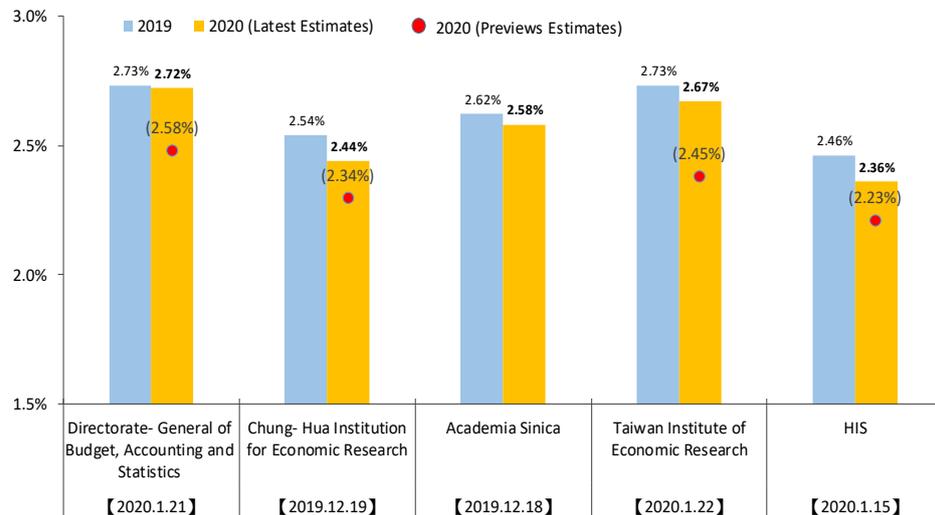
#### 1.2 Current status of industry

##### 1.2.1 Current status and development of industry

With respect to the global macroeconomic trends, International Monetary Funds (IMF) has revised the 2020 global economic growth from 3.4% to 3.3%, which is still higher than 2.9% of 2019, in its newly published World Economic Outlook (WEO) report. Among world economies, emerging markets like India suffer not only from an economic slowdown that is beyond the expectation, but also trade tensions and climate impacts. This is the reason that the global economy has not rebounded after reaching a low. IMF indicates that the global economy has not reached the turning point and that the global economic growth remains weak. Considering the tense situation in the Middle East in the beginning of 2020 and the consequences of climate change that are currently impacting Australia and some areas of Africa, IMF also revised the 2021 global economic growth from 3.6% to 3.4%.

Due to the weak demands in the global market, IMF also revise Taiwan economic growth as 2%. With regard to the overall economy in 2020, the Taiwan Economic Research Institute predicts that the domestic economic growth rate in 2020 will be 2.67%, up 0.22 percentage points from the November 2019 forecast. In terms of domestic demand, some major research institution revise the domestic economic growth rate to 2.36~2.72%. That improves the success of remodel the economic growth by reducing the implications of international economy, but increasing domestic growth instead.

**Chart 1, Forecast of 2020 growth rate in Taiwan by most international agencies**



Source: Well-known Research Institutions, 2019/12~202001

**Table 1. IHS Markit estimates that global growth in 2020**

Region	Mar 2020 Estimation(%)	Increase or decrease of % with Feb 2020
Worldwide	0.7	-1.8
Taiwan	1.0	-1.1
China	3.9	-1.5
Hong Kong	-3.0	-1.7
South Korea	0.2	-1.3
USA	-0.2	-2.3
Japan	-0.8	-1.3
Singapore	-1.0	-2.0
EU	-1.5	-2.4

Source : IHS · 2020/03

The global spread of the COVID-19 epidemic is the single biggest risk facing the world economy in early 2020. IHS Markit has been producing and will continue to produce a series of briefings that cover the impacts of the epidemic on the outlook for various countries and industries. IHS Markit estimates that global growth in 2020 will be 1.7%, compared with 2.5% in our February baseline, and 2.7% in 2021 compared with the earlier forecast of 2.8%. Meanwhile, revise EIU from 2.2% to 1.0%, the epidemic impacts global economy seriously.

While the US economy will be hurt by the effects of the virus, we believe that the momentum of the economy is strong enough to avoid a recession. On a calendar-year basis, we are now predicting 1.8% growth in both 2020 and 2021, compared with the previous forecast of 2.1% in 2020 and 2.0% in 2021.

Europe is likely to be harder hit, with Germany and Italy in or near recession before the epidemic. This could well drag the rest of the eurozone into recession. For 2020, the IHS Markit eurozone forecast has been cut from 0.9% to 0.0%, while the 2021 growth rate has been reduced from 1.1% to 0.9%.

The epidemic could not have come at a worse time for Japan, which suffered a fourth quarter contraction of 6.3%, annualized. For the moment, we are assuming that that the summer Olympics in Tokyo will proceed as planned. Even with that, real GDP will shrink by 0.3% in 2020, compared with our February forecast of positive 0.2% growth. For 2021 we expect growth of 0.9%, compared with last month's estimate of 1.0%.

In China, the rapid spread of the virus over the past two months and the aggressive quarantine policies of the central government mean that there was likely a sharp contraction in real GDP in the first quarter of this year, which will be followed by a modest recovery in the second. With this, we now predict growth of only 4.3% this year, compared with 5.4% a month ago, and 6.4% in 2021, compared with the prior forecast of 6.0%. IMF warns growth of global economics expected to decline to 1.5 in 2020, and expect the recovery in 2021. However, the recovery condition should be in a well contain of pandemic and solid foundation of Medical system worldwide.

## (1)IC (Semiconductor) Industry

### ①Current Status and development of Worldwide IC industry

The research and advisory company Gartner reported that the global semiconductor revenue totaled USD418.3 billion in 2019, down 11.9% from 2018. The memory market, which accounted for 26.7% of semiconductor sales in 2019, experienced a 31.5% decline in revenue in 2019. Within memory, DRAM revenue declined 37.5% due to an oversupply that started at the end of 2018 and lasted throughout 2019. In 2019, the 3rd to 10th players in the global semiconductor industry are SK hynix, Micron, Broadcom, Qualcomm, Texas Instruments, STMicroelectronics, Kioxia (originally known as Toshiba Memory) and NXP Semiconductors N.V.).

**Table 2, The 2019 Revenue of the World's Top 10 Semiconductor Suppliers**

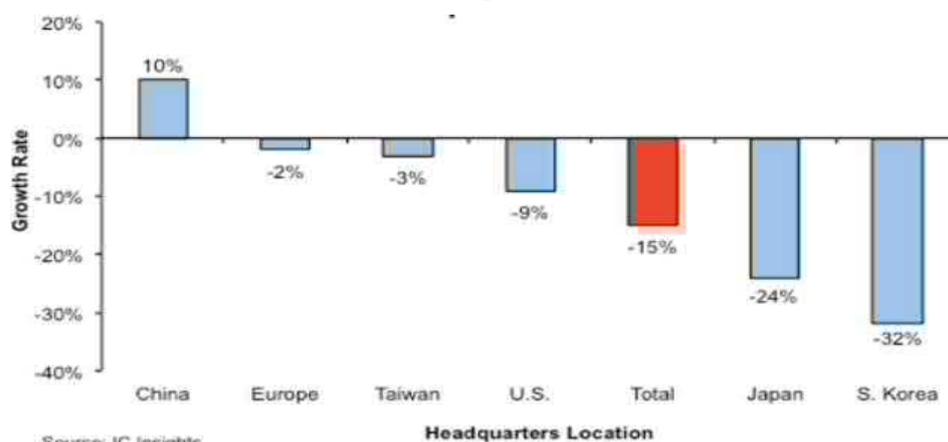
(Unit in USD: 100 million)

Rank of 2019	Rank of 2018	Suppliers	Revenue of 2019	Market share of 2019 (%)	Revenue of 2018	Growth Rate of 2018-2019 (%)
1	2	Intel	657.93	15.7	662.90	-0.7
2	1	Samsung	522.14	12.5	736.49	-29.1
3	3	SK hynix	224.78	5.4	362.40	-38.0
4	4	Micron Technology	200.56	4.8	297.42	-32.6
5	5	Broadcom	152.93	3.7	162.61	-6.0
6	6	Qualcomm	135.37	3.2	153.75	-12.0
7	7	Texas Instruments	132.03	3.2	145.93	-9.5
8	8	STMicroelectronics	90.17	2.2	92.13	-2.1
9	12	Kioxia (Toshiba Memory)	87.97	2.1	85.33	3.1
10	10	NXP Semiconductors N.V.	87.45	2.1	90.22	-3.1
		Others (except the top 10)	1,891.69	45.2	1,957.13	-3.3
		Total	4,183.02	100.0	4,746.31	-11.9

Source: Gartner (January 2020)

According to IC Insights's report in March, IC sales worldwide is decline compared with 2018, this fall was driven by a collapse in DRAM and NAND flash memory component sales in 2019. South Korea, which traditionally performs well as an IDM supplier of memory, had 21 percent in 2019, down six percentage points from 2018. China expanded sales by 10 percent and was the only region to achieve sales growth. Although China had less than 1 percent share of the integrated device manufacturer (IDM) market in the fabless sector it stood at 15 percent of the global market.

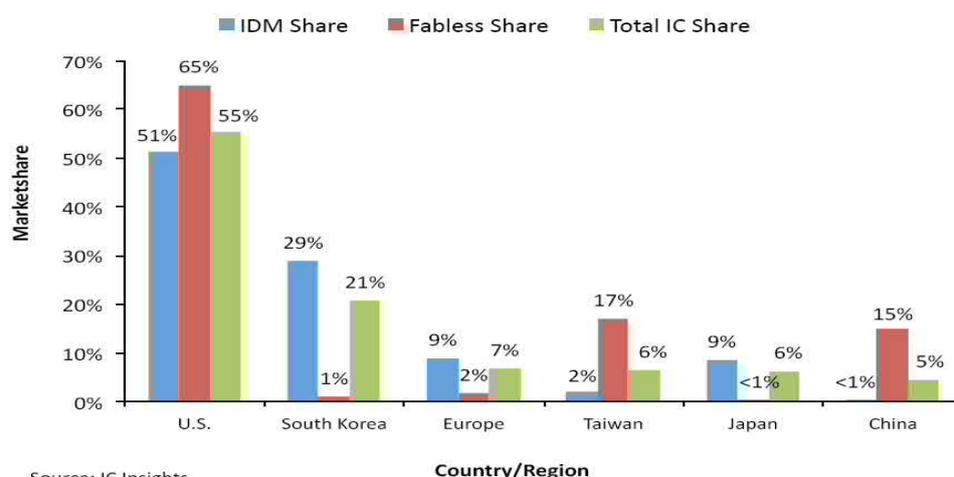
**Chart 2, Total IC sales growth in 2019/2018 by region by company headquarters.**



Source: IC Insights. · 2020/03

According to IC insights's report launched in March 2020, total sales of IDM (integrated device manufacturer) , fabless and IC is shown as below figure.

**Chart 3, 2019 Worldwide IC Company Market share by Headquarters Location**



Source: IC Insights

Source: IC insights · 2020/03

**Table 3. 2018 and 2019 Regional Semiconductor Materials Markets**

(US\$ Billions)

Region	2018	2019	% Change
Taiwan	11.62	11.34	-2.4%
South Korea	8.94	8.83	-1.3%
China	8.52	8.69	1.9%
Japan	7.80	7.70	-1.3%
Rest of World	6.21	6.05	-2.6%
North America	5.73	5.62	-1.8%
Europe	3.89	3.89	0%
Total	52.73	52.14	-1.1%

Source: SEMI (Materials Market Data Subscription) · 2020/03

While worldwide total wafer fabrication materials logged a slight decrease of 0.4%, from USD 33.0 billion to USD 32.8 billion, wafer fab materials, process chemicals, sputtering targets, and CMP registered declines of more than 2% year-over-year (YoY). Packaging materials slipped 2.3%, from USD 19.7 billion to USD 19.2 billion, in 2019. The only two categories to notch increases last year were substrate and other packaging materials. For the 10th consecutive year, Taiwan, at USD 11.3 billion, was the largest consumer of semiconductor materials on the strength of its large foundry and advanced packaging base. Korea remained in the second spot, while, China, the only materials market to register an increase in 2019, was third. All other regions saw flat revenue or low single-digit declines.

IC Insights recently released its new Global Wafer Capacity 2020-2024 report that provides in-depth detail, analyses, and forecasts for IC industry capacity by wafer size, process geometry, region, and product type through 2024. Included in the report is a ranking of the 25 largest wafer capacity leaders in terms of monthly installed

capacity in 200mm-equivalents as of December 2019. The world's top-five wafer capacity leaders each had capacity of more than 1,000,000 wafer starts per month (Figure 1). Combined capacity of the top five companies represented 53% of total global wafer capacity at the end of 2019. In contrast, the top five capacity leaders in 2009 held 36% of worldwide capacity. Capacity at other semiconductor leaders, including Intel (817K wafers/month), UMC (753K wafers/month), GlobalFoundries, Texas Instruments, and STMicro, fell off rapidly from the top five.

**Table 4. Worldwide Wafer Capacity Leaders**

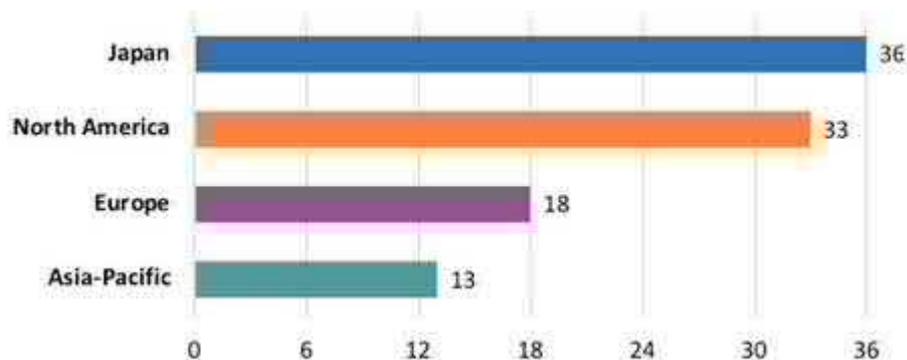
**(Monthly Installed Capacity in Dec 2019, 200mm-equivalents)**

2019 Rank	2018 Rank	Company	Headquarters Region	Dec-2018 Capacity (K w/m)	Dec-2019 Capacity (K w/m)	Yr/Yr Change	Share of Worldwide Total	Inclusion or Exclusion of Capacity Shares from JV Fabs
1	1	Samsung	South Korea	2,934	2,935	0%	15.0%	
2	2	TSMC	Taiwan	2,439	2,505	3%	12.8%	shares of SSMC & VIS
3	3	Micron	North America	1,685	1,841	9%	9.4%	share of IM Flash in '18
4	4	SK Hynix	South Korea	1,630	1,743	7%	8.9%	
5	5	Kioxia/WD	Japan	1,361	1,406	3%	7.2%	

Source: IC Insight (Global Wafer Capacity 2020~2024 Report) · 2020/02

Over the past decade, the IC industry has been paring down its older capacity as manufacturers have consolidated or transitioned to the fab-lite or fabless business models. In its recently released Global Wafer Capacity 2020-2024 report, IC Insights shows that due to the surge of merger and acquisition activity in the middle of this decade and with more companies producing IC devices using sub-20nm process technology, suppliers have eliminated inefficient wafer fabs. Since 2009, semiconductor manufacturers around the world have closed or repurposed 100 wafer fabs, according to findings in the new report. Below figure shows the number of fabs closed by geographic region while Figure 2 shows a distribution of those fabs by wafer size and year.

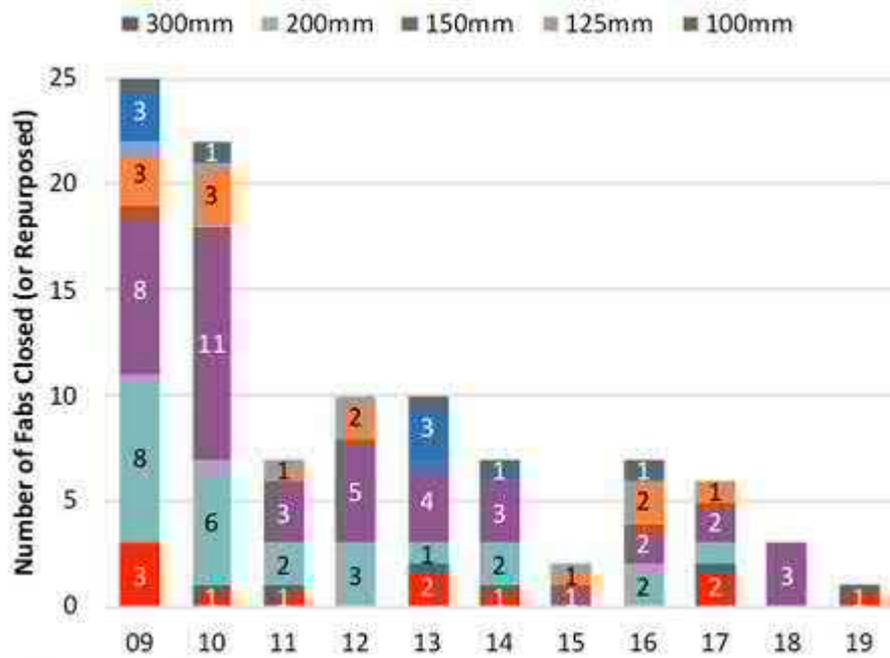
**Chart 4. IC Wafer Fab Closures by Region, 2009-2019**



Source: IC Insight, 2020/02

Japan and North America, have accounted for most of the wafer fab closures since 2009. Many of the shuttered wafer fabs had been used for decades and had outlived their useful purpose. Consequently, these fabs were closed in favor of much more cost-efficient facilities. In some cases, the cost of fab ownership became too great of a burden and several companies opted for the fab-lite or fabless business model that outsources manufacturing to a wafer foundry.

**Chart 5. IC Fab Closures by Wafer Size**



Source: IC Insight, 2020/02

IC Insights has identified four additional wafer fabs—one owned by NJR, two at Renesas, and one operated by Analog Devices—that are slated to close in the 2020-21 timeperiod. Given the skyrocketing cost of new wafer fabs and manufacturing equipment, and as more IC companies transition to a fab-lite or fabless business model, IC Insights anticipates there will be more fab closures in the next few years. Fortunately, much of the “dead wood” (old fabs) has already been cleared out and the global manufacturing capacity that remains is regarded as fairly efficient.

It is worth noting, however, that a wave of fab closures came shortly after the Great Recession of 2007-2008 when companies were closely scrutinizing their operating costs. A decade later and with the Covid-19 virus wreaking havoc on global businesses and greatly impacting the global economy, could another wave of fab closures be in store?

VLSI Research release 2019 Top 15 equipment supplier sales revenue, obviously shows the year was won by ALD, Process Control, EUV, and SOC Test. Japanese Company won 8/15 seats of this ranking, Nikon, a supplier of stripper, firstly enter this list. There are 3 USA Company listed in this ranking, 2 are from Europe, and 1 Singapore Company. Total sales revenue of 2019 reduce 4%, 64 billion, compared with 2018.

**Table 5. 2019 Top Equipment Suppliers**

(Service+Systems, calendar year, in \$US/M)

2019 Ranking	AOW	MSTRID	COMPANY	2018	2019	Y-o-Y Growth
1	NA	AMAT	Applied Materials	14016.1	13468.2	-4%
2	EU	ASML	ASML	12816.1	12769.6	0%
3	JA	TEL	Tokyo Electron	10914.8	9551.5	-12%
4	NA	LAM	Lam Research	10871.4	9549.4	-12%
5	NA	KLAC	KLA *	4240.8	4665.4	10%
6	JA	ADVT	Advantest	2572.3	2469.6	-4%
7	JA	DNS	SCREEN	2226.0	2200.2	-1%
8	NA	TER	Teradyne	1492.0	1553.0	4%
9	JA	HTL	Hitachi High-Tech	1402.7	1532.6	9%
10	EU	ASM	ASM International	991.2	1260.9	27%
11	JA	NKN	Nikon	550.8	1200.3	118%
12	JA	KSE	Kokusai Electric	1486.0	1137.3	-23%
13	JA	DAIF	Daifuku	971.5	1107.2	14%
14	CH	ASMPT	ASM Pacific Technology	1181.2	893.6	-24%
15	JA	CAN	Canon	765.4	692.2	-10%
<b>Total</b>				<b>66498.3</b>	<b>64051.1</b>	<b>-4%</b>
* includes SPTS						
<b>Total IC Mfg Equipment (Preliminary)</b>				<b>83676.8</b>	<b>77204.2</b>	<b>-7.7%</b>

Source: VLSI Research · 2020/03

Semiconductor equipment manufacturers worldwide logged sales of \$59.8 billion in 2019, a 7 percent drop from the all-time high of \$64.5 billion in 2018, SEMI, the industry association representing the worldwide electronics product design and manufacturing supply chain, reported today. The data is now available in the Worldwide Semiconductor Equipment Market Statistics (WWSEMS) Report.

Taiwan claimed the largest market for new semiconductor equipment last year with sales of \$17.12 billion after a 68 percent growth surge, dislodging Korea from the top spot. China maintained its position as the second largest equipment market with sales of \$13.45 billion, followed by Korea, at \$9.97 billion, after receipts fell 44 percent. While the new equipment markets in Japan, Europe, and Rest of World contracted, North America equipment sales jumped 40 percent to \$8.15 billion in 2019, the region's third consecutive annual increase.

Global sales of wafer processing equipment fell 6 percent in 2019, while other front-end segment sales grew 9 percent. Assembly and packaging along with test equipment sales also faltered, declining 27 percent and 11 percent, respectively, while sales to China rose across all major equipment segments except for assembly and packaging.

Compiled from data submitted by members of SEMI and the Semiconductor Equipment Association of Japan (SEAJ), the Worldwide SEMS Report is a summary of the monthly billings figures for the global semiconductor equipment industry. Categories cover wafer processing, assembly and packaging, test, and other front-end equipment. Other front-end includes mask/reticle manufacturing, wafer manufacturing, and fab facilities equipment.

**Table 6. Annual Billings by Region in Billions of U.S. Dollars with Year-Over-Year Rates**

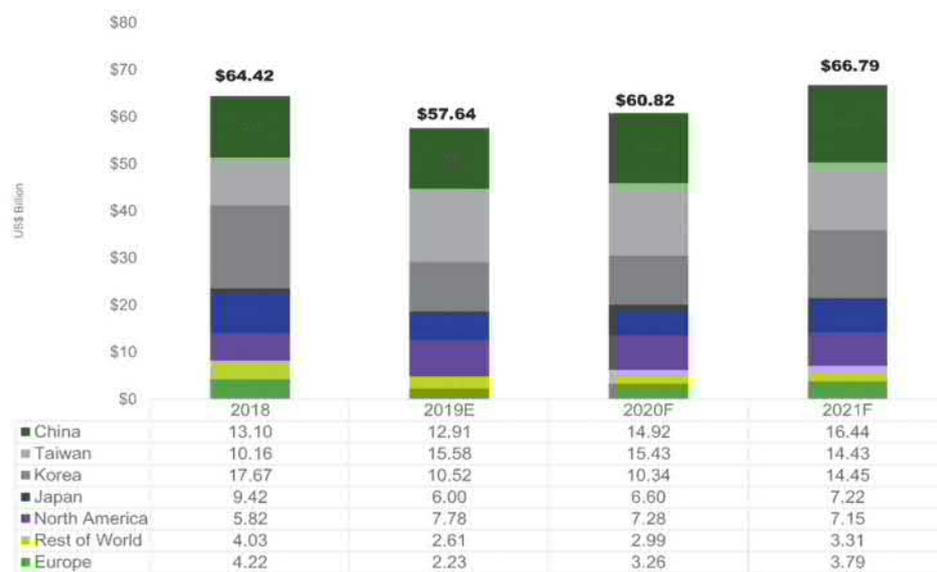
Region	2019	2018	% Change
Taiwan	17.12	10.17	68%
China	13.45	13.11	3%
Korea	9.97	17.71	-44%
North America	8.15	5.83	40%
Japan	6.27	9.47	-34%
Rest of the World	2.52	4.04	-38%
Europe	2.27	4.22	-46%
<b>Total</b>	<b>59.75</b>	<b>64.53</b>	<b>-7%</b>

Source: SEMI and SEAJ, April 2020

SEMI forecasts that the semiconductor equipment market will gradually recover in 2020 due to advanced logic-based processes and foundry, China's launch of new engineering and memories, which are all considered as the source of growth momentum. From the regions, Taiwan will keep its throne as the world's No.1 equipment market with an estimated sales revenue of USD15.4 billion, followed by China's USD14.9 billion and Korea's USD10.3 billion.

**Chart 6, Global Semiconductor Equipment Market Statistics Report**

(US\$ Billions)



New equipment, includes wafer fab, test, and A&P. Totals may not add due to rounding  
Source: SEMI December 2019, Equipment Market Data Subscription

Source: Gartner (January 2020)

According to the world semiconductor trade statistics (WSTS) of Industry, Science and Technology International Strategy Center (ISTI), Industrial Technology Research Institute (ITRI), the annual sales of the global semiconductor market was USD412.1 billion in 2019, down 12.1% from 2018. Nevertheless, Taiwan's performance was apparently better than other worldwide countries, where the output value of Taiwan's IC industry reached NTD2.66 trillion in 2019 with a growth of 1.7% comparing with 2018. The

global semiconductor sales, on the other hand, reached 932 billion pieces in 2019, down 7.2% from 2018. The average selling price of IC was USD0.442 in 2019 with a decrease of 5.3% comparing with 2018.

**Table 7. Statistics on Taiwan's IC Industry Output Value in 2019**

NTD100 million	19Q1	Quarterly Growth	Annual Growth	19Q2	Quarterly Growth	Annual Growth	19Q3	Quarterly Growth	Annual Growth	19Q4	Quarterly Growth	Annual Growth	2019	Annual Growth	20Q1(e)	Quarterly Growth	Annual Growth
IC industry output value	5,643	-17.9%	-6.4%	6,253	10.8%	-2.0%	7,217	15.4%	4.4%	7,543	4.5%	9.8%	26,656	1.7%	7,061	-6.4%	25.1%
IC design industry	1,478	-10.0%	7.7%	1,699	15.0%	4.7%	1,860	9.5%	4.7%	1,891	1.7%	15.1%	6,928	8.0%	1,583	-16.3%	7.1%
IC manufacturing industry	3,069	-22.0%	-14.1%	3,364	9.6%	-4.7%	4,026	19.7%	5.5%	4,262	5.9%	8.3%	14,721	-0.9%	4,298	0.8%	40.0%
Foundry	2,724	-22.1%	-12.2%	2,990	9.8%	0.1%	3,561	19.1%	9.1%	3,850	8.1%	10.1%	13,125	2.1%	3,881	0.8%	42.5%
Memory and others	345	-21.6%	-26.4%	374	8.4%	-31.1%	465	24.3%	-15.9%	412	-11.4%	-6.4%	1,596	-20.4%	417	1.2%	20.9%
IC packaging industry	753	-15.4%	-0.3%	810	7.6%	-6.9%	935	15.4%	0.5%	965	3.2%	8.4%	3,463	0.5%	810	-16.1%	7.6%
IC testing industry	343	-14.3%	3.3%	380	10.8%	5.6%	396	4.2%	0.8%	425	7.3%	6.3%	1,544	4.0%	370	-12.9%	7.9%
IC product output value	1,823	-12.5%	-1.0%	2,073	13.7%	-4.2%	2,325	12.2%	-0.2%	2,303	-0.9%	10.6%	8,524	1.3%	2,000	-13.2%	9.7%
Global semiconductor market (USD100 million) and growth rate (%)	-	-	-	-	-	-	-	-	-	-	-	-	4,121	-12.1%	-	-	-

Source: TSIA; Industry, Science and Technology International Strategy Center (ISTI), Industrial Technology Research Institute (February 2020)

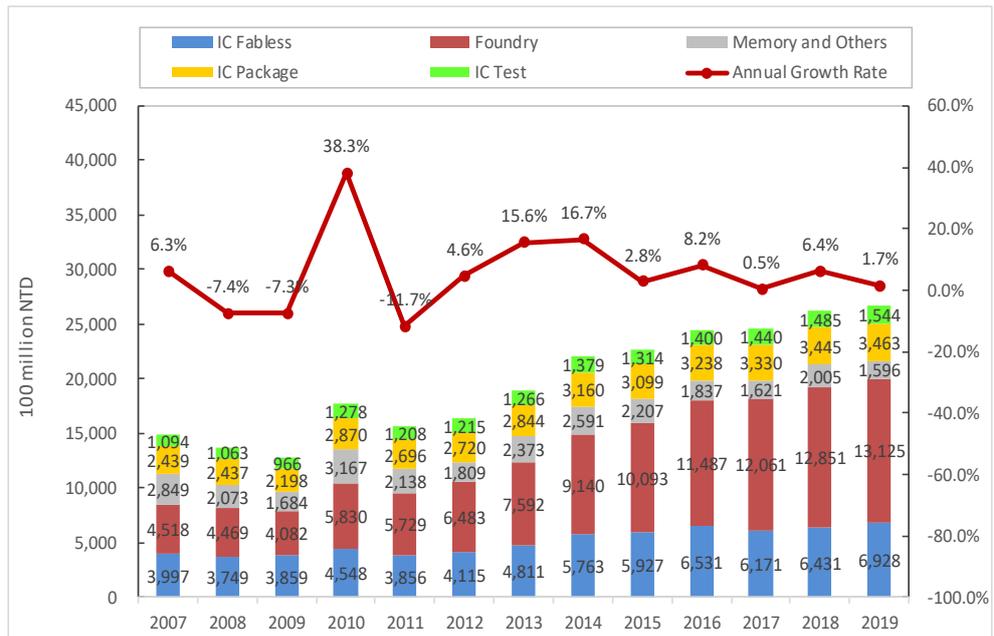
In the entire year of 2019, Taiwan's IC industry output value reached NTD2.6656 trillion (USD\$86.3B) with a growth of 1.7 comparing with 2018. With respect to the output value of subindustries thereof, IC design industry was NTD692.8 billion with a growth of 8.0% comparing with 2018; the IC manufacturing industry was NTD1.4721 trillion with a decline of 0.9% comparing with 2018; foundry was NTD1.3125 trillion with a growth of 2.1% comparing with 2018; memory and others counted NTD159.6 billion with a decline of 20.5% comparing with 2018; IC packaging industry was NTD346.3 billion with a growth of 0.5% comparing with 2018; and IC testing industry was NTD154.4 billion with a growth of 4.0 comparing with 2018.

**Table 8. Taiwan's IC Industry Output Value from 2016 to 2020**

NTD100 million	2016	2016 Growth Rate	2017	2017 Growth Rate	2018	2018 Growth Rate	2019	2019 Growth Rate	2020 (e)	2020 (e) Growth Rate
IC industry output value	24,493	8.2%	24,623	0.5%	26,199	6.4%	26,656	1.7%	27,742	4.1%
IC design industry	6,531	10.2%	6,171	-5.5%	6,413	3.9%	6,928	8.0%	7,227	4.3%
IC manufacturing industry	13,324	8.3%	13,682	2.7%	14,856	8.6%	14,721	-0.9%	15,285	3.8%
Foundry	11,487	13.8%	12,061	5.0%	12,851	6.6%	13,125	2.1%	13,649	4.0%
Memory and others	1,837	-16.8%	1,621	-11.8%	2,005	23.7%	1,596	-20.4%	1,636	2.5%
IC packaging industry	3,238	4.5%	3,330	2.8%	3,445	3.5%	3,463	0.5%	3,615	4.4%
IC testing industry	1,400	6.5%	1,440	2.9%	1,485	3.1%	1,544	4.0%	1,615	4.6%
IC product output value	8,368	2.9%	7,792	-6.9%	8,418	8.0%	8,524	1.3%	8,863	4.0%
Global semiconductor market (USD100 million) and growth rate (%)	3,389	1.1%	4,122	21.6%	4,688	13.7%	4,121	-12.1%	4,330	5.1%

Source: TSIA; Industry, Science and Technology International Strategy Center (ISTI), Industrial Technology Research Institute (February 2020)

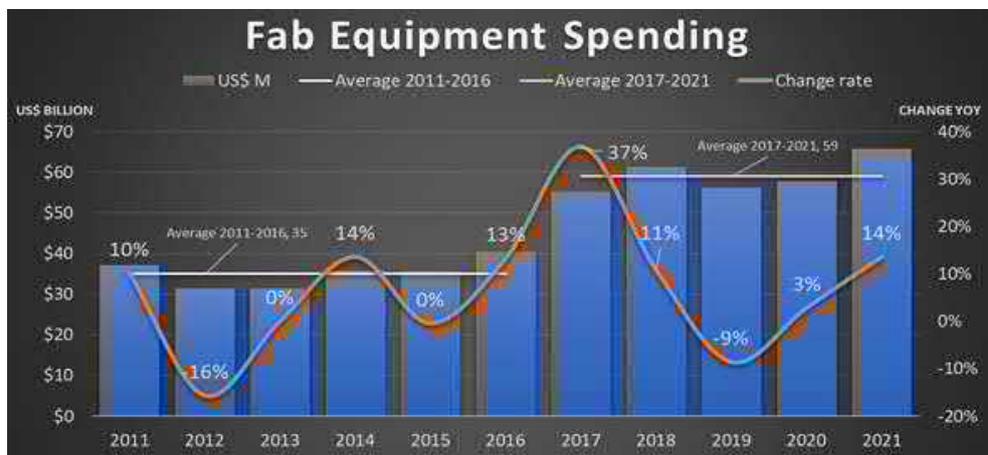
**Chart 7. Taiwan's IC Industry Output Value from 2007 to 2019  
(by Industry)**



Source : TSIA, 2020/02

COVID-19 has distorted supply chain and manufacturing operations in China. It has led to a drastic drop in consumer spending on smartphones and PCs across China, resulting in lower worldwide semiconductor revenue for 2020 by \$10.8 billion and the annual growth rate being revised from 12.5% to 9.9%. Over the near term at least, look for no big bounds in average fab equipment spending, according to the latest update of the SEMI World Fab Forecast report. The forecast shows a slow recovery in 2020 – 3% year-over-year (YoY) growth to US\$57.8 billion – owing in large part to an 18% expected slump in the first half of 2020 from the second half of 2019. The picture should brighten in the second half of this year as a recovery starts to take hold.

**Chart 8, Fab Equipment Spending**



Source : SEMI (World Fab Forecast Reports) · 2020/03

**Table 9. 2020~2021 Worldwide Fab CAPEX Forecast**

Unit : USD

Country/ Region	2020		2021	
	Equipment Investments	YoY Growth (year of year)	Equipment Investments	YoY Growth (year of year)
Taiwan	14 billion		13 billion	5%
China	12 billion	5%	15 billion	22%
South Korea	13 billion	31%	16.3 billion	26%
Southeast Asia	2.2 billion	33%	2.8 billion	26%
Europe/ Middle East	3.7 billion	50%	5.5 billion	50%
Japan		2%		4%
America	6.2 billion	-24%	4.5 billion	-28%

Source: SEMI (World Fab Forecast Reports) · 2020/03

The Coronavirus (COVID-19) outbreak has eroded fab equipment spending in China in 2020, prompting downward revisions to the World Fab Forecast report published in November 2019. Despite continuing headwinds from the virus, China equipment spending will grow about 5% YoY to over US\$12 billion this year and surge 22% YoY, or US\$15 billion, in 2021. Investments by Samsung, SK Hynix, SMIC and YMTC will drive the growth. Powered by TSMC and Micron investments, Taiwan will be the top region in spending in 2020 with nearly US\$14 billion in equipment investments but drop to third in 2021 with over US\$13 billion in spending, a 5% decline. WFF PQIn 2020, Korea will rank second in fab equipment spending on the strength of investments by Samsung and SK Hynix, logging 31% growth, to US\$13 billion, before jumping to the top with a 26% advance, to US\$17 billion, in 2021.

Southeast Asia (mainly Singapore) will also register robust growth of 33% YoY, to US\$2.2 billion, in 2020 and 26% in 2021.

Of all regions, Europe/Mideast will show the strongest equipment spending growth with a surge of more than 50%, to US\$3.7 billion, in 2020 and match that gain in 2021 on the back of investments by Intel, STMicroelectronics and Infineon.

In Japan, fab equipment spending growth will be negligible at almost 2 percent in 2020 and bump up to nearly 4% in 2021, with investments by Kioxia/Western Digital, Sony and Micron leading the way.

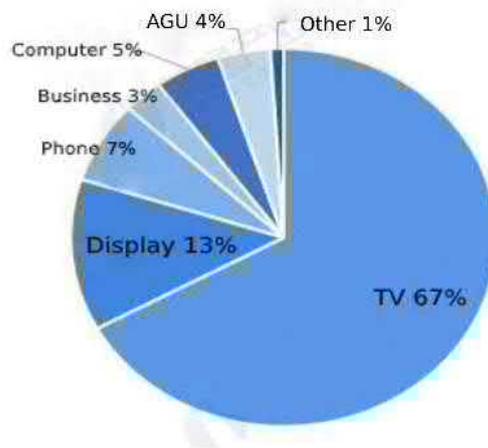
Lagging the pack, the Americas will spend less in 2020 than in 2019, with fab equipment investments plunging 24% to US\$6.2 billion, and extend the downturn with a 4% decline in.

## (2) Display Panel Industry

After decades of development, the global display panel industry has experienced a development process from the rise of the United States, Japan, South Korea to China. The downstream applications of the display industry are very broad, including televisions, mobile phones, computers, car displays, smart wearable devices, monitors, etc.

At present, TV terminals are the field where display panels are widely used, reaching about 67%; followed by monitors and mobile phones, accounting for about 13% and 7%. With the upgrade of consumption and the development of 5G technology, consumers have put forward higher requirements on the demand for displays. Among them, the panel display of TV terminal is particularly prominent, large-size and high-definition displays are more preferable to consumers. In 2010, the average size of TV panel shipments across the globe was 34 inches; by 2019, the average size reached 46.7 inches. In terms of total global TV panel shipment area, it has also maintained a year-on-year growth trend in recent years. In 2016, the global TV panel shipment area was approximately 114 million square meters, and in 2019 it reached 139 million square meters.

