

**MARKETECH INTERNATIONAL CORP.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2019 AND 2018**

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.



資誠

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of
Marketch International Corp.

Introduction

We have reviewed the accompanying consolidated balance sheets of Marketch International Corp. and subsidiaries (the “Group”) as at March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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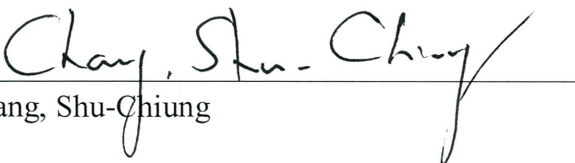


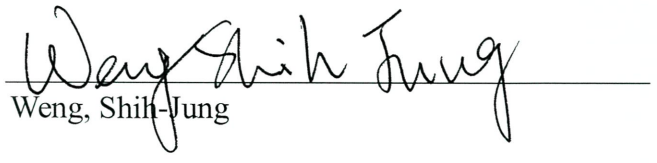
Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(6), we did not review the financial statements of certain insignificant consolidated subsidiaries and investment accounted for using equity method, which statements reflect total assets of NT\$971,180 thousand and NT\$843,664 thousand, constituting 5.05% and 5.49% of the consolidated total assets, and total liabilities of NT\$134,956 thousand and NT\$159,094 thousand, constituting 1.01% and 1.60% of the consolidated total liabilities as at March 31, 2019 and 2018, respectively, and total comprehensive income (loss) of (NT\$28,453) thousand and (NT\$10,288) thousand, constituting (16.40%) and (4.74%) of the consolidated total comprehensive income for the three months then ended, respectively. The investment accounted for using equity method amounted to NT\$64,250 thousand and NT\$52,903 thousand, representing 0.33% and 0.34% of the consolidated total assets of March 31, 2019 and 2018, respectively, and total comprehensive income (including share of profit of associates accounted for using equity method and share of other comprehensive income of associates accounted for using equity method) was NT\$1,420 thousand and NT\$1,504 thousand, constituting 0.82% and 0.69% of the consolidated total comprehensive income for the three months then ended, respectively. These amounts were based solely on the unreviewed financial statements of these companies as of March 31, 2019 and 2018.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.


Chang, Shu-Chiung


Weng, Shih-Jung

For and on behalf of PricewaterhouseCoopers, Taiwan
May 8, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2019 and 2018 are reviewed, not audited)

Assets	Notes	March 31, 2019		December 31, 2018		March 31, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 2,095,000	11	\$ 2,155,357	12	\$ 1,935,003	13
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		33,691	-	90,944	1	65,300	1
1140	Current contract assets	6(18)	4,520,457	24	4,229,541	23	3,225,826	21
1150	Notes receivable, net	6(3) and 7	118,242	1	95,991	1	161,361	1
1170	Accounts receivable, net	6(3)	4,002,992	21	4,151,194	23	3,415,996	22
1180	Accounts receivable - related	7						
	parties, net		84,990	-	109,476	1	42	-
1200	Other receivables		33,664	-	21,586	-	51,648	-
130X	Inventories, net	6(4)	3,699,797	19	3,800,814	21	3,042,843	20
1410	Prepayments	6(5)	409,508	2	421,951	2	574,112	4
1470	Other current assets	8	225,053	1	192,067	1	220,054	1
11XX	Total current assets		<u>15,223,394</u>	<u>79</u>	<u>15,268,921</u>	<u>85</u>	<u>12,692,185</u>	<u>83</u>
Non-current assets								
1510	Financial assets at fair value	6(2)						
	through profit or loss - non-							
	current		468,722	3	415,468	2	301,596	2
1550	Investments accounted for	6(6)						
	using equity method		64,250	-	63,078	-	52,903	-
1600	Property, plant and equipment,	6(7), 7 and						
	net	8	2,246,797	12	2,231,933	12	2,058,629	13
1755	Right-of-use assets	6(8)	1,037,820	5	-	-	-	-
1780	Intangible assets	7	15,841	-	19,441	-	15,811	-
1840	Deferred tax assets		143,309	1	149,061	1	141,129	1
1900	Other non-current assets	6(2)	44,189	-	80,304	-	92,869	1
15XX	Total non-current assets		<u>4,020,928</u>	<u>21</u>	<u>2,959,285</u>	<u>15</u>	<u>2,662,937</u>	<u>17</u>
1XXX	Total Assets		<u>\$ 19,244,322</u>	<u>100</u>	<u>\$ 18,228,206</u>	<u>100</u>	<u>\$ 15,355,122</u>	<u>100</u>

(Continued)

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2019 and 2018 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2019		December 31, 2018		March 31, 2018		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(9) and 8	\$ 2,897,878	15	\$ 2,635,425	15	\$ 1,475,545	10
2130	Current contract liabilities	6(18)	3,554,298	18	3,320,466	18	2,818,334	18
2150	Notes payable	7	1,180,424	6	1,044,159	6	1,132,662	7
2170	Accounts payable	7	3,626,514	19	4,320,299	24	3,374,877	22
2200	Other payables	6(10)	376,049	2	588,941	3	409,218	3
2230	Current tax liabilities		169,694	1	124,087	1	146,451	1
2280	Current lease liabilities		138,358	1	-	-	-	-
2310	Advance receipts		29,257	-	28,545	-	42,602	-
2320	Long-term liabilities, current portion	6(11)	10,824	-	11,766	-	-	-
2399	Other current liabilities		96,184	1	49,707	-	13,067	-
21XX	Total current liabilities		<u>12,079,480</u>	<u>63</u>	<u>12,123,395</u>	<u>67</u>	<u>9,412,756</u>	<u>61</u>
Non-current liabilities								
2530	Bonds payable	6(11)	-	-	-	-	178,442	1
2540	Long-term borrowings	6(12)	200,000	1	200,000	1	200,000	1
2570	Deferred tax liabilities		6,950	-	835	-	-	-
2580	Non-current lease liabilities		879,038	4	-	-	-	-
2640	Accrued pension liabilities		161,309	1	161,957	1	153,497	1
2670	Other non-current liabilities	6(6)	4,467	-	4,716	-	78	-
25XX	Total non-current liabilities		<u>1,251,764</u>	<u>6</u>	<u>367,508</u>	<u>2</u>	<u>532,017</u>	<u>3</u>
2XXX	Total Liabilities		<u>13,331,244</u>	<u>69</u>	<u>12,490,903</u>	<u>69</u>	<u>9,944,773</u>	<u>64</u>
Equity								
Share capital								
3110	Ordinary shares	6(15)	1,856,904	10	1,855,913	10	1,782,616	12
Capital surplus								
3200	Capital surplus	6(14)(16)	971,636	5	970,381	5	862,300	6
Retained earnings								
3310	Legal reserve	6(17)	692,068	4	692,068	4	626,773	4
3320	Special reserve		92,239	1	92,239	1	92,239	1
3350	Unappropriated retained earnings		2,347,998	12	2,197,064	12	2,122,429	14
Other equity interest								
3400	Other equity interest		(114,350)	(1)	(140,931)	(1)	(94,762)	(1)
31XX	Total equity attributable to owners of parent		<u>5,846,495</u>	<u>31</u>	<u>5,666,734</u>	<u>31</u>	<u>5,391,595</u>	<u>36</u>
36XX	Non-controlling interests	4(3)	<u>66,583</u>	<u>-</u>	<u>70,569</u>	<u>-</u>	<u>18,754</u>	<u>-</u>
3XXX	Total Equity		<u>5,913,078</u>	<u>31</u>	<u>5,737,303</u>	<u>31</u>	<u>5,410,349</u>	<u>36</u>
Significant contingent liabilities and unrecognised contract commitments								
3X2X	Total Liabilities and Equity		<u>\$ 19,244,322</u>	<u>100</u>	<u>\$ 18,228,206</u>	<u>100</u>	<u>\$ 15,355,122</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
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(REVIEWED, NOT AUDITED)