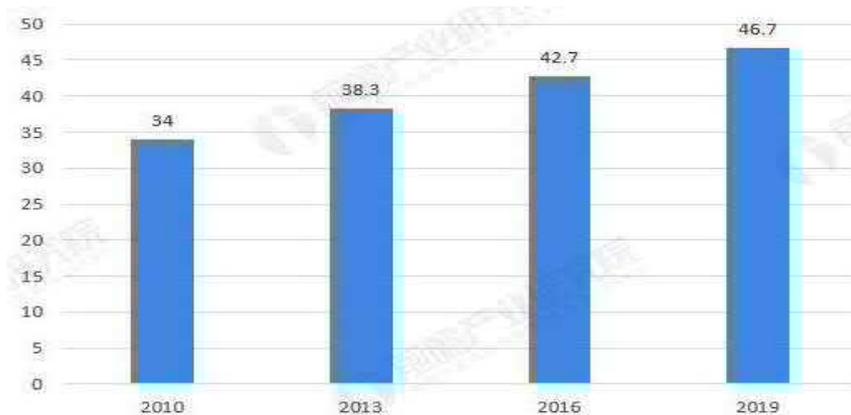
**Chart 9. 2020~2021 Worldwide Fab CAPEX Forecast**



Source: HIS, 2020/03

**Chart 10. 2020~2019 average size of global display panel shipped**

Unit : Inch



Source: HIS, 2020/03

Liquid crystal display (LCD) TVs have been one of the stable fixtures in the consumer electronics market. LCD TVs have completely replaced old CRT-based TVs, thanks to technological advancements that have improved resolution and made it possible to have a large 50-inch screen, which is more

common in many homes. But LCD TVs are encountering obstacles.

According to the latest research report of TrendForce Optoelectronics Research (WitsView), the global TV market in 2019 will be covered by the haze of whether China-US trade tariffs are levied, and the changing habits of consumers using TV will affect the overall demand. Fortunately, the fourth quarter of last year benefited from the sharp decline in panel prices, which helped the brands increase the promotion power of Double 11 and Black Friday. Therefore, the total TV shipments in 2019 declined only slightly by 0.8% to 217.8 million units.

In 2020, with Samsung Display losing ground to the oversupply of the LCD panel industry and the operating pressure caused by the spread of the new coronary pneumonia epidemic, the plan is to close the production line. TrendForce Optoelectronics Research WitsView pointed out that large-size LCD panel production capacity saw zero growth in 2019 and will even decline in 2020. Of all, the market share of the production capacity of the Korean plants will shrink substantially, about 20% this year and falling below 10% in 2021.

**Table 10 Forecast for 2019~2021 Global market share of display panel production area**

Area / Year	2019	2020	2021
<b>Korea</b>	28.4 %	20.4 %	9.7 %
<b>Taiwan</b>	25.7 %	25.0 %	25.0 %
<b>China</b>	41.1 %	48.7 %	57.8 %
<b>Japan</b>	4.9 %	5.9 %	7.5 %

Source: TrendForce, 2020/04

The market share of the large-size LCD panel production area of South Korean panel makers will rapidly decrease in 2020, and the market share is expected to decline from 28.4% in 2019 to 20.4%. In 2021, the production capacity of Chinese panel plants will continue to come to market, and the production capacity of Samsung Display LCD panels will be closed across the board. With the production capacity declining, the market share of the Korean panel plants' production area will fall below 10%. As for Taiwan's panel plants, the market share of production capacity is stable and is expected to remain at 25%. China's panel plant production capacity accounted for more than 40% of the market in 2019, and will increase to 48.7% in 2020, further rise up to 57.8% by 2021.

**Chart 11 market share of 2015~2021 Large-size LCD display production (by regions)**

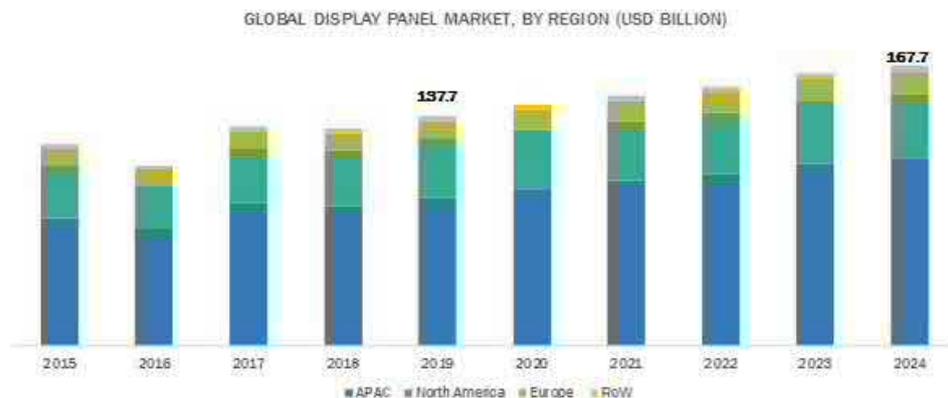


Source: TrendForce, 2020/04

In the case of Korean panel makers significantly decreasing large-size LCD panel production lines, although other panel makers continue to have new production capacity, it still makes it impossible for 2020 and 2021 to continue the trend of substantial growth in overall production area in 2018 and 2019. It is expected that 2020 will be the same as 2019, and it will decline by 0.9% in 2021 compared with 2020.

In terms of production and consumption of display panels, the Asia-Pacific region is in the lead. The region has witnessed major advancements in the display equipment market and rapid changes in the adoption of new technologies. The huge market size in the Asia-Pacific region is due to rapid industrialization and the presence of many OEMs and many consumers in the region. Samsung Electronics and LG Electronics, which are Korea-based, Sony, Sharp, Panasonic and other major companies, which are Japan-based have made important contributions to the growth of the display panel market in the region. The MarketsandMarkets research unit predicts that the display panel market will grow from USD 137.7 billion in 2019 to USD 167.7 billion in 2024, with a compound annual growth rate of 4.0% during this period.

**Chart 12 2015~2024 Global Display Panel Market, by Region (Unit:USD/Billion)**

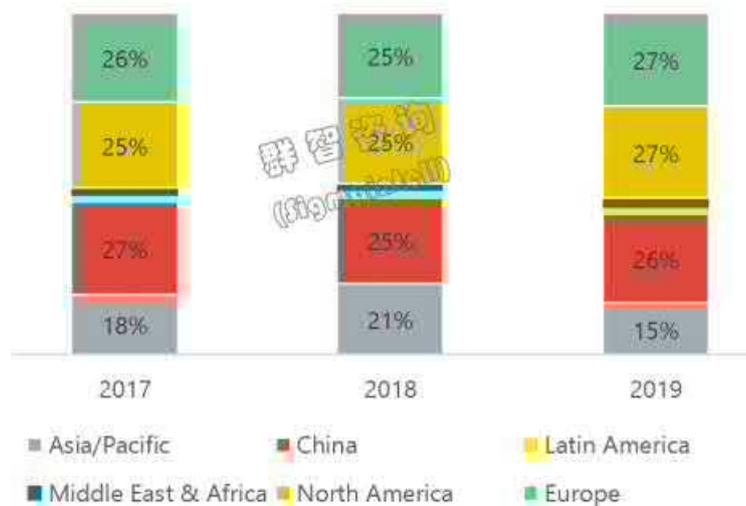


Source: Industry Experts, Secondary Research, and MarketsandMarkets Analysis, 2019/12

According to data from Sigmaintell, the decline in market demand and the impact of international trade friction in 2019 have caused a significant drop in global display panel shipments. In 2019, the shipment volume of display panels was 140 million pieces, a year-on-year decrease of 5.2%, and the shipment area was basically flat year-on-year. BOE ranked top in terms of shipment volume, while LGD took the first place in terms of shipment area.

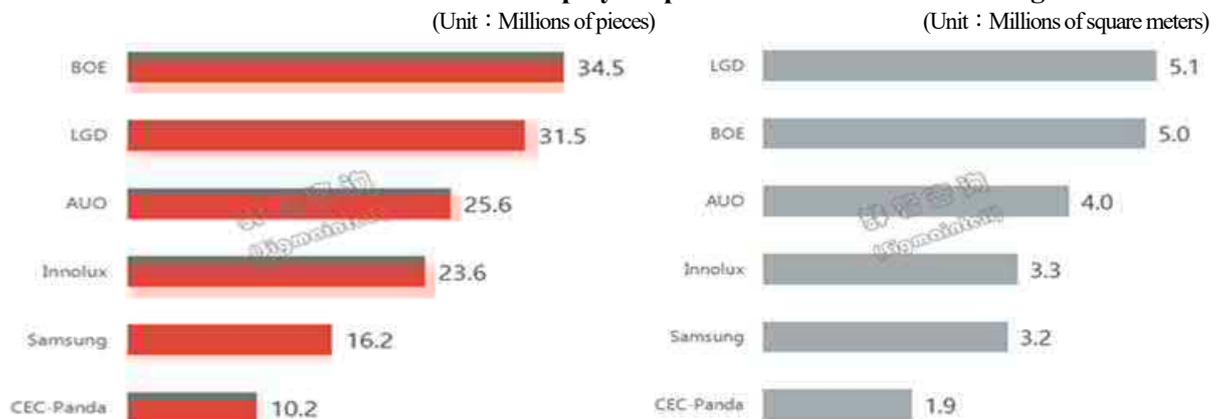
According to the regional division data of the global display market, China, North America and Europe are the three major regions. In 2019, the three major regional markets have increased year-on-year, market share has increased, and the joint share has also climbed to 80%. The market growth in the major regions has laid the foundation for the stable scale of the global display market. In terms of growth momentum, the growth in the North American market was mainly affected by the expansion of its commercial market demand and tariff friction, and the leading brands' shipments in North America were more active; the momentum in the Chinese market mainly came from the consumer market, especially in e-sports, curved, high-resolution, widescreen and other market segments. Same was the European market.

**Chart 13 2017~2019 Market Share of Global Display Apparatus, by Regional Divisions**



Source: Sigmaintell, 2020/03

**Chart 14 2019 Global Display Shipment volume & area rankings**



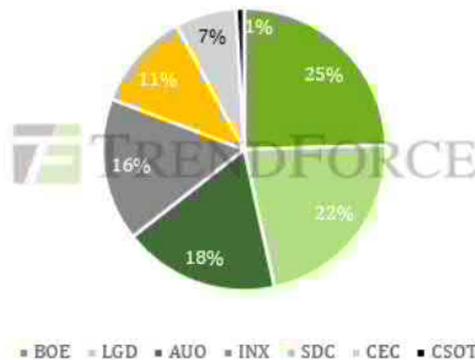
Source: Sigmaintell, 2020/03

According to the TrendForce Optoelectronics Research (WitsView) research report, oversupply of TV panels in 2019 led to a price drop. Panel manufacturers originally hoped that demand increase in monitor panels might consume excess capacity in 2020, and Samsung Display (SDC) is the most proactive one on this move. However, due to the impact of the new coronary pneumonia epidemic in 2020, the market is generally pessimistic about the outlook at the end-market demand. It is rumored that SDC has notified customers that it will accelerate its complete withdrawal from the LCD market by the end of 2020, leading to a possible reshuffling in the monitor panel market.

Judging from the overall supply and demand of monitor panels, the IPS panels is not short of supply. Apart from the two major suppliers, LG Display and BOE, Taiwanese plants continue to increase production capacity through equipment upgrading, and HKC Mianyang plant will also add fuels to the supply. Instead, SDC's withdrawal at this moment may help the overall supply and demand meet together. On the other hand, after SDC withdraws from VA curved panel production, only AUO and China Star Optoelectronics (CSOT) will be left to supply. The market may face a shortage of supply, which is deemed favorable to HKC, which plans to produce curved VA panels at its Changsha plant next year.

TrendForce originally expected that the monitor panel market in 2020 will face a severe supply-demand imbalance like the TV panel market in 2019, because panel suppliers plan to add 170.1 million monitor panel shipments in 2020, compared with the actual shipment of 143.8 million units in 2019, an increase up to 18.3%. But now SDC has decided to withdraw from the LCD market early, and that will help ease the pressure of oversupply in the market.

**Chart 15 Market Shares of Monitor Panel Suppliers in 2019**



Source: TrendForce, 2020/04

**Chart 16 Shares of IPS and VA Monitor Panel Suppliers in 2019**



Source: TrendForce, 2020/04

The rise of the Red Supply Chain. According to the latest statistics released by the research and development agency IHS Markit, BOE won the first place in shipment area in 2019 after ranking top in the shipment volume of LCD TV panels in 2018. “Two Tigers of Taiwanese Panel Manufacturers, Innolux and AUO, slipped to fifth and sixth of market standing respectively, in terms of shipment area, and turned to niche markets to mitigate the impact of the Red Supply Chain.

IHS Markit announced that the total area of BOE LCD TV panel shipments in 2019 will be 30.1 million square meters, an year-on-year increase of 23.8%. The next rankings are LG Display, Samsung Display, Huaxing Optoelectronics, and Innolux and AUO. After the second place, the shipping area declines and only BOE grows.

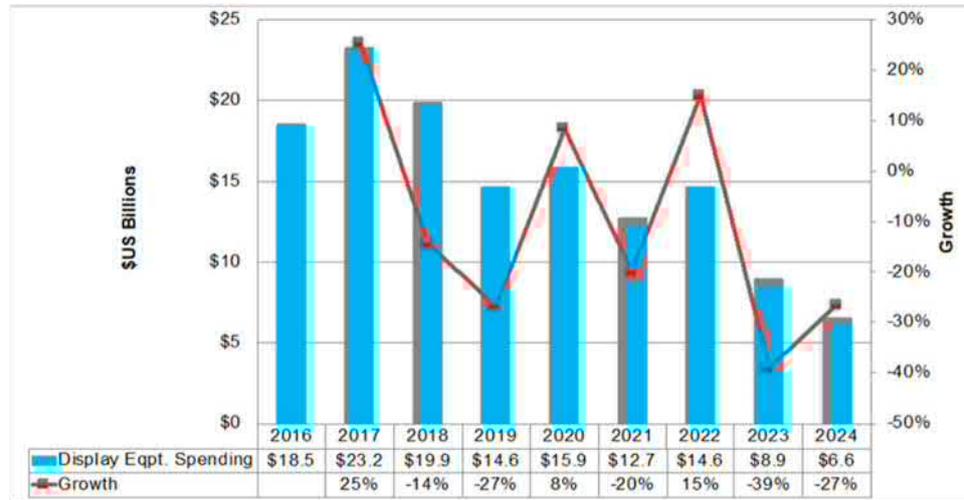
In addition, the penetration rate of 4K panels increased by 6 percentage points last year to 45.2%, stabilizing in the mainstream market. IHS Markit estimates that the market share of 4K panels will continue to increase in 2020.

Although OLED, microLED and other technologies are rushing to enter the TV panel market, LCD panels with a superior price-performance ratio are still the mainstream of LCD TVs. As the Korean companies Samsung and LG gradually exit the LCD TV market, China and Taiwan-based companies become the main players in LCD TV competition. In recent years, China actively built the next-generation panel plants, and new production capacity was launched one after another. It is far ahead of the Taiwanese manufacturers in the TV panels market. “Two Tigers of Taiwanese Panel Manufacturers” could only move towards high-end, high-value-added product markets such as 8K and e-sports for market differentiation.

In the aspect of equipment spending, the display panel business slumped in 2019, and panel factory investment slowed down. According to the statistics of Display Supply Chain Consultants (DSCC), the overall display industry equipment expenditure fell by 27% in 2019, a double-digit decline for the second consecutive year, of which OLED expenditure fell by 48%, while LCD TV expenditure remained flat. In 2020, after factoring in the installation delay caused by the new coronavirus outbreak, it is estimated to grow by 8%, of which OLED is expected to grow by 8%, while LCD is down by 24%. A 363% increase in mobile OLED spending is the highlight. In addition, the first RGB IJP OLED mass production plant was established in China, and the

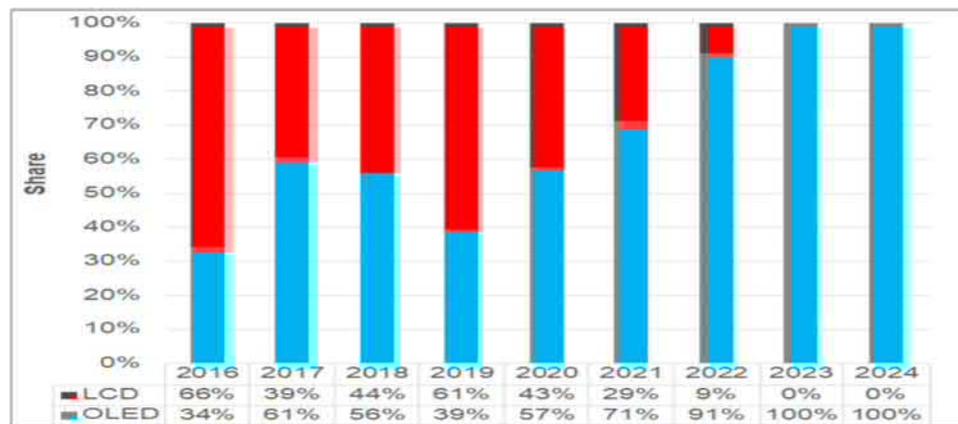
T9 factory of CSOT was added. Samsung Display (SDC) 's A5 mobile OLED and BOE and LGD 's OLED TV production capacity also exceeded market expectation.

**Chart 17 Equipment Spending Forecast in Display Panel Industry**



Source: DSCC's Quarterly Display Capex and Equipment Market Share Report, 2020/02

**Chart 18 Capital Expenditure Ratio of LCD vs. OLED**



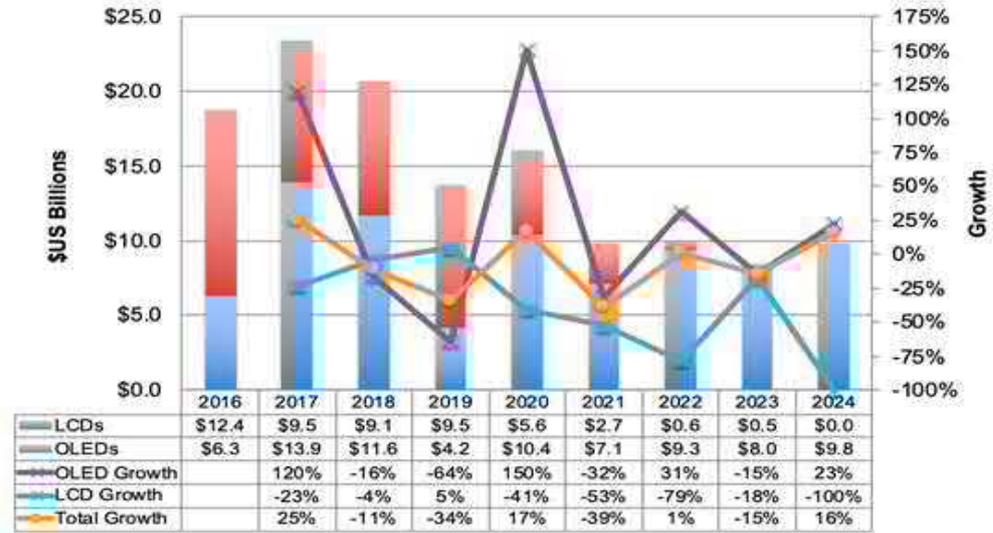
Source: DSCC's Quarterly Display Capex and Equipment Market Share Report, 2020/02

By geographical analysis, due to the addition of Huike (HKC) H5 and China Star Optoelectronics (CSOT) T9 fabs, China 's capital expenditures in 2019-2024 are expected to account for about 79% of total expenditures, higher than the previous quarter 75%. As OLED TV spending increases, South Korea's market share will surge in 2022 and 2023, and its share in 2019-2024 is expected to reach 20%. In the LCD field, China's share will be 100% dominant from 2019 to 2022, and there is no forecast of spending from 2023. In the field of OLED, China is expected to lead with a share of 70% to 28%, up 5% from the last quarter.

In terms of panel manufacturers, BOE is expected to lead the display equipment spending in 2019-2024, with a 24.2% share, followed by China Star (19.6%), Samsung (15.7%), LGD (10.8% ) And HKC (10.1%). For OLED analysis alone, BOE is expected to lead with a 23% share, followed

by SDC with 22%, China Star with 16% and LGD with 15%. For the LCD alone, the data shows that HKC has a 36% share, followed by China Star 28% and BOE 26%.

**Chart 19 Capital Expenditure Amount and Growth Rate, LCD vs. OLED**



Source: DSCC's Quarterly Display Capex and Equipment Market Share Report, 2020/02

In terms of equipment supplier analysis, the frontplane equipment will account for 50% of the panel equipment market from 2019 to 2024. During this period, exposure equipment accounted for 23% of the market, with revenue of US \$ 8.5 billion, followed by CVD equipment with 11.2%, etching equipment with 11.1%, painting/ developer equipment with 7.1%, and PVD equipment with 7.0%, and the market share provided by equipment suppliers is 26 different backplane parts. AMAT leads the backplane market in 2019 with a 14.2% share, followed by Nikon (12.2%), Canon (8.9%), TEL (8.7%) and Invenia (4.2%). In 2020, according to DSCC statistics, AMAT will continue to maintain its leading position with a market share of 13.7%, followed by Nikon (11.1%), Canon (10.1%), TEL (7.1%) and ULVAC (3.6%).

In terms of OLED frontplane equipment, DSCC estimates that from 2019 to 2024, OLED panel equipment spending will be US \$ 16.7 billion, accounting for 23% of the market.

In 2019, although LCD spending decreased, DSCC still believes that LCD will account for 70% of total display capital expenditure in the next year of mobile OLED spending, which is also closely related to the utilization rate of fabs. TFT panel equipment accounts for 55% of the market in 2019. The exposure tool is the largest part of the entire display device market, with a 15% share. BOE spent the most, accounting for 27%, followed by HKC, China Star, LG Display and Sharp SIO. China accounts for 92% of expenditures, and G10.5 fabs account for 50% of all expenditures. It is expected that the full year of 2019 will increase by 2% from US \$ 1.74 billion to US \$ 1.77 billion. The oxide backplane fab is expected to lead with a 52% share, while TV will dominate spending with an 88% share. DSCC ranked Applied Materials (AMAT) as the top 10 suppliers and maintained its leading

position for the third consecutive year, followed by Nikon, Canon, TEL, V Technology, Invenia, ULVAC, SCREEN, Wonik IPS and LG PRI. AMAT also leads the TFT backplane market with a market share of only 15%. It is the leader in the revenue market in four different display device fields and ranks second in the other two fields.

**Table 10 2016~2019 Panel Equipment Market Share by Suppliers**

Share	2016	2017	2018	2019
AMAT	6.9%	8.0%	8.9%	9.4%
Nikon	6.5%	4.9%	6.4%	7.6%
Canon	6.3%	10.0%	9.5%	5.4%
TEL	2.1%	2.7%	5.0%	4.5%
V Technology	2.2%	1.5%	2.2%	3.9%
Invenia	0.9%	0.7%	0.6%	2.8%
ULVAC	2.3%	3.1%	2.9%	2.5%
SCREEN	1.7%	1.5%	1.4%	1.9%
Wonik IPS	0.7%	0.7%	0.5%	1.8%
LG PRI	0.9%	0.7%	0.6%	1.6%
Other	69.4%	66.1%	61.8%	58.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: DSCC's Quarterly Display Capex and Equipment Market Share Report, 2020/02

Note 1: Statistics do not include income from the nature of services, income from repairs and spare parts, and income from upgrade services.

Note 2: Revenue calculated by each company's market share covers 76 different market areas of TFT backplanes, OLED backplanes, color filters, batteries and modules of more than 130 different companies.

**Table 11 2016~2020 Panel Equipment Market Share by Suppliers**

Revenue Share	2016	2017	2018	2019	2020
Canon/Tokki	6.4%	10.3%	10.9%	6.2%	13.0%
AMAT	7.0%	8.0%	9.2%	9.0%	9.8%
Nikon	6.5%	5.0%	6.7%	6.8%	5.6%
TEL	2.3%	2.7%	4.8%	5.2%	3.6%
ULVAC	2.4%	3.2%	3.0%	2.3%	2.6%
V Technology	2.2%	1.5%	2.3%	3.5%	1.9%
SCREEN	1.8%	1.5%	1.5%	1.7%	1.7%
Invenia	1.0%	0.7%	0.6%	2.3%	1.6%
AP Systems	1.6%	1.9%	2.3%	0.3%	1.5%
SEMES	1.0%	1.9%	0.9%	0.8%	1.2%
Other	67.8%	63.2%	57.7%	61.8%	57.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: DSCC's Quarterly Display Capex and Equipment Market Share Report · 2020/02

DSCC estimates that by 2020, Canon will regain the top spot with 11% growth in exposure equipment, nearly 400% growth in FMM VTE equipment, and sales of its mask VTE equipment exceeding \$ 250 million. AMAT's revenue is expected to increase by 19%, thereby gaining share. Nikon's LCD display business will decline sharply due to FMM VTE system sales and stable PVD revenue. Nikon Telephone will maintain the fourth place, while ULVAC jumps to fifth place, and revenue will increase by 24%. Nikon is expected to lose its share. Due to the sales of organic TFE in the QD-OLED fabs of IJP and SDC, Semes' growth rate was 71%, jumping to 10th place.

From the perspective of application, the rapid growth of OLED panels in

smartphone applications has also attracted panel manufacturers to compete. In contrast, TV applications, because of the price collapse, the market no longer grows. Although the TV field is the second largest market, the penetration rate is relatively low. This is mainly because the current OLED technology is not as good as LCD technology in terms of cost and service life, and with the development of various new technologies, OLED will compete with emerging technologies such as quantum dots, Mini LED, and Micro LED in the future.

According to IHS Markit, between 2017 and 2029, Japanese companies accounted for more than 50% of the flat-panel display manufacturing equipment market, and Korean companies accounted for about 25%.

Although Japan accounted for only 5% of FPD production capacity in 2019, compared with 22% in 2004, Japan still maintains its leading position in FPD manufacturing equipment. Driven by the technological transformation from LCD to OLED and China's huge FPD capacity building, FPD equipment sales reached an unprecedented \$ 54.3 billion in the three years from 2017 to 2019, which has brought equipment manufacturers in all regions. The high income has benefited the entire supply chain.

In recent years, Korean companies have been competing with the Japanese panel field, from OLED displays to FPD devices. As South Korea's LG Display and Samsung Electronics have become leaders in the FPD market in terms of capacity and technology, the two companies have begun to take the lead in mass production of OLEDs. For this reason, they doubled the localization of the production of equipment and materials. Localization can usually reduce costs, solve problems faster and improve the ability of suppliers to develop specific technologies. The field of lithography and evaporation is the main part of FPD equipment business, accounting for about 20% of the total market revenue. In the three years from 2017 to 2019, Canon and Nikon in Japan accounted for almost 98% of the array and touch film packaging (TFE) lithography market. During the same period, Canon Tokki occupies 55% of the market, while ULVAC occupies 11% of the evaporation market. In addition, Japanese equipment companies that have been supplying Sharp's Gen 10 fab since 2008 are expected to win business in the current wave of G10.5 expansion.

South Korean equipment company's revenue share increased in 2016 and 2017, thanks to the new flexible OLED factories built by Samsung and LG Display. Companies in the region have taken a leading position in the key market of excimer laser annealing (ELA). Compared with LTPS LCD, ELA needs to significantly increase the device strength and increase the average selling price of OLED displays. From 2017 to 2019, South Korea's AP Systems accounted for 60% of the ELA market, and all South Korean manufacturers collectively occupied 74% of the market.

In the field of wet etching, Korean companies DMS, KCTech and SEMES accounted for 73% of the market share during the same period. In terms of units and total market, the share of Korean equipment manufacturers is relatively high.

The FPD equipment market is centered in Asia, but American companies and companies in other regions have also made significant contributions.

Fundamentally, applied materials accounted for 84% of CVD revenue in the three years from 2017 to 2019. High value-added CVD vacuum equipment is widely used in arrays, barriers, thin film packaging and TFE touch. Therefore, CVD is one of the largest FPD equipment fields, with a value of more than US \$ 4.5 billion between 2017 and 2019.

The FPD equipment market is now facing new challenges. Many manufacturers are trying to increase the output of new flexible OLED factories. In addition, many top LCD manufacturers have to reorganize their manufacturing operations to absorb excessive TV capacity. Due to these trends, the FPD equipment market is expected to decline by 29% in the next three years, reaching a total of US \$ 38.6 billion.

Looking at the display industry market in 2020, the risk is still greater than the opportunity. The industry should focus on the impact of changes in two aspects on market supply and demand, in order to win a stable operation in a volatile market environment, including (1) actively paying attention to changes in the macro environment Impact on the industry. In particular, the impact of the new coronavirus epidemic on the global display industry supply chain, as well as the impact on the scale of terminal demand; (2) The adjustment of the panel factory's strategy, especially the progress of the Korean factory's capacity withdrawal and the speed of the new production line's capacity climb All will have a greater impact on panel supply capacity.

### (3) LED (Light-Emitting Diode) Industry

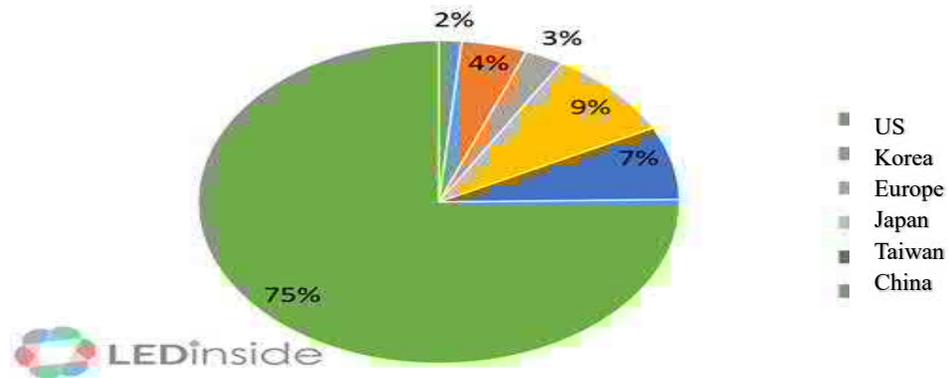
The global LED industry has been affected by the impact of the US- China trade dispute and the global economic recession, and the new applications of Mini LED backlights and high-end lighting have not yet fully developed in 2019 . The slow economic growth rate made LED market demand lower than expected, and the LED chip market was suffered from oversupply in 2018. Both of factors lead to oversupplying of the overall LED market in 2019, inventory remained at high level and prices declined more than usual. According to the report from LEDinside, a division of TrendForce, the global LED chip revenues have begun to decline in 2018, with a market size of only USD\$3.5 billion, a drop of 6.1% YoY. In 2019, the size of China's LED chip market was only RMB\$14.1 billion, a drop of 17% YoY. Most of companies had recorded their revenue declining significantly, and manufacturers' utilization rate continued to decrease. Besides, some of small and medium-sized manufacturers maintained a utilization rate of less than 50%.

As for LED chips-sapphire, the oversupply in the overall LED industry not only caused the significant impacted on supply and demand, but the supply chain and company ranking also changed dramatically.

In recent years, China has become the world's biggest manufacturing country of LED epitaxial wafers, including Sanan Optoelectronics, HC Semitek, and ChangeLight. These manufacturing companies has continuously expanded the scale of production. By contrast, Taiwan and other international manufacturers were significantly affected by China manufacturers, not only did not expand the scale of production, but also reduced the scale of production. Most of them has set up the production line in china directly, resulting in China becoming the world's largest LED chips-sapphire market.

The global of LED chips-sapphire market value was USD\$ 37.548 million, and the main market value reached 75% from China. In the next few years, Mini / Micro LED, new LED display markets will continue to rise, and the market scale is expected to grow at a CAGR of 13% from 2019 to 2023.

**Chart 20. 2019 Global LED chips-sapphire market share**



Source: LEDinside · 2019/12

According to the LED packaging industry trends, the LED small pitch and landscape lighting were still stayed strong growth, which caused packing price fell slightly than other types of LED production and kept steady growth in 2019. Owing to the global recession and uneven of supply and demand, it will likely to see first negative growth in history, and will estimate of 6.4% decline.

As a result of the deepening impact of the US- China trade dispute and weak global demand in emerging markets, leading to a significant decline in demand for lighting and backlighting, etc., packaging companies have to continue to cut prices. Therefore, there has been a general recession in the industry. Looking forward to 2020, the demand for different application areas expected to show a pattern of trading off and taking turns, but the overall focus is still on recuperate and build up strength. It is expected that the LED industry will return to the growth track until after 2021, mainly relying on development of Mini LED and Micro LED applications.

Compared with OLED, Mini LED has the advantages of long life, high contrast, high color gamut, and high resolution, as well as does not have the problem of imprint like OLED. With the increase in the penetration rate of Mini LED, the future supply and demand structure expected to change. The number of LEDs used in Mini LEDs is dozens of times higher than that of traditional direct backlights. NB requires about 10,000 LEDs. The demand for TV backlights, mobile phone backlights, and automotive display screens is greater, which will help LED chip factories improve their supply and demand. According to the research, Mini LED will enter high-speed development from 2019 to 2022, with the market penetration rate reach 5% and 10% in 2020 and 2021 respectively. The output value of Mini LED will reach USD\$ 686 million in 2022, and large and medium-sized displays market will reach 38% in 2023.

Micro LED not only surpasses OLED in brightness and contrast but also has the characteristics of rapid response, low power consumption, and high reliability. If it is successfully commercialized and mass-marketed, the prospects can be said to be promising. However, at this stage of the Micro LED display, the biggest challenge is how to reduce costs. Including the improvement of production equipment, the innovation of detection methods, and the development of mass transfer, etc., are the research directions that manufacturers are actively working on. The future commercialization of Micro LED will progress as Micro LED technology matures. It is estimated that the output value of Micro LED market will reach USD\$4.2 billion in 2023.

For the current status of Taiwanese LED industry, the market values in Taiwan of 2019 have steadily declined because it was suffered from the China's rising LED industry and US- China trade dispute. Therefore, Taiwanese LED industry look upon Mini LED as a major breakthrough to overcome the bottlenecks.

Regarding to Mini LED supply chain, the suppliers can be divided into sapphire PSS, LED epitaxy, LED packaging, soft and hard substrate, SMT parts, TFT backplane and driver IC. The most important part of the development of technology would focus on Mini LED, and it would be based on 6-inch PSS production capacity, mass production capacity of the crystal grain, packaging and flexible substrate applications, and backlight module design capabilities.

In the application market, Mini LED backlight products have the opportunity to be introduced into the mobile phone market. Given the tight supply of existing AM-OLED panels, except for Samsung and Apple, other mobile phone manufacturers may face difficulties in obtaining OLED panels. Combine the flexible substrate to form a self-luminous source to achieve high-curved and high-resolution performance. In the supply chain, the packaging factory will go with the panel factory to jointly develop the Mini LED mobile phone backlight solution.

The Mini LED supply chain is becoming more and more vigorous in Taiwan. From materials, equipment, panels to displays, etc., more and more manufacturers have entered the Mini LED business opportunities. The entire supply chain pays attention to the Mini LED. According to the industry, given the current market enthusiasm, more Mini LED products will continue to launch this year and next year. Under the preemptive layout of Taiwan's LED industry, it expects that the LED industry will return to its glory.

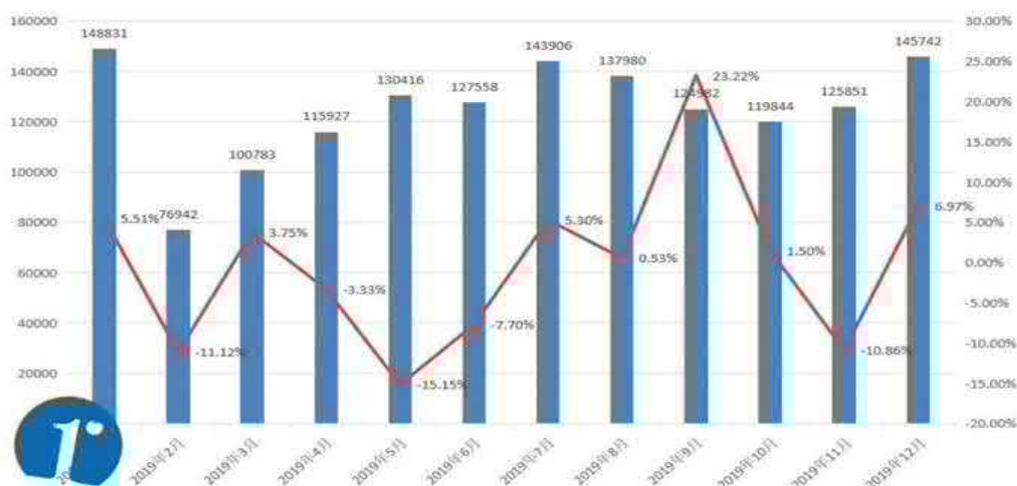
The share of China's LED chip industry in the global market, from the perspective of corporate revenue, has accounted for 67% in 2018 and continues to increase. It is estimated that the proportion will exceed 70% in 2019. The price and demand in the LED market were declined significantly because of the global economic downturn, US-China trade dispute and the rapid expansion of LED factories in China. In 2019, it is expected to decline sharply from 2018, with estimate of more than 10% YoY.

As the world's largest LED application market, the LED lighting market penetration in China has reached a high standard, and the general lighting price war has reached a fevered pitch stage. Many mainland companies have

turned their attention to overseas markets. However, due to the relatively low demand in the global lighting market, overall export growth has been weak. According to CSA Research's Customs Statistics, China's total export value of LED products were USD\$15.957 million in 2019, an increase of 6.43% in compared with 2018. Among them, the export value in December was about 1.457 billion yuan. Compared with 2018, except for February, May, and November, the whole year showed a growth momentum, of which, the growth in September and December was relatively rapid, with an increase of 23.22%. 6.97% YoY.