				Three months ended March 31				
				2019		2018		
Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating Revenue	6(18) and 7	\$	5,753,058	100	\$	5,549,048	100
5000	Operating Costs	6(4)(20) and 7	(	5,247,439)	(91)	(	4,901,629)	(88)
5900	Gross Profit			505,619	9	647,419	12	
	Operating Expenses	6(20)						
6100	Sales and marketing expenses		(	153,388)	(3)	(	133,030)	(2)
6200	General and administrative expenses		(	201,670)	(3)	(	188,922)	(3)
6300	Research and development expenses		(	45,142)	(1)	(	39,485)	(1)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)		45,481	1	(	40,128)	(1)
6000	Total operating expenses		(	354,719)	(6)	(	401,565)	(7)
6900	Operating Profit			150,900	3	245,854	5	
	Non-operating Income and Expenses							
7010	Other income			11,921	-	9,332	-	
7020	Other gains and losses	6(2)(19)		58,903	1	2,858	-	
7050	Finance costs		(	23,077)	-	(	15,840)	-
7060	Share of profit of associates and joint ventures accounted for using equity method			1,575	-	1,504	-	
7000	Total non-operating income and expenses			49,322	1	(	2,146)	-
7900	Profit before Income Tax			200,222	4	243,708	5	
7950	Income tax expense	6(21)	(53,676)	(1)	(36,315)	(1)
8200	Net Income		\$	146,546	3	\$	207,393	4

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MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(REVIEWED, NOT AUDITED)

		Three months ended March 31			
		2019		2018	
Items	Notes	AMOUNT	%	AMOUNT	%
Other Comprehensive Income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)		\$ 772	-
8310	Other comprehensive income that will not be reclassified to profit or loss	-	-	772	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign operations		33,783	-	6,432
8370	Share of other comprehensive loss of associates and joint ventures accounted for using equity method		(155)	-	(1)
8399	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	6(21)		2,459	-
8360	Other comprehensive income that will be reclassified to profit or loss		26,983	-	8,890
8300	Other comprehensive income, net of tax		\$ 26,983	-	\$ 9,662
8500	Total Comprehensive Income		\$ 173,529	3	\$ 217,055
Profit (loss) attributable to:					
8610	Owners of the parent		\$ 150,934	3	\$ 209,671
8620	Non-controlling interests		(4,388)	-	(2,278)
	Total		\$ 146,546	3	\$ 207,393
Comprehensive income (loss) attributable to:					
8710	Owners of the parent		\$ 177,515	3	\$ 219,339
8720	Non-controlling interests		(3,986)	-	(2,284)
	Total		\$ 173,529	3	\$ 217,055
9750	Basic earnings per share	6(22)	\$ 0.81		\$ 1.18
9850	Diluted earnings per share	6(22)	\$ 0.80		\$ 1.12

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	Equity attributable to owners of the parent										
		Capital Reserves			Retained Earnings			Other Equity Interest		Total	Non-controlling interests	Total equity
		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			
Three months ended March 31, 2018												
Balance at January 1, 2018		\$ 1,770,164	\$ 822,905	\$ 20,152	\$ 626,773	\$ 92,239	\$ 1,893,389	(\$ 103,658)	\$ 23,013	\$ 5,144,977	(\$ 975)	\$ 5,144,002
Effect of retrospective application and retrospective restatement		-	-	-	-	-	19,315	-	(23,013)	(3,698)	205	(3,493)
Balance at January 1, 2018 after restatement		1,770,164	822,905	20,152	626,773	92,239	1,912,704	(103,658)	-	5,141,279	(770)	5,140,509
Profit (loss) for the period		-	-	-	-	-	209,671	-	-	209,671	(2,278)	207,393
Other comprehensive income (loss) for the period		-	-	-	-	-	772	8,896	-	9,668	(6)	9,662
Total comprehensive income		-	-	-	-	-	210,443	8,896	-	219,339	(2,284)	217,055
Share-based payment	6(14)(15)(16)	3,730	4,759	(1,335)	-	-	-	-	-	7,154	-	7,154
Changes in equity of associates and joint ventures accounted for using equity method	6(16)	-	-	2,000	-	-	(718)	-	-	1,282	-	1,282
Conversion of convertible bonds	6(15)(16)(24)	8,722	14,800	(981)	-	-	-	-	-	22,541	-	22,541
Change in non-controlling interests		-	-	-	-	-	-	-	-	-	21,808	21,808
Balance at March 31, 2018		\$ 1,782,616	\$ 842,464	\$ 19,836	\$ 626,773	\$ 92,239	\$ 2,122,429	(\$ 94,762)	\$ -	\$ 5,391,595	\$ 18,754	\$ 5,410,349
Three months ended March 31, 2019												
Balance at January 1, 2018		\$ 1,855,913	\$ 959,959	\$ 10,422	\$ 692,068	\$ 92,239	\$ 2,197,064	(\$ 140,931)	\$ -	\$ 5,666,734	\$ 70,569	\$ 5,737,303
Profit (loss) for the period		-	-	-	-	-	150,934	-	-	150,934	(4,388)	146,546
Other comprehensive income (loss) for the period		-	-	-	-	-	-	26,581	-	26,581	402	26,983
Total comprehensive income (loss)		-	-	-	-	-	150,934	26,581	-	177,515	(3,986)	173,529
Share-based payment	6(14)(15)(16)	602	769	(114)	-	-	-	-	-	1,257	-	1,257
Conversion of convertible bonds	6(11)(15)(16)(24)	389	642	(42)	-	-	-	-	-	989	-	989
Balance at March 31, 2019		\$ 1,856,904	\$ 961,370	\$ 10,266	\$ 692,068	\$ 92,239	\$ 2,347,998	(\$ 114,350)	\$ -	\$ 5,846,495	\$ 66,583	\$ 5,913,078

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	Three months ended March 31,	
		2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 200,222	\$ 243,708
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(19)	(49,164)	(6,739)
Impairment on expected credit loss	12(2)	(45,481)	40,128
Share of profit of associates and joint ventures accounted for using equity method		(1,575)	(1,504)
Depreciation	6(7)(8)(20)	84,036	28,408
Amortisation	6(20)	4,126	5,133
Gain on disposal of property, plant and equipment	6(7)	(1,351)	(1,622)
Compensation cost of share-based payments	6(14)(16)(20)	251	702
Interest income		(1,530)	(2,225)
Interest expense		23,077	15,840
Dividend income		(75)	(56)
Changes in operating assets and liabilities			
Changes in operating assets			
Contract assets - current		(290,916)	(61,968)
Notes receivable, net		(22,251)	7,286
Accounts receivable, net		222,202	429,818
Accounts receivable – related parties, net		24,490	126
Other receivables		(9,860)	(28,544)
Inventories		114,072	18,003
Prepayments		7,472	237,714
Other current assets		(27,418)	(43,091)
Changes in operating liabilities			
Contract liabilities-current		233,832	5,477
Notes payable (including related parties and non-related parties)		136,265	224,312
Accounts payable (including related parties and non-related parties)		(729,572)	(581,204)
Other payables		(217,813)	(139,066)
Advance receipts		712	(10,534)
Other current liabilities		46,478	150
Other non-current liabilities		(647)	(517)
Cash (outflow) inflow generated from operations		(300,418)	379,735
Dividends received		75	56
Interest paid		(23,194)	(17,110)
Interest received		1,529	2,793
Income tax paid		(2,939)	(942)
Net cash flows (used in) from operating activities		(324,947)	364,532

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MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	Three months ended March 31,	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		(\$ 24,079)	(\$ 2,916)
Proceeds from disposal of financial assets at fair value through profit or loss		82,042	6,551
(Increase) decrease in other financial assets – current		(18)	5,265
Acquisition of property, plant and equipment	6(7)	(52,845)	(221,342)
Proceeds from disposal of property, plant and equipment	6(7)	12,832	1,666
Acquisition of right-of-use assets		(21,767)	-
Acquisition of intangible assets		(483)	(814)
Decrease (increase) in prepayments for business facilities		2,650	(2,190)
Increase in refundable deposits		(3,972)	(12,548)
(Increase) decrease in other non-current assets		(10,000)	234
Net cash flows used in investing activities		(15,640)	(226,094)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings	6(25)	237,598	(557,031)
Proceeds from exercise of employee stock options	6(14)	1,006	6,453
Repayments of lease liabilities	6(8)	(22,555)	-
Changes in non-controlling interests		-	21,808
Net cash flows from (used in) financing activities		216,049	(528,770)
Effect of exchange rate changes on cash and cash equivalents		64,181	24,763
Net decrease in cash and cash equivalents		(60,357)	(365,569)
Cash and cash equivalents at beginning of period	6(1)	2,155,357	2,300,572
Cash and cash equivalents at end of period	6(1)	\$ 2,095,000	\$ 1,935,003

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars,

Except as otherwise indicated)

(REVIEWED, NOT AUDITED)

1. ORGANIZATION AND OPERATIONS

Marketch 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 44.95% 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 May 8, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

IFRS 16, 'Leases'

- (a) IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to 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	<u>0.985%~13%</u>
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

None.

(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 IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2018, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.

B. These consolidated financial statements should be read along with the consolidated financial statements as of and for the year ended December 31, 2018.

(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 recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of these consolidated financial statements is the same as that for the preparation of the consolidated financial statements as of and for the year ended December 31, 2018.

B. The subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Contracting for semiconductor automatic supply system	100	100	100	Note 1
Marketech International Corp.	Headquarter International Ltd.	Investment holdings and reinvestment	100	100	100	Note 1
Marketech International Corp.	Tiger United Finance Ltd.	Investment holdings and reinvestment	100	100	100	Note 1
Marketech International Corp.	Market Go Profits Ltd.	Investment holdings and reinvestment	100	100	100	-
Marketech International Corp.	MIC-Tech Global Corp.	International trade	100	100	100	Note 1
Marketech International Corp.	MIC-Tech Viet Nam Co., Ltd.	Trading, installation and repair of various machinery equipment and its peripherals	100	100	100	Note 1
Marketech International Corp.	Marketech Engineering Pte. Ltd.	Contracting for electrical installation construction	100	100	100	Note 1
Marketech International Corp.	eZoom Information, Inc.	Research, trading and consulting of information system software and hardware appliance	100	100	100	Note 1

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
Marketech International Corp.	Marketech Co., Ltd.	Specialized contracting and related repair services; equipment sales and repair, sales of cosmetics and daily necessities	100	100	100	Note 1
Marketech International Corp.	Marketech Integrated Manufacturing Company Limited	Design, manufacturing, installation of automatic production equipment and its parts	100	100	100	Note 1
Marketech International Corp.	Marketech International Sdn. Bhd.	Specialized contracting and related repair services	100	100	51.12	Note 1
Marketech International Corp.	PT Marketech International Indonesia	Trading business of machine equipment and parts	99.92	99.92	99.92	Note 1
Marketech International Corp.	Marketech Netherlands B.V.	International trade business of machine and components and technical service	100	100	100	Note 1
Marketech International Corp.	ADAT Technology Ltd.	Research, development, application, and service of software; supply of electronic information and the buying and selling of equipment	30.30	30.30	83.33	Note 1 and 2
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	Investment holdings and reinvestment	100	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	Rusky H.K. Limited	Investment holdings and reinvestment	100	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Investment holdings and reinvestment	60	60	60	-
MIC-Tech Ventures Asia Pacific Inc.	Frontken MIC Co., Limited	Investment holdings and reinvestment	100	100	100	-

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

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

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech Electronics Engineering Corp.	Installation and construction of mechanical and electrical systems; construction of chemical and petroleum projects; construction of public municipal infrastructure projects; professional building renovation and decoration services; design and construction of smart buildings; construction of electronic projects and related technical services and consulting. Building equipment, building materials (excluding steel and cement), electronic products, chemical products (excluding hazardous products), metal products, electrical equipment, wholesale of communications equipment, commission-based agency (excluding auctions) and import-export business, and delivery of all related and supplementary services	100	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	Fuzhou Jiwei System Integrated Co., Ltd.	Installation and complete services of clean room, mechanical system, street pipe system	100	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
MIC-Tech Ventures Asia Pacific Inc.	SKMIC (WUXI) Corp.	Design, installation and repair of semi-conductor and transistor facilities, electronic components facilities and pollution prevention equipment, as well as wholesale, commission agent and export/import business of products listed above, industrial cleaning, repair and maintenance	49	49	49	Note 2
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	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
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	87	-
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	100	100	-
Rusky H.K. Limited	PT Marketech International Indonesia	Trading business of machine equipment and parts	0.08	0.08	0.08	Note 1