**Chart 21. 2019 China LED lighting product export value**

(unit: ten thousand US dollars)



Source: CSA Research · 2020/03

According to the latest report of 2020 Global LED Lighting Market Outlook-Light LED and LED Lighting Market Trend-1H20 issued by LEDinside of Trendforce, with the development of technology, mature products, active promotion of manufacturers and popularization of smart lighting concepts in 2019, the global smart lighting market has entered a stage of rapid development, with the market size approaching USD 10.7 billion. Among them, smart residential lighting accounted for 29% of the global smart lighting market in 2019, reaching USD\$ 3.11 billion.

In addition, Traditional lighting products are continuously and rapidly turning to LED lighting, and various lighting applications are developing towards energy saving and consumption reduction. Among them, the lighting energy-saving transformation of subway tracks has also formed a boom, responding to the national call for energy saving and emission reduction, and meeting the related needs of smart city construction. With the increasing penetration of LED lighting and the increasing demand for smart lighting in the market, the nationwide subway lines will gradually be replaced with smart LED lighting systems, and LED lighting systems for newly opened subway lines will also become more intelligent.

In 2019, market demand growth is far behind the growth of production capacity, prices have fallen, and corporate sales have increased, but revenue

has not increased. On the demand side in 2020, the global economic downturn, the coronavirus pneumonia, and the pending case of Sino-US trade are not optimistic. The market will look forward to adding the Mini LED, hoping to gradually increase the volume of Mini LED terminal applications and become an application with the possibility of high-speed growth, driving the overall development of the LED industry. In terms of capital expenditures, the LED industry has experienced price competition from overcapacity, which has led the LED industry to strictly control its capital expenditures. With the expansion of Mini LED applications as an industry highlight, it estimated that when Mini LED enters the mass production stage, LED manufacturers will also release the adjustment and expansion needs of related manufacturing equipment. It expects to drive some new capital expenditures in 2020. However, it estimates that manufacturers' capital expenditure will be much more cautious than before as the industry environment is still precarious.

According to LEDinside 2020 Micro LED Next-Generation Display Technology and Supply Chain Analysis, says that significant progress in the evolution of Micro LED technologies during the recent period has attracted the interest of many supply chain actors. Companies that are now pursuing Micro LED include material and equipment providers in the upstream, component suppliers in the mid-stream, and brand vendors of whole devices in the downstream. In trying to gain a foothold in this field, they are disrupting the traditional ecosystem of the electronics sector and contributing to the formation of a new industry chain. For instance, advances in the shrinking of LED chips are also spurring advances in the mass transfer and inspection process—a section of Micro LED production that has drawn in many new startups.

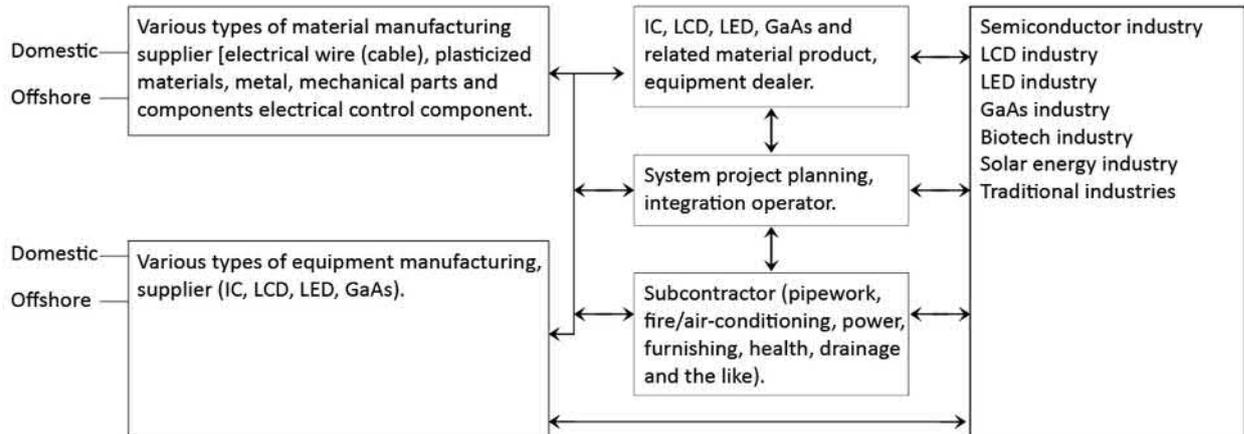
According to LEDinside's research, the amount of epi-wafers used in manufacturing a Micro LED display panel depends on the specified resolution. Compared with other display applications, TVs and large-size displays offer much higher resolutions and thus require an enormous amount of LED chips to compose the self-emissive pixels. This means that the number of epi-wafers consumed for TVs and large-size displays will be much greater than for other applications as well. LEDinside forecasts that the total annual demand for Micro LED epi-wafers (4-inch equivalents) from TVs for 2024 will reach approximately 1 million pieces. The total annual demand from IT displays for the same year will come to around the same figure.

The pace of development progress varies in each application segment of the Micro LED market, though technological advances on the whole have significantly expanded the scope of potential applications from small to large display sizes. Possibilities include small HMDs, wearable displays, AR/VR devices, mid-size displays for laptops, monitors, automotive displays, TVs, and large-size display systems (that can scale up to the dimension of a "Digital display"). LEDinside believes that among applications, the growth potential is especially the strongest for large-size displays because Samsung has been investing substantial resources into developing this kind of products. As a segment within the wider Micro LED market, the market for large-size Micro LED displays is projected to grow to more than US\$2 billion in total annual value by 2024.

Because of the continued expansion of the coronavirus pneumonia epidemic

from 2020 to the present, TrendForce and its affiliated Topology Research Institute have analyzed that the supply of raw materials such as sapphire substrates may be chained break crisis. Coupled with the shutdown and increased labor production costs, the impact of LED production will be more severe.

### 1.2.2 The upstream, midstream and downstream



### 1.2.3 The products' various development trends

#### (1) Sales and services of high-tech equipment and materials

##### ① Integrated circuitry component processing

In the face of future market development trends, with 5G, AI artificial intelligence, high-performance computing, automotive and other related emerging semiconductor applications. All kinds of AI acceleration and collaborative chips required from the cloud to the edge have been proposed. The development trend of architecture chips will affect the development direction of the semiconductor industry and the transfer of semiconductor application blocks.

IC designers will introduce a new generation of silicon intellectual property, strengthen ASIC and chip customization capabilities, and accelerate the application of 7nm EUV and 5nm. In terms of manufacturing, the adoption rate of the 7-nanometer node has increased, the R&D timing of 5nm and 3 nm is more and more clear, and the proportion of advanced manufacturing will increase in the future days. Due to a new challenges in the global semiconductor manufacturing landscape, competition for advanced manufacturing processes under 10 nm is dominated by Taiwan and Korea, and it will also affect the future end-customer's order selection. As the 7nm process will be gradually put into mass production in recent years, the solution will come out after 7nm. Global wafer manufacturers predict higher-than-expected demand for high-end chips for 5G mobile phones and base stations. Both the 5nm and 7nm enhanced versions are introduced into the EUV process. EUV plays an important role in the advanced process, and related capital expenditures continue to be invested.

##### ② IC packaging processing

Semiconductor OEM and IDM factories have successively invested R & D resources in 3D packaging technology, which will lead a new trend of 3D packaging and testing technology. Through the bumping density, the overall computing speed between the CPU / GPU processor and the memory is improved. It is expected to continue to extend through SoIC packaging technology and serve as a new solution for TSMC's advanced packaging in the back end of Integrated Fan-out and Chip on Wafer on Substrate.

### ③ LED processing

The whole LED industry face the risk of oversupply but the prospects for special applications are still optimistic. The main motivations include small-pitch LED display screens, Mini LED backlights, UV-C LEDs, automotive lighting and high-efficiency LED lighting.

Mini LED could be applied to the LCD, with the direct-type area backlight technology. It can increase the contrast and brightness of the LCD, also provide consumers having another choice. The independent control of the backlight with multi-zones will help to improve the contrast and bring better display. However, due to the high technical cost at this stage, it can only be applied to high-end models. If the cost of Mini LED and the process of mass transfer can achieve breakthrough development in the future, Mini LED backlight technology is expected to be widely used in various displays. It will effectively boost the chip demand of the LED industry.

### ④ Display Panel processing

The display panel industry has a wide range of application markets, including LCD TVs, LCD monitors, notebook computers, tablet computers, mobile phones, wearable devices, public displays, digital signage, industrial computers, automobiles, smart classrooms, medical equipment, e-sports, national defense. It has a wide range of uses and is required in all kinds of human-machine interfaces. With the development of AI, Internet of Things and big data in the future, it drives that the size of the panel market shows a trend of continuous expansion.

From the perspective of the progress of Micro LED, more and more panel manufacturers have launched Micro LED solutions for glass backplanes. However, larger-size displays are realized by glass splicing due to yield problems. The cost of Micro LED is still high in the short term since Micro LED combined with mass transfer technology can combine different display backplanes to create transparent, projection, curved, flexible and other display effects. There will be opportunities for oversupply displays in the future.

## (2) Automatic supplying system

### ① Gas automated supply system

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 Chemical automated supply system

With the chemical automated supply system being a requisite chemical conveying supply facility in high-tech industry plant launching. MIC focus 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 its service uniqueness, and high technical thresholds, the saturating market will prevent potential rivals from entering into the market.

### ③ Special gas monitoring system

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.

### ④ Factory automated operation

MIC have many years of experiences in facility management control system (FMCS), computer-integrated manufacturing (CIM) and automated product representation operation.

- (3) Total Facility Engineering Turnkey Project
  - ① High tech/biotech and pharmaceutical plant facility planning, design, work implementation and turnkey testing
  - ② High-tech factory equipment/server integrated server installation project (total turnkey hookup projects)
  - ③ Electromechanical systems integration for general industry, communication industry and smart building.
- (4) R&D and manufacturing of Customized equipment  
To help research and design the production of OEM and ODM equipments, and cooperate with the important academic and research groups to jointly build our own brands in the equipment manufacturing market.

#### 1.2.4 Competitive status

- (1) Sales and services of high-tech equipment and materials:  
Due to the diversified and complex types of equipment and materials sold by the Group, and the various businesses have been intertwined in major technology companies.
- (2) Automatic Supplying system
  - ① Gas automated supply system  
The group has successfully developed with gas material vendors a modularized panel to command a competitive edge 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 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..
  - 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.
  - 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 their 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

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.

(3) Total Facility Engineering Turnkey Project

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.

(4) R&D and manufacturing of Customized equipment

There has been serviced a number of semiconductor equipment customers and panel industry equipment customers, whom were from Europe, America and Japan. In order to allow process equipment technology to take root in Taiwan, MIC has been cooperated with international manufacturers and has been developed self-branded panel equipments.

### 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, chemical supply systems 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 has actively attentive in the research and development and technical development of customized equipment, especially to enhance the design, assembly and testing capabilities of customized equipments.

#### 1.3.2. R&D personnel and their education/exposure

Unit: persons; %

Year Education	2018		2019		2020 up to March 31	
	Personnel	Ratio (%)	Personnel	Ratio (%)	Personnel	Ratio (%)
Doctoral	3	5.56%	4	14.58%	4	10.00%
Master	34	62.96%	21	47.92%	21	52.50%
B.A.	14	25.93%	13	29.17%	12	30.00%
College	3	5.55%	3	8.33%	3	7.50%
Total	54	100%	41	100.00%	40	100.00%
Average seniority	3.73		4.57		4.23	

#### 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	2019	2020 up to March 31
Research and development expenses (A)	220,168	399,128
Operating income (B)	24,182,681	5,498,319
Ratio (A)/(B) (%)	0.91	0.73

Note: The figures are disclosed based on the 2019 CPA-audited consolidated financial statements and the 2020 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
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)
2019	Improvement of polyamide	Panel Industry
	Improvement of polyamide patch	Panel Industry
	LED Automatic Wafer mounter	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; %

Sale or service area \ Year	2018		2019	
	Amount	Ratio (%)	Amount	Ratio (%)
Taiwan	10,498,456	43.00	10,647,154	44.03
Mainland China	7,546,686	30.91	7,642,606	31.60
Other	6,370,581	26.09	5,892,921	24.37
Total	24,415,723	100.00	24,182,681	100.00

Note: The above figures are disclosed based on the the 2018 and 2019 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

For proxy chemicals and consumables required for advanced semiconductor manufacturing processes, including etching solutions, abrasive slurry, abrasive brushes, tube equipment used in diffusion processes, ball planting machines and ball filling machines.

##### (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. We also engage in development of LED plants, solar energy plants and research units 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.

##### (3) Total Facility Engineering Turnkey Project

Plant plan, design, construction and test (turn-key) for high

technology/biotechnology and pharmaceutical 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.

#### (4) R&D and Manufacturing of Customized Equipment

The groups has been serviced in the automatived industry and has provided comprehensive and complete solutions to our clients for several years. Besides, the groups have fully control the industry trends and client demands, and service the OEM and ODM in real time.

### 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 SEMI reports, , the total sales of global semiconductor manufacturing equipment in 2019 was US \$ 59.8 billion, with a decrease of 7% from the historical high of US \$ 64.5 billion in 2018. The sale markets of semiconductor equipments in Taiwan in 2019 was valued US \$ 17.12 billion, with an annual increase of 68%. SEMI announced the latest report, the shipment value of North American semiconductor equipment manufacturers was US \$ 2.49 billion in December 2019, compared with November final data of US \$ 2.12 billion and with an increase of 17.5%, and an increase of 17.8% compared to US \$ 2.11 billion in the same period in 2019. The sales of North American equipment manufacturers have reached new highest recored since June 2018. From the shipments of equipment in December 2019, we can see the strong demand brought by advanced logic processes and foundry investment.

##### (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

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.

(4) Customized Equipment R&D and Manufacturing Business

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 kept 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

MIC sales the important equipment, chemicals and consumables required in the front-end process of semiconductors, including vertical diffusion furnace tubes of major Japanese manufacturers, etching liquids, abrasive slurry, abrasive brushes. Our groups also sale Japan's advanced ball planting machine, ball filling machine and advanced materials and consumables for OLED and other displays for the display industry.

(2) Automation Supplying System

MIC is the leading brand of automation system integration services in the industry's factory engineering business. It has been served in the field of automated supply systems for gas, chemicals, and pure water for several years. The Group also assists owners to operate TCM, TGM, TWM, the whole plant management monitoring system provides the purpose of integrating the monitoring and, data collection and sub-division of each subsystem to improve the operation efficiency of the factory management system and simplify manpower. For the monitoring of the most sensitive special gases, the overall plan provided by the Group can maintain production operations and ensure the safety of staff under the most economic considerations. In the manufacturing integration business, the mission of Fanxuan is to help the machine diagnose and connect, and then further integrate and analyze the data to assist the management layer to use the information management system ERP to fully grasp the field control system MES of the operation layer operation. The hardware report software allows information streaming, collection, and integration to help customers build better smart factories.

(3) Total Facility Engineering Turnkey Project

Business includes planning, design, construction, manufacturing supervision, and testing. Including electromechanical, clean room, UPW water, gas, chemical, sewage treatment, exhaust emission treatment and equipment integration connection. Our customers can rely on professional manufacturers to quickly complete the work of building factories and profit with the most streamlined labor and cost.

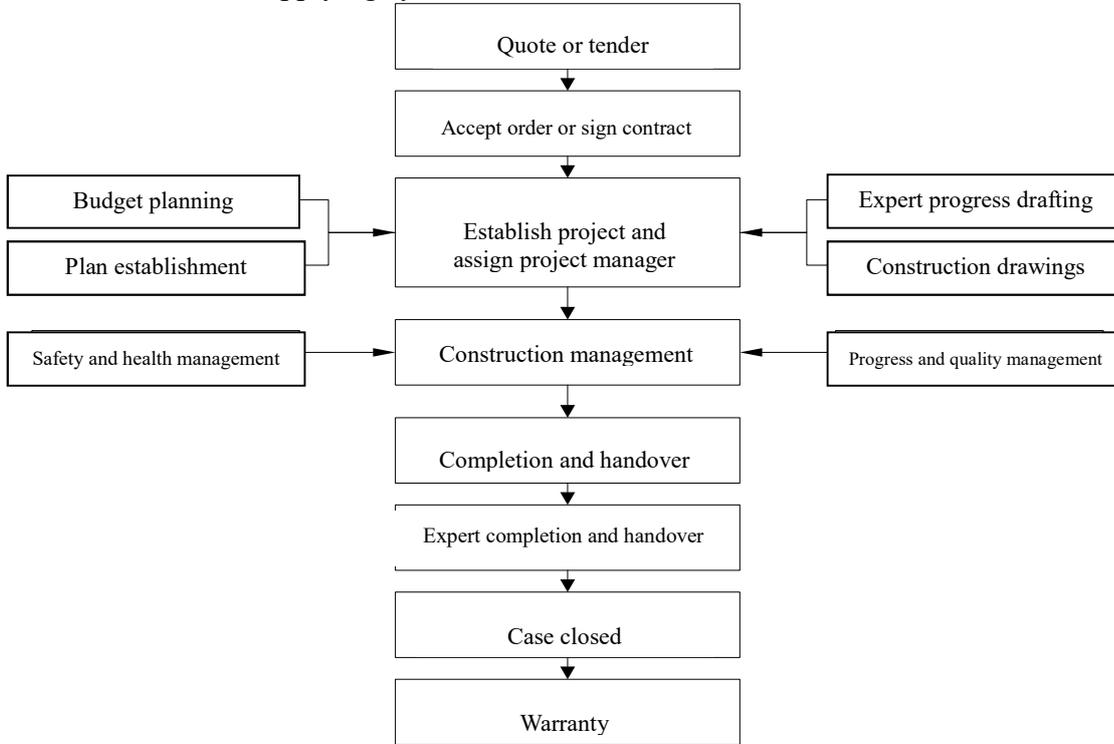
(4) R &D and manufacturing of customized equipment

To provide OEM services for major international semiconductor and panel equipment manufacturers, and provide advanced and complete services to become the industry's leading OEM brand.

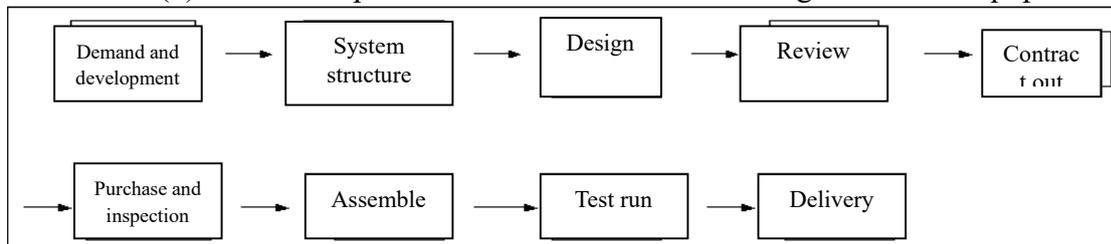
### 2.2.2. Production process of major product

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 Project and Automatic Supplying system



#### (2) Production process of R&D and manufacturing customized 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; %

Item	2018				2019				As of March 31, 2020(Note 2)			
	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	3,053,247	12.51	Non-related	Customer A	3,416,765	14.13	Non-related	Customer A	668,188	12.15	Non-related
	Other	21,362,476	87.49		Other	20,765,916	85.87		Other	4,830,131	87.85	
	Net sales	24,415,723	100.00		Net sales	24,182,681	100.00		Net sales	5,498,319	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 2018 and 2019 consolidated financial statement certified by the accountant and 2020 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 affairs 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 supply 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	2018			2019		
	Capacity	Yield	Output value	Capacity	Yield	Output value
Sales and service of high-tech equipment and materials			4,429,003			4,441,060
Automation supply system			4,204,032			4,341,611
Total Facility Engineering Turnkey Project	Note	Note	6,654,356	Note	Note	7,041,681
R&D and manufacturing of customized equipment			6,309,136			5,791,350
Total			21,596,527			21,615,702

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 2018 and 2019.

#### Variation analysis:

The 2019 consolidated operating income was slightly lower than the previous year, and the entirely output value increased by the customer demand. In the overall, there was no occurrence of significant unusual situations.

## 2.6 Sales volume for the recent two years

Unit: thousand NTD

Major merchandise (dept.) / Sales volume / Year	2018			2019		
	Region			Region		
	Taiwan	China	Other	Taiwan	China	Other
Sales and service for hi-tech equipment and materials	2,760,091	2,228,574	387,967	2,885,856	2,240,402	471,206
Automation supply system	2,756,637	1,544,133	427,596	3,138,542	1,567,425	100,203
Total Facility Engineering Turnkey Project	3,920,962	2,949,212	119,035	3,917,315	2,891,660	285,891
R&D and manufacturing of customized equipment	1,060,766	824,767	5,435,983	705,441	943,119	5,035,621
Total	10,498,456	7,546,686	6,370,581	10,647,154	7,642,606	5,892,921

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 2018 and 2019.

### 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 2019 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 2019 compared to the previous year. All in all, the changes in the consolidated revenue of Marketch 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	2018	2019	As of March 31, 2020
Number of employees	Direct worker	876	869
	Indirect worker	820	860
	Total	1,696	1,729
Average age	37.59	36.28	37.28
Average years of service	7.68	6.77	7.75
Education distribution ratio (%)	Doctor	0.65	0.87
	Master	11.50	11.22
	University	43.46	46.90
	Junior college	27.47	25.10
	Other	16.92	15.91

## 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 describe 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 system 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 assembling 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 implemented 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 established by the Bureau of Labor 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 benefit 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 annual reports and due in the recent year:

Nature	Contracting party	Commencement date and termination date	Main contents	Restriction terms
Agency agreement	A Company	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	B Company	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	C Company	From Oct. 5 of 2016, the validity is 1 year 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	D Company	From Nov. 11 of 2012, the contract will be renewed for a year automatically after the expiry date.	Anti-Vibration System	For use in Taiwan

Notes: According to the non-disclosure agreement, the relevant information of the parties may not be disclosed, and uses code name to identify the party information.

## 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

#### 1.1 Consolidated 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 31,2020 Financial Information (Note3)	
	2015	2016	2017	2018	2019		
Current assets	9,930,954	12,178,315	13,643,594	15,268,921	15,635,023	15,508,199	
Property, Plant and Equipment (note 2)	1,419,554	1,388,586	1,864,277	2,231,933	2,211,675	2,202,249	
Intangible assets	23,045	21,619	20,115	19,441	16,695	56,817	
Other assets(note 2)	552,673	494,262	543,157	707,911	1,789,485	1,919,763	
Total assets	11,926,226	14,082,782	16,071,143	18,228,206	19,652,878	19,687,028	
Current liabilities	Before distribution	7,300,177	8,845,356	10,372,850	12,123,395	12,587,440	12,265,036
	After distribution	7,630,317	9,208,509	10,815,391	12,680,169	(Note6) 13,073,224	(Note6) 12,265,036
Non-current liabilities	161,251	632,231	554,291	367,508	1,227,470	1,294,099	
Total liabilities	Before distribution	7,461,428	9,477,587	10,927,141	12,490,903	13,814,910	13,559,135
	After distribution	7,791,568	9,840,740	11,369,682	13,047,677	(Note6) 14,300,694	(Note6) 13,559,135
Equity attributable to shareholders of the parent	4,459,596	4,607,611	5,144,977	5,666,734	5,800,013	6,054,584	
Capital stock	1,650,698	1,650,698	1,770,164	1,855,913	1,868,400	1,870,757	
Capital surplus	618,773	648,446	843,057	970,381	982,882	995,239	
Retained earnings	Before distribution	2,164,227	2,335,452	2,612,401	2,981,371	3,118,978	3,350,684
	After distribution	1,834,087	1,972,299	2,169,860	2,424,597	(Note6) 2,633,194	(Note6) 3,350,684
Other equity interest	25,898	(26,985)	(80,645)	(140,931)	(170,247)	(162,096)	
Treasury stock	0	0	0	0	0	0	

Year Item	Financial Summary for The Last Five Years (Note1)					As of March 31,2020 Financial Information (Note3)	
	2015	2016	2017	2018	2019		
Non-controlling interest	5,202	(2,416)	(975)	70,569	37,955	73,309	
Total equity	Before distribution	4,464,798	4,605,195	5,144,002	5,737,303	5,837,968	6,127,893
	After distribution	4,134,658	4,242,042	4,701,461	5,180,529	(Note6) 5,352,184	(Note6) 6,127,893

- 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 20120 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 2019 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\$.)

Year Item	Financial Summary for The Last Five Years (Note1)					As of March 31,2020 Financial Information (Note2)
	2015	2016	2017	2018	2019	
Operating revenue	18,031,624	18,650,941	20,211,994	24,415,723	24,182,681	5,498,319
Gross profit	2,014,602	2,247,657	2,301,337	2,819,196	2,566,979	708,927
Operating Income	574,436	700,300	800,699	875,753	819,338	429,393
Non-operating Income/expense	11,953	(27,687)	13,276	125,086	71,683	8,037
Earnings before tax	586,389	672,613	813,975	1,000,839	891,021	287,571
Net income from continuing operations	459,985	511,263	648,829	782,164	669,120	223,135
Loss from discontinued operations(Note3)	0	0	0	0	0	0
Net income (loss)	459,985	511,263	648,829	782,164	669,120	223,135
Other comprehensive income (net after tax)	(47,018)	(65,992)	(62,830)	(45,658)	(38,855)	7,829
Current comprehensive income/loss	412,967	445,271	585,999	736,506	630,265	230,964
Net earnings attributable to owners of the parent	458,724	515,151	652,951	792,582	703,006	231,706
Net earnings attributable to non-controlling interest	1,261	(3,888)	(4,122)	(10,418)	(33,886)	(8,571)
Comprehensive income/loss attributable to owners of the parent	411,859	449,009	589,971	747,730	665,065	239,857

Item \ Year	Financial Summary for The Last Five Years (Note1)					As of March 31,2020 Financial Information (Note2)	
	2015	2016	2017	2018	2019		
Comprehensive income/loss attributable to non-controlling interest	1,108	(3,738)	(3,972)	(11,224)	(34,800)	(8,893)	
Earnings per share (in dollars)	Basic earnings per share – current(Note5)	2.78	3.12	3.77	4.40	3.78	1.24
	Diluted earnings per share – current(Note5)	2.73	2.95	3.51	4.21	3.74	1.23
	Adjusted Diluted Earnings per Share(Note6)	2.73	2.95	3.51	4.21	3.74	1.23

- 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 2020 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)					
	2015	2016	2017	2018	2019	
Current assets	6,113,781	8,040,543	8,819,329	10,679,609	10,497,307	
Property, Plant and Equipment (note 2)	1,126,399	1,120,544	1,453,359	1,719,499	1,672,574	
Intangible assets	12,265	15,515	15,270	14,032	11,377	
Other assets(note 2)	2,089,477	1,861,272	2,133,410	2,497,035	3,590,436	
Total assets	9,341,922	11,037,874	12,421,368	14,910,175	15,771,694	
Current liabilities	Before distribution	4,720,325	5,773,977	6,716,027	8,880,579	8,739,835
	After distribution	5,050,465	6,137,130	7,158,568	9,437,353	(Note6) 9,225,619
Non-current liabilities	162,001	656,286	560,364	362,862	1,231,846	
Non-current liabilities	Before distribution	4,882,326	6,430,263	7,276,391	9,243,441	9,971,681
	After distribution	5,212,466	6,793,416	7,718,932	9,800,215	(Note6) 10,457,465
Capital stock	1,650,698	1,650,698	1,770,164	1,855,913	1,868,400	
Capital surplus	618,773	648,446	843,057	970,381	982,882	
Retained earnings	Before distribution	2,164,227	2,335,452	2,612,401	2,981,371	3,118,978

Year Item	Financial Summary for The Last Five Years (Note1)					
	2015	2016	2017	2018	2019	
	After distribution	1,834,087	1,972,299	2,169,860	2,424,597	(Note6) 2,633,194
Other equity interest		25,898	(26,985)	(80,645)	(140,931)	(170,247)
Total equity	Before distribution	4,459,596	4,607,611	5,144,977	5,666,734	5,800,013
	After distribution	4,129,456	4,244,458	4,702,436	5,109,960	(Note6) 5,314,229

- 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 2019 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\$.)

Year Item	Financial Summary for The Last Five Years (Note1)					
	2015	2016	2017	2018	2019	
Operating revenue		12,482,462	13,308,343	15,319,550	16,757,545	17,631,899
Gross profit		1,485,761	1,749,009	1,849,529	1,937,844	1,855,600
Operating Income		616,331	770,176	875,580	748,195	752,258
Non-operating Income/expense		(42,814)	(98,650)	(59,192)	244,957	125,959
Earnings before tax		573,517	671,526	816,388	993,152	878,217
Net income from continuing operations		458,724	515,151	652,951	792,582	703,006
Loss from discontinued operations(Note3)		0	0	0	0	0
Net income (loss)		458,724	515,151	652,951	792,582	703,006
Other comprehensive income (net after tax)		(46,865)	(66,142)	(62,980)	(44,852)	(37,941)
Current comprehensive income/loss		411,859	449,009	589,971	747,730	665,065
Earnings per share (in dollars)	Basic earnings per share – current (Note5)	2.78	3.12	3.77	4.40	3.78
	Diluted earnings per share – current (Note5)	2.73	2.95	3.51	4.21	3.74

Item	Year	Financial Summary for The Last Five Years (Note1)				
		2015	2016	2017	2018	2019
	Adjusted Diluted Earnings per Share(Note6)	2.73	2.95	3.51	4.21	3.74

- 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 has not been certified and reviewed by accountant. Above 2020 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 2019 profit distribution has not yet been approved by Shareholders' Meeting.

1.2 The 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 certifying remarks made by the accountants of the laterst five years:

Years	Accounting Firms	Names of accounts	Certifying remarks
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
2019	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 FY 2017 changed to Chang, Shu-Chiung and Wong, Shu-rong.

## 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, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Capital structure analysis (%)	Debts Ratio	62.56	67.30	67.99	68.53	70.29	68.87
	Long Term Funds to Fixed Assets	325.88	377.18	305.66	273.52	319.46	337.02
Liquidity analysis (%)	Current Ratio	136.04	137.68	131.53	125.95	124.21	126.44
	Quick Ratio	99.78	102.89	94.30	91.11	96.60	94.46
	Interest Guarantee (times)	16.15	12.88	13.98	16.15	11.56	17.09
Operating performance analysis	Average Collection Turnover (times)	5.14	4.55	4.45	5.18	4.49	4.23
	Average Collection Days	71	80	82	70	81	86
	Average Inventory Turnover (times)	3.43	3.44	2.96	2.72	2.77	3.24
	Average Payables Turnover (times)	4.13	4.16	3.90	4.23	4.10	3.84
	Average Inventory Turnover Days	106	106	123	134	132	113
	Fixed Asset Turnover (times)	12.52	13.28	12.43	11.92	10.88	9.97
	Total Asset Turnover (times)	1.52	1.43	1.34	1.42	1.28	1.12

Return on investment analysis	Return on Total Asset (%)	4.15	4.29	4.65	4.87	3.89	4.83
	Return on Total Equity (%)	10.40	11.27	13.31	14.38	11.56	14.92
	Pre-tax Profit to Capital Stocks (%) (Note 8)	35.52	40.75	45.98	53.93	47.69	61.49
	Net Income to Sales (%)	2.55	2.74	3.21	3.20	2.77	4.06
	Earnings per Share(NT) (Note 3)	2.78	3.12	3.77	4.40	3.78	1.24
Cash flow analysis	Cash Flow Ratio (%)	(2.70)	(2.71)	12.10	0.80	7.75	(0.93)
	Cash Flow Adequacy Ratio (%) (Note 6)	14.85	5.28	26.81	27.82	31.48	35.20
	Cash Flow Reinvestment Ratio (%)	(8.89)	(8.65)	12.69	(4.61)	5.53	(1.44)
Leverage	Operating Leverage	2.65	2.46	2.17	2.55	2.33	2.02
	Financial Leverage	1.07	1.09	1.08	1.08	1.11	1.07

Note on variation in capital ratio in the previous two years (Not applicable if the variation is < 20%)

#### Cash Flow Analysis :

(1) Liquidity analysis:

Decrease in interest guarantee: which primarily attributes to the decrease in the revenue of 2019 and to the increase in financial costs because of the increase in interest expenses on bank loans and the amortization of leasing liabilities, both resulting in the interest guarantee to less than the last year.

(2) Return on investment analysis:

Decrease in return on total asset : which primarily attributes to the decrease in the revenue of 2019 and to the applicates the policy of IFRS “Financial Instruments” , both led to the return on total asset to less than the last year.

(3) Cash flow analysis:

Increase in Cash flow ratio: which primarily attributes to an increase in business activity net cash inflow this year, resulting in the 2019 cash flow equivalent ratio is higher than the previous year. Increase in cash reinvestment ratio: which primarily attributes to an increase to the 2019 business activity net cash inflow, resulting in the cash flow reinvestment ratio to higher 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, inventory 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)

Items ( Note4 )		Financial Analysis over the last Five Years ( Note1 )				
		2014	2015	2016	2017	2018
Financial structure (%)	Debts ratio	52.26	58.26	58.58	61.99	63.23
	Ratio of long-term capital to property, plant and equipment	410.30	469.76	392.56	350.66	420.42
Solvency (%)	Current ratio	129.52	139.25	131.32	120.26	120.11
	Quick ratio	93.04	100.19	90.05	80.88	87.14
	Interest earned ratio (times)	71.28	55.50	71.29	58.29	24.93
Operating performance	Accounts receivable turnover (times)	5.52	5.10	5.15	5.38	5.41
	Average collection period	66	72	71	68	67
	Inventory turnover (times)	3.35	3.55	3.05	2.37	2.55
	Accounts payable turnover (times)	3.85	4.06	4.02	4.02	4.39
	Average days in sales	109	103	120	154	143
	Property, plant and equipment turnover (times)	10.88	11.85	11.90	10.56	10.40
	Total assets turnover (times)	1.35	1.31	1.31	1.23	1.15
Profitability	Return on total assets (%)	5.02	5.16	5.65	5.90	4.77
	Return on stockholders' equity (%)	10.38	11.36	13.39	14.66	12.26
	Pre-tax income to paid-in capital (%) (Note 8)	34.74	40.68	46.12	53.51	47.00
	Profit ratio (%)	3.67	3.87	4.26	4.73	3.99
	Earnings per share (NT\$) (Note 3)	2.78	3.12	3.77	4.40	3.78
Cash flow	Cash flow ratio (%)	4.82	2.03	11.16	0.29	8.71
	Cash flow adequacy ratio (%)(Note 6)	50.51	45.60	40.23	29.15	28.98
	Cash reinvestment ratio (%)	(1.88)	(3.45)	11.32	(6.34)	3.05
Leverage	Operating leverage	1.99	1.92	1.79	2.17	2.01
	Financial leverage	1.01	1.02	1.01	1.02	1.05

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 Liquidity analysis: which primarily attributes to the decrease in the revenue of 2019 and to the increase in financial costs because of the increase in interest expenses on bank loans and the amortization of leasing liabilities, both resulting in the interest guarantee to less than the previous year.

2. Cash flow analysis:

Increase in Cash flow ratio: which primarily attributes to an increase in business activity net cash inflow this year, resulting in the 2019 cash flow equivalent ratio is higher than the previous year. Increase in cash reinvestment ratio: which primarily attributes to an increase to the 2019 business activity net cash inflow, resulting in the cash flow reinvestment ratio to higher than the previous year.

\* 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, inventory 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) (note 6)

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 2020 Shareholders' Meeting

We, as the Audit Committee of MIC Group, have audited the 2019 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-Ming

March 5, 2020

- 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 ; %

Description \ Year	As of December 31,2019	As of December 31,2018	Difference	
			Amount	%
Current assets	15,635,023	15,268,921	366,102	2.40
Property, plant and equipment	2,211,675	2,231,933	(20,258)	(0.91)
Intangible assets	16,695	19,441	(2,746)	(14.12)
Other assets	1,789,485	707,911	1,081,574	152.78
<b>Total assets</b>	<b>19,652,878</b>	<b>18,228,206</b>	<b>1,424,672</b>	<b>7.82</b>
Current liabilities	12,587,440	12,123,395	464,045	3.83
Non-current liabilities	1,227,470	367,508	859,962	234.00
<b>Total liabilities</b>	<b>13,814,910</b>	<b>12,490,903</b>	<b>1,324,007</b>	<b>10.60</b>
Capital stock	1,868,400	1,855,913	12,487	0.67
Capital surplus	982,882	970,381	12,501	1.29
Retained earnings	3,118,978	2,981,371	137,607	4.62
Other equity interest	(170,247)	(140,931)	(29,316)	(20.80)
<b>Equity attributable to shareholders of the parent</b>	<b>5,800,013</b>	<b>5,666,734</b>	<b>133,279</b>	<b>2.35</b>
<b>Non-controlling interests</b>	<b>37,955</b>	<b>70,569</b>	<b>(32,614)</b>	<b>(46.22)</b>
<b>Total equity</b>	<b>5,837,968</b>	<b>5,737,303</b>	<b>100,665</b>	<b>1.75</b>
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 IFRS “Lease ” in 2019, resulting in the other assets increases more than the previous year.				
(2) Reduction of non-current liabilities: which mainly applicates the policy of IFRS “Lease ” in 2019, resulting in the other assets increases more than the previous year.				
(3) Reduction of other equity: which mainly impact of the depreciation of the RMB exchange rate of the NTD in 2019, which resulting in the other equity is less than the previous year.				
(4) Reduction of non-controlling interests: which mainly because non-controlling net loss increases in this year , resulting in a decrease non-controlling equity is more than the previous year.				