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)			Note
			March 31, 2019	December 31, 2018	March 31, 2018	
MICT International Limited	Integrated Manufacturing & Services Co., Ltd.	Development of special equipment for solar cell production, manufacture of optical engine, lighting source, projection screen, high definition projection cathode-ray tube and micro-display module, and production, cleaning and regeneration of new electrical device; sells the products that manufactured by itself; machinery equipment, research and development of production technology of utilities equipment, technology transfer, technology consulting, technology service; processing of (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	60	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)			Note
			March 31, 2019	December 31, 2018	March 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	100	-
Marketech Integrated Pte. Ltd.	Marketech International Sdn. Bhd.	Specialized contracting and related repair services	-	-	48.88	Note 1
Marketech Engineering Pte. Ltd.	Marketech Integrated Construction Co., Ltd.	Specialized contracting for electrical installation construction	95	95	95	Note 1

Note 1 : The financial statements of the entity as of and for the three months ended March 31, 2019 and 2018 were not reviewed by independent accountants as the entity did not meet the definition of significant subsidiary.

Note 2 : The Company holds less than 50% share ownership in ADAT Technology Ltd. and its subsidiary – SKMIC (Wuxi) Corp. However, as the definition of control is met, the subsidiary is included in the consolidated entities.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: As of March 31, 2019, December 31, 2018 and March 31, 2018, the non-controlling interests amounted to \$66,583, \$70,569 and \$18,754, respectively. Subsidiaries that have non-controlling interests are not material to the Group.

(4) 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.

(5) Leased assets/ operating 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.

(6) Income tax

If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

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

There was no significant change in the reporting period. Please refer to Note 5 in the consolidated financial statements as of and for the year ended December 31, 2018.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Cash on hand	\$ 16,078	\$ 15,005	\$ 16,029
Checking accounts and demand deposits	2,039,469	2,089,059	1,902,620
Time deposits	<u>39,453</u>	<u>51,293</u>	<u>16,354</u>
Total	<u>\$ 2,095,000</u>	<u>\$ 2,155,357</u>	<u>\$ 1,935,003</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>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks	\$ 9,699	\$ 15,442	\$ 23,818
Hybrid instruments-call provision of convertible corporate bonds (Note 6(11))	<u>250</u>	<u>250</u>	<u>250</u>
	9,949	15,692	24,068
Valuation adjustment	<u>23,742</u>	<u>75,252</u>	<u>41,232</u>
Total	<u>\$ 33,691</u>	<u>\$ 90,944</u>	<u>\$ 65,300</u>
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks	\$ 17,156	\$ 17,019	\$ -
Unlisted stocks	360,038	345,238	276,633
Beneficiary certificates	1,629	-	-
Hybrid instruments-convertible corporate bonds	<u>35,959</u>	<u>23,646</u>	<u>2,916</u>
	414,782	385,903	279,549
Valuation adjustment	<u>53,940</u>	<u>29,565</u>	<u>22,047</u>
Total	<u>\$ 468,722</u>	<u>\$ 415,468</u>	<u>\$ 301,596</u>
Prepayments to long-term investments (listed as 'other non-current assets')			
Unlisted stocks	<u>\$ 10,000</u>	<u>\$ 4,800</u>	<u>\$ -</u>

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

	<u>Three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	\$ 52,086	\$ 6,952
Hybrid instruments	<u>(2,922)</u>	<u>(213)</u>
	<u>\$ 49,164</u>	<u>\$ 6,739</u>

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

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

(3) Notes and accounts receivable

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Notes receivable	\$ 118,242	\$ 95,991	\$ 168,355
Less: Loss allowance	-	-	(6,994)
Total	<u>\$ 118,242</u>	<u>\$ 95,991</u>	<u>\$ 161,361</u>
	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Accounts receivable	\$ 4,580,753	\$ 4,766,868	\$ 3,868,875
Less: Loss allowance	(577,761)	(615,674)	(452,879)
Total	<u>\$ 4,002,992</u>	<u>\$ 4,151,194</u>	<u>\$ 3,415,996</u>

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>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Not past due	\$ 118,242	\$ 95,991	\$ 161,361
Up to 90 days	-	-	6,994
	<u>\$ 118,242</u>	<u>\$ 95,991</u>	<u>\$ 168,355</u>

(b) Accounts receivable

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Not past due	\$ 2,902,518	\$ 3,266,339	\$ 2,377,357
Up to 90 days	516,448	546,472	338,433
91 to 180 days	311,967	154,711	178,253
181 to 365 days	208,101	184,105	169,185
Over 365 days	726,710	724,722	805,689
	<u>\$ 4,665,744</u>	<u>\$ 4,876,349</u>	<u>\$ 3,868,917</u>

The above ageing analysis was based on past due date.

B. As of March 31, 2019, December 31, 2018 and March 31, 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 \$118,242, \$95,991 and \$161,361, respectively. As of March 31, 2019, December 31, 2018 and March 31, 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 were \$4,002,992, \$4,151,194 and \$3,415,996, 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

	March 31, 2019		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	\$ 714,363	(\$ 36,277)	\$ 678,086
Merchandise inventory	646,146	(82,443)	563,703
Raw materials	813,423	(32,106)	781,317
Supplies	44,251	(3,016)	41,235
Work in process	1,389,427	(26,889)	1,362,538
Semi-finished goods and finished goods	298,099	(25,181)	272,918
Total	<u>\$ 3,905,709</u>	<u>(\$ 205,912)</u>	<u>\$ 3,699,797</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>

	March 31, 2018		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	\$ 396,370	(\$ 22,662)	\$ 373,708
Merchandise inventory	634,854	(65,274)	569,580
Raw materials	729,520	(19,343)	710,177
Supplies	45,503	(1,876)	43,627
Work in process	1,211,791	(38,612)	1,173,179
Semi-finished goods and finished goods	191,143	(18,571)	172,572
Total	<u>\$ 3,209,181</u>	<u>(\$ 166,338)</u>	<u>\$ 3,042,843</u>

A. Relevant expenses of inventories recognised as operating costs for the three months ended March 31, 2019 and 2018 are as follows:

	Three months ended March 31,	
	2019	2018
Construction cost	\$ 2,852,734	\$ 2,384,662
Cost of sales	2,125,170	2,277,810
Other operating cost	267,765	246,667
Loss on (gain on reversal of) market value decline and obsolete and slow-moving inventories (Note)	1,770	(7,510)
Total	<u>\$ 5,247,439</u>	<u>\$ 4,901,629</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