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 ; %

Description	Year	As of December 31,2019	As of December 31,2018	Difference	
				Amount	%
Current assets		10,497,307	10,679,609	(182,302)	(1.71)
Property, plant and equipment		1,672,574	1,719,499	(46,925)	(2.73)
Intangible assets		11,377	14,032	(2,655)	(18.92)
Other current assets		3,590,436	2,497,035	1,093,401	43.79
<b>Total assets</b>		<b>15,771,694</b>	<b>14,910,175</b>	<b>861,519</b>	<b>5.78</b>
Current liabilities		8,739,835	8,880,579	(140,744)	(1.58)
Non-current liabilities		1,231,846	362,862	868,984	239.48
<b>Total liabilities</b>		<b>9,971,681</b>	<b>9,243,441</b>	<b>728,240</b>	<b>7.88</b>
Capital stock		1,868,400	1,855,913	12,487	0.67
Capital surplus		982,882	970,381	12,501	1.29
Retained earnings		3,118,978	2,981,371	137,607	4.62
Other equity interest		(170,247)	(140,931)	(29,316)	(20.80)
<b>Total equity</b>		<b>5,800,013</b>	<b>5,666,734</b>	<b>133,279</b>	<b>2.35</b>
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 primarily attributes to increase because of applies the policy of IFRS "Financial Instruments" in 2019, resulting in the other assets increases more than the last year.					
(2) Increase in non-current liabilities: which primarily attributes to increase because of applies the policy of IFRS "Financial Instruments" in 2019, resulting in the other assets increases more than the last year.					
(3) Reduction of other equity: which mainly impact of the depreciation of the USD exchange rate of the NTD in 2019, which resulting in the other equity is less than the previous year.					

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		2019	2018	Amount increased (decreased)	Proportion change (%)
Description					
Net Operating Income		24,182,681	24,415,723	(233,042)	(0.95)
Operating Cost		21,615,702	21,596,527	19,175	0.09
Gross profit		2,566,979	2,819,196	(252,217)	(8.95)
Operating expenses		1,747,641	1,943,443	(195,802)	(10.08)
Operating income from operations		819,338	875,753	(56,415)	(6.44)
Non-operating income and expenses		71,683	125,086	(53,403)	(42.69)
Income before tax		891,021	1,000,839	(109,818)	(10.97)
Income Tax		221,901	218,675	3,226	1.48
Net Income of Continuing Operations		669,120	782,164	(113,044)	(14.45)
Income from discontinued operations		0	0	0	0
Net income		669,120	782,164	(113,044)	(14.45)
Other comprehensive income (income after tax)		(38,855)	(45,658)	6,803	14.90
Total comprehensive income		630,265	736,506	(106,241)	(14.43)
Net income attributable to shareholders of the parent		703,006	792,582	(89,576)	(11.30)
Net income attributable to noncontrolling interests		(33,886)	(10,418)	(23,468)	(225.26)
Total comprehensive income attributable to shareholders of the parent		665,065	747,730	(82,665)	(11.06)
Total comprehensive income attributable to the noncontrolling interests		(34,800)	(11,224)	(23,576)	(210.05)
EPS(NT\$)	Basic EPS for current period	3.78	4.40	(0.62)	(14.09)
	Diluted EPS for current period	3.74	4.21	(0.47)	(11.16)
<p>(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)</p> <p>① Increase in net benefits of non-operating income and expenses: which primarily stems from the increase in financial costs and foreign currency exchange loss in 2019, resulting in the net income decreases more than the previous year.</p> <p>② Increase in net profit attributable to non-controlling: which primarily from the increase in loss this year, resulting in net profit attributable to non-controlling decreases more than the previous year.</p> <p>③ The decrease in net loss of other comprehensive (loss) gains (net after tax) in the current period: which primarily from the increase in loss this year, resulting in net profit attributable to non-controlling decreases more than the previous year.</p> <p>(2)Analysis of changes in operating margins:</p> <p>①Change Description: Not applicable.</p> <p>② Price and volume analysis: Not applicable.</p>					

#### 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 compiled under reasonable assumptions 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\$)

Year		2019	2018	Amount increased (decreased)	Proportion change (%)
Description					
Net Operating Income		17,631,899	16,757,545	874,354	5.22
Operating Cost		15,776,299	14,819,701	956,598	6.45
Gross profit		1,855,600	1,937,844	(82,244)	(4.24)
Operating expenses		1,103,342	1,189,649	(86,307)	(7.25)
Operating income from operations		752,258	748,195	4,063	0.54
Non-operating income and expenses		125,959	244,957	(118,998)	(48.58)
Income before tax		878,217	993,152	(114,935)	(11.57)
Income Tax		175,211	200,570	(25,359)	(12.64)
Net Income of Continuing Operations		703,006	792,582	(89,576)	(11.30)
Income from discontinued operations		0	0	0	0
Net income		703,006	792,582	(89,576)	(11.30)
Other comprehensive income (income after tax)		(37,941)	(44,852)	6,911	15.41
Total comprehensive income for the year		665,065	747,730	(82,665)	(11.06)
EPS(NT\$)	BasicEPS for current period	3.78	4.40	(0.62)	(14.09)
	Diluted EPS for current period	3.74	4.21	(0.47)	(11.16)
<p>(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)</p> <p>① Increase in net benefits of non-operating income and expenses: which primarily stems from the increase in financial costs and foreign currency exchange loss in 2019, resulting in the net income decreases more than the previous year.</p> <p>(2)Analysis of changes in operating margins:</p> <p>① Change description: Since change is less than 20%, no explanation is required.</p> <p>② Price and volume analysis: Not applicable.</p>					

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, 2018)	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, 2019)
2,155,357	975,847	(326,157)	(217,671)	(26,433)	2,560,943
Analyses of changes in cash flows for the year (2019) are as follows:					
① Net operating activity cash inflow at NT\$975,847 thousands, which primarily attributes to operating activity net cash inflow derived from profit growth and decrease to inventories and the cost of construction-in-progress.					
② Investment activity net cash outflow at NT \$326,157 thousands, which primarily stems from building, purchasing real estate, plant, and equipment in response to operating and manufacture needs.					
③ Capital raising activity net cash inflow at NT \$217,671 thousands, which primarily stems from cash inflow in cash dividend distribution, resulting in a net cash inflow in capital raising activity.					
Thus, the cash flow in 2019 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: %

Item	Year		
	2019	2018	Variance(%)
Cash Flow Ratio	7.75	0.80	868.75
Cash Flow Adequacy Ratio	31.48	27.82	13.16
Cash Reinvestment Ratio	5.53	(4.61)	219.96
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 raises: which primarily attributes to an increase tooperating activity, pushing the 2019 cash flow ratio to more than that in the previous year.			
(2) Cash reinvestment ratio raises: which primarily attributes to an increase tooperating activity, resulting in the cash flow reinvestment ratio to rise than that in the previous year.			

##### 3.1.3. Liquidity analysis in the future one year

Unit : NT\$ thousands

Cash and cash equivalents at beginning of period (December 31, 2019)①	Net cash flow from operating activities ②	Cash outflow③	Cash surplus (deficit) ①+②-③	Leverage of cash deficit	
				Investment plans	Financing plans
2,560,943	1,285,835	(1,663,896)	2,182,882	Not applicable	
(1) Analyses of expected changes in cash flows for the year (2019) are as follows:					
① 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.					
② 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.					
③ 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, 2018)	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, 2019)
679,098	761,156	(285,028)	94,279	1,249,502
Analyses of changes in cash flows for the year (2019) are as follows:				
① Net operating activity cash inflow at NT\$761,156 thousands, which primarily attributes to operating activity net cash inflow derived from profit growth, increase to inventories and accounts receivable, and decrease to the cost of constructions.				
② Investment activity net cash outflow at NT \$285,028 thousands, which primarily stems from investment of equity method, and building, purchasing real estate, plant, and equipment in response to operating and manufacture needs.				
③ Capital raising activity net cash outflow at NT \$285,028 thousands, 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 2019 yearly cash flow being a net cash inflow, resulting in a increase on ending cash balance than the starting cash balance				

#### 3.2.2. Liquidity analysis in the latest year

Unit: %

Item \ Year	2019	2018	Variance (%)
Cash Flow Ratio	8.71	0.29	2,903.12
Cash Flow Adequacy Ratio	28.98	29.15	-0.59
Cash Reinvestment Ratio	3.05	-6.34	148.06
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 equivalent ratio raises: which primarily attributes to an increase to the 2019 business activity net cash inflow, resulting in the cash flow equivalent ratio to rise than the previous year.			
(2) Cash reinvestment ratio raises: which primarily attributes to an increase to the 2019 business activity net cash inflow, resulting in the cash reinvestment ratio to rise than the previous year.			

#### 3.2.3. Liquidity analysis in the future one year

Unit : NT\$ thousands

Cash and cash equivalents at beginning of period (December 31, 2019)①	Net cash flow from operating activities for the entire year②	Cash outflows for the entire year ③	Cash surplus (deficient) ①+②-③	Contingency plans for projected insufficient cash position	
				Investment plans	Financial plans
1,249,502	425,080	(437,796)	1,236,786	Not applicable	
(1) Analyses of expected changes in cash flows for the year (2019) are as follows:					
① 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.					
② 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.					
③ 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:**

4.1 Operation 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 2019, 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, 2019

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
<b>Direct Investment</b>							
Marketech Integrated Pte .Ltd. (shortened as MIPL)	Directly invested subsidiary of the Company	100%	(52,050)	(68,169)	Losses in 2019 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%	1,207,977	166,487	It is the holding company of abroad shift investment business. Investment gains in 20189 were mainly caused by gains 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%	37,667	(275)	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 this year 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%	36,624	(293)	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 this year 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%	6,425	199	Company business expansion as of expected in 2019, as its operating income is enough to cover the operating cost and expenditure.	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.
Marketch Engineering Pte. Ltd. (shortened as MEPL)	Directly invested subsidiary of the Company	100%	7,715	(18,547)	It is the holding company of abroad shift investment business. Investment gains in this year were mainly caused by losses of indirectly invested subsidiary in Myanmar.	Not applicable.	Take timely assessment according to the market requirements and industry development.
Marketch Integrated Manufacturing Company Limited (shortened as MIMC)	Directly invested subsidiary of the Company	100%	375,248	(30,633)	Company business was still in development in 2019, resulting in operating losses.	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%	27,593	745	Company business expansion as of expected in 2019, as its operating income is enough to cover the operating cost and expenditure.	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.
Marketch Co., Ltd. (帆宣責任)	Directly invested subsidiary of the Company	100%	3,338	(7,728)	Company business expansion falls short of expected in 2019, as its operating income falls short of	Marketch Co., Ltd. is mainly engaged in professional engineering	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
					covering the operating cost and expenditure to result in deficit.	contracting and related 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.	market requirements and industry development.
PT Marketech International Indonesia (PTMI)	Directly invested subsidiary of the Company	99.92%	35,344	(2,218)	Company business was still in development in 2019, affecting its current period's deficits mainly by bank interest receipt and foreign currency exchange loss.	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%	121,118	(31,829)	Company business expansion falls short of expected in 2019, as its income in computer	EZoom is mainly engaged in software building tenders and self-developed software	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
					information and cloud computing and related integration technology falls short of covering the operating cost and expenditure to result in deficit.	business with cloud 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.	market requirements and industry development.
Marketech Ntherlands B.V. (shortened as MNBV)	Invested company of the Company adopting equity method	100%	9,111	(7,229)	Company business was still in development in 2019, 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%	62,433	(2,546)	Company business expansion falls short of expected in 2019, as its income in computer information and cloud computing and related integration technology falls short of covering the operating cost and expenditure to result in deficit.	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	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
						current market 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.	
Marketech International Corporation USA (shortened as MICU)	Invested company of the Company adopting equity method	100%	16,881	(5,779)	Company business was still in development in 2019, resulting in operating losses.	MICU mainly engages in the contracting services of automated supply systems for the semiconductor industry. While the demand in US is increasing, the Company aims to proactively expand its business while mastering its advantages in current market 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.	Take timely assessment according to the market requirements and industry development.
ADAT Technology Co., LTD. (shortened as "ADAT")	Invested company of the Company adopting equity method	29.41%	1,602	(38,512)	Company business was still in development in 2019, 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	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 AI business, and is expected to contribute investment gains to the parent company.	
Glory Technology Service Inc. (shortened as "Glory")	Invested company of the Company adopting equity method	29.24%	63,804	21,629	Main benefits in 2019 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%	1,834	(41)	Company business expansion falls short of expected in 2019, as its operating income falls short of covering the operating cost and expenditure to result in deficit.	The company is mainly engaged in panel equipments and materials sales. The company will continue developing new 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.	Take timely assessment according to the market requirements and industry development.
Smart Health Corp	Invested company of the Company adopting equity method	42.86%	1,490	(23)	Company business was still in development in 2019, resulting in operating losses.	The company is mainly engaged in smart medical consultancy services and investment. The company is at the stage of business and manpower integration. In the future, it will actively expand	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
						its smart medical business.	
Indirect investment							
MIC-Tech Ventures Asia Pacific Inc. (shortened as MIC-Tech Ventures)	Shift invested subsidiary of Subsidiary Market Go	100%	1,206,356	166,555	It is the holding company of abroad shift investment business. Investment losses in 2019 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	97.69%	7,531	(18,975)	Company business expansion falls short of expected in 2019, as its income in computer information and cloud computing and related integration technology falls short of covering the operating cost and expenditure to result in deficit.	MICC is mainly engaged in mechanical and electrical installation and other engineering business. With the increased market demands in Southeast Asia, 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.	Take timely assessment according to the market requirements and industry development.
MIC-Tech (Wu Xi) Co., Ltd. (shortened as MTW)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	34,146	(719)	Company business expansion falls short of expected in 2019, as its income in computer information and cloud computing and related integration technology falls	MIT-Tech (Wu Xi) primarily operates in OEM customized equipment and parts assembly, backed by Mainland China's overall mild economic growth trend,	Take timely assessment according to the market requirements and industry

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
					short of covering the operating cost and expenditure to result in deficit.	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.	development.
MIC-Tech (Shanghai) Corp. Ltd. (shortened as SMTS)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	376,331	39,698	The profit of 2019 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 benefits.	Take timely assessment according to the market requirements and industry development.
Fuzhou Jiwei System Integrated Co., Ltd. (shortened as FJS)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	(1,525)	(568)	Company business expansion falls short of expected in 2019, 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	Take timely assessment according to the market requirements and industry

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
						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.	development.
MIC-Tech Electroics Engineering Corp.. (shortened as MTE)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	508,256	110,192	The profit gained in 2019 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.	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, production base expansion and purification engineering for biopharmaceutical industry in mainlander China, clean room and air-conditioning installation, and factory affairs system	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
						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%	18,633	828	Company business expansion as of expected in 2019, as its operating income is enough to cover the operating cost and expenditure.	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.
Russky H.K. Limited (shortened as Russky)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	(11,558)	(1,597)	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%	(14,388)	(2,646)	Company business expansion falls short of expected in 2019, resulting in operating deficit.	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-	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
						industry in Taiwan, related factory facility services demand will be increased. It will increase benefits.	
Leader Fortune Enterprise Co., Ltd. (shortened as Leader)	Shift invested subsidiary of Subsidiary Russky	31.43%	(4,462)	(86)	It is the holding company of abroad shift investment business. Investment losses in 2019 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 Subsidiary Leader adopting equity method	31.43%	(4,466)	(86)	Company still reports deficit in 2019, primarily stems from company operations still in an adjustment stage, preventing its revenue and profitability yet to manifest.	JM is 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 Frontken MIC)	Invested company of Subsidiary MIC-Tech Ventures adopting equity method	100%	5,116	(99)	It is the holding company of abroad shift investment business. Investment losses in 2019 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.
Frontken-MIC (WuXi) Co., Ltd. (shortened as Forken-MIC)	Invested company of Subsidiary Frontken MIC adopting equity method	100%	5,096	(100)	Company still reports deficit in 2019, primarily stems from company operations still in an adjustment stage, preventing its	Forken-MIC is mainly engaged in semiconductor device and equipment cleaning. It will continue	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
					revenue and profitability have yet to manifest.	expanding business and control cost strictly, and will make a profit instead of suffering a loss.	requirements and industry development.
MICT International Limited (shortened as MICT)	Invested company of SubsidiaryMIC-Tech Ventures adopting equity method	60%	51,665	(14,511)	It is the holding company of abroad shift investment business. Investment losses in 2019 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%	50,909	(14,495)	Company still reports deficit in 2019, 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.
Fortune Blessing Co., Limited (shortened as 「Fortune」)	Invested company of SubsidiaryMIC-Tech Ventures adopting equity method	27.78%	13,513	(5,026)	It is the holding company of abroad shift investment business. Investment losses in 2019 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.

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
Fortune International Corp. (shortened as Fortune International)	Invested company of Subsidiary Fortune adopting equity method	27.78%	8,522	(5,007)	Company business was still in development in 2019, resulting in operating losses.	Fortune International is mainly engaged in semiconductors industry. 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.
PT Marketech International Indonesia (shortened as PTMII)	Invested company of Subsidiary Russkys adopting equity method	0.08%	30	(2,218)	Company operation still in development in 2018, while its current period's deficits is affected mainly by exchange losses.	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, 2019.

Note 2: It is the investment book amount by the end of December 31, 2019

## 6. Analysis of Risk Management

- 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.  
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.
- 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: None.

- 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: None.

- 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: None.

- 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.**

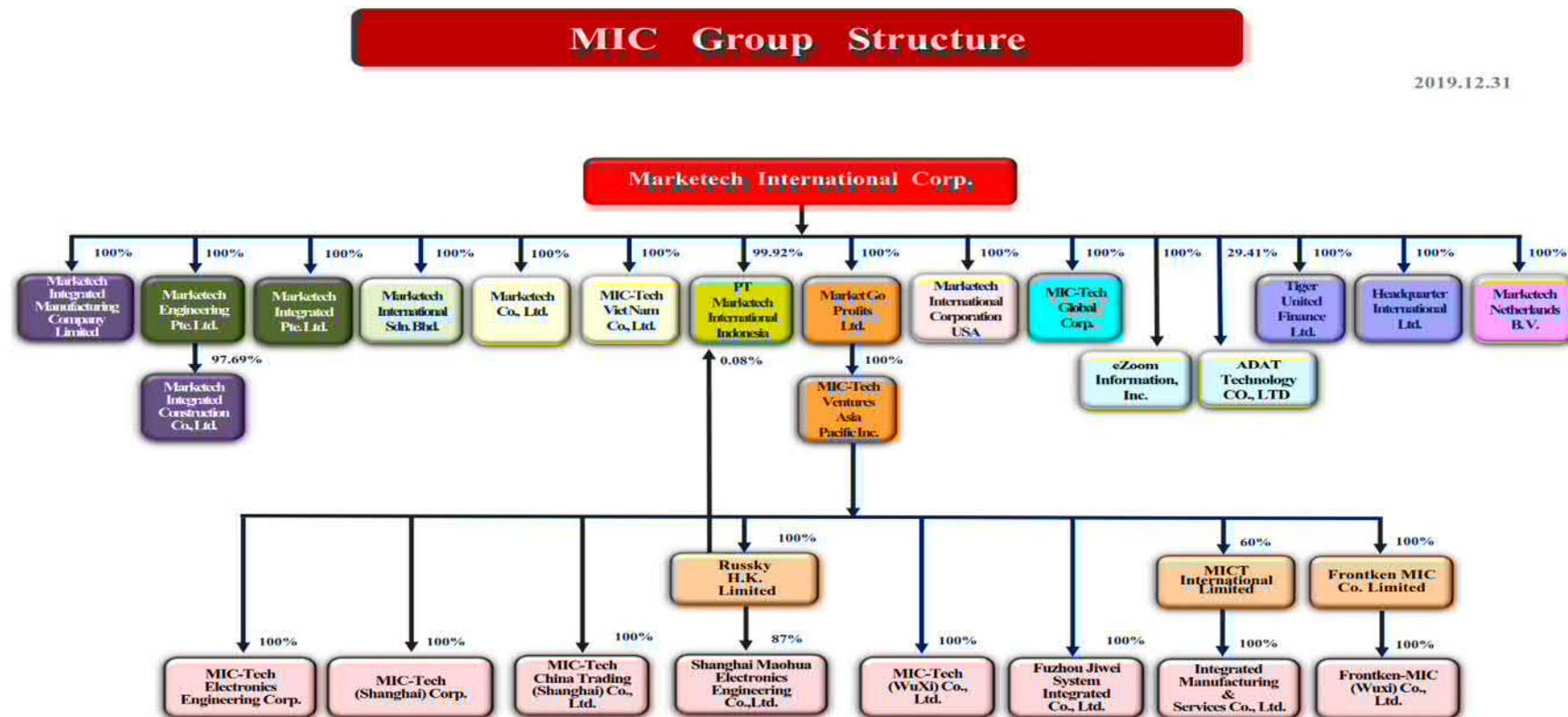
## Part 8. Special Disclosures

### 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



(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	205,771	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	40,069,104	1,201,272	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	38,655	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	42,283	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	17,215	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	38,974	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	44,970	Construction contracting and the related repair business. Sale and maintenance 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	39,966,604	1,198,199	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	86,103	Handles the business of automated supply system in the semiconductor industry
Rusky H.K. Limited	Dec .17, 1992	Rm 1401, The Centre Mark, 287-299 Queen's Road Central, Hong Kong	USD	833,000	24,973	Engaged in holdings and reinvestment
Marketech Engineering Pte. Ltd.	Nov. 28, 2013	86 Kaki Bukit Industrial Terrace Singapore 416166	SGD	894,987	19,940	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	650,000	19,487	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	15,356,000	460,373	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	35,976	Trading machinery and equipment
Marketech Netherlands B.V.	Jun.30.2017	Luchthavenweg 81,8657 EA Eindhoven	EUR	600,000	20,154	Machinery, equipment, parts and related international trade operation and technical services
Marketech International Corporation USA	Nov. 14, 2018	4701 WASHINGTON AVE STE L15 RACINE WI 53406-4233,USA	USD	7,500,000	22,485	Handles the business of automated supply system in the semiconductor industry

Company Name	Date of establishment	Address	Paid in capital		Main businesses or production	
			Original currency	NTD (in thousands)		
Shanghai Puritic Co., Ltd	Apr. 21, 1998	1F, Building A, No. 1281, Jin Hu Road, Pudong, Shanghai	USD	600,000	17,988	Design, installation, adjustment and technical services for scrubber regeneration , pipeline system and relevant 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.
MIC-Tech (Shanghai) Co. Ltd.	May 24, 2001	2F, Building A, No. 1281, Jin Hu Road, Pudong, Shanghai	USD	8,241,000	247,065	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 Integreatedy Co., Ltd.	Feb. 27, 2003	Room 510, No. 120, Cangshan Science and Technology Park, Fuzhou, Fujian Province	USD	300,000	8,994	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	528,218	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	764,490	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
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	44,970	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.

Company Name	Date of establishment	Address	Paid in capital		Main businesses or production
			Original currency	NTD (in thousands)	
MICT International Limited	Dec. 14, 2007	1004., AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.	USD 9,000,000	269,820	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 7,000,000	209,860	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	70,081	Engaged in holdings and reinvestment
Frontken MIC (WuXi) Co. Ltd	Oct. 31, 2008	No. 11, Xixi Road, Wuxi National High-Technology Industrial Development Zone, Jiansu	USD 2,308,000	69,194	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 68,008,090	68,008	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 common and 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) 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. Marketech International Corporation USA is mainly responsible for market business development, equipment manufacturing installation and maintenance services in the US, and Marketech Netherlands B.V. takes the same responsibility as MICU but services in the European market. 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. 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	Name or representative	Shareholding (Note 2 and 3)		
	(Note 1)		Number of shares or capital contributions	Shareholding ratios	
Marketch Integrated Pte. Ltd.	Chairman Director Director	Corporate representatives Sung Kao Hsin-Ming Scott Lin Loo Lam Huat	SGD	9,235,678	100%
Market Go Profits Ltd.	Director Director	Corporate representatives Sung Kao Hsin-Ming Scott Lin	USD	40,069,104	100%
Headquarter International Ltd.	Director Director	Corporate representatives Sung Kao Hsin-Ming Scott Lin	USD	1,289,367	100%
Tiger United Finance Ltd.	Director Director	Corporate representatives Sung Kao Hsin-Ming Scott Lin	USD	1,410,367	100%
MIC-Tech Global Corp.	Director Director Director Supervisor General Manager	Corporate representatives Sung Kao Hsin-Ming Scott Lin Pu Zhen-Hao Li Yi-Jung Pu Zhen-Hao	ARW	657,800,000	100%
MIC-Tech Viet Nam Co.,Ltd.	General manager	Corporate representatives Sung Kao Hsin-Ming	USD	1,300,000	100%
Marketch Co., Ltd.	General manager	Corporate representatives Sung Kao Hsin-Ming	USD	1,500,000	100%
Marketch Engineering Pte.Ltd.	Director Director Director	Corporate representatives Sung Kao Hsin-Ming Scott Lin Loo Lam Huat	SGD	894,987	100%
Marketch Integrated Manufacturing Company Limited	Director Director	Corporate representatives Sung Kao Hsin-Ming Scott Lin	USD	15,356,000	100%
MIC-Tech Ventures Asia Pacific Inc.	Director Director	Subsidiary- Market Go Profits Ltd. Corporate representatives Sung Kao Hsin-Ming Scott Lin	USD	39,966,604	100%
Marketch Integrated Construction Co., Ltd.	Director Director	Subsidiary- Marketch Enginnering Pte.Ltd. Corporate representatives Sung Kao Hsin-Ming Scott Lin	USD	635,000	95%
Marketch International Sdn.Bhd.	Director Director Director Director Director	Corporate representatives Sung Kao Hsin-Ming Scott Lin Ma Kuo-peng Individual representative Mohd Salleh Bin Mohamad Siti Zaleha Binti Mohd Salim	MYR	12,242,750	100%

Company Name	Title	Name or representative	Shareholding (Note 2 and 3)	
	(Note 1)		Number of shares or capital contributions	Shareholding ratios
Rusky H.K. Limited	Director Director	Subsidiary- MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Sung Kao Hsin-Ming Scott Lin	USD 833,000	100%
Frontken MIC Co. Limited	Director Director	Subsidiary MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Sung Kao Hsin-Ming Scott Lin	USD 1,013,200	100%
PT Marketch International Indonesia	Director Supervisor	Corporate representatives Sung Kao Hsin-Ming Scott Lin	USD 1,200,000	100%
Marketch Netherlands B.V.	Director Director Director	Corporate representatives Sung Kao Hsin-Ming Scott Lin Ma Kuo-peng	EUR 600,000	100%
Marketch International Corporation USA	Director	Corporate representatives Sung Bing-Zhong	USD 750,000	100%
Shanghai Puritic Co., Ltd	Chairman Director Director Supervisor Manager  Director Director	Subsidiary- Rusky H.K. Limited corporate representatives Sung Kao Hsin-Ming Ma Kuo-peng Scott Lin Li Yi-Jung Sung Kao Hsin-Ming Corporate representatives from other firms Shouhei Fukaya Osamu Watanabe	USD 803,000	87%
MIC-Tech (Shanghai) Corp. Ltd.	Chairman Director Director Supervisor General manager	Subsidiary- MIC-Tech Ventures Asia Pacific Inc. corporate representative Sung Kao Hsin-Ming Scott Lin Ma Kuo-peng Li Yi-Jung Sung 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 Sung Kao Hsin-Ming Ma Kuo-peng Scott Lin Sung Kao Hsin-Ming	USD 300,000	100%

Company Name	Title	Name or representative	Shareholding (Note 2 and 3)	
	(Note 1)		Number of shares or capital contributions	Shareholding ratios
MIC-Tech Electronics Engineering Corp.	Chairman Director Director	Subsidiary- MIC-Tech Ventures Asia Pacific Inc corporate representatives Sung Kao Hsin-Ming Ma Kuo-peng Scott Lin	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 Sung Kao Hsin-Ming Ma Kuo-peng Scott Lin Li Yi-Jung Sung Kao Hsin-Ming	USD 25,500,000	100%
MIC-Tech China Trading (Shanghai)Co., Ltd	Chairman Director Director Supervisor General manager	Subsidiary MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Sung Kao Hsin-Ming Scott Lin Ma Kuo-peng Li Yi-Jung Scott Lin	USD 1,500,000	100%
MICT International Limited	Director Director  Director	Subsidiary MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Sung Kao Hsin-Ming Scott Lin corporate representatives from other firms Wu Jintiao	USD 4,296,716	100%
Integrated Manufacturing & Services Co., Ltd.	Chairman Director Director Supervisor General manager	Subsidiary MICT International Limited Corporate representatives Hou Fu-Jia Sung Kao Hsin-Ming Wang, Chien-Yuan Scott Lin Lin Zhifu	USD 4,296,716	100%

Company Name	Title	Name or representative	Shareholding (Note 2 and 3)		
	(Note 1)		Number of shares or capital contributions	Shareholding ratios	
Frontken MIC(WuXi) Co. Limited	Chairman Director Director Director Supervisor General manager	Subsidiary Frontken MIC Co. Limited Corporate representative Sung Kao Hsin-Ming Scott Lin Ma Kuo-peng Hee Kok Hiong Li Yi-Jung Hou Fu-Jia	USD	1,013,200	100%
eZoom Information, Inc.	Chairman Director Director Director Supervisor	Corporate representatives Scott Lin Sung 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 Sung 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.	205,771	95,432	147,482	(52,050)	89,794	(66,832)	(68,169)	-
Market Go Profits Ltd.	1,201,272	1,207,977	-	1,207,977	-	(68)	166,487	-
Headquarter International Ltd.	38,655	37,842	175	37,667	2,229	122	(275)	-
Tiger United Finance Ltd.	42,283	37,099	475	36,624	2,610	302	(293)	-
MIC-Tech Global Corp.	17,215	19,742	13,317	6,425	145,587	32	199	-
MIC-Tech Viet Nam Co., Ltd.	38,974	32,155	4,563	27,592	40,800	373	745	-
Marketech Co., Ltd.	44,970	9,501	6,163	3,338	9,428	(7,594)	(7,728)	-
Marketech Engineering Ptd. Ltd.	19,940	7,829	114	7,715	-	(211)	(18,546)	-
MIC-Tech Ventures Asia Pacific Inc.	1,198,199	1,262,279	55,923	1,206,356	386,553	28,917	166,555	-
Marketech International Sdn.Bhd.	86,103	69,570	8,279	61,291	35,927	(1,991)	(2,546)	-
Marketech Integrated Construction Co., Ltd.	19,487	10,139	2,430	7,709	10,895	(19,007)	(18,975)	-
Marketech Integrated Manufacturing Company Limited	460,373	397,895	22,647	375,248	-	(28,813)	(30,633)	-
Rusky H.K. Limited	24,973	2,831	14,389	(11,558)	-	(49)	(1,597)	-
Frontken MIC Co. Limited	70,081	5,116	-	5,116	-	-	(99)	-
PT Marketech International Indonesia	35,976	35,387	11	35,376	-	(586)	(2,218)	-
Marketech Netherlands B.V.	20,154	11,414	2,303	9,111	2,755	(7,225)	(7,229)	-
Marketech International Corporation USA	22,485	17,980	1,099	16,881	-	(5,466)	(5,779)	-
Shanghai Puritic Co., Ltd	17,988	417,389	433,927	(16,538)	443,503	1,628	(2,646)	-
MIC-Tech (Shanghai) Corp. Ltd.	247,065	836,285	459,954	376,331	1,429,634	67,287	39,698	-
Fuzhou Jiwei System Integrated Co., Ltd.	8,994	326	1,851	(1,525)	217	(478)	(568)	-
MIC-Tech Electronics Engineering Corp.	528,218	2,917,589	2,409,333	508,256	3,408,622	184,859	110,192	-
MIC-Tech(WuXi) Co., Ltd.	764,490	422,991	386,639	36,352	588,839	11,934	(719)	-
MIC-Tech China Trading (Shanghai)Co., Ltd	44,970	56,887	38,254	18,633	109,968	2,903	828	-
MICT International Limited	269,820	84,862	-	84,862	-	(77)	(14,511)	-
Integrated Manufacturing & Services Co., Ltd.	209,860	95,393	10,545	84,848	39,335	(14,810)	(14,495)	-
Frontken MIC (WuXi) Co. Ltd	69,194	5,096	-	5,096	-	(35)	(100)	-
eZoom Information, Inc.	200,000	201,475	81,341	120,134	125,899	(38,290)	(31,829)	(1.59)
ADAT Technology Co., LTD	68,008	14,712	7,128	7,585	6,944	(38,496)	(38,512)	(5.66)

Note 1: If any of the above affiliated companies is foreign, the number should be 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, 2019.

1.2 The consolidated financial statements of affiliated companies: In 2019, 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, 2019 AND 2018**

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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, 2019, 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  
March 5, 2020

## 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, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### *Basis for opinion*

For the year ended December 31, 2019, we conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, the Financial Supervisory Commission (FSC) Jin-Guan-Zheng-Shen-Zi Order No. 1090360805 issued on February 25, 2020, and generally accepted auditing standards in the Republic of China (ROC GAAS). For the year ended December 31, 2018, we conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and 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, 2019. 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, 2019 were as follows:



### ***Recognition of construction contract revenue***

#### Description

Refer to Note 4(29) for accounting policy on construction contract revenue, Note 5(2) for the details of uncertainty of construction contract accounting estimation and assumptions, and Note 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 significant change with respect to estimated 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 sampled the basis of estimation and subcontract 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.

### *Valuation of inventories*

#### Description

Refer to Note 4(11) for description of accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(4) for description on 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 loss allowance for accounts receivable*

#### Description

Refer to Note 4(8) for accounting policy on accounts receivable, Note 5(2) for accounting estimates and assumption uncertainty in relation to loss allowance of accounts receivable, and 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 loss allowance of accounts receivable 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 collection 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.

***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. as at and for the years ended December 31, 2019 and 2018.

***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:



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-Chung

  
Weng, Shih-Jung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 5, 2020

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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  
DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 2,560,943	13	\$ 2,155,357	12
1110	Financial assets at fair value through profit or loss - current	6(2)	63,303	-	90,944	1
1140	Current contract assets	6(18)	4,095,623	21	4,229,541	23
1150	Notes receivable, net	6(3)	157,693	1	95,991	1
1170	Accounts receivable, net	6(3)	4,805,637	25	4,151,194	23
1180	Accounts receivable - related parties, net	6(3) and 7	229,575	1	109,476	1
1200	Other receivables		10,542	-	21,586	-
130X	Inventories, net	6(4)	3,114,071	16	3,800,814	21
1410	Prepayments	6(5)	361,171	2	421,951	2
1470	Other current assets	8	236,465	1	192,067	1
11XX	<b>Total current assets</b>		<u>15,635,023</u>	<u>80</u>	<u>15,268,921</u>	<u>85</u>
<b>Non-current assets</b>						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	527,163	3	415,468	2
1550	Investments accounted for using equity method	6(6)	80,640	-	63,078	-
1600	Property, plant and equipment, net	6(7), 7 and 8	2,211,675	11	2,231,933	12
1755	Right-of-use assets	6(8)	971,068	5	-	-
1780	Intangible assets	7	16,695	-	19,441	-
1840	Deferred tax assets	6(22)	152,169	1	149,061	1
1900	Other non-current assets	6(2)	58,445	-	80,304	-
15XX	<b>Total non-current assets</b>		<u>4,017,855</u>	<u>20</u>	<u>2,959,285</u>	<u>15</u>
1XXX	<b>Total Assets</b>		<u>\$ 19,652,878</u>	<u>100</u>	<u>\$ 18,228,206</u>	<u>100</u>

(Continued)

**MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>					
2100	Short-term borrowings	6(9) and 8	\$ 3,048,408	15	\$ 2,635,425	15
2130	Current contract liabilities	6(18)	3,495,529	18	3,320,466	18
2150	Notes payable		951,202	5	1,030,485	6
2160	Notes payable to related parties	7	3,272	-	13,674	-
2170	Accounts payable		4,228,076	22	4,306,179	24
2180	Accounts payable to related parties	7	8,100	-	14,120	-
2200	Other payables	6(10)	509,591	3	588,941	3
2230	Current tax liabilities		97,851	-	124,087	1
2280	Current lease liabilities		107,955	1	-	-
2310	Advance receipts		39,092	-	28,545	-
2320	Long-term liabilities, current portion	6(11)	-	-	11,766	-
2399	Other current liabilities		98,364	-	49,707	-
21XX	<b>Total current liabilities</b>		<u>12,587,440</u>	<u>64</u>	<u>12,123,395</u>	<u>67</u>
	<b>Non-current liabilities</b>					
2540	Long-term borrowings	6(12)	200,000	1	200,000	1
2570	Deferred tax liabilities	6(22)	19,383	-	835	-
2580	Non-current lease liabilities		833,369	4	-	-
2640	Accrued pension liabilities	6(13)	170,165	1	161,957	1
2670	Other non-current liabilities	6(6)	4,553	-	4,716	-
25XX	<b>Total non-current liabilities</b>		<u>1,227,470</u>	<u>6</u>	<u>367,508</u>	<u>2</u>
2XXX	<b>Total Liabilities</b>		<u>13,814,910</u>	<u>70</u>	<u>12,490,903</u>	<u>69</u>
	<b>Equity</b>					
	<b>Share capital</b>	6(15)				
3110	Ordinary shares		1,868,400	10	1,855,913	10
	<b>Capital surplus</b>	6(14)(16)				
3200	Capital surplus		982,882	5	970,381	5
	<b>Retained earnings</b>	6(17)				
3310	Legal reserve		771,326	4	692,068	4
3320	Special reserve		92,239	1	92,239	1
3350	Unappropriated retained earnings		2,255,413	11	2,197,064	12
	<b>Other equity interest</b>					
3400	Other equity interest		( 170,247)	( 1)	( 140,931)	( 1)
31XX	<b>Total equity attributable to owners of parent</b>		<u>5,800,013</u>	<u>30</u>	<u>5,666,734</u>	<u>31</u>
36XX	<b>Non-controlling interests</b>	4(3)	<u>37,955</u>	<u>-</u>	<u>70,569</u>	<u>-</u>
3XXX	<b>Total Equity</b>		<u>5,837,968</u>	<u>30</u>	<u>5,737,303</u>	<u>31</u>
	<b>Significant contingent liabilities and unrecognised contract commitments</b>	9				
	<b>Significant events after the</b>	11				
3X2X	<b>Total Liabilities and Equity</b>		<u>\$ 19,652,878</u>	<u>100</u>	<u>\$ 18,228,206</u>	<u>100</u>

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 <b>Operating Revenue</b>	6(18) and 7	\$ 24,182,681	100	\$ 24,415,723	100
5000 <b>Operating Costs</b>	6(4)(21) and 7	( 21,615,702)	( 89)	( 21,596,527)	( 88)
5900 <b>Gross Profit</b>		<u>2,566,979</u>	<u>11</u>	<u>2,819,196</u>	<u>12</u>
<b>Operating Expenses</b>	6(21)				
6100 Sales and marketing expenses		( 654,881)	( 3)	( 589,043)	( 2)
6200 General and administrative expenses		( 857,743)	( 3)	( 820,513)	( 4)
6300 Research and development expenses		( 220,168)	( 1)	( 256,600)	( 1)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	( 14,849)	-	( 277,287)	( 1)
6000 <b>Total operating expenses</b>		<u>( 1,747,641)</u>	<u>( 7)</u>	<u>( 1,943,443)</u>	<u>( 8)</u>
6900 <b>Operating Profit</b>		<u>819,338</u>	<u>4</u>	<u>875,753</u>	<u>4</u>
<b>Non-operating Income and Expenses</b>					
7010 Other income	6(19)	95,685	-	92,805	-
7020 Other gains and losses	6(2)(20)	55,485	-	103,198	-
7050 Finance costs		( 84,370)	-	( 66,071)	-
7060 Share of profit (loss) of associates and joint ventures accounted for using equity method		<u>4,883</u>	-	<u>( 4,846)</u>	-
7000 <b>Total non-operating income and expenses</b>		<u>71,683</u>	<u>-</u>	<u>125,086</u>	<u>-</u>
7900 <b>Profit before Income Tax</b>		<u>891,021</u>	<u>4</u>	<u>1,000,839</u>	<u>4</u>
7950 Income tax expense	6(22)	( 221,901)	( 1)	( 218,675)	( 1)
8200 <b>Net Income</b>		<u>\$ 669,120</u>	<u>3</u>	<u>\$ 782,164</u>	<u>3</u>

(Continued)

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
<b>Other Comprehensive Income</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311	Gains (losses) on remeasurements of defined benefit plans	6(13)			
			(\$ 10,782)	-	(\$ 10,438) -
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)			
			2,157	-	2,859 -
8310	<b>Other comprehensive loss that will not be reclassified to profit or loss</b>		(8,625)	-	(7,579) -
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Exchange differences on translation of foreign operations		(37,108)	-	(52,271) -
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method		451	-	190 -
8399	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	6(22)			
			7,329	-	14,002 -
8360	<b>Other comprehensive loss that will be reclassified to profit or loss</b>		(30,230)	-	(38,079) -
8300	<b>Other comprehensive loss, net of tax</b>		(\$ 38,855)	-	(\$ 45,658) -
8500	<b>Total Comprehensive Income</b>		<u>\$ 630,265</u>	<u>3</u>	<u>\$ 736,506</u> <u>3</u>
<b>Profit (loss) attributable to:</b>					
8610	Owners of the parent		\$ 703,006	3	\$ 792,582 3
8620	Non-controlling interests		(33,886)	-	(10,418) -
	<b>Total</b>		<u>\$ 669,120</u>	<u>3</u>	<u>\$ 782,164</u> <u>3</u>
<b>Comprehensive income (loss) attributable to:</b>					
8710	Owners of the parent		\$ 665,065	3	\$ 747,730 3
8720	Non-controlling interests		(34,800)	-	(11,224) -
	<b>Total</b>		<u>\$ 630,265</u>	<u>3</u>	<u>\$ 736,506</u> <u>3</u>
9750	<b>Basic earnings per share</b>	6(23)		\$ 3.78	\$ 4.40
9850	<b>Diluted earnings per share</b>	6(23)		\$ 3.74	\$ 4.21

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

**MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(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
<b>2018</b>												
		\$ 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
		-	-	-	-	-	19,315	-	( 23,013 )	( 3,698 )	205	( 3,493 )
		1,770,164	822,905	20,152	626,773	92,239	1,912,704	( 103,658 )	-	5,141,279	( 770 )	5,140,509
		-	-	-	-	-	792,582	-	-	792,582	( 10,418 )	782,164
		-	-	-	-	-	( 7,579 )	( 37,273 )	-	( 44,852 )	( 806 )	( 45,658 )
		-	-	-	-	-	785,003	( 37,273 )	-	747,730	( 11,224 )	736,506
	6(17)											
		-	-	-	65,295	-	( 65,295 )	-	-	-	-	-
		-	-	-	-	-	( 442,541 )	-	-	( 442,541 )	-	( 442,541 )
	6(14)(15)(16)	10,520	13,391	( 3,521 )	-	-	-	-	-	20,390	-	20,390
	6(16)											
		-	-	2,000	-	-	7,193	-	-	9,193	-	9,193
	6(15)(16)(25)	75,229	123,663	( 8,209 )	-	-	-	-	-	190,683	-	190,683
		-	-	-	-	-	-	-	-	-	82,563	82,563
		<u>\$ 1,855,913</u>	<u>\$ 959,959</u>	<u>\$ 10,422</u>	<u>\$ 692,068</u>	<u>\$ 92,239</u>	<u>\$ 2,197,064</u>	<u>(\$ 140,931 )</u>	<u>\$ -</u>	<u>\$ 5,666,734</u>	<u>\$ 70,569</u>	<u>\$ 5,737,303</u>
<b>2019</b>												
		\$ 1,855,913	\$ 959,959	\$ 10,422	\$ 692,068	\$ 92,239	\$ 2,197,064	(\$ 140,931 )	\$ -	\$ 5,666,734	\$ 70,569	\$ 5,737,303
		-	-	-	-	-	703,006	-	-	703,006	( 33,886 )	669,120
		-	-	-	-	-	( 8,625 )	( 29,316 )	-	( 37,941 )	( 914 )	( 38,855 )
		-	-	-	-	-	694,381	( 29,316 )	-	665,065	( 34,800 )	630,265
	6(17)											
		-	-	-	79,258	-	( 79,258 )	-	-	-	-	-
		-	-	-	-	-	( 556,774 )	-	-	( 556,774 )	-	( 556,774 )
	6(14)(15)(16)	7,625	9,229	( 3,767 )	-	-	-	-	-	13,087	-	13,087
	6(16)											
		-	-	42	-	-	-	-	-	42	-	42
	6(11)(15)(16)(25)	4,862	7,500	( 503 )	-	-	-	-	-	11,859	-	11,859
		-	-	-	-	-	-	-	-	-	2,186	2,186
		<u>\$ 1,868,400</u>	<u>\$ 976,688</u>	<u>\$ 6,194</u>	<u>\$ 771,326</u>	<u>\$ 92,239</u>	<u>\$ 2,255,413</u>	<u>(\$ 170,247 )</u>	<u>\$ -</u>	<u>\$ 5,800,013</u>	<u>\$ 37,955</u>	<u>\$ 5,837,968</u>

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018  
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 891,021	\$ 1,000,839
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(20)	( 97,017 )	( 93,134 )
Impairment on expected credit loss	12(2)	14,849	277,287
Share of (profit) loss of associates and joint ventures accounted for using equity method		( 4,883 )	4,846
Depreciation	6(7)(8)(21)	326,822	120,032
Amortisation	6(21)	15,897	17,154
Loss on disposal of property, plant and equipment	6(7)		
Compensation cost of share-based payments	6(14)(16)(21)	( 3,792 )	( 1,296 )
Interest income	6(19)	2,080	2,580
Interest expense	6(19)	( 10,125 )	( 8,349 )
Dividend income	6(19)	84,370	66,071
		( 13,856 )	( 14,485 )
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets – current		133,918	( 1,065,683 )
Notes receivable, net		( 61,702 )	79,649
Accounts receivable, net		( 749,787 )	( 625,617 )
Accounts receivable – related parties, net		( 120,096 )	( 109,313 )
Other receivables		11,499	95
Inventories		670,780	( 760,871 )
Prepayments		56,109	389,875
Other current assets		56,060	( 60,442 )
Changes in operating liabilities			
Contract liabilities – current		175,063	507,609
Notes payable		( 79,283 )	125,282
Notes payable – related parties		( 10,402 )	10,527
Accounts payable		( 6,938 )	424,058
Accounts payable – related parties		( 6,020 )	( 7,933 )
Other payables		( 70,666 )	59,556
Advance receipts		10,547	( 24,591 )
Other current liabilities		48,657	36,790
Other non-current liabilities		( 2,574 )	( 2,495 )
Cash inflow generated from operations		1,260,531	348,041
Interest received		10,051	9,159
Dividends received		13,856	14,485
Interest paid		( 83,886 )	( 74,850 )
Income tax paid		( 224,705 )	( 199,666 )
Net cash flows from operating activities		<u>975,847</u>	<u>97,169</u>

(Continued)

**MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of financial assets at fair value through profit or loss		(\$ 84,945 )	(\$ 81,498 )
Proceeds from disposal of financial assets at fair value through profit or loss		100,661	56,872
Proceeds from capital reduction of financial assets at fair value through profit or loss		2,047	3,428
(Increase) decrease in other financial assets – current		( 45,093 )	9,042
Acquisition of investments accounted for using equity method		( 17,063 )	( 11,695 )
Acquisition of property, plant and equipment	6(7)	( 193,776 )	( 516,266 )
Proceeds from disposal of property, plant and equipment	6(7)	41,625	10,199
Acquisition of right-of-use assets		( 44,693 )	-
Acquisition of intangible assets		( 13,283 )	( 16,486 )
(Increase) decrease in refundable deposits		( 78,043 )	38,697
Dividends received		3,756	-
Decrease in other non-current assets		2,650	2,379
Net cash flows used in investing activities		( 326,157 )	( 505,328 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings	6(9)(26)	440,129	644,096
Decrease in guarantee deposits received		11	-
Proceeds from exercise of employee stock options	6(14)	12,078	17,810
Repayments of lease principal	6(8)(26)	( 114,231 )	-
Cash dividends paid	6(17)	( 556,774 )	( 442,541 )
Changes in non-controlling interests		1,116	82,563
Net cash flows (used in) from financing activities		( 217,671 )	301,928
Effect of exchange rate changes on cash and cash equivalents		( 26,433 )	( 38,984 )
Net increase (decrease) in cash and cash equivalents		405,586	( 145,215 )
Cash and cash equivalents at beginning of year	6(1)	2,155,357	2,300,572
Cash and cash equivalents at end of year	6(1)	<u>\$ 2,560,943</u>	<u>\$ 2,155,357</u>

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, 2019 AND 2018

(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, monitoring system, Turn-key and Hook-up Project services and (iii) design and manufacturing of customized equipment. Ennoconn International Investment Co., Ltd. owns 44.67% 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 reported to the Board of Directors on March 5, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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.

IFRS 16, ‘Leases’

(a) 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.

- (b) The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by \$1,050,801, increased ‘lease liability’ by \$1,008,742 and decreased ‘prepaid rents’ (presented as ‘Prepayments’) and ‘long-term prepaid rents’ (presented as ‘Other non-current assets’) by \$4,971 and \$37,088, respectively, on January 1, 2019.
- (c) The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- i. Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
  - ii. The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - iii. The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.
  - iv. The use of hindsight in determining the lease term where the contract contains options to extend the lease.
- (d) The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 0.985% to 13%.
- (e) The Group recognized lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 781,480
Add: Adjustments as a result of a different treatment of extension options	<u>802,233</u>
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	<u>\$ 1,583,713</u>
Incremental borrowing interest rate at the date of initial application	0.985%~13%
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	<u>\$ 1,008,742</u>

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7 ,‘Interest rate benchmark reform’	January 1, 2020

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) 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) Liabilities on cash-settled share-based payment arrangements measured at fair value.
  - (c) 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 IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (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 unrealized 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 recognized 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 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 Group 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. The subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2019	December 31, 2018	
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Contracting for semiconductor automatic supply system	100	100	-
Marketech International Corp.	Headquarter International Ltd.	Investment holdings and reinvestment	100	100	-
Marketech International Corp.	Tiger United Finance Ltd.	Investment holdings and reinvestment	100	100	-
Marketech International Corp.	Market Go Profits Ltd.	Investment holdings 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 installation 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 (%)		Note
			December 31, 2019	December 31, 2018	
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	100	-
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 CO., LTD. (ADAT)	Research, development, application, and service of software; supply of electronic information and the buying and selling of equipment	29.41	30.30	Note 1
Marketech International Corp.	Marketech International Corporation USA	Specialized contracting and related repair services	100	-	-
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	Investment holdings and reinvestment	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	Rusky H.K. Limited	Investment holdings and reinvestment	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Investment holdings and reinvestment	60	60	-
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 (%)		Note
			December 31, 2019	December 31, 2018	
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; assembly of wrapping device and cooling equipment; producing, assembling and sale of LED illuminator and its component; wholesale, commission agency and import and export of the aforementioned products and 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, manufacturing and sales of medical devices.	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2019	December 31, 2018	
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	-
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	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2019	December 31, 2018	
		equipment, wholesale of communications equipment, commission-based agency (excluding auctions) and import-export business, and delivery of all related and supplementary services			
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	-
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	Note 1 and 2

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2019	December 31, 2018	
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	-
Rusky 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	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2019	December 31, 2018	
Rusky 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	Note 3
Rusky H.K. Limited	PT Marketech International Indonesia	Trading business of machine equipment and parts	0.08	0.08	-
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, transfer, consulting and service of semiconductor-related technology; 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	60	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2019	December 31, 2018	
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 Engineering Pte. Ltd.	Marketech Integrated Construction Co., Ltd.	Specialized contracting for electrical installation construction	97.69	95	-

Note 1 : The Company holds less than 50% share ownership in ADAT Technology CO., LTD. and its subsidiary – SKMIC (WUXI) Corp. However, as the definition of control is met, the subsidiary is included in the consolidated entities.

Note 2 : SKMIC (WUXI) Corp. has completed the liquidation process in June 2019.

Note 3 : ChenGao M&E Engineering (Shanghai ) Co., Ltd. has completed the liquidation process in October 2019.

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, 2019 and 2018, the non-controlling interests amounted to \$37,955 and \$70,569, respectively.

#### (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 recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, 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 retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, 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 settle liabilities more than twelve months after the balance sheet date.

The Group classifies assets that do not meet the above criteria as non-current.

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 settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled 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.

The Group classifies liabilities that do not meet the above criteria as non-current.

C. Assets and liabilities relating to the construction contracts are classified as current and non-current based on the 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

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 recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes 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 recognizes 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

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 realizable value for the measure of the ending inventories. 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 recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized 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 recognize 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 Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

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

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

Effective 2019

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.  
Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
  - (a) The amount of the initial measurement of lease liability; and
  - (b) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(15) Leases (leasee)

Effective 2018

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.

(16) 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 10 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.

(17) 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.

(18) 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.

(19) 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.

(20) 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 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 – 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.

(21) 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.

(22) 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.

(23) 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.

(24) 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 expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For defined contribution plan, the contributions are recognized as pension expense 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 plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan 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 plan 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 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.

(25) 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-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.

(26) 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 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 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.

(27) 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.

(28) 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.

(29) 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 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 Group 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 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 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 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 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 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.

**(30) 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 recognized 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.

(31) 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 Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Construction contract

The Group recognizes 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 recognized in revenue and profit.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable 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 realizable 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. Loss assessment of accounts receivable

During the process of assessing the loss allowance of receivables, the Group 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 Group is required to

individually assess the possibility of recovery and make appropriate allowances for the amount. 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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand	\$ 15,692	\$ 15,005
Checking accounts and demand deposits	2,530,778	2,089,059
Time deposits	14,473	51,293
Total	<u>\$ 2,560,943</u>	<u>\$ 2,155,357</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 7,439	\$ 15,442
Hybrid instruments-call provision of convertible corporate bonds (Note 6(11))	-	250
	7,439	15,692
Valuation adjustment	55,864	75,252
Total	<u>\$ 63,303</u>	<u>\$ 90,944</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 16,582	\$ 17,019
Unlisted stocks	403,291	345,238
Beneficiary certificates	4,720	-
Hybrid instruments-convertible corporate bonds	35,959	23,646
	460,552	385,903
Valuation adjustment	66,611	29,565
Total	<u>\$ 527,163</u>	<u>\$ 415,468</u>
Prepayments to long-term investments (listed as 'other non-current assets')		
Unlisted stocks	<u>\$ -</u>	<u>\$ 4,800</u>

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 99,939	\$ 93,338
Hybrid instruments	( 2,922)	( 204)
	<u>\$ 97,017</u>	<u>\$ 93,134</u>

B. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes receivable	\$ 157,693	\$ 95,991	\$ 175,641
Less: Loss allowance	-	-	( 8,494)
Total	<u>\$ 157,693</u>	<u>\$ 95,991</u>	<u>\$ 167,147</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Accounts receivable	\$ 5,411,482	\$ 4,766,868	\$ 4,277,063
Less: Loss allowance	( 605,845)	( 615,674)	( 378,156)
Total	<u>\$ 4,805,637</u>	<u>\$ 4,151,194</u>	<u>\$ 3,898,907</u>

The above accounts receivable and notes receivable were all from contracts with customers.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due	\$ 157,693	\$ 95,991

(b) Accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due	\$ 3,814,529	\$ 3,266,339
Up to 90 days	546,196	546,472
91 to 180 days	218,135	154,711
181 to 365 days	246,853	184,105
Over 365 days	815,346	724,722
	<u>\$ 5,641,059</u>	<u>\$ 4,876,349</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019, and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$157,693 and \$95,991, respectively. As of December 31, 2019, and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was \$5,035,212, and \$4,260,670, 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, 2019		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	\$ 542,663	(\$ 34,709)	\$ 507,954
Merchandise inventory	569,064	( 14,971)	554,093
Raw materials	750,329	( 33,630)	716,699
Supplies	40,437	( 2,694)	37,743
Work in process	1,145,266	( 14,894)	1,130,372
Semi-finished goods and finished goods	196,272	( 29,062)	167,210
Total	<u>\$ 3,244,031</u>	<u>(\$ 129,960)</u>	<u>\$ 3,114,071</u>
	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	<u>\$ 4,003,754</u>	<u>(\$ 202,940)</u>	<u>\$ 3,800,814</u>

A. Relevant expenses of inventories recognized as operating costs for the years ended December 31, 2019 and 2018 are as follows:

	Years ended December 31,	
	2019	2018
Construction contract cost	\$ 12,052,139	\$ 11,930,987
Cost of sales	8,548,527	8,647,631
Other operating cost	1,027,858	986,936
(Gain on reversal of) loss on market value decline and obsolete and slow-moving inventories (Note)	( 12,822)	30,973
Total	<u>\$ 21,615,702</u>	<u>\$ 21,596,527</u>

Note: The Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because the Group sold inventories, which had been previously provided with inventory valuation loss.

B. The Group has no inventories pledged to others.

(5) Prepayments

	December 31, 2019	December 31, 2018
Prepayment for purchases	\$ 278,213	\$ 347,988
Others	82,958	73,963
Total	<u>\$ 361,171</u>	<u>\$ 421,951</u>

(6) Investments accounted for using equity method

A. Details of investments accounted for using the equity method:

	December 31, 2019		December 31, 2018	
	Carrying amount	% interest held	Carrying amount	% interest held
Glory Technology Service Inc.	\$ 63,804	29.24%	\$ 61,236	29.24%
Fortune Blessing Co., Limited	13,512	27.78%	-	-
MIC Techno Co., Ltd.	1,834	20%	1,842	20%
Smart Health Corp.	1,490	42.86%	-	-
Leader Fortune Enterprise Co., Ltd.	( 4,462)	31.43%	( 4,638)	31.43%
	76,178		58,440	
Add: Credit of long-term equity investment transferred to 'other non-current liabilities'	4,462		4,638	
Total	<u>\$ 80,640</u>		<u>\$ 63,078</u>	

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,	
	2019	2018
Profit (loss) for the year from continuing operations	\$ 16,453	(\$ 14,610)
Other comprehensive (loss) income - net of tax	( 1,709)	605
Total comprehensive income (loss)	<u>\$ 14,744</u>	<u>(\$ 14,005)</u>

C. The investment accounted for using equity method for the years ended December 31, 2019 and 2018 was evaluated based on the financial statements of the entity which were audited by independent accountants.

(7) Property, plant and equipment

	2019					
	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1</u>						
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	<u>\$ 205,438</u>	<u>\$ 1,476,106</u>	<u>\$ 162,071</u>	<u>\$ 78,342</u>	<u>\$ 309,976</u>	<u>\$ 2,231,933</u>
<u>Year ended December 31, 2019</u>						
Opening net book amount	\$ 205,438	\$ 1,476,106	\$ 162,071	\$ 78,342	\$ 309,976	\$ 2,231,933
Additions	-	65,622	50,445	25,370	57,222	198,659
Transfers (Note)	-	347,172	777	3,579	( 356,412)	( 4,884)
Disposals	( 21,896)	( 1,190)	( 12,947)	( 1,540)	( 158)	( 37,731)
Depreciation	-	( 109,457)	( 36,255)	( 29,918)	( 2,573)	( 178,203)
Net exchange differences	-	( 4,089)	( 1,102)	( 458)	7,550	1,901
Closing net book amount	<u>\$ 183,542</u>	<u>\$ 1,774,164</u>	<u>\$ 162,989</u>	<u>\$ 75,375</u>	<u>\$ 15,605</u>	<u>\$ 2,211,675</u>
<u>At December 31, 2019</u>						
Cost	\$ 183,542	\$ 2,789,288	\$ 623,216	\$ 240,160	\$ 31,075	\$ 3,867,281
Accumulated depreciation	-	( 1,015,124)	( 460,227)	( 164,785)	( 15,470)	( 1,655,606)
Book value	<u>\$ 183,542</u>	<u>\$ 1,774,164</u>	<u>\$ 162,989</u>	<u>\$ 75,375</u>	<u>\$ 15,605</u>	<u>\$ 2,211,675</u>

	2018					
	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1</u>						
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	<u>\$ 205,438</u>	<u>\$ 1,105,783</u>	<u>\$ 135,180</u>	<u>\$ 68,062</u>	<u>\$ 349,814</u>	<u>\$ 1,864,277</u>
<u>Year ended December 31, 2018</u>						
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 (Note)	-	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	<u>\$ 205,438</u>	<u>\$ 1,476,106</u>	<u>\$ 162,071</u>	<u>\$ 78,342</u>	<u>\$ 309,976</u>	<u>\$ 2,231,933</u>
<u>At December 31, 2018</u>						
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	<u>\$ 205,438</u>	<u>\$ 1,476,106</u>	<u>\$ 162,071</u>	<u>\$ 78,342</u>	<u>\$ 309,976</u>	<u>\$ 2,231,933</u>

Note : Transfers during the year refer to previously unfinished constructions which had been completed and transferred to buildings and structures, etc.

A. The property, plant and equipment are all owner-occupied.

B. The Group has no interest capitalized to property, plant and equipment.

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

(8) Leasing arrangements — lessee

Effective 2019

- A. The Group leases various assets including land, buildings, machinery and equipment, office equipment, and other equipment. Rental contracts are typically made for periods of 1 to 75 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise buildings, machinery and equipment, office equipment, and other equipment. Consequently, those leases are not included in the right-of-use assets.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2019</u>	<u>Year ended December 31, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land	\$ 700,270	\$ 22,051
Buildings	209,363	92,800
Machinery and equipment	-	149
Office equipment	54	591
Other equipment	61,381	33,028
	<u>\$ 971,068</u>	<u>\$ 148,619</u>

- D. For the year ended December 31, 2019, the additions to right-of-use assets was \$94,641.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended December 31, 2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 18,378
Expense on short-term lease contracts	20,450
	<u>\$ 38,828</u>

- F. For the year ended December 31, 2019, the Group's total cash outflow for leases was \$153,059.

G. Extension options

- (a) Extension options are included in approximately 50% of the Group's lease contracts pertaining to land. These options are expected to be exercised for maximizing optional flexibility in terms of managing contracts.
- (b) In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(9) Short-term borrowings

	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
<u>Bank borrowings</u>			
Credit borrowings	\$ 3,001,620	0.88%~4.785%	None
Mortgage loan	46,788	3.51506%~3.584%	Buildings
	<u>\$ 3,048,408</u>		
	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
<u>Bank borrowings</u>			
Credit borrowings	\$ 2,610,697	0.88%~5.4971%	None
Mortgage loan	24,728	3.39883%~3.40633%	Buildings
	<u>\$ 2,635,425</u>		

Details of mortgage loan are provided in Note 8.

(10) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Salaries and bonus payable	\$ 331,370	\$ 383,471
Accrued employees' compensation and directors' remuneration	108,544	152,657
Others	69,677	52,813
Total	<u>\$ 509,591</u>	<u>\$ 588,941</u>

(11) Bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bonds payable	\$ -	\$ 11,900
Less: Discount on bonds payable	-	( 134)
	-	11,766
Less: Long-term liabilities, current portion	-	( 11,766)
Total	<u>\$ -</u>	<u>\$ -</u>

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:

- Total issuance amount: \$500,000
- Issuance period: 3 years, and a circulation period from August 22, 2016 to August 22, 2019
- Coupon rate: 0%
- 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.
- 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, 2019, the convertible corporate bonds with par value totaling \$11,900 have been converted into 486 thousand ordinary shares, generating capital surplus of \$7,500 and resulting in a decrease in 'capital surplus - stock options' by \$503.

(h) As of December 31, 2019, the convertible corporate bonds with par value totaling \$500,000 have been converted into 18,533 thousand ordinary shares, generating capital surplus of \$319,914 and resulting in a decrease in 'capital surplus - stock options' by \$21,136. All convertible corporate bonds have been converted before maturity.

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 options' 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 rate of the bonds payable after such separation is 1.788%.

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Long-term bank borrowings				
Credit borrowings	Borrowing period is from December 27, 2019 to March 26, 2021; interest is payable monthly; principal is payable at maturity date	0.978%	None	<u>\$ 200,000</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2018</u>
Long-term bank borrowings				
Credit borrowings	Borrowing period is from December 27, 2018 to March 27, 2020; interest is payable monthly; principal is payable at maturity date	0.985%	None	<u>\$ 200,000</u>

(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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 306,398	\$ 290,342
Fair value of plan assets	<u>( 136,233)</u>	<u>( 128,385)</u>
Net defined benefit liability	<u>\$ 170,165</u>	<u>\$ 161,957</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
2019			
Balance at January 1	(\$ 290,342)	\$ 128,385	(\$ 161,957)
Current service cost	( 1,088)	-	( 1,088)
Interest (expense) income	<u>( 2,886)</u>	<u>1,297</u>	<u>( 1,589)</u>
	<u>( 294,316)</u>	<u>129,682</u>	<u>( 164,634)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,419	4,419
Change in demographic assumptions	( 704)	-	( 704)
Change in financial assumptions	( 8,749)	-	( 8,749)
Experience adjustments	<u>( 5,748)</u>	<u>-</u>	<u>( 5,748)</u>
	<u>( 15,201)</u>	<u>4,419</u>	<u>( 10,782)</u>
Pension fund contribution	<u>-</u>	<u>5,251</u>	<u>5,251</u>
Paid pension	<u>3,119</u>	<u>( 3,119)</u>	<u>-</u>
Balance at December 31	<u><u>(\$ 306,398)</u></u>	<u><u>\$ 136,233</u></u>	<u><u>(\$ 170,165)</u></u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
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)
	<u>( 276,670)</u>	<u>119,490</u>	<u>( 157,180)</u>
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)
	<u>( 13,672)</u>	<u>3,234</u>	<u>( 10,438)</u>
Pension fund contribution	-	5,661	5,661
Balance at December 31	<u>(\$ 290,342)</u>	<u>\$ 128,385</u>	<u>(\$ 161,957)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Year ended December 31, 2019	Year ended December 31, 2018
Discount rate	<u>0.75%</u>	<u>1.00%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	<u>(\$ 8,775)</u>	<u>\$ 9,140</u>	<u>\$ 9,004</u>	<u>(\$ 8,691)</u>
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	<u>(\$ 8,713)</u>	<u>\$ 9,087</u>	<u>\$ 8,974</u>	<u>(\$ 8,650)</u>

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, 2020 amount to \$6,151.

(g) As of December 31, 2019, the weighted average duration of the defined benefit retirement plan is 11 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 recognized as pension cost. Other than the monthly contributions, the Group has no further obligations.

(d) The pension costs under the defined contribution pension plan of the Group for the years ended December 31, 2019 and 2018 were \$104,741 and \$98,556, respectively.

(14) Share-based payment

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

<u>Issuing Company</u>	<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
The Company	Employee stock options	2015.9.11	3,956	6 years	2~4 years' service
Subsidiary-ADAT	"	2019.4.1	436	"	0~2 years' service
"	"	2019.9.1	314	"	"

The above share-based payment arrangements are all settled by equity.

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

(a)The Company

	<u>Years ended December 31,</u>			
	<u>2019</u>		<u>2018</u>	
	<u>No. of options</u>	<u>Weighted-average exercise price (in dollars)</u>	<u>No. of options</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding at beginning of the year	1,325	\$ 16.70	2,456	\$ 17.30
Options exercised	( 763)	15.84	( 1,052)	16.70
Options forfeited	( 14)	-	( 79)	-
Options outstanding at end of the year	<u>548</u>	15.70	<u>1,325</u>	16.70
Options exercisable at end of the year	<u>548</u>		<u>83</u>	
Options approved but not yet issued at end of the year	<u>44</u>		<u>44</u>	

(b)Subsidiary-ADAT

	Years ended December 31,			
	2019		2018	
	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	-	\$ -	-	\$ -
Options granted	750	10.00	-	-
Options exercised	(201)	10.00	-	-
Options outstanding at end of the year	<u>549</u>	10.00	<u>-</u>	-
Options exercisable at end of the year	<u>24</u>		<u>-</u>	
Options approved but not yet issued at end of the year	<u>204</u>		<u>-</u>	

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

<u>Issuing Company</u>	<u>Issue date approved</u>	<u>Expiry date</u>	<u>December 31, 2019</u>	
			<u>No. of shares (in thousands)</u>	<u>Exercise price (in dollars)</u>
The Company	2015.9.11	2021.9.10	548	\$ 15.70
Subsidiary-ADAT	2019.4.1	2025.3.31	320	10.00
"	2019.9.1	2025.8.31	229	10.00

<u>Issuing Company</u>	<u>Issue date approved</u>	<u>Expiry date</u>	<u>December 31, 2018</u>	
			<u>No. of shares (in thousands)</u>	<u>Exercise price (in dollars)</u>
The Company	2015.9.11	2021.9.10	1,325	\$ 16.70

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:

<u>Issuing Company</u>	<u>Type of arrangement</u>	<u>Grant date</u>	<u>Stock price (in dollars)</u>	<u>Exercise price (in dollars)</u>	<u>Expected price volatility</u>	<u>Expected option life</u>	<u>Expected dividends</u>	<u>Risk-free interest rate</u>	<u>Fair value per unit (in dollars)</u>
The Company	Employee stock options	2015.9.11	\$ 19.60	\$ 19.60	34.91%	4.375 years	0%	0.81%	\$ 5.8326
Subsidiary-ADAT	"	2019.4.1	10.00	10.00	47.77%	3.550 years	0%	0.61%	2.4727
"	"	2019.9.1	10.00	10.00	44.29%	3.550 years	0%	0.54%	2.7873

E. Expenses incurred on share-based payment transactions are \$1,009 and \$2,580 for the years ended December 31, 2019 and 2018, respectively.

F. The expense incurred by the subsidiary - ADAT on share-based payment transactions amounted to \$1,071 for the year ended December 31, 2019.

(15) Share capital

A. As of December 31, 2019, 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 \$1,868,400 with a par value of \$10 (in dollars) per share amounting to 186,839,950 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,	
	2019	2018
At January 1	185,591,264	177,016,429
Conversion of convertible bonds	486,186	7,522,835
Exercise of employee stock options	762,500	1,052,000
At December 31	<u>186,839,950</u>	<u>185,591,264</u>

(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:

	2019				
	Share premium	Employee stock options	Stock options	Others	Total
At January 1	\$ 959,959	\$ 7,568	\$ 503	\$ 2,351	\$ 970,381
Exercise of employee stock options	9,229	( 4,776)	-	-	4,453
Compensation cost of employee stock options	-	1,009	-	-	1,009
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	42	42
Conversion of convertible bonds	7,500	-	( 503)	-	6,997
At December 31	<u>\$ 976,688</u>	<u>\$ 3,801</u>	<u>\$ -</u>	<u>\$ 2,393</u>	<u>\$ 982,882</u>

	2018				
	<u>Share premium</u>	<u>Employee stock options</u>	<u>Stock options</u>	<u>Others</u>	<u>Total</u>
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	<u>123,663</u>	<u>-</u>	<u>( 8,209)</u>	<u>-</u>	<u>115,454</u>
At December 31	<u>\$ 959,959</u>	<u>\$ 7,568</u>	<u>\$ 503</u>	<u>\$ 2,351</u>	<u>\$ 970,381</u>

(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 stock dividends shall not exceed 50% of the dividend 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 2018 and 2017 earnings appropriation resolved by the shareholders on May 30, 2019 and May 30, 2018, respectively are as follows:

	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 79,258	\$ -	\$ 65,295	\$ -
Cash dividends	556,774	3.0	442,541	2.5
Total	<u>\$ 636,032</u>		<u>\$ 507,836</u>	

The earnings appropriation for the years ended December 31, 2018 and 2017 listed above had no difference from that proposed by the Board of Directors on February 18, 2019 and February 24, 2018, respectively.

Information about the earnings distribution of 2018 and 2017 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 2019 earnings appropriation proposed by the Board of Directors on March 5, 2020 are as follows:

	Year ended December 31, 2019	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 70,301	\$ -
Special reserve	78,008	-
Cash dividends	485,784	2.6
Total	<u>\$ 634,093</u>	

Information about the earnings appropriation for 2019 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 2019 has not yet been resolved by the shareholders, thus, no dividend was accrued in these consolidated financial statements.

- F. For the information relating to employees’ compensation and directors’ remuneration, please refer to Note 6(21).

(18) Operating revenue

	Years ended December 31,	
	2019	2018
Sales contract revenue	\$ 9,803,692	\$ 10,002,731
Construction contract revenue	12,586,707	12,881,136
Other contract revenue	1,792,282	1,531,856
Total	<u>\$ 24,182,681</u>	<u>\$ 24,415,723</u>

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:

	Years ended December 31,	
	2019	2018
R&D and manufacturing of customized equipment	\$ 6,684,181	\$ 7,321,516
Total Facility Engineering Turnkey Project	7,094,866	6,989,209
Sales and service of high-tech equipment and materials	5,597,464	5,376,632
Automatic supplying system	4,806,170	4,728,366
Total	<u>\$ 24,182,681</u>	<u>\$ 24,415,723</u>
Timing of revenue recognition		
At a point in time	\$ 10,444,259	\$ 10,425,153
Over time	13,738,422	13,990,570
Total	<u>\$ 24,182,681</u>	<u>\$ 24,415,723</u>

B. Contract assets and liabilities

(a) The Group has recognized the following revenue-related contract assets and liabilities:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract assets:			
Contract assets			
– construction contracts	<u>\$ 4,095,623</u>	<u>\$ 4,229,541</u>	<u>\$ 3,163,858</u>
Contract liabilities:			
Contract liabilities	\$ 2,440,230	\$ 2,202,925	\$ 1,851,105
– construction contracts			
Contract liabilities			
– sales contracts	1,029,742	1,088,219	931,407
Contract liabilities			
– service contracts	25,557	29,322	30,345
	<u>\$ 3,495,529</u>	<u>\$ 3,320,466</u>	<u>\$ 2,812,857</u>

(b) Revenue recognized that was included in the contract liability balance at the beginning of the year:

	Years ended December 31,	
	2019	2018
Revenue recognized that was included in the contract liability balance at the beginning of the year		
Construction contracts	\$ 1,721,083	\$ 1,437,587
Sales contracts	406,827	421,636
Service contracts	28,925	30,356
	<u>\$ 2,156,835</u>	<u>\$ 1,889,579</u>

(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.