	March 31, 2019	December 31, 2018	March 31, 2018
Prepayment for purchases	\$ 318,728	\$ 347,988	\$ 471,013
Others	90,780	73,963	103,099
Total	<u>\$ 409,508</u>	<u>\$ 421,951</u>	<u>\$ 574,112</u>

(6) Investments accounted for using equity method

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

	March 31, 2019		December 31, 2018	
	Carrying amount	% interest held	Carrying amount	% interest held
Glory Technology Service Inc.	\$ 62,412	29.24%	\$ 61,236	29.24%
MIC Techno Co., Ltd.	1,838	20%	1,842	20%
Leader Fortune Enterprise Co., Ltd.	(4,389)	31.43%	(4,638)	31.43%
	59,861		58,440	
Add: Credit of long-term equity investment transfer to 'other non-current liabilities, others'	4,389		4,638	
Total	<u>\$ 64,250</u>		<u>\$ 63,078</u>	

	<u>March 31, 2018</u>	
	<u>Carrying amount</u>	<u>% interest held</u>
Glory Technology Service Inc.	\$ 46,009	29.24%
MIC Techno Co., Ltd.	1,845	20%
Leader Fortune Enterprise Co., Ltd.	<u>5,049</u>	31.43%
Total	<u>\$ 52,903</u>	

B. Associates

Associates using equity method are all individually immaterial and the Group's share of the operating results are summarized below:

	<u>Three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Profit for the period from continuing operations	\$ 5,285	\$ 4,760
Other comprehensive loss - net of tax	(492)	(2)
Total comprehensive income	<u>\$ 4,793</u>	<u>\$ 4,758</u>

- C. The investments accounted for using equity method for the three months ended March 31, 2019 and 2018 were evaluated based on the financial statements of the entity which were not reviewed by independent accountants. The investment accounted for using equity method for the year ended December 31, 2018 was evaluated based on the financial statements of the entity which were audited by independent accountants.

(7) Property, plant and equipment

	<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, 2019</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>Three months ended March 31, 2019</u>						
Opening net book amount	\$ 205,438	\$ 1,476,106	\$ 162,071	\$ 78,342	\$ 309,976	\$ 2,231,933
Additions	-	8,808	12,282	9,338	22,417	52,845
Disposals	-	-	(10,981)	(500)	-	(11,481)
Depreciation	-	(21,603)	(8,757)	(7,274)	(632)	(38,266)
Net exchange differences	-	2,757	985	415	7,609	11,766
Closing net book amount	<u>\$ 205,438</u>	<u>\$ 1,466,068</u>	<u>\$ 155,600</u>	<u>\$ 80,321</u>	<u>\$ 339,370</u>	<u>\$ 2,246,797</u>
<u>At March 31, 2019</u>						
Cost	\$ 205,438	\$ 2,406,037	\$ 629,657	\$ 232,849	\$ 356,164	\$ 3,830,145
Accumulated depreciation	-	(939,969)	(474,057)	(152,528)	(16,794)	(1,583,348)
Book value	<u>\$ 205,438</u>	<u>\$ 1,466,068</u>	<u>\$ 155,600</u>	<u>\$ 80,321</u>	<u>\$ 339,370</u>	<u>\$ 2,246,797</u>

	<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, 2018</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>Three months ended March 31, 2018</u>						
Opening net book amount	\$ 205,438	\$ 1,105,783	\$ 135,180	\$ 68,062	\$ 349,814	\$ 1,864,277
Additions	-	776	7,601	4,391	208,574	221,342
Disposals	-	-	(3)	(41)	-	(44)
Depreciation	-	(14,546)	(7,405)	(5,915)	(542)	(28,408)
Net exchange differences	-	1,334	690	240	(802)	1,462
Closing net book amount	<u>\$ 205,438</u>	<u>\$ 1,093,347</u>	<u>\$ 136,063</u>	<u>\$ 66,737</u>	<u>\$ 557,044</u>	<u>\$ 2,058,629</u>
<u>At March 31, 2018</u>						
Cost	\$ 205,438	\$ 1,965,248	\$ 609,208	\$ 209,734	\$ 572,257	\$ 3,561,885
Accumulated depreciation	-	(871,901)	(473,145)	(142,997)	(15,213)	(1,503,256)
Book value	<u>\$ 205,438</u>	<u>\$ 1,093,347</u>	<u>\$ 136,063</u>	<u>\$ 66,737</u>	<u>\$ 557,044</u>	<u>\$ 2,058,629</u>

- A. The property, plant and equipment are all owner-occupied.
- B. The Group has no interest capitalised 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 2 years 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. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>March 31, 2019</u>	<u>Three months ended March 31, 2019</u>
	Carrying amount	Depreciation charge
Land	\$ 717,625	\$ 6,342
Buildings	260,127	28,557
Machinery and equipment	10	110
Office equipment	696	185
Other equipment	59,362	10,576
	<u>\$ 1,037,820</u>	<u>\$ 45,770</u>

C. For the three months ended March 31, 2019, the additions to right-of-use assets was \$50,081.

D. The information on income and expense accounts relating to lease contracts is as follows:

	<u>Three months ended March 31, 2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	<u>\$ 5,178</u>

E. For the three months ended March 31, 2019, the Group's total cash outflow for leases was \$27,733.

F. Extension options

(a) Extension options are included in approximately 35.71% 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>March 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
<u>Bank borrowings</u>			
Credit borrowings	\$ 2,872,853	0.88%~5.4971%	None
Mortgage loan	25,025	3.57258%~3.57608%	Buildings
	<u>\$ 2,897,878</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>		
	<u>March 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
<u>Bank borrowings</u>			
Credit borrowings	\$ 1,457,777	0.88%~5.0025%	None
Mortgage loan	17,768	3.0025%~3.05658%	Buildings
	<u>\$ 1,475,545</u>		

Details of mortgage loan are provided in Note 8.

(10) Other payables

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Salaries and bonus payable	\$ 169,618	\$ 383,471	\$ 206,152
Accrued employees' compensation and directors' and supervisors' remuneration	147,149	152,657	129,717
Others	59,282	52,813	73,349
Total	<u>\$ 376,049</u>	<u>\$ 588,941</u>	<u>\$ 409,218</u>

(11) Bonds payable

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Bonds payable	\$ 10,900	\$ 11,900	\$ 182,900
Less: Discount on bonds payable	(76)	(134)	(4,458)
	10,824	11,766	178,442
Less: Long-term liabilities, current portion	(10,824)	(11,766)	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,442</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: \$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 three months ended March 31 2019, the convertible corporate bonds with par value totaling \$1,000 have been converted into 39 thousand ordinary shares, generating capital surplus of \$642 and resulting in a decrease in 'capital surplus - stock options' by \$42.
 - (h) As of March 31, 2019, the convertible corporate bonds with par value totaling \$489,100 have been converted into 18,086 thousand ordinary shares, generating capital surplus of \$313,056 and resulting in a decrease in 'capital surplus - stock options' by \$20,675.
- 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 rates 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>March 31, 2019</u>
Long-term bank borrowings				
Credit borrowings	Borrowing period is from March 27, 2019 to June 27, 2020; interest is payable monthly; principal is payable at maturity date	0.985%	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>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>March 31, 2018</u>
Long-term bank borrowings				
Credit borrowings	Borrowing period is from March 31, 2018 to June 30, 2019; interest is payable monthly; principal is payable at maturity date	0.92%	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) For the aforementioned pension plan, the Group recognized pension costs of \$669 and \$792 for the three months ended March 31, 2019 and 2018, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2019 amounts to \$5,267.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company’s Mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) Certain overseas subsidiaries have a defined contribution plan. Contributions to an independent fund are based on certain percentage of employees’ monthly salaries and wages and are recognised as pension cost. Other than the monthly contributions, the Group has no further obligations.

(d) The pension costs under the defined contribution pension plans of the Group for the three months ended March 31, 2019 and 2018 were \$23,927 and \$21,248, respectively.

(14) Share-based payment

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

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
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:

	Three months ended March 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 period	1,325	\$ 16.70	2,456	\$ 17.30
Options granted	-	-	-	-
Options exercised	(60)	16.70	(373)	17.30
Options forfeited	-	-	(23)	-
Options outstanding at end of the period	<u>1,265</u>	16.70	<u>2,060</u>	17.30
Options exercisable at end of the period	<u>83</u>		<u>148</u>	
Options approved but not yet issued at end of the period	<u>44</u>		<u>44</u>	

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

		March 31, 2019	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)
2015.9.11	2021.9.10	1,265	\$ 16.70
		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
		March 31, 2018	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)
2015.9.11	2021.9.10	2,060	\$ 17.30

D. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2015.9.11	\$ 19.60	\$ 19.60	34.91%	4.375 years	0%	0.81%	\$ 5.8326

E. Expenses incurred on share-based payment transactions are \$251 and \$702 for the three months ended March 31, 2019 and 2018, respectively.

(15) Share capital

A. As of March 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 \$1,856,904 with a par value of \$10 (in dollars) per share amounting to 185,690,424 shares. All proceeds from shares issued have been collected.

B. Movements in the number of the Company's ordinary shares outstanding are as follows:

	Three months ended March 31,	
	2019	2018
At January 1	185,591,264	177,016,429
Conversion of convertible bonds	38,910	872,175
Exercise of employee stock options	60,250	373,000
At March 31	<u>185,690,424</u>	<u>178,261,604</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:

	Three months ended March 31, 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	769	(365)	-	-	404
Compensation cost of employee stock options	-	251	-	-	251
Conversion of convertible bonds	642	-	(42)	-	600
At March 31	<u>\$ 961,370</u>	<u>\$ 7,454</u>	<u>\$ 461</u>	<u>\$ 2,351</u>	<u>\$ 971,636</u>

	Three months ended March 31, 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	4,759	(2,037)	-	-	2,722
Compensation cost of employee stock options	-	702	-	-	702
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	2,000	2,000
Conversion of convertible bonds	14,800	-	(981)	-	13,819
At March 31	<u>\$ 842,464</u>	<u>\$ 9,754</u>	<u>\$ 7,731</u>	<u>\$ 2,351</u>	<u>\$ 862,300</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. Details of 2018 earnings appropriation proposed by the Board of Directors on February 18, 2019 and 2017 earnings appropriation resolved by the shareholders on May 30, 2018 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	\$ 636,032		\$ 507,836	

The earnings appropriation for the year ended December 31, 2017 listed above had no difference from that proposed by the Board of Directors on February 24, 2018. The earnings appropriation for the year ended December 31, 2018 has not yet been approved by the shareholders, therefore, no dividends payable were included in the current consolidated financial statements.

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.

F. For the information relating to employees’ compensation and directors’ and supervisors’ remuneration, please refer to Note 6(20).

(18) Operating revenue

	Three months ended March 31,	
	2019	2018
Sales contract revenue	\$ 2,388,029	\$ 2,602,566
Construction contract revenue	2,925,216	2,585,242
Other contract revenue	439,813	361,240
Total	\$ 5,753,058	\$ 5,549,048

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:

	Three months ended March 31,	
	2019	2018
R&D and manufacturing of customized equipment	\$ 1,727,396	\$ 1,840,238
Total Facility Engineering Turnkey Project	1,579,108	1,413,281
Sales and service of high-tech equipment and materials	1,301,200	1,359,793
Automatic supplying system	1,145,354	935,736
Total	<u>\$ 5,753,058</u>	<u>\$ 5,549,048</u>
Timing of revenue recognition		
At a point in time	\$ 2,535,104	\$ 2,673,300
Over time	3,217,954	2,875,748
Total	<u>\$ 5,753,058</u>	<u>\$ 5,549,048</u>

B. Contract assets and liabilities

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Contract assets:			
Contract assets— construction	<u>\$ 4,520,457</u>	<u>\$ 4,229,541</u>	<u>\$ 3,225,826</u>
Contract liabilities:			
Contract liabilities – construction	\$ 2,210,066	\$ 2,202,925	\$ 1,930,492
Contract liabilities – sales contracts	1,311,322	1,088,219	867,701
Contract liabilities – service contracts	<u>32,910</u>	<u>29,322</u>	<u>20,141</u>
	<u>\$ 3,554,298</u>	<u>\$ 3,320,466</u>	<u>\$ 2,818,334</u>

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

	Three months ended March 31,	
	2019	2018
Revenue recognized that was included in the contract liability balance at the beginning of the period		
Construction contracts	\$ 744,043	\$ 779,401
Sales contracts	72,018	150,377
Service contracts	8,548	26,723
	<u>\$ 824,609</u>	<u>\$ 956,501</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 gains and losses

	Three months ended March 31,	
	2019	2018
Net gains on financial assets at fair value through profit or loss	\$ 49,164	\$ 6,739
Foreign exchange gains (losses)	9,502	(2,371)
Other gains (losses)	237	(1,510)
Total	<u>\$ 58,903</u>	<u>\$ 2,858</u>

(20) Employee benefit expense, depreciation and amortisation

A. Employee benefit expense, depreciation and amortisation

	Three months ended March 31, 2019		
	Operating costs	Operating expenses	Total
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 177,753	\$ 227,875	\$ 405,628
Compensation cost of employee stock options	-	251	251
Labour and health insurance fees	17,716	17,797	35,513
Pension costs	12,388	12,208	24,596
Other employee benefit expense	5,911	6,831	12,742
Depreciation	56,456	27,580	84,036
Amortisation	1,910	2,216	4,126

	Three months ended March 31, 2018		
	Operating costs	Operating expenses	Total
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 162,239	\$ 222,461	\$ 384,700
Compensation cost of employee stock options	-	702	702
Labour and health insurance fees	14,898	16,250	31,148
Pension costs	10,461	11,579	22,040
Other employee benefit expense	5,063	6,718	11,781
Depreciation	17,064	11,344	28,408
Amortisation	2,882	2,251	5,133

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 three months ended March 31, 2019 and 2018, employees' compensation and directors' and supervisors' remuneration are accrued as follows:

	Three months ended March 31,	
	2019	2018
Employees' compensation	\$ 22,762	\$ 27,534
Directors' remuneration	2,276	2,753
	<u>\$ 25,038</u>	<u>\$ 30,287</u>

For the three months ended March 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, respectively.