(19) Other income

	Years ended December 31,	
	2019	2018
Government grants revenue	\$ 41,895	\$ 42,114
Dividend income	13,856	14,485
Rental revenue	4,250	4,496
Interest income	10,125	8,349
Other income	25,559	23,361
Total	<u>\$ 95,685</u>	<u>\$ 92,805</u>

(20) Other gains and losses

	Years ended December 31,	
	2019	2018
Net gains on financial assets at fair value through profit or loss	\$ 97,017	\$ 93,134
Foreign exchange (loss) gains	( 40,636)	11,947
Other losses	( 896)	( 1,883)
Total	<u>\$ 55,485</u>	<u>\$ 103,198</u>

(21) Employee benefit expense, depreciation and amortisation

A. Employee benefit expense, depreciation and amortisation

	Year ended December 31, 2019		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 707,113	\$ 924,448	\$ 1,631,561
Compensation cost of employee stock options	-	2,080	2,080
Labour and health insurance fees	74,147	71,260	145,407
Pension costs	55,777	51,641	107,418
Other employee benefit expense	24,555	28,512	53,067
Depreciation	202,001	124,821	326,822
Amortisation	7,774	8,123	15,897

	Year ended December 31, 2018		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
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

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, 2019 and 2018, employees' compensation and directors' remuneration are accrued as follows:

	Years ended December 31,	
	<u>2019</u>	<u>2018</u>
Employees' compensation	\$ 98,676	\$ 111,000
Directors' remuneration	9,868	11,111
	<u>\$ 108,544</u>	<u>\$ 122,111</u>

For the year ended December 31, 2019, employees' compensation and directors' remuneration were estimated and accrued based on 10% and 1% of distributable profit of

current year as of the end of reporting period. The employees' compensation and directors' remuneration for 2019 as resolved by the Board of Directors were \$98,676 and \$9,868, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration for 2018 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2018 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,	
	2019	2018
Current tax		
Current tax on profits for the year	\$ 213,649	\$ 215,736
Tax on undistributed surplus earnings	3,914	6,790
Land Value Increment Tax	328	-
Adjustments in respect of prior year	( 20,916)	4,600
Total current tax	196,975	227,126
Deferred tax		
Origination and reversal of temporary differences	24,926	12,055
Impact of change in tax rate	-	( 20,506)
Income tax expense	<u>\$ 221,901</u>	<u>\$ 218,675</u>

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

	Years ended December 31,	
	2019	2018
Currency translation differences of foreign operations	\$ 7,329	\$ 14,002
Remeasurements of defined benefit obligations	2,157	2,859
	<u>\$ 9,486</u>	<u>\$ 16,861</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate (note)	\$ 178,204	\$ 200,168
Expenses disallowed by tax regulation	60,371	7,216
Tax on undistributed earnings	3,914	6,790
Land value increment tax	328	-
Adjustments in respect of prior years	( 20,916)	4,600
Effect from changes in tax regulation	-	( 20,506)
Change in assessment of realization of deferred tax assets	-	20,407
Income tax expense	<u>\$ 221,901</u>	<u>\$ 218,675</u>

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, tax losses and investment tax credits are as follows:

	2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Loss allowance	\$ 45,177	\$ 5,178	\$ -	\$ 50,355
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	30,000	( 16,600)	-	13,400
Defined benefit obligation	32,391	( 515)	2,157	34,033
Impairment loss on financial assets	8,349	-	-	8,349
Unused compensated absences payable	11,227	( 6,476)	-	4,751
Unrealized loss on investments	715	( 715)	-	-
Unrealized construction loss	4,860	7,190	-	12,050
Unrealized exchange loss	-	5,560	-	5,560
Exchange differences on translation	16,342	-	7,329	23,671
Subtotal	<u>149,061</u>	<u>( 6,378)</u>	<u>9,486</u>	<u>152,169</u>
—Deferred tax liabilities:				
Unrealized exchange gain	( 835)	835	-	-
Unrealized investment income	-	( 19,383)	-	( 19,383)
Subtotal	<u>( 835)</u>	<u>( 18,548)</u>	<u>-</u>	<u>( 19,383)</u>
Total	<u>\$ 148,226</u>	<u>(\$ 24,926)</u>	<u>\$ 9,486</u>	<u>\$ 132,786</u>

	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
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	<u>122,914</u>	<u>9,286</u>	<u>16,861</u>	<u>149,061</u>
—Deferred tax liabilities:				
Temporary differences:				
Unrealized exchange gain	-	( 835)	-	( 835)
Subtotal	-	( 835)	-	( 835)
Total	<u>\$ 122,914</u>	<u>\$ 8,451</u>	<u>\$ 16,861</u>	<u>\$ 148,226</u>

D. Assessment of the Company's and domestic subsidiary's income tax returns is as follows:

	Assessment
The Company	Through 2017
eZoom Information, Inc.	"
ADAT Technology CO., LTD.	"

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(23) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 703,006	186,085	\$ <u>3.78</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	75	226	
Employee stock option	-	356	
Employees' compensation	-	<u>1,420</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 703,081</u>	<u>188,087</u>	<u>\$ 3.74</u>

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 792,582	180,063	\$ <u>4.40</u>
<u>Diluted earnings per share</u>			
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	\$ <u>794,381</u>	<u>188,763</u>	\$ <u>4.21</u>

(24) Operating leases

Details are provided in Note 9(1).

(25) Supplemental cash flow information

Financing activities with no cash flow effects

	Years ended December 31,	
	2019	2018
Convertible bonds converted to capital stocks	\$ 11,859	\$ 190,683

(26) Changes in liabilities from financing activities

	2019			
	Lease liabilities	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ 1,008,742	\$ 2,635,425	\$ 200,000	\$ 3,844,167
Changes in cash flow from financing activities	( 114,231)	440,129	-	325,898
Impact of changes in foreign exchange rate	( 3,135)	( 27,146)	-	( 30,281)
Changes in other non-cash items	49,948	-	-	49,948
At December 31	\$ <u>941,324</u>	\$ <u>3,048,408</u>	\$ <u>200,000</u>	\$ <u>4,189,732</u>

	2018			
	Lease liabilities	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ -	\$ 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	<u>\$ -</u>	<u>\$ 2,635,425</u>	<u>\$ 200,000</u>	<u>\$ 2,835,425</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Parent company

The Company is controlled by Ennoconn International Investment Co., Ltd. (registered in the Republic of China), which owns 44.67% of the shares of the Company. The remaining 55.33% 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
FIH Precision Componet (Beijing) Co., Ltd.	Other related party
Chung-Hsin Precision Machinery Co., Ltd.	"
Hon Hai Precision Industry Co., Ltd.	"
Chung-Hsin Electric & Machinery Mfg. Corp.	"
Hong Kong Ennpower Information Technology Co., Limited	"
MIC Techno Co., Ltd.	Associate
Glory Technology Service Inc.	"
Fortune International Corporation	"
Macrotec Technology Corp.	Entity controlled by key management or entity with significant influence
ProbeLeader Co., Ltd.	"
Forward Science Corp.	"
Shenzhen Hyper Power Information Technology Co., Ltd. (Note)	"
WT Microelectronics Co., Ltd.	"
Ennoconn Corporation	The ultimate parent company

Note : Shenzhen Hyper Power Information Technology Co., Ltd. became the entity controlled by key management or entity with significant influence of the Company after the directors' re-election on May 30, 2019.

(3) Significant related party transactions and balances

A. Sales of goods and services

(a) Sales of goods

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Other related parties	\$ 43,475	\$ -
Entities controlled by key management or entities with significant influence	6,642	-
The ultimate parent company	<u>56</u>	<u>-</u>
	<u>\$ 50,173</u>	<u>\$ -</u>

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.

(b) Construction contract revenue

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Entities controlled by key management or entities with significant influence	\$ 300,421	\$ 4
Other related parties	<u>243,354</u>	<u>281,364</u>
Total	<u>\$ 543,775</u>	<u>\$ 281,368</u>

- i. 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 are about 2 to 3 months after inspection of construction depending on the construction contracts or individual agreements.
- ii. As of December 31, 2019 and 2018, contract price and priced contract of unfinished construction are as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Total contract price (before tax)</u>	<u>Priced contract</u>	<u>Total contract price (before tax)</u>	<u>Priced contract</u>
Other related parties	\$ 472,068	\$ 453,351	\$ 486,501	\$ 174,447
Associates	19,516	10,316	19,516	10,316
Entities controlled by key management or entities with significant influence	<u>415,672</u>	<u>162,711</u>	<u>4,500</u>	<u>1,800</u>
Total	<u>\$ 907,256</u>	<u>\$ 626,378</u>	<u>\$ 510,517</u>	<u>\$ 186,563</u>

(c) Other contract revenue

	Years ended December 31,	
	2019	2018
Associates	\$ 8,864	\$ -
Entities controlled by key management or entities with significant influence	26	246
Total	<u>\$ 8,890</u>	<u>\$ 246</u>

Other contract revenue from related parties and non-related parties are collected based on the general service contact or general agreement. In addition, service 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 service are about 2 to 3 months after inspection of service depending on the other contracts or individual agreements.

B. Acquisition of goods and services

(a) Purchase of goods

	Years ended December 31,	
	2019	2018
Other related parties	\$ 6,936	\$ 13,947
Entities controlled by key management or entities with significant influence	4,488	4,984
Total	<u>\$ 11,424</u>	<u>\$ 18,931</u>

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.

(b) Construction contract costs

	Years ended December 31,	
	2019	2018
Entities controlled by key management or entities with significant influence	\$ 8,287	\$ 14,892
Other related parties	173	-
Total	<u>\$ 8,460</u>	<u>\$ 14,892</u>

The outsourcing construction contract 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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties	\$ 132,582	\$ 109,439
Entities controlled by key management or entities with significant influence	96,936	42
The ultimate parent company	<u>59</u>	<u>-</u>
Subtotal	229,577	109,481
Less: loss allowance	( 2)	( 5)
Total	<u>\$ 229,575</u>	<u>\$ 109,476</u>

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Entities controlled by key management or entities with significant influence	\$ 3,272	\$ 6,360
Other related parties	<u>-</u>	<u>7,314</u>
Total	<u>\$ 3,272</u>	<u>\$ 13,674</u>

Accounts payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Entities controlled by key management or entities with significant influence	\$ 5,637	\$ 6,920
Other related parties	<u>2,463</u>	<u>7,200</u>
Total	<u>\$ 8,100</u>	<u>\$ 14,120</u>

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, 2019 and 2018, the Group has acquired computer equipment and related software from entities controlled by key management and the acquisition price was \$12,721 and \$20,111 (recorded as 'property, plant and equipment' and 'intangible assets'), respectively.

(4) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	\$ 125,867	\$ 93,297

8. PLEDGED ASSETS

Details of the book value of the Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2019	December 31, 2018	
Restricted time deposits (recorded as 'other current assets')	\$ 46,677	\$ 1,584	Performance guarantee and other guarantee
Guarantee deposits paid (recorded as 'other current assets' and 'other non-current assets')	124,268	68,834	Bid bond, performance guarantee and warranty
Buildings and structures (recorded as 'property, plant and equipment')	13,821	14,384	Guarantee for bank's borrowing facility
	<u>\$ 184,766</u>	<u>\$ 84,802</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT  
COMMITMENTS

Commitments

(1) Operating lease agreements

Effective 2018

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 recognized rental costs and expenses of \$190,804 for these leases in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>
Not later than one year	\$ 50,178
Later than one year but not later than five years	182,565
Later than five years	548,737
Total	<u>\$ 781,480</u>

(2) As of December 31, 2019, the notes and letters of guarantee used for construction performance and custom security amounted to \$2,152,240.

10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For details of 2019 earnings appropriation proposed by the Board of Directors on March 5, 2020, 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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 590,466	\$ 506,412
Financial assets at amortised cost		
/Loans and receivables		
Cash and cash equivalents	2,560,943	2,155,357
Notes receivable	157,693	95,991
Accounts receivable (including related parties)	5,035,212	4,260,670
Other accounts receivable	10,542	21,586
Restricted time deposits (recorded as 'other current assets')	46,677	1,584
Guarantee deposits paid (recorded as 'other current assets' and 'other non-current assets')	182,643	104,600
	<u>\$ 8,584,176</u>	<u>\$ 7,146,200</u>
<u>Financial liabilities</u>		
Financial liabilities measured at fair value through profit or loss		
Short-term borrowings	\$ 3,048,408	\$ 2,635,425
Notes payable (including related parties)	954,474	1,044,159
Accounts payable (including related parties)	4,236,176	4,320,299
Other accounts payable	509,591	588,941
Bonds payable (including current portion)	-	11,766
Long-term borrowings	200,000	200,000
Guarantee deposits received (recorded as 'other non-current liabilities')	91	78
	<u>\$ 8,948,740</u>	<u>\$ 8,800,668</u>
Lease liability	<u>\$ 941,324</u>	<u>\$ -</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

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 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 Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: 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, 2019

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 55,732	29.98	\$ 1,670,845	1%	\$ 16,708	\$ -
USD : RMB	13,533	6.9642	405,722	1%	4,057	-
EUR : NTD	10,528	33.59	353,637	1%	3,536	-
JPY : NTD	1,172,346	0.2760	323,567	1%	3,236	-
USD : SGD	1,711	1.3456	51,295	1%	513	-
JPY : RMB	130,706	0.0641	36,075	1%	361	-
USD : IDR	1,174	13,752	35,193	1%	352	-
USD : MMK	1,030	1,480	30,866	1%	309	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 6,012	29.98	\$ 180,227	1%	\$ 1,802	\$ -
USD : RMB	11,316	6.9642	339,268	1%	3,393	-
JPY : NTD	252,538	0.2760	69,701	1%	697	-

December 31, 2018

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
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	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
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	-

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 Group.

Year ended December 31, 2019			
Exchange gain (loss)			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	29.98	(\$ 30,672)
EUR : USD	( 258)	0.8925	( 7,728)
USD : MNK	( 134,387)	1,480	( 2,728)
USD : RMB	( 519)	6.9642	( 2,233)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	29.98	\$ 3,516
Year ended December 31, 2018			
Exchange gain (loss)			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
EUR : NTD	\$ -	35.2	\$ 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
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : RMB	(\$ 7,359)	6.8685	(\$ 32,909)

#### 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. 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, 2019 and

2018 would have increased/decreased by \$4,273 and \$3,777, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

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, 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in NTD, USD, SGD and RMB.
  - ii. The Group'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, 2019 and 2018 would have decreased/increased by \$25,987 and \$22,683, respectively. The main factor is that changes in interest expense result from 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 considers the historical experience and industrial characteristics, whereby a 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, 2019 and 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, 2019 and 2018, the provision matrix and loss rate methodology are as follows:
- (i) Accounts receivable in relation to construction

<u>December 31, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0%~0.0034%	\$ 2,166,292	\$ 442
Up to 90 days	0%~0.0356%	445,993	103
91 to 180 days	0%~0.0418%	206,498	35
181 to 365 days	0%~0.0923%	194,239	83
1 to 2 years	0%~45.7115%	133,127	5,419
Over 2 years	100%	114,942	114,942
Total		<u>\$ 3,261,091</u>	<u>\$ 121,024</u>

<u>December 31, 2018</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not 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	7,798
Over 2 years	100%	129,458	129,458
Total		<u>\$ 2,605,271</u>	<u>\$ 142,626</u>

(ii) Accounts receivable in relation to sales

<u>December 31, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0%~0.0315%	\$ 1,473,169	\$ 46
Up to 90 days	0%~0.9871%	98,499	142
91 to 180 days	0%~1.6244%	11,637	20
181 to 365 days	0%~41.1485%	34,950	1,545
Over 365 days	100%	68,767	68,767
Total		<u>\$ 1,687,022</u>	<u>\$ 70,520</u>

<u>December 31, 2018</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not 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		<u>\$ 1,587,151</u>	<u>\$ 79,909</u>

(iii) Based on historical experience, the Group applies individual assessment to evaluate expected credit loss of the high-credit risk customers. On December 31, 2019 and 2018, accounts receivable and loss allowance amounted to \$516,216 and \$490,992 and \$414,212 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, 2019 and 2018, notes and accounts receivable and loss allowance amounted to \$334,423 and \$91, \$288,926 and \$91, respectively.

ix. Movements in relation to the Group applying the simplified approach to provide loss allowance for notes and accounts receivable (including related parties) are as follows:

	2019		
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Total</u>
At January 1	\$ 615,679	\$ -	\$ 615,679
Provision for (reversal of) impairment	14,849	-	14,849
Write-offs	( 10,565)	-	( 10,565)
Effect of foreign exchange	( 14,116)	-	( 14,116)
At December 31	<u>\$ 605,847</u>	<u>\$ -</u>	<u>\$ 605,847</u>

	2018		
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Total</u>
At January 1_IFRS 9	\$ 378,156	\$ 8,494	\$ 386,650
Adjustments under new standards	29,297	-	29,297
Provision for (reversal of) impairment	285,781	( 8,494)	277,287
Write-offs	( 71,085)	-	( 71,085)
Effect of foreign exchange	( 6,470)	-	( 6,470)
At December 31	<u>\$ 615,679</u>	<u>\$ -</u>	<u>\$ 615,679</u>

For provisioned loss for the years ended December 31, 2019 and 2018, the impairment (reversal) loss arising from customers' contracts are \$14,849 and \$277,287, respectively.

(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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Floating rate:		
Expiring beyond one year	\$ -	\$ 200,000
Fixed rate:		
Expiring beyond one year	-	13,938
	<u>\$ -</u>	<u>\$ 213,938</u>

- 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

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 3,048,408	\$ -	\$ -	\$ -
Notes payable (including related parties)	954,474	-	-	-
Accounts payable (including related parties)	4,236,176	-	-	-
Other payables	509,591	-	-	-
Long-term borrowings	1,933	200,483	-	-
Lease liability	108,470	86,462	164,027	969,484

Non-derivative financial liabilities

<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
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	-	-

(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. The fair value of the Group's investment in equity investment without active market and beneficiary certificates is included in Level 3.

B. Financial instruments not measured at fair value

Except for financial assets at fair value through profit or loss, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, restricted time deposits (recorded as other current assets), 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, lease liability, bonds payable (including current portion), long-term borrowings and guarantee deposits received (recorded as other non-current liabilities) 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 on the nature of the assets is as follows:

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 80,045	\$ -	\$ 472,658	\$ 552,703
Beneficiary certificates	-	-	4,720	4,720
Hybrid instruments	-	-	33,043	33,043
Total	<u>\$ 80,045</u>	<u>\$ -</u>	<u>\$ 510,421</u>	<u>\$ 590,466</u>
<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 102,936	\$ -	\$ 379,824	\$ 482,760
Hybrid instruments	-	-	23,652	23,652
Total	<u>\$ 102,936</u>	<u>\$ -</u>	<u>\$ 403,476</u>	<u>\$ 506,412</u>

(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, 2019 and 2018, 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, 2019 and 2018:

	2019		2018	
	Equity instruments	Hybrid instruments	Equity instruments	Hybrid instruments
At January 1	\$ 379,824	\$ 23,652	\$ -	\$ 210
Acquired during the year	64,821	12,313	349,641	23,646
Sold during the year	( 2,047)	-	( 4,403)	-
Gains and losses recognized in profit or loss (Note)	<u>34,780</u>	<u>( 2,922)</u>	<u>34,586</u>	<u>( 204)</u>
Total	<u>\$ 477,378</u>	<u>\$ 33,043</u>	<u>\$ 379,824</u>	<u>\$ 23,652</u>

Movement of unrealized gain or loss in profit or loss of assets and liabilities held as at end of the year (Note)	<u>\$ 34,780</u>	<u>(\$ 2,916)</u>	<u>\$ 34,586</u>	<u>(\$ 204)</u>
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Note: Recorded as non-operating income and expense.

F. For the years ended December 31, 2019 and 2018, 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, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 439,381	Market comparable companies	Note 1	Not applicable	Note 2
Venture capital shares	37,997	Net asset value	Not applicable	Not applicable	Not applicable
Hybrid instrument:					
Convertible bond	33,043	Market comparable companies	Note 1	Not applicable	Note 2

	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 1	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.

- 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, 2019			
		Recognized in profit or loss		Recognized in other comprehensive income	
Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets					
Equity instrument and beneficiary certificates	Stock price and fair value ± 10%	\$ 47,738	(\$ 47,738)	\$ -	\$ -

			December 31, 2018			
			Recognized in profit or loss		Recognized in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
	Input	Change				
Financial assets						
Equity instrument	Stock price	± 10%	\$ 37,982	(\$ 37,982)	\$ -	\$ -
Hybrid instrument	Stock price	± 10%	30	( 20)	-	-
"	Volatility	± 5%	40	( 30)	-	-
Total			<u>\$ 38,052</u>	<u>(\$ 38,032)</u>	<u>\$ -</u>	<u>\$ -</u>

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries 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, 2019 and 2018 is as follows:

	Year ended December 31, 2019				
	<u>Sales and services for equipment materials segment</u>	<u>Facility system and mechanic &amp; electric system service segment</u>	<u>Customized equipment manufacturing segment</u>	<u>Other segments</u>	<u>Total</u>
Revenue from external customers	\$ 4,189,207	\$ 13,309,108	\$ 6,684,366	\$ -	\$ 24,182,681
Inter-segment revenue	147,546	165,461	10,961	4,789	328,757
Total segment revenue	<u>\$ 4,336,753</u>	<u>\$ 13,474,569</u>	<u>\$ 6,695,327</u>	<u>\$ 4,789</u>	<u>\$ 24,511,438</u>
Segment profit (loss)	<u>\$ 434,526</u>	<u>(\$ 27,765)</u>	<u>\$ 417,414</u>	<u>(\$ 4,837)</u>	<u>\$ 819,338</u>
Segment profit including: Depreciation and amortisation	<u>\$ 42,065</u>	<u>\$ 140,755</u>	<u>\$ 156,014</u>	<u>\$ 3,885</u>	<u>\$ 342,719</u>

	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

The adoption of IFRS 16, 'Leases', had the following impact on the segment information in 2019.

	Year ended December 31, 2019				
	Sales and services for equipment materials segment	Facility system and mechanic & electric system service segment	Customized equipment manufacturing segment	Other segments	Total
Depreciation expense increased	\$ 26,467	\$ 84,581	\$ 37,403	\$ 168	\$ 148,619

#### (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, 2019 and 2018 is provided as follows:

	Years ended December 31,	
	2019	2018
Reportable segments income	\$ 824,175	\$ 880,994
Other reportable segments loss	( 4,837)	( 5,241)
Total segments	819,338	875,753
Other gains and losses	156,053	191,157
Finance costs	( 84,370)	( 66,071)
Income before tax from continuing operations	\$ 891,021	\$ 1,000,839

(5) Information on products

Details of revenue is as follows:

	Year ended December 31,	
	2019	2018
R&D and manufacturing of customized equipment	\$ 6,684,181	\$ 7,321,516
Total Facility Engineering Turnkey Project	7,094,866	6,989,209
Sales and service of high-tech equipment and materials	5,597,464	5,376,632
Automatic supplying system	4,806,170	4,728,366
	<u>\$ 24,182,681</u>	<u>\$ 24,415,723</u>

(6) Geographical information

Financial information by geographical area for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31,			
	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 10,647,154	\$ 2,556,350	\$ 10,498,456	\$ 1,744,188
China	7,642,606	233,181	7,546,686	166,827
Others	5,892,921	409,907	6,370,581	380,097
Total	<u>\$ 24,182,681</u>	<u>\$ 3,199,438</u>	<u>\$ 24,415,723</u>	<u>\$ 2,291,112</u>

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, 2019 and 2018:

	Year ended December 31,			
	2019		2018	
	Revenue	Segment	Revenue	Segment
Customer A	\$ 3,416,765	Facility system and mechanic & electric system service segment	\$ 3,053,247	Facility system and mechanic & electric system service segment

Note: Operating revenue from other customers does not exceed 10% of consolidated operating revenue.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2019

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019 (Note 3)	Balance at December 31, 2019 (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		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	Marketech International Corp.	eZoom Information, Inc.	Other receivables	Y	\$ 50,000	\$ -	\$ -	-	Short-term financing	\$ -	Operations	\$ -	None	-	\$ 2,320,005	\$ 2,320,005	Note 7
0	Marketech International Corp.	Marketech Integrated Pte. Ltd.	Other receivables	Y	27,808	26,382	26,382	4.616	Short-term financing	-	Operations	-	None	-	2,320,005	2,320,005	Note 7
1	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	Other receivables	Y	54,959	38,744	38,744	4.785-5.0025	Short-term financing	-	Operations	-	None	-	203,302	406,605	Note 7
1	MIC-Tech Electronics Engineering Corp.	Fuzhou Jiwei System Integrated Co., Ltd.	Other receivables	Y	3,206	1,722	1,722	5.0025	Short-term financing	-	Operations	-	None	-	406,605	406,605	Note 7
1	MIC-Tech Electronics Engineering Corp.	MIC-Tech (WuXi) Co., Ltd.	Other receivables	Y	64,119	-	-	-	Short-term financing	-	Operations	-	None	-	406,605	406,605	Note 7
2	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co., Ltd.	Other receivables	Y	50,369	34,439	34,439	4.785-5.0025	Short-term financing	-	Operations	-	None	-	301,065	301,065	Note 7
3	Marketech Integrated Manufacturing Company Limited	Marketech Integrated Construction Co., Ltd.	Other receivables	Y	6,164	-	-	-	Short-term financing	-	Operations	-	None	-	150,099	300,198	Note 7
4	MIC-Tech Viet Nam Co., Ltd	Marketech Co., Ltd	Other receivables	Y	3,660	3,510	3,510	6.25	Short-term financing	-	Operations	-	None	-	22,074	22,074	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 year ended December 31, 2019

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.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 5)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 6)	Outstanding endorsement/ guarantee amount at December 31, 2019	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
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Marketech International Corp.	Marketech Integrated Pte. Ltd.	2	\$ 2,900,006	\$ 36,484	\$ 17,084	\$ 5,661	\$ -	0.29%	\$ 5,800,013	Y	N	N	Note 4
0	Marketech International Corp.	eZoom Information, Inc.	2	2,900,006	120,000	60,000	18,450	-	1.03%	5,800,013	Y	N	N	Note 4
0	Marketech International Corp.	Marketech International Corporation USA	2	2,900,006	125,560	119,920	-	-	2.07%	5,800,013	Y	N	N	Note 4
0	Marketech International Corp.	Marketech International Sdn. Bhd.	2	2,900,006	245,720	239,840	-	-	4.14%	5,800,013	Y	N	N	Note 4
0	Marketech International Corp.	MIC-Tech (WuXi) Co., Ltd.	2	2,900,006	312,840	191,872	185,876	-	3.31%	5,800,013	Y	N	Y	Note 4
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	2	2,900,006	1,096,052	815,306	7,647	-	14.06%	5,800,013	Y	N	Y	Note 4
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	2	2,900,006	1,571,232	1,536,251	1,075,132	-	26.49%	5,800,013	Y	N	Y	Note 4
0	Marketech International Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	2	2,900,006	507,461	359,319	188,099	-	6.20%	5,800,013	Y	N	Y	Note 4
0	Marketech International Corp.	Special Triumph Sdn. Bhd.	5	2,900,006	12,741	-	-	-	-	5,800,013	N	N	N	Note 4
0	Marketech International Corp.	Te Chang Construction Co., Ltd.	5	2,900,006	174,000	174,000	86,997	-	3.00%	5,800,013	N	N	N	Note 4
1	Marketech Co., Ltd.	MIC-Tech Viet Nam Co., Ltd.	4	33,380	7,933	-	-	-	-	33,380	N	N	N	Note 4
2	MIC-Tech Electronics Engineering Corp.	Marketech International Corp.	3	1,524,768	524,704	507,112	507,112	-	99.77%	2,541,280	N	Y	N	Note 4
2	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	5	1,524,768	71,915	-	-	-	-	2,541,280	N	N	Y	Note 4
2	MIC-Tech Electronics Engineering Corp.	MIC-Tech (Shanghai) Corp.	4	1,524,768	110,420	103,272	103,272	-	20.32%	2,541,280	N	N	Y	Note 4
3	MIC-Tech (Shanghai) Corp.	MIC-Tech Electronics Engineering Corp.	4	1,128,993	634,511	593,435	593,435	-	157.69%	1,881,665	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 directly and 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.

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, 2019

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

As of December 31, 2019											
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	
Marktech International Corp.	Ordinary shares	Lasertec Corporation	None	Financial assets measured at fair value through profit or loss - current	40,000	\$ 61,382	-	\$ 61,382	None		
"	"	Solar Applied Materials Technology Corp.	"	"	44,078	990	-	990	"		
"	"	Aerospace Industrial Development Corp.	"	"	25,925	931	-	931	"		
						<u>\$ 63,303</u>		<u>\$ 63,303</u>			
"	Ordinary shares	Taiwan Colour & Imaging Technology Corp.	None	Financial assets measured at fair value through profit or loss - non-current	1,700,000	\$ 1,575	12.59%	\$ 1,575	None		
"	"	Chung-Hsin Electric and Machinery Manufacturing Corp.	"	"	581,000	14,118	0.14%	14,118	"		
"	"	Ennoconn Corporation	The ultimate parent company	"	10,624	2,624	0.01%	2,624	"		
"	"	WINGS GLOBAL TECHNOLOGY INC.	None	"	750,000	14,049	18.75%	14,049	"		
"	"	Promos Technologies, Inc.	"	"	250,331	-	0.56%	-	"		
"	"	Taiwan Puritic Corp.	"	"	6,191,181	202,012	10.32%	202,012	"		
"	"	SOPOWER Technology Corp.	"	"	189,223	-	12.61%	-	"		
"	"	VEEV Interactive Pte. Ltd.	"	"	840,000	-	6.32%	-	"		
"	"	Taiwan Intelligent Fiber Optic Network Co., Ltd.	"	"	3,868,261	22,137	1.41%	22,137	"		
"	"	H&D Venture Capital Investment Corp.	Entities controlled by key management or entities with significant influence	"	294,528	2,945	6.67%	2,945	"		
"	"	Civil Tech Pte. Ltd.	None	"	336,374	-	0.58%	-	"		
"	"	ProbeLeader Co., Ltd.	Entities controlled by key management or entities with significant influence	"	966,000	10,367	3.46%	10,367	"		
"	"	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	4,589	2.24%	4,589	"		
"	"	Long Time Technology Corp.	"	"	346,000	9,397	0.29%	9,397	"		
"	"	Paradigm Venture Capital Corp.	"	"	90,187	902	3.50%	902	"		
"	"	Taiwan Special Chemicals Corp.	"	"	4,401,333	65,013	1.51%	65,013	"		
"	"	Atech Totalsolution Co., Ltd.	"	"	128,000	-	0.23%	-	"		
"	"	East Wind Life Science Systems	"	"	124,457	-	12.87%	-	"		
"	"	EcoLand Corp.	"	"	310,715	-	13.51%	-	"		
"	"	Kcashin Technology Corporation	"	"	642,500	10,000	19.01%	10,000	"		
"	"	Radisen Co. Ltd.	"	"	87,803	7,172	19.36%	7,172	"		
"	"	Foresight Energy Technologies Co., Ltd.	"	"	1,350,000	4,057	4.09%	4,057	"		
"	"	Mycropore Corporation, Ltd.	"	"	971,000	21,991	5.81%	21,991	"		
"	"	STEK CO., LTD.	"	"	333,000	23,310	6.34%	23,310	"		
"	"	Sum Capital Healthcare Investment Corp.	Entities controlled by key management or entities with significant influence	"	943,050	9,431	7.44%	9,431	"		
"	"	Intellicares co., Ltd	"	"	200,000	-	19.99%	-	"		
"	"	Forward Science Corp.	"	"	2,000,000	19,622	10.00%	19,622	"		
"	Convertible bonds	HALLYS CORPORATION	None	"	-	20,730	-	20,730	"		
"	"	Radisen Co. Ltd.	"	"	-	12,313	-	12,313	"		
"	"	Nitride Solutions Inc.	"	"	-	-	-	-	"		
"	Preferred stock	Adant Technologies Inc.	"	"	174,520	-	Note3	-	"		
"	"	Kinestral Technologies, Inc.	"	"	501,532	24,089	"	24,089	"		
"	Beneficiary certificates	Vertex Growth (SG) LP	"	"	-	4,720	-	4,720	"		
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				<u>\$ 527,163</u>		<u>\$ 527,163</u>			

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, 2019

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Marketech International Corp.	Hong Kong Ennopower Information Technology Co., Limited	Other related parties	Sales (Note 2)	\$ 241,845	1.37%	Note 1	\$ -	-	\$ 126,786	4.31%	-
MIC-Tech Electronics Engineering Corp.	Shenzhen Hyper Power Information Technology Co., Ltd	Entities controlled by key management or entities with significant influence	Sales (Note 2)	170,086	4.99%	Note 1	-	-	96,919	5.90%	-
Shanghai Maohua Electronics Engineering Co.,Ltd.	Shenzhen Hyper Power Information Technology Co., Ltd	Entities controlled by key management or entities with significant influence	Sales (Note 2)	130,338	29.39%	Note 1	-	-	-	-	-

Note 1: Repaid in installment based on the contract.

Note 2: Revenue arising from contracting constructions recognized based on the percentage of completion method for the year ended December 31, 2019.

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

Table 5

Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019 (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 Ennpower Information Technology Co., Limited	Other related parties	\$ 126,786	Not applicable	\$ -	-	\$ -	2

Note : Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2019

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Sales revenue	\$ 27,628	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 construction depending on the construction contracts or individual agreements.	0.11%
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	1	Non-operating revenue	21,449		0.09%
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	1	Construction revenue	39,821		0.16%
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Non-operating revenue	9,364		0.04%
0	Marketech International Corp.	eZoom Information, Inc.	1	Construction revenue	19,890		0.08%
0	Marketech International Corp.	Marketech Integrated Pte. Ltd.	1	Other receivables	26,602		0.14%
0	Marketech International Corp.	MIC-Tech Global Corp.	1	Construction revenue	20,272		0.08%
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Accounts receivable	6,337		0.03%
1	eZoom Information, Inc.	Marketech International Corp.	2	Services revenue	34,363		0.14%
2	MIC-Tech Global Corp.	Marketech International Corp.	2	Sales revenue	94,822		0.39%
3	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	3	Other receivables	38,744		0.20%
3	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	3	Accounts receivable	5,381		0.03%
4	Shanghai Maohua Electronics Engineering Co., Ltd.	MIC-Tech Electronics Engineering Corp.	3	Construction revenue	26,938		0.11%
5	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co. Ltd.	3	Other receivables	34,439		0.18%

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. Additionally, if it is disclosed as assets and revenue, its opposite transactions will not be disclosed.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount (Note 2)		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 1)	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Singapore	Contracting for semiconductor automatic supply system	\$ 215,087	\$ 215,087	9,235,678	100	(\$ 52,050)	(\$ 68,169)	(\$ 68,169)	The Company's subsidiary
Marketech International Corp.	Market Go Profits Ltd.	Virgin Islands	Investment holding and reinvestment	1,298,124	1,282,562	40,069,104	100	1,207,977	166,487	166,487	The Company's subsidiary
Marketech International Corp.	MIC-Tech Global Corp.	South Korea	International trade	19,147	19,147	131,560	100	6,425	199	199	The Company's subsidiary
Marketech International Corp.	Headquarter International Ltd.	Virgin Islands	Investment holding and reinvestment	42,475	42,475	1,289,367	100	37,667	( 275)	( 275)	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	36,624	( 293)	( 293)	The Company's subsidiary
Marketech International Corp.	Marketech Engineering Pte. Ltd.	Singapore	Contracting for electrical installing construction	20,902	10,129	894,987	100	7,715	( 18,547)	( 18,547)	The Company's subsidiary
Marketech International Corp.	Marketech Integrated Manufacturing Company Limited	Myanmar	Design, manufacturing, installation of automatic production equipment and its parts	478,985	438,298	1,535,600	100	375,248	( 30,633)	( 30,633)	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	27,593	745	745	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	45,246	-	100	3,338	( 7,728)	( 7,728)	The Company's subsidiary
Marketech International Corp.	eZoom Information, Inc.	Taiwan	Research, trading and consulting of information system software and hardware appliance	195,737	195,737	20,000,000	100	121,118	( 31,829)	( 31,829)	The Company's subsidiary
Marketech International Corp.	Marketech International Sdn.Bhd.	Malaysia	Specialized contracting and related repair services	86,103	86,103	12,242,750	100	62,433	( 2,546)	( 2,546)	The Company's subsidiary
Marketech International Corp.	Marketech International Corporation USA	USA	Specialized contracting and related repair services	22,485	-	750,000	100	16,881	( 5,779)	( 5,779)	The Company's subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount (Note 2)		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 1)	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	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	\$ 20,000	\$ 2,000,000	29.41	\$ 1,602	(\$ 38,512)	(\$ 11,474)	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	35,344	( 2,218)	( 2,218)	The Company's subsidiary
Marketech International Corp.	Marketech Netherlands B.V	Netherlands	International trade business of machine and components and technical service	21,070	10,671	600,000	100	9,111	( 7,229)	( 7,229)	The Company's subsidiary
Marketech International Corp.	Glory Technology Service Inc..	Taiwan	Sale and installation of information and communication equipment	42,714	42,714	5,510,305	29.24	63,804	21,629	6,324	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	1,834	( 41)	( 8)	The Company's investee accounted for using equity method
Marketech International Corp.	Smart Health Corp.	Taiwan	Smart medical consulting services and investment	1,500	-	150,000	42.86	1,490	( 23)	( 10)	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	1,292,627	1,277,065	39,966,604	100	1,206,356	166,555	-	The investor's subsidiary
Marketech Engineering Pte Ltd.	Marketech Integrated Construction Co., Ltd.	Myanmar	Contracting for electrical installing construction	19,342	8,569	63,500	97.69	7,531	( 18,975)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Rusky H.K. Limited	Hong Kong	Investment holding and reinvestment	34,551	34,551	833,000	100	( 11,558)	( 1,597)	-	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	5,116	( 99)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Hong Kong	Investment holding and reinvestment	132,282	132,282	5,400,000	60	51,665	( 14,511)	-	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	( 4,462)	( 86)	-	The investor's investee accounted for using equity method
MIC-Tech Ventures Asia Pacific Inc.	Fortune Blessing Co., Limited	Hong Kong	Investment holding and reinvestment	15,563	-	500,000	27.78	13,513	( 5,026)	-	The investor's investee accounted for using equity method
Rusky H.K. Limited	PT Marketech International Indonesia	Indonesia	Trading business of machine equipment and parts	32	32	1,000	0.08	30	( 2,218)	-	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 which are translated at the current rate as of December 31, 2019, the initial investment amounts of other investees are translated at the current rate as of the investment date.

## MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2019

Table 8

Expressed in thousands of NTD

## 1. Basic information

(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, 2019 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 (Note 3)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (Note 3)	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MIC-Tech (WuXi) Co., Ltd.	Design, manufacturing, installation and maintenance of semiconductor device, crystal dedicated device, electronic component device, environment pollution preventing equipment; assembly of wrapping device and cooling equipment; producing, assembling and sale of LED illuminator and its component; wholesale, commission agency and import and export of the aforementioned products and 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; manufacturing and sales of medical devices.	\$ 764,490	Note1(2)	\$ 614,590	\$ -	\$ -	\$ 614,590	(\$ 719)	100	(\$ 138)	\$ 34,146	\$ -	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	247,065	Note1(2)	14,990	-	-	14,990	39,698	100	39,698	376,331	-	Note 2 (2)B
Fuzhou Jiwei System Integrated Co., Ltd.	Installation and complete services of clean room, mechanical system, street pipe system	8,994	Note1(2)	8,994	-	-	8,994	( 568)	100	( 568)	( 1,525)	-	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	17,988	Note1(2)	18,078	-	-	18,078	( 2,646)	87	( 2,302)	( 14,388)	-	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	528,218	Note1(2)	255,430	-	-	255,430	110,192	100	110,192	508,256	-	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.	9,144	Note1(2)	1,469	-	-	1,469	( 122)	49	( 61)	-	-	Note 2 (2)B and Note 4
ChenGao M&E Engineering (Shanghai) Co., Ltd.	Design of microelectronic products and display devices, consulting service for related technology and management	5,996	Note1(2)	5,996	-	-	5,996	588	100	590	-	-	Note 2 (2)B and Note 5

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, 2019 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 (Note 3)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (Note 3)	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
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	\$ 69,194	Note1(2)	\$ 27,678	\$ -	\$ -	\$ 27,678	(\$ 100)	100	(\$ 100)	\$ 5,096	\$ -	Note 2 (2)B
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.	209,860	Note1(2)	80,946	35,976	-	116,922	( 14,495)	60	( 8,697)	50,909	-	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 entropot 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	44,970	Note1(2)	44,970	-	-	44,970	828	100	828	18,633	-	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 entropot 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	28,688	Note1(2)	9,016	-	-	9,016	( 86)	31.43	( 27)	( 4,466)	-	Note 2 (2)B
Fortune International Corporation	Research and development, design, manufacturing, sales, installation and repair services of semiconductor-related devices, equipment and materials; research and development, transfer, consulting and service of semiconductor-related technology; supply chain management service; self-operation and agency of import and export business of various products and technologies; property management service; industrial park management service; accommodation service; retail of articles of daily use, food and beverages; venue rental; enterprise management service; conference and exhibition services; warehousing service; handling and transportation agency services	35,976	Note1(2)	-	14,990	-	14,990	( 5,007)	27.78	( 1,391)	8,522	-	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, 2019' 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, 2019 (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
Marketch International Corp.	\$ 1,144,930	\$ 1,958,202	\$ 3,502,781

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, 2019 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, 2019, and accumulated amount of remittance from Taiwan to Mainland China registered at and approved by MOEA was US\$186 thousand.