The employees' compensation and directors' remuneration for 2018 resolved by the Board of Directors on February 18, 2019 were \$111,000 and \$11,111, respectively, and were in agreement with those amounts recognised 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.

(21) Income tax

A. Income tax expense

- (a) Components of income tax expense:

	Three months ended March 31,	
	2019	2018
Current tax		
Current tax on profits for the year	\$ 47,600	\$ 51,299
Adjustments in respect of prior years	855	-
Total current tax	48,455	51,299
Deferred tax		
Origination and reversal of temporary differences	5,221	5,522
Impact of change in tax rate	-	(20,506)
Income tax expense	<u>\$ 53,676</u>	<u>\$ 36,315</u>

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

	<u>Three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Currency translation differences of foreign operations	(\$ 6,645)	\$ 2,459
Remeasurements of defined benefit obligations	<u>-</u>	<u>772</u>
	<u>(\$ 6,645)</u>	<u>\$ 3,231</u>

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

	<u>Assessment</u>
The Company	Through 2016
eZoom Information, Inc.	Through 2016

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

(22) Earnings per share

	<u>Three months ended March 31, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 150,934	185,649	<u>\$ 0.81</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	38	430	
Employee stock option	-	787	
Employees' compensation	<u>-</u>	<u>1,495</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 150,972</u>	<u>188,361</u>	<u>\$ 0.80</u>

	Three months ended March 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	\$ 209,671	177,635	\$ <u>1.18</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	626	7,185	
Employee stock option	-	1,056	
Employees' compensation	-	1,849	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>210,297</u>	<u>187,725</u>	\$ <u>1.12</u>

(23) Operating leases

Details are provided in Note 9(1).

(24) Supplemental cash flow information

	Three months ended March 31,	
	2019	2018
Convertible bonds being converted to capital stocks	\$ <u>989</u>	\$ <u>22,541</u>

(25) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2019	\$ 2,635,425	\$ 200,000	\$ 2,835,425
Changes in cash flow from financing activities	237,598	-	237,598
Impact of changes in foreign exchange rate	24,855	-	24,855
At March 31, 2019	\$ <u>2,897,878</u>	\$ <u>200,000</u>	\$ <u>3,097,878</u>

	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2018	\$ 2,012,182	\$ 200,000	\$ 2,212,182
Changes in cash flow from financing activities	(557,031)	-	(557,031)
Impact of changes in foreign exchange rate	<u>20,394</u>	<u>-</u>	<u>20,394</u>
At March 31, 2018	<u>\$ 1,475,545</u>	<u>\$ 200,000</u>	<u>\$ 1,675,545</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 44.95% of the shares of the Company. The remaining 55.05% 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

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Chung-Hsin Precision Machinery Co., Ltd.	Other related party
Shenzhen Hyper Power Information Technology Co., Ltd.	"
Hon Hai Precision Industry Co., Ltd.	"
Chung-Hsin Electric & Machinery Mfg. Corp.	"
Hong Kong Ennower Information Technology Co., Limited	"
FIH Precision Component (Beijing) Co., Ltd.	"
MIC Techno Co., Ltd.	Associate
Macrotec Technology Corp.	Entity controlled by key management or entity with significant influence
ProbeLeader Co., Ltd.	"
Forward Science Corp.	"

(3) Significant related party transactions and balances

A. Sales of goods and services

Construction contract revenue

	Three months ended March 31,	
	2019	2018
Other related parties	\$ 238,872	\$ -
Entities controlled by key management or entities with significant influence	111	-
Total	<u>\$ 238,983</u>	<u>\$ -</u>

(a) Construction contract revenue from related parties and non-related parties are collected based on the general construction contract or general agreement. In addition, construction contracts entered into with related parties are based on the price lists in force and terms that would be available to third parties while collection for construction are about 2 to 3 months after inspection of construction depending on the construction contracts or individual agreements.

(b) As of March 31, 2019, December 31, 2018 and March 31, 2018, contract price and priced contract of unfinished construction are as follows:

	March 31, 2019		December 31, 2018	
	Total contract price		Total contract price	
	(before tax)	Priced contract	(before tax)	Priced contract
Other related parties	\$ 929,442	\$ 171,545	\$ 486,501	\$ 174,447
Associates	19,516	10,316	19,516	10,316
Entities controlled by key management or entities with significant influence	4,500	1,800	4,500	1,800
Total	<u>\$ 953,458</u>	<u>\$ 183,661</u>	<u>\$ 510,517</u>	<u>\$ 186,563</u>

	March 31, 2018	
	(before tax)	Priced contract
Associates	<u>\$ 19,516</u>	<u>\$ 10,316</u>

B. Acquisition of goods and services

Purchase of goods

	Three months ended March 31,	
	2019	2018
Other related parties	\$ 6,629	\$ -
Entities controlled by key management or entities with significant influence	692	1,474
Total	<u>\$ 7,321</u>	<u>\$ 1,474</u>

Purchases from related parties and third parties are based on normal purchases prices and terms and are collectible about 2 to 3 months after inspection.

Construction contract costs

	Three months ended March 31,	
	2019	2018
Entities controlled by key management or entities with significant influence	\$ 3,184	\$ 423

The outsourcing construction costs paid to related parties and third parties are based on normal construction contracts or individual agreements. Furthermore, the payment terms to related parties are approximately the same to third parties, which is about 2 months after inspection of constructions depending on the construction contracts or individual agreements.