Note 4: SKMIC (WUXI) Corp. has completed the liquidation process in June 2019.

Note 5: Shanghai Shenggao Electromechanical Engineering Design Co., Ltd. had completed the liquidation process in October 2019.

**MARKETECH INTERNATIONAL CORP.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND REPORT OF INDEPENDENT**  
**ACCOUNTANTS**  
**DECEMBER 31, 2019 AND 2018**

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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.

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, 2019 and 2018, 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 financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

***Basis for opinion***

For the year ended December 31, 2019, we conducted our audit in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, the Financial Supervisory Commission (FSC) Jin-Guan-Zheng-Shen-Zi Order No. 1090360805 issued on February 25, 2020, and generally accepted auditing standards in the Republic of China (ROC GAAS). For the year ended December 31, 2018, we conducted our audit in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and ROC GAAS. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the 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, 2019. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, 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, 2019 were as follows:

## ***Recognition of construction contract revenue***

### Description

Refer to Note 4(29) for accounting policy on construction contract revenue, Note 5(2) for the details of uncertainty of construction contract accounting estimation and assumptions, and Note 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 significant change with respect to estimated 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 subcontract 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.

## *Valuation of inventories*

### Description

Refer to Note 4(11) for description of accounting policy on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(4) for description on 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 loss allowance for accounts receivable*

#### Description

Refer to Note 4(8) for accounting policy on accounts receivable, Note 5(2) for accounting estimates and assumption uncertainty in relation to loss allowance of accounts receivable, and 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 loss allowance of accounts receivable 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 collection 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.

***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. as at and for the years ended December 31, 2019 and 2018.

***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:

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.



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 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

March 5, 2020

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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.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 1,249,502	8	\$ 679,098	5
1110	Financial assets at fair value through profit or loss - current	6(2)	63,303	1	90,944	1
1140	Current contract assets	6(17) and 7	3,202,655	20	3,297,707	22
1150	Notes receivable, net	6(3)	87,379	1	18,359	-
1170	Accounts receivable, net	6(3)	2,716,489	17	2,896,102	20
1180	Accounts receivable - related parties, net	6(3) and 7	137,620	1	114,677	1
1200	Other receivables	7	47,963	-	35,464	-
130X	Inventories, net	6(4)	2,697,586	17	3,183,449	21
1410	Prepayments		183,925	1	313,722	2
1470	Other current assets	8	110,885	1	50,087	-
11XX	<b>Total current assets</b>		<u>10,497,307</u>	<u>67</u>	<u>10,679,609</u>	<u>72</u>
<b>Non-current assets</b>						
1510	Financial assets at fair value through profit or loss - non-current	6(2)	527,163	3	415,468	3
1550	Investments accounted for using equity method	6(5)	2,016,204	13	1,915,488	13
1600	Property, plant and equipment, net	6(6) and 7	1,672,574	11	1,719,499	11
1755	Right-of-use assets	6(7)	858,772	5	-	-
1780	Intangible assets	7	11,377	-	14,032	-
1840	Deferred tax assets	6(21)	152,169	1	149,061	1
1900	Other non-current assets	6(2) and 8	36,128	-	17,018	-
15XX	<b>Total non-current assets</b>		<u>5,274,387</u>	<u>33</u>	<u>4,230,566</u>	<u>28</u>
1XXX	<b>Total Assets</b>		<u>\$ 15,771,694</u>	<u>100</u>	<u>\$ 14,910,175</u>	<u>100</u>

(Continued)

**MARKETECH INTERNATIONAL CORP.**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(8)	\$ 2,320,000	15	\$ 1,612,000	11
2130	Current contract liabilities	6(17) and 7	2,465,351	16	2,768,245	19
2150	Notes payable		951,202	6	1,037,799	7
2160	Notes payable to related parties	7	3,272	-	6,360	-
2170	Accounts payable		2,363,414	15	2,799,224	19
2180	Accounts payable - related parties	7	13,222	-	15,393	-
2200	Other payables	6(9)	334,909	2	443,542	3
2230	Current tax liabilities		81,427	1	120,550	1
2280	Current lease liabilities		72,117	-	-	-
2310	Advance receipts		39,092	-	20,906	-
2320	Long-term liabilities, current portion	6(10)	-	-	11,766	-
2399	Other current liabilities		95,829	1	44,794	-
21XX	<b>Total current liabilities</b>		<u>8,739,835</u>	<u>56</u>	<u>8,880,579</u>	<u>60</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(11)	200,000	1	200,000	1
2570	Deferred tax liabilities	6(21)	19,383	-	835	-
2580	Non-current lease liabilities		790,178	5	-	-
2640	Net defined benefit liability - non-current	6(12)	170,165	1	161,957	1
2670	Other non-current liabilities	6(5)	52,120	-	70	-
25XX	<b>Total non-current liabilities</b>		<u>1,231,846</u>	<u>7</u>	<u>362,862</u>	<u>2</u>
2XXX	<b>Total Liabilities</b>		<u>9,971,681</u>	<u>63</u>	<u>9,243,441</u>	<u>62</u>
<b>Equity</b>						
<b>Share capital</b>						
3110	Ordinary shares	6(14)	1,868,400	12	1,855,913	12
<b>Capital surplus</b>						
3200	Capital surplus	6(13)(15)	982,882	6	970,381	6
<b>Retained earnings</b>						
3310	Legal reserve	6(16)	771,326	5	692,068	5
3320	Special reserve		92,239	1	92,239	1
3350	Unappropriated retained earnings		2,255,413	14	2,197,064	15
<b>Other equity interest</b>						
3400	Other equity interest		( 170,247)	( 1)	( 140,931)	( 1)
3XXX	<b>Total Equity</b>		<u>5,800,013</u>	<u>37</u>	<u>5,666,734</u>	<u>38</u>
<b>Significant contingent liabilities and unrecognised contract commitments</b>						
<b>Significant events after the balance sheet date</b>						
3X2X	<b>Total Liabilities and Equity</b>		<u>\$ 15,771,694</u>	<u>100</u>	<u>\$ 14,910,175</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

**MARKETECH INTERNATIONAL CORP.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	<b>Operating Revenue</b>	6(17) and 7	\$ 17,631,899	100	\$ 16,757,545	100
5000	<b>Operating Costs</b>	6(4)(20) and 7	( 15,776,299)	( 90)	( 14,819,701)	( 88)
5900	<b>Gross Profit</b>		<u>1,855,600</u>	<u>10</u>	<u>1,937,844</u>	<u>12</u>
	<b>Operating Expenses</b>	6(20) and 7				
6100	Sales and marketing expenses		( 345,000)	( 2)	( 313,099)	( 2)
6200	General and administrative expenses		( 547,794)	( 3)	( 532,254)	( 3)
6300	Research and development expenses		( 183,891)	( 1)	( 238,017)	( 1)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	( 26,657)	-	( 106,279)	( 1)
6000	<b>Total operating expenses</b>		( 1,103,342)	( 6)	( 1,189,649)	( 7)
6900	<b>Operating Profit</b>		<u>752,258</u>	<u>4</u>	<u>748,195</u>	<u>5</u>
	<b>Non-operating Income and Expenses</b>					
7010	Other income	6(18) and 7	114,033	1	103,161	-
7020	Other gains and losses	6(2)(19)	61,604	-	137,035	1
7050	Finance costs		( 36,695)	-	( 17,337)	-
7070	Share of (loss) gain of subsidiaries, associates and joint ventures accounted for using equity method		( 12,983)	-	( 22,098)	-
7000	<b>Total non-operating income and expenses</b>		<u>125,959</u>	<u>1</u>	<u>244,957</u>	<u>1</u>
7900	<b>Profit before Income Tax</b>		<u>878,217</u>	<u>5</u>	<u>993,152</u>	<u>6</u>
7950	Income tax expense	6(21)	( 175,211)	( 1)	( 200,570)	( 2)
8200	<b>Net Income</b>		<u>\$ 703,006</u>	<u>4</u>	<u>\$ 792,582</u>	<u>4</u>
	<b>Other Comprehensive Income (Loss)</b>					
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
8311	Gains (losses) on remeasurements of defined benefit plans	6(12)	( \$ 10,782)	-	( \$ 10,438)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	<u>2,157</u>	-	<u>2,859</u>	-
8310	<b>Other comprehensive loss that will not be reclassified to profit or loss</b>		( 8,625)	-	( 7,579)	-
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>					
8361	Exchange differences on translation of foreign operations		( 36,194)	-	( 51,465)	-
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method		( 451)	-	( 190)	-
8399	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	6(21)	<u>7,329</u>	-	<u>14,002</u>	-
8360	<b>Other comprehensive loss that will be reclassified to profit or loss</b>		( 29,316)	-	( 37,273)	-
8300	<b>Other comprehensive loss, net of tax</b>		( \$ 37,941)	-	( \$ 44,852)	-
8500	<b>Total Comprehensive Income</b>		<u>\$ 665,065</u>	<u>4</u>	<u>\$ 747,730</u>	<u>4</u>
9750	<b>Basic earnings per share</b>	6(22)	\$ 3.78		\$ 4.40	
9850	<b>Diluted earnings per share</b>	6(22)	\$ 3.74		\$ 4.21	

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**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Reserves			Retained Earnings			Other Equity Interest		Total equity
		Share capital - ordinary shares	Capital surplus - share premium	Capital surplus - 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	
<b>Year ended December 31, 2018</b>										
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		<u>1,770,164</u>	<u>822,905</u>	<u>20,152</u>	<u>626,773</u>	<u>92,239</u>	<u>1,912,704</u>	<u>( 103,658 )</u>	<u>-</u>	<u>5,141,279</u>
Profit for 2018		-	-	-	-	-	792,582	-	-	792,582
Other comprehensive loss for 2018		-	-	-	-	-	( 7,579 )	( 37,273 )	-	( 44,852 )
Total comprehensive income (loss)		-	-	-	-	-	<u>785,003</u>	<u>( 37,273 )</u>	-	<u>747,730</u>
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 subsidiaries, 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, 2019		<u>\$ 1,855,913</u>	<u>\$ 959,959</u>	<u>\$ 10,422</u>	<u>\$ 692,068</u>	<u>\$ 92,239</u>	<u>\$ 2,197,064</u>	<u>(\$ 140,931)</u>	<u>\$ -</u>	<u>\$ 5,666,734</u>
<b>Year ended December 31, 2019</b>										
Balance at January 1, 2019		\$ 1,855,913	\$ 959,959	\$ 10,422	\$ 692,068	\$ 92,239	\$ 2,197,064	(\$ 140,931)	\$ -	\$ 5,666,734
Profit for 2019		-	-	-	-	-	703,006	-	-	703,006
Other comprehensive loss for 2019		-	-	-	-	-	( 8,625 )	( 29,316 )	-	( 37,941 )
Total comprehensive income (loss)		-	-	-	-	-	<u>694,381</u>	<u>( 29,316 )</u>	-	<u>665,065</u>
Appropriations and distribution of earnings for 2018	6(16)									
Legal reserve		-	-	-	79,258	-	( 79,258 )	-	-	-
Cash dividends		-	-	-	-	-	( 556,774 )	-	-	( 556,774 )
Share-based payment	6(13)(14)(15)	7,625	9,229	( 3,767 )	-	-	-	-	-	13,087
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	6(15)	-	-	42	-	-	-	-	-	42
Conversion of convertible bonds	6(10)(14)(15)(24)	4,862	7,500	( 503 )	-	-	-	-	-	11,859
Balance at December 31, 2019		<u>\$ 1,868,400</u>	<u>\$ 976,688</u>	<u>\$ 6,194</u>	<u>\$ 771,326</u>	<u>\$ 92,239</u>	<u>\$ 2,255,413</u>	<u>(\$ 170,247)</u>	<u>\$ -</u>	<u>\$ 5,800,013</u>

The accompanying notes are an integral part of these parent company only financial statements.

MARKETECH INTERNATIONAL CORP.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 878,217	\$ 993,152
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(19)	( 97,017 )	( 93,134 )
Impairment on expected credit loss	12(2)	26,657	106,279
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method		12,983	( 22,098 )
Depreciation	6(6)(7)(20)	207,265	91,359
Amortisation	6(20)	14,105	16,301
Gain on disposal of property, plant and equipment	6(6)		
Compensation cost of share-based payments	6(13)(15)(20)	( 4,862 )	( 2,808 )
Interest income	6(18) and 7	1,009	2,580
Interest expense		( 4,994 )	( 4,116 )
Dividend income	6(18)	36,695	17,337
		( 13,856 )	( 14,485 )
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		95,052	( 898,996 )
Notes receivable, net		( 69,020 )	55,092
Accounts receivable, net		107,070	( 400,327 )
Accounts receivable - related parties, net		22,943	( 103,580 )
Other receivables		( 16,083 )	49,795
Inventories, net		485,863	( 887,650 )
Prepayments		129,992	162,248
Other current assets		25,259	( 25,436 )
Changes in operating liabilities			
Current contract liabilities		( 302,894 )	562,851
Notes payable		( 86,597 )	132,596
Notes payable – related parties		( 3,088 )	3,213
Accounts payable		( 453,834 )	216,245
Accounts payable – related parties		( 2,171 )	( 4,551 )
Other payables		( 91,236 )	35,298
Advance receipts		18,186	187,159
Other current liabilities		51,036	33,154
Other non-current liabilities		( 2,574 )	( 2,495 )
Cash inflow generated from operations		964,106	204,983
Interest received		4,994	4,116
Dividends received		13,856	14,485
Interest paid		( 35,976 )	( 14,727 )
Income tax paid		( 185,824 )	( 183,193 )
Net cash flows from operating activities		<u>761,156</u>	<u>25,664</u>

(Continued)

MARKETECH INTERNATIONAL CORP.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		(\$ 84,945 )	(\$ 81,498 )
Proceeds from disposal of financial assets at fair value through profit or loss		100,661	56,872
Proceeds from capital reduction of financial assets at fair value through profit or loss		2,047	3,428
Increase in other financial assets – current		( 45,000 )	-
Acquisition of investments accounted for using equity method – subsidiaries		( 100,509 )	( 244,635 )
Acquisition of investments accounted for using equity method – non-subsidiaries		( 1,500 )	( 11,695 )
Acquisition of property, plant and equipment	6(6)	( 112,592 )	( 364,324 )
Proceeds from disposal of property, plant and equipment	6(6)	37,211	9,633
Acquisition of right-of-use assets		( 7,740 )	-
Acquisition of intangible assets		( 11,449 )	( 15,063 )
(Increase) decrease in refundable deposits		( 64,968 )	12,555
Dividends received		3,756	-
Net cash flows used in investing activities		( 285,028 )	( 634,727 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(8)(25)	708,000	962,000
Proceeds from exercise of employee stock options	6(13)	12,078	17,810
Repayments of lease principal	6(7)(25)	( 69,028 )	-
Cash dividends paid	6(16)	( 556,774 )	( 442,541 )
Net cash flows from financing activities		94,276	537,269
Net increase (decrease) in cash and cash equivalents		570,404	( 71,794 )
Cash and cash equivalents at beginning of year	6(1)	679,098	750,892
Cash and cash equivalents at end of year	6(1)	\$ 1,249,502	\$ 679,098

The accompanying notes are an integral part of these parent company only financial statements.

MARKETECH INTERNATIONAL CORP.  
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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

1. ORGANIZATION AND OPERATIONS

Marketch 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 44.67% 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 March 5, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

Except for the following, the above standards and interpretations have no significant impact to the 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'

- A. 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.
- B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Company increased 'right-of-use asset' by \$890,151, increased 'lease liability' by \$885,984 and decreased 'prepaid rents' (presented as 'Prepayments') by \$4,167 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
  - The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
  - The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
  - The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 0.985% to 1.65%.
- E. The Company recognized lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$	672,378
Add: Adjustments as a result of a different treatment of extension and termination options		760,613
Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019	\$	1,432,991
Incremental borrowing interest rate at the date of initial application		0.985%~1.65%
Lease liabilities recognized as at January 1, 2019 by applying IFRS 16	\$	885,984

(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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, ‘Interest rate benchmark reform’	January 1, 2020

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2022

The above standards and interpretations have no significant impact to the 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) Liabilities on cash-settled share-based payment arrangements measured at fair value.
  - (c) 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.

(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.

The Company classifies assets that do not meet the above criteria as non-current.

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.

The Company classifies liabilities that do not meet the above criteria as non-current.

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

- 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 recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes 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 recognizes the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognizes 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 realizable value for the measure of the ending inventories. 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.

(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 recognize 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 recognize 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 recognizes 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) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

Effective 2019

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability; and
- (b) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(14) Leases (lessee)

Effective 2018

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 10 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 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.

(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 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—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 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.

(22) 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.

(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 plan

For defined contribution plan, 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 plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan 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. Remeasurements arising on defined benefit plan 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 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 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.

(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 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 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 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 recognizes 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 realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable 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. Loss assessment of accounts receivable

During the process of assessing the loss allowance of receivables, 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 is required to individually assess the possibility of recovery and make appropriate allowances for the amount. 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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand	\$ 7,132	\$ 5,998
Checking accounts and demand deposits	<u>1,242,370</u>	<u>673,100</u>
Total	<u>\$ 1,249,502</u>	<u>\$ 679,098</u>

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. Except for the cash and cash equivalents pledged to others as shown in Note 8 that was transferred to ‘other current assets’, the Company has no cash and cash equivalents pledged to others.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 7,439	\$ 15,442
Hybrid instruments-call provision of convertible corporate bonds (Note 6(10))	-	250
	<u>7,439</u>	<u>15,692</u>
Valuation adjustment	55,864	75,252
Total	<u>\$ 63,303</u>	<u>\$ 90,944</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 16,582	\$ 17,019
Unlisted stocks	403,291	345,238
Beneficiary certificates	4,720	-
Hybrid instruments-convertible corporate bonds	35,959	23,646
	<u>460,552</u>	<u>385,903</u>
Valuation adjustment	66,611	29,565
Total	<u>\$ 527,163</u>	<u>\$ 415,468</u>
Prepayments to long-term investments (listed as 'other non-current assets')		
Unlisted stocks	<u>\$ -</u>	<u>\$ 4,800</u>

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 99,939	\$ 93,338
Hybrid instruments	( 2,922)	( 204)
	<u>\$ 97,017</u>	<u>\$ 93,134</u>

B. The Company has no financial assets at fair value through profit or loss pledged to others.

(3) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes receivable	\$ 87,379	\$ 18,359	\$ 73,451
Less: Loss allowance	<u>-</u>	<u>-</u>	<u>( 8,494)</u>
Total	<u>\$ 87,379</u>	<u>\$ 18,359</u>	<u>\$ 64,957</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Accounts receivable	\$ 3,000,478	\$ 3,154,841	\$ 2,862,056
Less: Loss allowance	<u>( 283,989)</u>	<u>( 258,739)</u>	<u>( 211,513)</u>
Total	<u>\$ 2,716,489</u>	<u>\$ 2,896,102</u>	<u>\$ 2,650,543</u>

The above accounts receivable and notes receivable were all from contracts with customers.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due	\$ <u>87,379</u>	\$ <u>18,359</u>

(b) Accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due	\$ 2,384,493	\$ 2,431,402
Up to 90 days	110,454	324,466
91 to 180 days	131,292	45,247
181 to 365 days	105,539	127,759
Over 365 days	<u>406,322</u>	<u>340,649</u>
	<u>\$ 3,138,100</u>	<u>\$ 3,269,523</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes receivable was \$87,379 and \$18,359, respectively. As of December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable was \$2,854,109 and \$3,010,779, 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, 2019		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	\$ 523,616	(\$ 18,515)	\$ 505,101
Merchandise inventory	291,447	( 6,139)	285,308
Raw materials	699,777	( 25,309)	674,468
Supplies	40,183	( 2,443)	37,740
Work in process	1,057,821	( 10,572)	1,047,249
Semi-finished goods and finished goods	151,742	( 4,022)	147,720
Total	<u>\$ 2,764,586</u>	<u>(\$ 67,000)</u>	<u>\$ 2,697,586</u>
	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	<u>\$ 3,333,449</u>	<u>(\$ 150,000)</u>	<u>\$ 3,183,449</u>

A. Relevant expenses of inventories recognized as operating costs for the years ended December 31, 2019 and 2018 are as follows:

	Years ended December 31,	
	2019	2018
Construction contract cost	\$ 8,474,992	\$ 8,074,819
Cost of sales	6,411,796	5,840,901
Other operating cost	914,556	859,981
(Gain on reversal of) loss on market value decline and obsolete and slow-moving inventories (Note)	( 25,045)	44,000
Total	<u>\$ 15,776,299</u>	<u>\$ 14,819,701</u>

Note: The Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because the Company sold inventories, which had been previously provided with inventory valuation loss.

B. The Company has no inventories pledged to others.

(5) Investments accounted for using equity method

	December 31, 2019		December 31, 2018	
	Carrying amount	% interest held	Carrying amount	% interest held
<b>Subsidiaries:</b>				
Market Go Profits Ltd.	\$ 1,207,977	100%	\$ 1,070,484	100%
Marketech Integrated Manufacturing Company Limited	375,248	100%	355,023	100%
eZoom Information, Inc.	121,118	100%	152,947	100%
Marketech International Sdn. Bhd.	62,433	100%	65,645	100%
Headquarter International Ltd.	37,667	100%	38,864	100%
Tiger United Finance Ltd.	36,624	100%	37,813	100%
PT Marketech International Indonesia	35,344	99.92%	36,670	99.92%
MIC-Tech Viet Nam Co., Ltd.	27,593	100%	27,562	100%
Marketech International Corporation USA	16,881	100%	-	-
Marketech Netherlands B.V.	9,111	100%	6,339	100%
Marketech Engineering Pte. Ltd.	7,715	100%	15,239	100%
MIC-Tech Global Corp.	6,425	100%	6,607	100%
Marketech Co., Ltd.	3,338	100%	11,088	100%
ADAT Technology CO.,LTD.	1,602	29.41%	13,034	30.30%
Marketech Integrated Pte. Ltd.	( 52,050)	100%	15,095	100%
Add: Credit of long-term equity investment transferred to 'other non-current liabilities'	52,050	-	-	-
<b>Associates:</b>				
Glory Technology Service Inc.	63,804	29.24%	61,236	29.24%
MIC Techno Co., Ltd.	1,834	20.00%	1,842	20.00%
Smart Health Corp.	1,490	42.86%	-	-
	<u>\$ 2,016,204</u>		<u>\$ 1,915,488</u>	

A. Subsidiaries

Details of the Company's subsidiaries are provided in Note 4(3) of the Company's 2019 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,	
	2019	2018
Profit for the year from continuing operations	\$ 21,565	\$ 13,845
Total comprehensive income	\$ 21,565	\$ 13,845

### (6) Property, plant and equipment

	2019					
	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
<u>At January 1</u>						
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	<u>\$ 205,438</u>	<u>\$ 1,333,277</u>	<u>\$ 120,908</u>	<u>\$ 51,708</u>	<u>\$ 8,168</u>	<u>\$ 1,719,499</u>
<u>Year ended December 31</u>						
Opening net book amount	\$ 205,438	\$ 1,333,277	\$ 120,908	\$ 51,708	\$ 8,168	\$ 1,719,499
Additions	-	14,822	35,958	14,439	47,373	112,592
Transfers (Note)	-	43,879	-	-	( 43,879)	-
Disposals	( 21,896)	( 1,080)	( 8,594)	( 747)	( 32)	( 32,349)
Depreciation	-	( 74,169)	( 29,833)	( 21,196)	( 1,970)	( 127,168)
Closing net book amount	<u>\$ 183,542</u>	<u>\$ 1,316,729</u>	<u>\$ 118,439</u>	<u>\$ 44,204</u>	<u>\$ 9,660</u>	<u>\$ 1,672,574</u>
<u>At December 31</u>						
Cost	\$ 183,542	\$ 2,092,612	\$ 442,963	\$ 161,410	\$ 20,905	\$ 2,901,432
Accumulated depreciation	-	( 775,883)	( 324,524)	( 117,206)	( 11,245)	( 1,228,858)
Book value	<u>\$ 183,542</u>	<u>\$ 1,316,729</u>	<u>\$ 118,439</u>	<u>\$ 44,204</u>	<u>\$ 9,660</u>	<u>\$ 1,672,574</u>

2018

	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
<u>At January 1</u>						
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	<u>\$ 205,438</u>	<u>\$ 946,745</u>	<u>\$ 93,452</u>	<u>\$ 45,050</u>	<u>\$ 162,674</u>	<u>\$ 1,453,359</u>

Year ended December 31

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	<u>\$ 205,438</u>	<u>\$ 1,333,277</u>	<u>\$ 120,908</u>	<u>\$ 51,708</u>	<u>\$ 8,168</u>	<u>\$ 1,719,499</u>

At December 31

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	<u>\$ 205,438</u>	<u>\$ 1,333,277</u>	<u>\$ 120,908</u>	<u>\$ 51,708</u>	<u>\$ 8,168</u>	<u>\$ 1,719,499</u>

Note: Transfers during the year refer to previously unfinished constructions which had been completed and transferred to buildings and structures, etc.

- A. The property, plant and equipment are all owner-occupied.
- B. The Company has no interest capitalized to property, plant and equipment.
- C. The Company has no property, plant and equipment pledged to others.

(7) Leasing arrangements – lessee

Effective 2019

- A. The Company leases various assets including land, buildings, machinery, office equipment, equipment, and other equipment. Rental contracts are typically made for periods of 1 to 55 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise buildings, machinery and equipment, office equipment, and other equipment. Consequently, those leases are not included in the right-of-use assets.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Year ended December	
	December 31, 2019	31, 2019
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land	\$ 663,351	\$ 21,398
Buildings	146,212	35,881
Machinery and equipment	-	149
Office equipment	-	193
Other equipment	49,209	22,476
	<u>\$ 858,772</u>	<u>\$ 80,097</u>

D. For the year ended December 31, 2019, the additions to right-of-use assets was \$48,718.

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

	<u>Year ended December 31, 2019</u>	
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$	13,170
Expense on short-term lease contracts		6,451
	<u>\$</u>	<u>19,621</u>

F. For the year ended December 31, 2019, the Company's total cash outflow for leases was \$88,649.

G. Extension options

- (a) Extension options are included in approximately 50% of the Company's lease contracts pertaining to land. These options are expected to be exercised for maximizing optional flexibility in terms of managing contracts.
- (b) In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(8) Short-term borrowings

	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
<u>Bank borrowings</u>			
Credit borrowings	<u>\$ 2,320,000</u>	0.88%~0.89%	None
	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
<u>Bank borrowings</u>			
Credit borrowings	<u>\$ 1,612,000</u>	0.88%~1.05%	None

(9) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Salaries and bonus payable	\$ 198,884	\$ 268,304
Accrued employees' compensation and directors' remuneration	108,544	152,657
Others	<u>27,481</u>	<u>22,581</u>
Total	<u>\$ 334,909</u>	<u>\$ 443,542</u>

(10) Bonds payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Bonds payable	\$ -	\$ 11,900
Less: Discount on bonds payable	<u>-</u>	<u>( 134)</u>
	-	11,766
Less: Long-term liabilities, current portion	<u>-</u>	<u>( 11,766)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

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, 2019, the convertible corporate bonds with par value totaling \$11,900 have been converted into 486 thousand of ordinary shares, generating capital surplus of \$7,500 and resulting in a decrease in 'capital surplus - stock options' by \$503.

(h) As of December 31, 2019, the convertible corporate bonds with par value totaling \$500,000 have been converted into 18,533 thousand of ordinary shares, generating capital surplus of \$319,914 and resulting in a decrease in 'capital surplus - stock options' by \$21,136.

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 rate of the bonds payable after such separation is 1.788%.

(11) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Long-term bank borrowings Credit borrowings	Borrowing period is from December 27, 2019 to March 26, 2021; interest is payable monthly; principal is payable at maturity date	0.978%	None	<u>\$ 200,000</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>December 31, 2018</u>
Long-term bank borrowings Credit borrowings	Borrowing period is from December 27, 2018 to March 27, 2020; interest is payable monthly; principal is payable at maturity date	0.985%	None	<u>\$ 200,000</u>

(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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 306,398	\$ 290,342
Fair value of plan assets	( 136,233)	( 128,385)
Net defined benefit liability	<u>\$ 170,165</u>	<u>\$ 161,957</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
2019			
Balance at January 1	(\$ 290,342)	\$ 128,385	(\$ 161,957)
Current service cost	( 1,088)	-	( 1,088)
Interest (expense) income	( 2,886)	1,297	( 1,589)
	<u>( 294,316)</u>	<u>129,682</u>	<u>( 164,634)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,419	4,419
Change in demographic assumptions	( 704)	-	( 704)
Change in financial assumptions	( 8,749)	-	( 8,749)
Experience adjustments	( 5,748)	-	( 5,748)
	<u>( 15,201)</u>	<u>4,419</u>	<u>( 10,782)</u>
Pension fund contribution	-	5,251	5,251
Paid Pension	3,119	( 3,119)	-
Balance at December 31	<u>\$ 306,398</u>	<u>\$ 136,233</u>	<u>(\$ 170,165)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
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)
	<u>( 276,670)</u>	<u>119,490</u>	<u>( 157,180)</u>
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)
	<u>( 13,672)</u>	<u>3,234</u>	<u>( 10,438)</u>
Pension fund contribution	-	5,661	5,661
Balance at December 31	<u>(\$ 290,342)</u>	<u>\$ 128,385</u>	<u>(\$ 161,957)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	Years ended December 31,	
	2019	2018
Discount rate	<u>0.75%</u>	<u>1.00%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

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	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	(\$ 8,775)	\$ 9,140	\$ 9,004	(\$ 8,691)
December 31, 2018				
Effect on present value of defined benefit obligation	(\$ 8,713)	\$ 9,087	\$ 8,974	(\$ 8,650)

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, 2020 amount to \$6,151.
- (g) As of December 31, 2019, the weighted average duration of the defined benefit retirement plan is 11 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, 2019 and 2018 were \$38,621 and \$37,278, respectively.

(13) Share-based payment

A. For the years ended December 31, 2019 and 2018, 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,			
	2019		2018	
	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	1,325	\$ 16.70	2,456	\$ 17.30
Options exercised	( 763)	15.84	( 1,052)	16.70
Options forfeited	( 14)	-	( 79)	-
Options outstanding at end of the year	<u>548</u>	15.70	<u>1,325</u>	16.70
Options exercisable at end of the year	<u>548</u>		<u>83</u>	
Options approved but not yet issued at end of the year	<u>44</u>		<u>44</u>	

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2019	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)
2015.9.11	2021.9.10	548	\$ 15.70

		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

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 \$1,009 and \$2,580 for the years ended December 31, 2019 and 2018, respectively.

(14) Share capital

As of December 31, 2019, 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 \$1,868,400 with a par value of \$10 (in dollars) per share amounting to 186,839,950 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,	
	2019	2018
At January 1	185,591,264	177,016,429
Conversion of convertible bonds	486,186	7,522,835
Exercise of employee stock options	762,500	1,052,000
At December 31	<u>186,839,950</u>	<u>185,591,264</u>

(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:

	2019				
	Share premium	Employee stock options	Stock options	Others	Total
At January 1	\$ 959,959	\$ 7,568	\$ 503	\$ 2,351	\$ 970,381
Exercise of employee stock options	9,229	( 4,776)	-	-	4,453
Compensation cost of employee stock options	-	1,009	-	-	1,009
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	-	-	42	42
Conversion of convertible bonds	7,500	-	( 503)	-	6,997
At December 31	<u>\$ 976,688</u>	<u>\$ 3,801</u>	<u>\$ -</u>	<u>\$ 2,393</u>	<u>\$ 982,882</u>

2018

	Employee				Total
	Share premium	stock options	Stock options	Others	
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 subsidiaries, 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	<u>\$ 959,959</u>	<u>\$ 7,568</u>	<u>\$ 503</u>	<u>\$ 2,351</u>	<u>\$ 970,381</u>

(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 2018 and 2017 earnings appropriation resolved by the stockholders on May 30, 2019 and May 30, 2018, respectively are as follows:

	Years ended December 31,			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 79,258	\$ -	\$ 65,295	\$ -
Cash dividends	556,774	3.0	442,541	2.5
Total	<u>\$ 636,032</u>		<u>\$ 507,836</u>	

The earnings appropriation for the years ended December 31, 2018 and 2017 listed above had no difference from that proposed by the Board of Directors on February 18, 2019 and February 24, 2018, respectively.

Information about the earnings distribution for 2018 and 2017 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 2019 earnings appropriation proposed by the Board of Directors on March 5, 2020 are as follows:

	Year ended December 31, 2019	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 70,301	\$ -
Special reserve	78,008	-
Cash dividends	485,784	2.6
Total	<u>\$ 634,093</u>	

Information about the earnings appropriation for 2019 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 2019 has not yet 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

	Years ended December 31,	
	2019	2018
Sales contract revenue	\$ 7,351,318	\$ 6,812,688
Construction contract revenue	8,739,081	8,633,153
Other contract revenue	1,541,500	1,311,704
Total	<u>\$ 17,631,899</u>	<u>\$ 16,757,545</u>

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:

	Years ended December 31,	
	2019	2018
R&D and manufacturing of customized equipment	\$ 6,055,675	\$ 6,144,105
Total Facility Engineering Turnkey Project	4,523,765	4,377,542
Sales and service of high-tech equipment and materials	3,526,273	3,150,613
Automatic supplying system	3,526,186	3,085,285
Total	<u>\$ 17,631,899</u>	<u>\$ 16,757,545</u>
Timing of revenue recognition		
At a point in time	\$ 7,824,751	\$ 7,129,738
Over time	9,807,148	9,627,807
Total	<u>\$ 17,631,899</u>	<u>\$ 16,757,545</u>

B. Contract assets and liabilities

(a) The Company has recognized the following revenue-related contract assets and liabilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract assets:			
Contract assets			
– construction contracts	\$ 3,202,655	\$ 3,297,707	\$ 2,398,711
Contract liabilities:			
Contract liabilities			
– construction contracts	\$ 1,716,965	\$ 1,818,194	\$ 1,278,326
Contract liabilities			
– sales contracts	732,008	927,067	680,143
Contract liabilities			
– service contracts	16,378	22,984	29,611
	<u>\$ 2,465,351</u>	<u>\$ 2,768,245</u>	<u>\$ 1,988,080</u>

(b) Revenue recognized that was included in the contract liability balance at the beginning of the year:

	Years ended December 31,	
	2019	2018
Revenue recognized that was included in the contract liability balance at the beginning of the year		
Construction contracts	\$ 1,471,258	\$ 948,836
Sales contracts	255,944	212,888
Service contracts	22,984	29,611
	<u>\$ 1,750,186</u>	<u>\$ 1,191,335</u>

(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.

(18) Other income

	Years ended December 31,	
	2019	2018
Service fee-endorsements and guarantees (Please refer to Note 7(3) H(b))	\$ 39,598	\$ 37,750
Government grants revenue	34,911	27,873
Dividend income	13,856	14,485
Rental revenue	6,658	6,632
Interest income	4,994	4,116
Other income	14,016	12,305
Total	<u>\$ 114,033</u>	<u>\$ 103,161</u>

(19) Other gains and losses

	Years ended December 31,	
	2019	2018
Net gain on financial assets at fair value through profit or loss	\$ 97,017	\$ 93,134
Foreign exchange (loss) gains	( 41,270)	41,093
Other gains	5,857	2,808
Total	<u>\$ 61,604</u>	<u>\$ 137,035</u>

(20) Employee benefit expense, depreciation and amortization

A. Employee benefit expense, depreciation and amortization

	Year ended December 31, 2019		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 307,634	\$ 599,278	\$ 906,912
Compensation cost of employee stock options	-	1,009	1,009
Labour and health insurance fees	28,509	40,350	68,859
Pension costs	17,112	24,186	41,298
Directors' remuneration	-	10,587	10,587
Other employee benefit expense	16,713	18,478	35,191
Depreciation	142,038	65,227	207,265
Amortisation	6,733	7,372	14,105
	Year ended December 31, 2018		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
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
Amortisation	7,857	8,444	16,301

Note 1 : As of December 31, 2019 and 2018, the Company had 742 and 743 employees, respectively. The directors who are not employees are 7 and 6, respectively.

Note 2 : (a) For the years ended December 31, 2019 and 2018, the average employee benefit expense was \$1,433 and \$1,431, respectively.

(b) For the years ended December 31, 2019 and 2018, the average employee wages and salaries was \$1,234 and \$1,245, respectively.

(c) The adjustment in the average employee's wage and salary expenses was (0.88%).

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, 2019 and 2018, employees' compensation and directors' remuneration are accrued as follows:

	Years ended December 31,	
	2019	2018
Employees' compensation	\$ 98,676	\$ 111,000
Directors' remuneration	9,868	11,111
Total	<u>\$ 108,544</u>	<u>\$ 122,111</u>

For the year ended December 31, 2019, employees' compensation and directors' remuneration were estimated and accrued based on 10% and 1% of distributable profit of current year as of the end of reporting period. The employees' compensation and directors' remuneration for 2019 as resolved by the Board of Directors were \$98,676 and \$9,868, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration for 2018 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2018 financial statements.

Information about employees' compensation and directors' 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,	
	2019	2018
Current tax		
Current tax on profits for the year	\$ 166,959	\$ 197,903
Tax on undistributed earnings	3,914	6,790
Land Value Increment Tax	328	-
Adjustments in respect of prior years	( 20,916)	4,328
Total current tax	150,285	209,021
Deferred tax		
Origination and reversal of temporary differences	24,926	12,055
Impact of change in tax rate	-	( 20,506)
Income tax expense	<u>\$ 175,211</u>	<u>\$ 200,570</u>

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

	Years ended December 31,	
	2019	2018
Currency translation differences of foreign operations	\$ 7,329	\$ 14,002
Remeasurement of defined benefit obligations	2,157	2,859
Total	<u>\$ 9,486</u>	<u>\$ 16,861</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 175,643	\$ 198,630
Effect of items disallowed by tax regulation	16,242 (	9,079)
Tax on undistributed earnings	3,914	6,790
Land Value Increment Tax	328	-
Adjustments in respect of prior years	( 20,916)	4,328
Effect from changes in tax regulation	- (	20,506)
Change in assessment of realization of deferred tax assets	-	20,407
Income tax expense	<u>\$ 175,211</u>	<u>\$ 200,570</u>

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

	2019			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Loss allowance	\$ 45,177	\$ 5,178	\$ -	\$ 50,355
Valuation loss and loss on market value decline and obsolete and slow-moving inventories	30,000	( 16,600)	-	13,400
Defined benefit obligation	32,391	( 515)	2,157	34,033
Impairment loss	8,349	-	-	8,349
Unused compensated absences payable	11,227	( 6,476)	-	4,751
Unrealized loss on investments	715	( 715)	-	-
Unrealized construction loss	4,860	7,190	-	12,050
Unrealized exchange loss	-	5,560	-	5,560
Exchange differences on translation	16,342	-	7,329	23,671
Subtotal	<u>149,061</u>	<u>( 6,378)</u>	<u>9,486</u>	<u>152,169</u>
—Deferred tax liabilities:				
Unrealized exchange gain	( 835)	835	-	-
Unrealized investment income	-	( 19,383)	-	( 19,383)
Subtotal	<u>( 835)</u>	<u>( 18,548)</u>	<u>-</u>	<u>( 19,383)</u>
Total	<u>\$ 148,226</u>	<u>(\$ 24,926)</u>	<u>\$ 9,486</u>	<u>\$ 132,786</u>

	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	<u>122,914</u>	<u>9,286</u>	<u>16,861</u>	<u>149,061</u>
—Deferred tax liabilities:				
Unrealized exchange gain	-	( 835)	-	( 835)
Subtotal	<u>-</u>	<u>( 835)</u>	<u>-</u>	<u>( 835)</u>
Total	<u>\$ 122,914</u>	<u>\$ 8,451</u>	<u>\$ 16,861</u>	<u>\$ 148,226</u>

D. The Company's income tax returns through 2017 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, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit for the year	\$ 703,006	186,085	<u>\$ 3.78</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	75	226	
Employee stock option	-	356	
Employees' compensation	-	1,420	
Profit plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 703,081</u>	<u>188,087</u>	<u>\$ 3.74</u>

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit for the year	\$ 792,582	180,063	<u>\$ 4.40</u>
<u>Diluted earnings per share</u>			
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	<u>\$ 794,381</u>	<u>188,763</u>	<u>\$ 4.21</u>

(23) Operating leases

Details are provided in Note 9(1).

(24) Supplemental cash flow information

Financing activities with no cash flow effects

	Years ended December 31,	
	2019	2018
Convertible bonds converted to capital stocks	\$ 11,859	\$ 190,683

(25) Changes in liabilities from financing activities

	2019			
	Lease liabilities	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ 885,984	\$ 1,612,000	\$ 200,000	\$ 2,697,984
Changes in cash flow from financing activities	( 69,028)	708,000	-	638,972
Changes in other non-cash items	45,339	-	-	45,339
At December 31	\$ 862,295	\$ 2,320,000	\$ 200,000	\$ 3,382,295

	2018			
	Lease liabilities	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ -	\$ 650,000	\$ 200,000	\$ 850,000
Changes in cash flow from financing activities	-	962,000	-	962,000
At December 31	\$ -	\$ 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 44.67% of the shares of the Company. The remaining 55.33% 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.	"
Marketech Netherlands B.V.	"
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 Ennower Information Technology Co., Limited	"
Macrotec Technology Corp.	Entities controlled by key management or entities with significant influence
ProbeLeader Co., Ltd.	"
Forward Science Corp.	"
WT Microelectronics Co., Ltd.	"
MIC Techno Co., Ltd.	Associate
Ennoconn Corporation	The ultimate parent company

(3) Significant related party transactions and balances

A. Sales of goods and services

(a) Sales of goods

	Years ended December 31,	
	2019	2018
Subsidiaries	\$ 29,507	\$ 39,334
Entities controlled by key management or entities with significant influence	497	-
The ultimate parent company	56	-
	\$ 30,060	\$ 39,334

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.

(b) Construction contract revenue

	Years ended December 31,	
	2019	2018
Other related parties	\$ 244,896	\$ 216,134
Subsidiaries	67,976	20,715
Entities controlled by key management or entities with significant influence	(4)	4
Total	<u>\$ 312,868</u>	<u>\$ 236,853</u>

i. 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 are about 2 to 3 months after inspection of construction depending on the construction contracts or individual agreements.

ii. As of December 31, 2019 and 2018, contract price and priced contract of unfinished construction are as follows:

	December 31, 2019		December 31, 2018	
	Total contract price (before tax)	Priced contract	Total contract price (before tax)	Priced contract
Other related parties	\$ 466,391	\$ 447,673	\$ 486,501	\$ 174,447
Subsidiaries	93,004	30,674	43,008	9,400
Associates	19,516	10,316	19,516	10,316
Entities controlled by key management or entities with significant influence	-	-	4,500	1,800
Total	<u>\$ 578,911</u>	<u>\$ 488,663</u>	<u>\$ 553,525</u>	<u>\$ 195,963</u>

iii. Contract assets

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 33,909	\$ 14,055
Associates	6,152	6,152
Other related parties	893	-
Total	<u>\$ 40,954</u>	<u>\$ 20,207</u>

(c) Other contract revenue

	Years ended December 31,	
	2019	2018
Subsidiaries	\$ 15,615	\$ 333
Entities controlled by key management or entities with significant influence	26	-
Total	<u>\$ 15,641</u>	<u>\$ 333</u>

Other contract revenue from related parties and non-related parties are collected based on the general service contract or general agreement. In addition, service 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 service are about 2 to 3 months after inspection of service depending on the other contracts or individual agreements.

B. Acquisition of goods and services

(a) Purchase of goods

	Years ended December 31,	
	2019	2018
Subsidiaries	\$ 106,959	\$ 92,987
Entities controlled by key management or entities with significant influence	4,488	4,838
Total	<u>\$ 111,447</u>	<u>\$ 97,825</u>

Prices to related parties and third parties are based on normal purchase terms and are collectible about 2 to 3 months after inspection.

(b) Construction contract costs

	Years ended December 31,	
	2019	2018
Entities controlled by key management or entities with significant influence	\$ 8,287	\$ 14,892
Subsidiaries	-	5,241
Total	<u>\$ 8,287</u>	<u>\$ 20,133</u>

The outsourcing construction contract 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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other related parties	\$ 126,786	\$ 104,338
Subsidiaries	10,761	10,344
The ultimate parent company	59	-
Entities controlled by key management or entities with significant influence	<u>16</u>	<u>-</u>
Subtotal	137,622	114,682
Less: Loss allowance	( 2)	( 5)
Total	<u>\$ 137,620</u>	<u>\$ 114,677</u>

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.

C. Payables to related parties

Notes payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Entities controlled by key management or entities with significant influence	<u>\$ 3,272</u>	<u>\$ 6,360</u>

Accounts payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries	\$ 9,022	\$ 10,671
Entities controlled by key management or entities with significant influence	<u>4,200</u>	<u>4,722</u>
Total	<u>\$ 13,222</u>	<u>\$ 15,393</u>

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, 2019 and 2018, the Company has acquired computer equipment and related software from entities controlled by key management and the acquisition price was \$14,560 and \$18,240 (recorded as 'property, plant and equipment' and 'intangible assets'), respectively.

F. Operating expense

The information maintenance service fee in 2019 and 2018 allocated to subsidiaries by the Company amounted to \$37,820 and \$34,446, respectively.

G. Financing

Financing to related parties in 2019 and 2018 are as follows:

	Year ended December 31, 2019			
	Maximum balance	Ending balance	Interest rate	Interest income
Subsidiaries	\$ 77,808	\$ 26,382	4.616%	\$ 795
	Year ended December 31, 2018			
	Maximum balance	Ending balance	Interest rate	Interest income
Subsidiaries	\$ 212,559	\$ -	4.616%	\$ 2,850

H. Endorsements and guarantees

(a) As of December 31, 2019 and 2018, the balances of endorsements and guarantees provided to subsidiaries by the Company are as follows:

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 3,339,592	\$ 3,408,547

(b) The revenue (recorded as 'other receivables' and 'other income') recognized from the abovementioned endorsements and guarantees are as follows:

	Years ended December 31,			
	2019		2018	
	Other receivables	Other income	Other receivables	Other income
Subsidiaries	\$ 16,757	\$ 39,598	\$ 17,957	\$ 37,750

(4) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	\$ 123,010	\$ 90,353

## 8. PLEDGED ASSETS

Details of the book value of the Company's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	
Restricted time deposits (recorded as 'other current assets')	\$ 45,000	\$ -	Performance guarantee
Guarantee deposits paid (recorded as 'other current assets' and 'other non-current assets')	60,358	19,230	Bid bond, performance guarantee and warranty
	<u>\$ 105,358</u>	<u>\$ 19,230</u>	

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

### Commitments

#### (1) Operating lease agreements

##### Effective 2018

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 for these leases in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>
Not later than one year	\$ 5,733
Later than one year but not later than five years	117,908
Later than five years	548,737
Total	<u>\$ 672,378</u>

(2) As of December 31, 2019, the notes and letters of guarantee used for construction performance and custom security amounted to \$1,762,007.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For details of 2019 earnings appropriation proposed by the Board of Directors on March 5, 2020, 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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 590,466	\$ 506,412
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	1,249,502	679,098
Notes receivable	87,379	18,359
Accounts receivable (including related parties)	2,854,109	3,010,779
Other accounts receivable (including related parties)	47,963	35,464
Restricted time deposits (recorded as 'other current assets')	45,000	-
Guarantee deposits paid (recorded as 'other current assets' and 'other non-current assets')	96,416	31,448
	<u>\$ 4,970,835</u>	<u>\$ 4,281,560</u>
<u>Financial liabilities</u>		
Financial liabilities measured at fair value through profit or loss		
Short-term borrowings	\$ 2,320,000	\$ 1,612,000
Notes payable (including related parties)	954,474	1,044,159
Accounts payable (including related parties)	2,376,636	2,814,617
Other accounts payable	334,909	443,542
Bonds payable (including current portion)	-	11,766
Long-term borrowings	200,000	200,000
Guarantee deposits received (recorded as 'other non-current liabilities')	70	70
	<u>\$ 6,186,089</u>	<u>\$ 6,126,154</u>
Lease liabilities	<u>\$ 862,295</u>	<u>\$ -</u>

### 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, 2019						
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis	
					Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 58,866	29.980	\$ 1,764,799	1%	\$ 17,648	\$ -
EUR : NTD	10,528	33.59	353,638	1%	3,536	-
JPY : NTD	1,302,031	0.2760	359,360	1%	3,594	-
RMB : NTD	6,485	4.3050	27,917	1%	279	-
<u>Non-monetary items</u>						
USD: NTD	\$ 43,591	29.980	\$ 1,306,864	1%	\$ -	\$ 13,069
VND: NTD	26,436,526	0.0012	30,931	1%	-	309
IDR: NTD	16,212,925	0.0022	35,344	1%	-	353
MMK: NTD	18,485,102	0.0203	375,248	1%	-	3,752
MYR: NTD	8,877	7.033	62,433	1%	-	624
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 6,012	29.980	\$ 180,227	1%	\$ 1,802	\$ -
JPY : NTD	252,538	0.2760	69,701	1%	697	-

December 31, 2018

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis	
					Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
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	-
<u>Non-monetary items</u>						
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
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 4,894	30.715	\$ 150,318	1%	\$ 1,503	\$ -
JPY : NTD	285,633	0.2782	79,463	1%	795	-

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, 2019		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
EUR : NTD	\$ -	33.590	\$ 273
JPY : NTD	-	0.2760	( 1,290)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
JPY : NTD	\$ -	0.2760	\$ 1,025

Year ended December 31, 2018				
Exchange gain (loss)				
	Foreign currency amount		Book value (NTD)	
	(In thousands)	Exchange rate		
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$	-	30.715 (\$	57)
EUR : NTD		-	35.2	3,383
JPY : NTD		-	0.2782	2,116
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	\$	-	30.715 \$	379
JPY : NTD		-	0.2782 (	1,646)

#### 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. 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, 2019 and 2018 would have increased/decreased by \$4,273 and \$3,777, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

#### 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, 2019 and 2018, 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, 2019 and 2018 would have decreased/increased by \$20,160 and \$14,496, respectively. The main factor is that changes in interest expense result from 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, 2019 and 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, 2019 and 2018, the provision matrix and loss rate methodology are as follows:

(i) Accounts receivable in relation to construction

<u>December 31, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0%	\$ 1,106,910	\$ -
Up to 90 days	0%~0.0016%	58,209	-
91 to 180 days	0%~0.0026%	123,760	3
181 to 365 days	0%~0.0083%	68,816	3
1 to 2 years	0%~36.9081%	42,548	4,157
Over 2 years	100%	45,651	45,651
Total		<u>\$ 1,445,894</u>	<u>\$ 49,814</u>
<u>December 31, 2018</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0%~0.0047%	\$ 1,411,075	\$ 67
Up to 90 days	0%~0.1425%	205,995	75
91 to 180 days	0%~0.3656%	23,302	70
181 to 365 days	0%~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		<u>\$ 1,860,127</u>	<u>\$ 42,062</u>

(ii) Accounts receivable in relation to sales

<u>December 31, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0%~0.0001%	\$ 1,128,708	\$ -
Up to 90 days	0%~0.0075%	50,541	1
91 to 180 days	0%~0.0344%	7,532	2
181 to 365 days	0%~16.5480%	19,351	552
Over 365 days	100%	21,894	21,894
Total		<u>\$ 1,228,026</u>	<u>\$ 22,449</u>
<u>December 31, 2018</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0%	\$ 894,820	\$ -
Up to 90 days	0%	77,313	-
91 to 180 days	0%~0.0003%	9,654	-
181 to 365 days	0%~24.8094%	18,725	252
Over 365 days	100%	12,940	12,940
Total		<u>\$ 1,013,452</u>	<u>\$ 13,192</u>

(iii) Based on historical experience, the Company applies individual assessment to evaluate expected credit loss of the high-credit risk customers. On December 31, 2019 and 2018, accounts receivable and loss allowance amounted to \$313,642 and \$211,637, \$283,818 and \$203,399, respectively.

(iv) Due to the expected insignificant impairment, the Company applies individual assessment to evaluate expected credit loss of receivables due from construction warranties and notes receivable. On December 31, 2019 and 2018, notes and accounts receivable and loss allowance amounted to \$237,917 and \$91, \$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:

	2019		
	Notes receivable	Accounts receivable	Total
At January 1	\$ -	\$ 258,744	\$ 258,744
Provision for (reversal of) impairment	-	26,657	26,657
Effect of foreign exchange	-	( 1,410)	( 1,410)
At December 31	<u>\$ -</u>	<u>\$ 283,991</u>	<u>\$ 283,991</u>
	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	<u>\$ -</u>	<u>\$ 258,744</u>	<u>\$ 258,744</u>

For provisioned loss for the years ended December 31, 2019 and 2018, the impairment loss arising from customers' contracts are \$26,657 and \$106,279, respectively.

(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:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Floating rate:		
Expiring beyond one year	\$ -	\$ 200,000

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

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 2,320,000	\$ -	\$ -	\$ -
Notes payable (including related parties)	954,474	-	-	-
Accounts payable (including related parties)	2,376,636	-	-	-
Other payables	334,909	-	-	-
Long-term borrowings	1,933	200,483	-	-
Lease liability	73,078	60,840	129,388	949,176

Non-derivative financial liabilities

<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 1,612,000	\$ -	\$ -	\$ -
Notes payable (including related parties)	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	-	-

(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, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), restricted time deposits (recorded as other current assets), 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, lease liabilities, long-term borrowings, bonds payable (including current portion), and guarantee deposits received (recorded as other non-current liabilities) 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 on the nature of the assets is as follows:

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss				
Equity securities	\$ 80,045	\$ -	\$ 472,658	\$ 552,703
Beneficiary certificates	-	-	4,720	4,720
Hybrid instruments	-	-	<u>33,043</u>	<u>33,043</u>
Total	<u>\$ 80,045</u>	<u>\$ -</u>	<u>\$ 510,421</u>	<u>\$ 590,466</u>
<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss				
Equity securities	\$ 102,936	\$ -	\$ 379,824	\$ 482,760
Hybrid instruments	-	-	<u>23,652</u>	<u>23,652</u>
Total	<u>\$ 102,936</u>	<u>\$ -</u>	<u>\$ 403,476</u>	<u>\$ 506,412</u>

(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, 2019 and 2018, 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, 2019 and 2018:

	2019		2018	
	Equity instruments	Hybrid instruments	Equity instruments	Hybrid instruments
At January 1	\$ 379,824	\$ 23,652	\$ -	\$ 210
Acquired during the year	64,821	12,313	349,641	23,646
Sold during the year	( 2,047)	-	( 4,403)	-
Gains and losses recognized in profit or loss (Note)	34,780	( 2,922)	34,586	( 204)
Total	<u>\$ 477,378</u>	<u>\$ 33,043</u>	<u>\$ 379,824</u>	<u>\$ 23,652</u>
Movement of unrealized gain or loss in profit or loss of assets and liabilities held as at end of the year (Note)	<u>\$ 34,780</u>	<u>(\$ 2,916)</u>	<u>\$ 34,586</u>	<u>(\$ 204)</u>

Note: Recorded as non-operating income and expense.

- F. For the years ended December 31, 2019 and 2018, 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, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted shares	\$ 439,381	Market comparable companies	Note 1	Not applicable	Note 2
Venture capital shares	37,997	Net asset value	Not applicable	Not applicable	Not applicable
Hybrid instrument: Convertible bond	33,043	Market comparable companies	Note 1	Not applicable	Note 2
	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 1	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.

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:

				December 31, 2019			
				Recognized in profit or loss		Recognized in other comprehensive income	
				Favorable change	Unfavorable change	Favorable change	Unfavorable change
		Input	Change				
Financial assets							
Equity instrument and beneficiary certificates	Stock price and fair value		± 10%	\$ 47,738	(\$ 47,738)	\$ -	\$ -
				December 31, 2018			
				Recognized in profit or loss		Recognized in other comprehensive income	
				Favorable change	Unfavorable change	Favorable change	Unfavorable change
		Input	Change				
Financial assets							
Equity instrument	Stock price		± 10%	\$ 37,982	(\$ 37,982)	\$ -	\$ -
Hybrid instrument	Stock price		± 10%	30	( 20)	-	-
"	Volatility		± 5%	40	( 30)	-	-
Total				\$ 38,052	(\$ 38,032)	\$ -	\$ -

### 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, 2019

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019 (Note 3)	Balance at December 31, 2019 (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		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	Marketech International Corp.	eZoom Information, Inc.	Other receivables	Y	\$ 50,000	\$ -	\$ -	-	Short-term financing	\$ -	Operations	\$ -	None	-	\$ 2,320,005	\$ 2,320,005	Note 7
0	Marketech International Corp.	Marketech Integrated Pte. Ltd.	Other receivables	Y	27,808	26,382	26,382	4.616	Short-term financing	-	Operations	-	None	-	2,320,005	2,320,005	Note 7
1	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	Other receivables	Y	54,959	38,744	38,744	4.785-5.0025	Short-term financing	-	Operations	-	None	-	203,302	406,605	Note 7
1	MIC-Tech Electronics Engineering Corp.	Fuzhou Jiwei System Integrated Co., Ltd.	Other receivables	Y	3,206	1,722	1,722	5.0025	Short-term financing	-	Operations	-	None	-	406,605	406,605	Note 7
1	MIC-Tech Electronics Engineering Corp.	MIC-Tech (WuXi) Co., Ltd.	Other receivables	Y	64,119	-	-	-	Short-term financing	-	Operations	-	None	-	406,605	406,605	Note 7
2	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co., Ltd.	Other receivables	Y	50,369	34,439	34,439	4.785-5.0025	Short-term financing	-	Operations	-	None	-	301,065	301,065	Note 7
3	Marketech Integrated Manufacturing Company Limited	Marketech Integrated Construction Co., Ltd.	Other receivables	Y	6,164	-	-	-	Short-term financing	-	Operations	-	None	-	150,099	300,198	Note 7
4	MIC-Tech Viet Nam Co., Ltd	Marketech Co., Ltd	Other receivables	Y	3,660	3,510	3,510	6.25	Short-term financing	-	Operations	-	None	-	22,074	22,074	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 year ended December 31, 2019

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.

MARKETECH INTERNATIONAL CORP.  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2019

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 5)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 6)	Outstanding endorsement/ guarantee amount at December 31, 2019	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
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Marketech International Corp.	Marketech Integrated Pte. Ltd.	2	\$ 2,900,006	\$ 36,484	\$ 17,084	\$ 5,661	\$ -	0.29%	\$ 5,800,013	Y	N	N	Note 4
0	Marketech International Corp.	eZoom Information, Inc.	2	2,900,006	120,000	60,000	18,450	-	1.03%	5,800,013	Y	N	N	Note 4
0	Marketech International Corp.	Marketech International Corporation USA	2	2,900,006	125,560	119,920	-	-	2.07%	5,800,013	Y	N	N	Note 4
0	Marketech International Corp.	Marketech International Sdn. Bhd.	2	2,900,006	245,720	239,840	-	-	4.14%	5,800,013	Y	N	N	Note 4
0	Marketech International Corp.	MIC-Tech (WuXi) Co., Ltd.	2	2,900,006	312,840	191,872	185,876	-	3.31%	5,800,013	Y	N	Y	Note 4
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	2	2,900,006	1,096,052	815,306	7,647	-	14.06%	5,800,013	Y	N	Y	Note 4
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	2	2,900,006	1,571,232	1,536,251	1,075,132	-	26.49%	5,800,013	Y	N	Y	Note 4
0	Marketech International Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	2	2,900,006	507,461	359,319	188,099	-	6.20%	5,800,013	Y	N	Y	Note 4
0	Marketech International Corp.	Special Triumph Sdn. Bhd.	5	2,900,006	12,741	-	-	-	-	5,800,013	N	N	N	Note 4
0	Marketech International Corp.	Te Chang Construction Co., Ltd.	5	2,900,006	174,000	174,000	86,997	-	3.00%	5,800,013	N	N	N	Note 4
1	Marketech Co., Ltd.	MIC-Tech Viet Nam Co., Ltd.	4	33,380	7,933	-	-	-	-	33,380	N	N	N	Note 4
2	MIC-Tech Electronics Engineering Corp.	Marketech International Corp.	3	1,524,768	524,704	507,112	507,112	-	99.77%	2,541,280	N	Y	N	Note 4
2	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	5	1,524,768	71,915	-	-	-	-	2,541,280	N	N	Y	Note 4
2	MIC-Tech Electronics Engineering Corp.	MIC-Tech (Shanghai) Corp.	4	1,524,768	110,420	103,272	103,272	-	20.32%	2,541,280	N	N	Y	Note 4
3	MIC-Tech (Shanghai) Corp.	MIC-Tech Electronics Engineering Corp.	4	1,128,993	634,511	593,435	593,435	-	157.69%	1,881,665	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 directly and 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.

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, 2019

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

As of December 31, 2019											
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	
Marketch International Corp.	Ordinary shares	Lasertec Corporation	None	Financial assets measured at fair value through profit or loss - current	40,000	\$ 61,382	-	\$ 61,382	None		
"	"	Solar Applied Materials Technology Corp.	"	"	44,078	990	-	990	"		
"	"	Aerospace Industrial Development Corp.	"	"	25,925	931	-	931	"		
						<u>\$ 63,303</u>		<u>\$ 63,303</u>			
"	Ordinary shares	Taiwan Colour & Imaging Technology Corp.	None	Financial assets measured at fair value through profit or loss - non-current	1,700,000	\$ 1,575	12.59%	\$ 1,575	None		
"	"	Chung-Hsin Electric and Machinery Manufacturing Corp.	"	"	581,000	14,118	0.14%	14,118	"		
"	"	Ennoconn Corporation	The ultimate parent company	"	10,624	2,624	0.01%	2,624	"		
"	"	WINGS GLOBAL TECHNOLOGY INC.	None	"	750,000	14,049	18.75%	14,049	"		
"	"	Promos Technologies, Inc.	"	"	250,331	-	0.56%	-	"		
"	"	Taiwan Puritic Corp.	"	"	6,191,181	202,012	10.32%	202,012	"		
"	"	SOPOWER Technology Corp.	"	"	189,223	-	12.61%	-	"		
"	"	VEEV Interactive Pte. Ltd.	"	"	840,000	-	6.32%	-	"		
"	"	Taiwan Intelligent Fiber Optic Network Co., Ltd.	"	"	3,868,261	22,137	1.41%	22,137	"		
"	"	H&D Venture Capital Investment Corp.	Entities controlled by key management or entities with significant influence	"	294,528	2,945	6.67%	2,945	"		
"	"	Civil Tech Pte. Ltd.	None	"	336,374	-	0.58%	-	"		
"	"	ProbeLeader Co., Ltd.	Entities controlled by key management or entities with significant influence	"	966,000	10,367	3.46%	10,367	"		
"	"	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	4,589	2.24%	4,589	"		
"	"	Long Time Technology Corp.	"	"	346,000	9,397	0.29%	9,397	"		
"	"	Paradigm Venture Capital Corp.	"	"	90,187	902	3.50%	902	"		
"	"	Taiwan Special Chemicals Corp.	"	"	4,401,333	65,013	1.51%	65,013	"		
"	"	Atech Totalsolution Co., Ltd.	"	"	128,000	-	0.23%	-	"		
"	"	East Wind Life Science Systems	"	"	124,457	-	12.87%	-	"		
"	"	EcoLand Corp.	"	"	310,715	-	13.51%	-	"		
"	"	Kcashin Technology Corporation	"	"	642,500	10,000	19.01%	10,000	"		
"	"	Radisen Co. Ltd.	"	"	87,803	7,172	19.36%	7,172	"		
"	"	Foresight Energy Technologies Co., Ltd.	"	"	1,350,000	4,057	4.09%	4,057	"		
"	"	Mycropore Corporation, Ltd.	"	"	971,000	21,991	5.81%	21,991	"		
"	"	STEK CO., LTD.	"	"	333,000	23,310	6.34%	23,310	"		
"	"	Sum Capital Healthcare Investment Corp.	Entities controlled by key management or entities with significant influence	"	943,050	9,431	7.44%	9,431	"		
"	"	Intellicares co., Ltd	"	"	200,000	-	19.99%	-	"		
"	"	Forward Science Corp.	"	"	2,000,000	19,622	10.00%	19,622	"		
"	Convertible bonds	Nitride Solutions Inc.	None	"	-	-	-	-	"		
"	"	HALLYS CORPORATION	"	"	-	20,730	-	20,730	"		
"	"	Radisen Co. Ltd.	"	"	-	12,313	-	12,313	"		
"	Preferred stock	Adant Technologies Inc.	"	"	174,520	-	Note3	-	"		
"	"	Kinestral Technologies, Inc.	"	"	501,532	24,089	"	24,089	"		
"	Beneficiary certificates	Vertex Growth (SG) LP	"	"	-	4,720	-	4,720	"		
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				<u>\$ 527,163</u>		<u>\$ 527,163</u>			

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.

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, 2019

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Marketech International Corp.	Hong Kong Ennopower Information Technology Co., Limited	Other related parties	Sales (Note 2)	\$ 241,845	1.37%	Note 1	\$ -	-	\$ 126,786	4.31%	-
MIC-Tech Electronics Engineering Corp.	Shenzhen Hyper Power Information Technology Co., Ltd	Entities controlled by key management or entities with significant influence	Sales (Note 2)	170,086	4.99%	Note 1	-	-	96,919	5.90%	-
Shanghai Maohua Electronics Engineering Co.,Ltd.	Shenzhen Hyper Power Information Technology Co., Ltd	Entities controlled by key management or entities with significant influence	Sales (Note 2)	130,338	29.39%	Note 1	-	-	-	-	-

Note 1: Repaid in installment based on the contract.

Note 2: Revenue arising from contracting constructions recognized based on the percentage of completion method for the year ended December 31, 2019.

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 NTS\$100 million or 20% of paid-in capital or more  
 December 31, 2019

Table 5 Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019 ( 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 Ennower Information Technology Co., Limited	Other related parties	\$ 126,786	Note 2	\$ -	-	\$ -	2

Note 1: Fill in separately the balances of accounts receivable-related parties, notes receivable-related parties, other receivables-related parties....

MARKETECH INTERNATIONAL CORP.  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2019

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				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	\$ 27,628	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 construction depending on the construction contracts or individual agreements.	0.11%
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	1	Non-operating revenue	21,449		0.09%
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	1	Construction revenue	39,821		0.16%
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Non-operating revenue	9,364		0.04%
0	Marketech International Corp.	eZoom Information, Inc.	1	Construction revenue	19,890		0.08%
0	Marketech International Corp.	Marketech Integrated Pte. Ltd.	1	Other receivables	26,602		0.14%
0	Marketech International Corp.	MIC-Tech Global Corp.	1	Construction revenue	20,272		0.08%
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Accounts receivable	6,337		0.03%
1	eZoom Information, Inc.	Marketech International Corp.	2	Services revenue	34,363		0.14%
2	MIC-Tech Global Corp.	Marketech International Corp.	2	Sales revenue	94,822		0.39%
3	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	3	Other receivables	38,744		0.20%
3	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	3	Accounts receivable	5,381		0.03%
4	Shanghai Maohua Electronics Engineering Co., Ltd.	MIC-Tech Electronics Engineering Corp.	3	Construction revenue	26,938		0.11%
5	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co. Ltd.	3	Other receivables	34,439		0.18%

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. Additionally, if it is disclosed as assets and revenue, its opposite transactions will not be disclosed.

MARKETECH INTERNATIONAL CORP.

Information on investees

For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount (Note 2)		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 1)	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Singapore	Contracting for semiconductor automatic supply system	\$ 215,087	\$ 215,087	9,235,678	100	(\$ 52,050)	(\$ 68,169)	(\$ 68,169)	The Company's subsidiary
Marketech International Corp.	Market Go Profits Ltd.	Virgin Islands	Investment holding and reinvestment	1,298,124	1,282,562	40,069,104	100	1,207,977	166,487	166,487	The Company's subsidiary
Marketech International Corp.	MIC-Tech Global Corp.	South Korea	International trade	19,147	19,147	131,560	100	6,425	199	199	The Company's subsidiary
Marketech International Corp.	Headquarter International Ltd.	Virgin Islands	Investment holding and reinvestment	42,475	42,475	1,289,367	100	37,667	( 275)	( 275)	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	36,624	( 293)	( 293)	The Company's subsidiary
Marketech International Corp.	Marketech Engineering Pte. Ltd.	Singapore	Contracting for electrical installing construction	20,902	10,129	894,987	100	7,715	( 18,547)	( 18,547)	The Company's subsidiary
Marketech International Corp.	Marketech Integrated Manufacturing Company Limited	Myanmar	Design, manufacturing, installation of automatic production equipment and its parts	478,985	438,298	1,535,600	100	375,248	( 30,633)	( 30,633)	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	27,593	745	745	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	45,246	-	100	3,338	( 7,728)	( 7,728)	The Company's subsidiary
Marketech International Corp.	eZoom Information, Inc.	Taiwan	Research, trading and consulting of information system software and hardware appliance	195,737	195,737	20,000,000	100	121,118	( 31,829)	( 31,829)	The Company's subsidiary
Marketech International Corp.	Marketech International Sdn.Bhd.	Malaysia	Specialized contracting and related repair services	86,103	86,103	12,242,750	100	62,433	( 2,546)	( 2,546)	The Company's subsidiary
Marketech International Corp.	Marketech International Corporation USA	USA	Specialized contracting and related repair services	22,485	-	750,000	100	16,881	( 5,779)	( 5,779)	The Company's subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount (Note 2)		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 1)	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	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	\$ 20,000	\$ 2,000,000	29.41	\$ 1,602	(\$ 38,512)	(\$ 11,474)	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	35,344	( 2,218)	( 2,218)	The Company's subsidiary
Marketech International Corp.	Marketech Netherlands B.V	Netherlands	International trade business of machine and components and technical service	21,070	10,671	600,000	100	9,111	( 7,229)	( 7,229)	The Company's subsidiary
Marketech International Corp.	Glory Technology Service Inc..	Taiwan	Sale and installation of information and communication equipment	42,714	42,714	5,510,305	29.24	63,804	21,629	6,324	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	1,834	( 41)	( 8)	The Company's investee accounted for using equity method
Marketech International Corp.	Smart Health Corp.	Taiwan	Smart medical consulting services and investment	1,500	-	150,000	42.86	1,490	( 23)	( 10)	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	1,292,627	1,277,065	39,966,604	100	1,206,356	166,555	-	The investor's subsidiary
Marketech Engineering Pte Ltd.	Marketech Integrated Construction Co., Ltd.	Myanmar	Contracting for electrical installing construction	19,342	8,569	63,500	97.69	7,531	( 18,975)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Rusky H.K. Limited	Hong Kong	Investment holding and reinvestment	34,551	34,551	833,000	100	( 11,558)	( 1,597)	-	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	5,116	( 99)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Hong Kong	Investment holding and reinvestment	132,282	132,282	5,400,000	60	51,665	( 14,511)	-	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	( 4,462)	( 86)	-	The investor's investee accounted for using equity method
MIC-Tech Ventures Asia Pacific Inc.	Fortune Blessing Co., Limited	Hong Kong	Investment holding and reinvestment	15,563	-	500,000	27.78	13,513	( 5,026)	-	The investor's investee accounted for using equity method
Rusky H.K. Limited	PT Marketech International Indonesia	Indonesia	Trading business of machine equipment and parts	32	32	1,000	0.08	30	( 2,218)	-	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 which are translated at the current rate as of December 31, 2019, 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, 2019

Table 8

Expressed in thousands of NTD

1. Basic information

(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, 2019 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 (Note 3)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (Note 3)	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
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; producing, assembling and sale of LED illuminator and its component; 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, manufacturing and sales of medical devices.	\$ 764,490	Note1(2)	\$ 614,590	\$ -	\$ -	\$ 614,590	(\$ 719)	100	(\$ 138)	\$ 34,146	\$ -	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	247,065	Note1(2)	14,990	-	-	14,990	39,698	100	39,698	376,331	-	Note 2 (2)B
Fuzhou Jiwei System Integrated Co., Ltd.	Installation and complete services of clean room, mechanical system, street pipe system	8,994	Note1(2)	8,994	-	-	8,994	( 568)	100	( 568)	( 1,525)	-	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	17,988	Note1(2)	18,078	-	-	18,078	( 2,646)	87	( 2,302)	( 14,388)	-	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	528,218	Note1(2)	255,430	-	-	255,430	110,192	100	110,192	508,256	-	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.	9,144	Note1(2)	1,469	-	-	1,469	( 122)	49	( 61)	-	-	Note 2 (2)B and Note 4
ChenGao M&E Engineering (Shanghai) Co., Ltd.	Design of microelectronic products and display devices, consulting service for related technology and management	5,996	Note1(2)	5,996	-	-	5,996	588	100	590	-	-	Note 2 (2)B and Note 5

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, 2019 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 (Note 3)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (Note 3)	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
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	69,194	Note1(2)	27,678	-	-	27,678	( 100)	100	( 100)	5,096	-	Note 2 (2)B
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.	\$ 209,860	Note1(2)	\$ 80,946	\$ 35,976	\$ -	\$ 116,922	(\$ 14,495)	60	(\$ 8,697)	\$ 50,909	\$ -	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 entropot 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	44,970	Note1(2)	44,970	-	-	44,970	828	100	828	18,633	-	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 entropot 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	28,688	Note1(2)	9,016	-	-	9,016	( 86)	31.43	( 27)	( 4,466)	-	Note 2 (2)B
Fortune International Corporation	Research and development, design, manufacturing, sales, installation and repair services of semiconductor-related devices, equipment and materials; research and development, transfer, consulting and service of semiconductor-related technology; supply chain management service; self-operation and agency of import and export business of various products and technologies; property management service; industrial park management service; accommodation service; retail of articles of daily use, food and beverages; venue rental; enterprise management service; conference and exhibition services; warehousing service; handling and transportation agency services	35,976	Note1(2)	-	14,990	-	14,990	( 5,007)	27.78	( 1,391)	8,522	-	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, 2019' 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, 2019 (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
Marketch International Corp.	\$ 1,144,930	\$ 1,958,202	\$ 3,502,781

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, 2019 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, 2019, and accumulated amount of remittance from Taiwan to Mainland China registered at and approved by MOEA was US\$186 thousand.

Note 4: SKMIC (WUXI) Corp. has completed the liquidation process in June 2019.

Note 5: Shanghai Shenggao Electromechanical Engineering Design Co., Ltd. had completed the liquidation process in October 2019.