C. Receivables from related parties

Notes receivable

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Entities controlled by key management or entities with significant influence	\$ -	\$ -	\$ 387

Accounts receivable

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Other related parties	\$ 84,991	\$ 109,439	\$ -
Entities controlled by key management or entities with significant influence	-	42	42
Subtotal	84,991	109,481	42
Less: Allowance for uncollectible accounts	(1)	(5)	-
Total	<u>\$ 84,990</u>	<u>\$ 109,476</u>	<u>\$ 42</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>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Other related parties	\$ 2,748	\$ 7,314	\$ -
Entities controlled by key management or entities with significant influence	<u>1,891</u>	<u>6,360</u>	<u>1,395</u>
Total	<u>\$ 4,639</u>	<u>\$ 6,360</u>	<u>\$ 1,395</u>

Accounts payable

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Other related parties	\$ 6,931	\$ 7,200	\$ 803
Entities controlled by key management or entities with significant influence	<u>2,996</u>	<u>6,920</u>	<u>4,663</u>
Total	<u>\$ 9,927</u>	<u>\$ 14,120</u>	<u>\$ 5,466</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 three months ended March 31, 2019 and 2018, the Group has acquired computer equipment and related software from entities controlled by key management and the acquisition price was \$1,796 and \$2,140 (recorded as 'property, plant and equipment' and 'intangible assets'), respectively.

(4) Key management compensation

	<u>Three months ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	<u>\$ 29,161</u>	<u>\$ 10,816</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>			<u>Purpose</u>
	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>	
Time deposits (recorded as 'other current assets')	\$ 1,602	\$ 1,584	\$ 3,172	Performance guarantee, warranty guarantee and other guarantee
Refundable deposits (recorded as 'other current assets')	74,384	68,834	112,585	Bid bond and performance guarantee
Buildings and structures (recorded as 'property, plant and equipment')	14,444	14,384	14,407	Guarantee for bank's borrowing facility
	<u>\$ 90,430</u>	<u>\$ 84,802</u>	<u>\$ 130,164</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT

COMMITMENTS

Commitments

(1) Operating lease agreements

The Group leases buildings under non-cancellable operating lease agreements. The lease terms are under 10 years, and all these lease agreements are renewable at the end of the lease period. Rental is increased periodically to reflect market rental rates. The Group recognized rental costs and expenses of \$37,315 for these leases in profit or loss for the three months ended March 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Not later than one year	\$ 50,178	\$ 75,440
Later than one year but not later than five years	182,565	129,189
Later than five years	548,737	211,396
Total	<u>\$ 781,480</u>	<u>\$ 416,025</u>

(1) As of March 31, 2019, the notes and letters of guarantee used for construction performance and custom security amounted to \$1,273,354.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements as of and for the year ended December 31, 2018.

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 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	\$ 502,413	\$ 506,412	\$ 366,896
Financial assets at amortised cost			
/Loans and receivables			
Cash and cash equivalents	2,095,000	2,155,357	1,935,003
Notes receivable	118,242	95,991	161,361
Accounts receivable (including related parties)	4,087,982	4,260,670	3,416,038
Other accounts receivable	33,664	21,586	51,648
Guarantee deposits paid (recorded as 'other current assets' and 'other non-current assets')	108,572	104,600	158,035
Other financial assets (recorded as 'other current assets')	1,602	1,584	3,172
	<u>\$ 6,947,475</u>	<u>\$ 7,146,200</u>	<u>\$ 6,092,153</u>
<u>Financial liabilities</u>			
Financial liabilities measured at fair value through profit or loss			
Short-term borrowings	\$ 2,897,878	\$ 2,635,425	\$ 1,475,545
Notes payable (including related parties)	1,180,424	1,044,159	1,132,662
Accounts payable (including related parties)	3,626,514	4,320,299	3,374,877
Other accounts payable	376,049	588,941	409,218
Current lease liabilities	138,358	-	-
Bonds payable (including current portion)	10,824	11,766	178,442
Long-term borrowings	200,000	200,000	200,000
Non-current lease liabilities	879,038	-	-
Guarantee deposits received (recorded as 'other non-current liabilities, others')	78	78	78
	<u>\$ 9,309,163</u>	<u>\$ 8,800,668</u>	<u>\$ 6,770,822</u>

B. Financial risk management policies

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements as of and for the year ended December 31, 2018.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

March 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	\$ 44,471	30.820	\$ 1,370,593	1%	\$ 13,706	\$ -
USD : RMB	17,757	6.7294	547,263	1%	5,473	-
EUR : NTD	6,143	34.61	212,618	1%	2,126	-
JPY : NTD	917,535	0.2783	255,350	1%	2,554	-
JPY : RMB	190,324	0.0608	52,967	1%	530	-
RMB : NTD	9,985	4.5799	45,731	1%	457	-
USD : IDR	1,184	14,138	36,484	1%	365	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 4,206	30.820	\$ 129,618	1%	\$ 1,296	\$ -
USD : RMB	25,261	6.7294	778,534	1%	7,785	-
JPY : NTD	141,217	0.2783	39,301	1%	393	-

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	-

March 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	\$ 42,385	29.105	\$ 1,233,621	1%	\$ 12,336	\$ -
USD : RMB	17,097	6.2633	497,604	1%	4,976	-
EUR : NTD	5,974	35.87	214,299	1%	2,143	-
JPY : NTD	239,865	0.2739	65,699	1%	657	-
RMB : NTD	25,652	4.6469	119,204	1%	1,192	-
USD : MMK	4,401	1,335	128,078	1%	1,281	-
USD : IDR	1,190	13,664	34,628	1%	346	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 3,792	29.105	\$ 110,370	1%	\$ 1,104	\$ -
USD : RMB	33,007	6.2633	960,682	1%	9,607	-
USD : SGD	1,619	1.3104	47,126	1%	471	-

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.

Three months ended March 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	\$ -	30.820	\$ 4,079
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : RMB	(\$ 2,723)	6.7294	(\$ 12,472)
Three months ended March 31, 2018			
Exchange gain (loss)			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	29.105	(\$ 16,027)
USD : RMB	(1,636)	6.2633	(7,600)
EUR : USD	(181)	0.8114	(5,281)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : RMB	\$ 9,719	6.2633	\$ 45,164

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 three months ended March 31, 2019 and 2018 would have increased/decreased by \$3,885 and \$3,005, 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 the three months ended March 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 amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate of NTD, USD, SGD and RMB had increased/decreased by 1% with all other variables held constant, profit, net of tax for the three months ended March 31, 2019 and 2018 would have decreased/increased by \$24,783 and \$13,404, 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 adopts the historical experience and industrial characteristics, whereby the default occurs when the sale and construction contract payments are past due over 1 to 2 years in line with credit risk management procedure.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using the provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On March 31, 2019, December 2018 and March 31, 2018, the Group has no written-off financial assets that are still under recourse procedures.
- viii. The Group used the forecastability of global boom information to adjust historical and timely information to assess the default possibility of notes and accounts receivable (including related parties). On March 31, 2019, December 31, 2018 and March 31, 2018, the provision matrix and loss rate methodology are as follows:
- (i) Accounts receivable in relation to construction

<u>March 31, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0%~0.0034%	\$ 1,336,509	\$ 6
Up to 90 days	0%~0.0356%	299,700	55
91 to 180 days	0%~0.0418%	209,395	17
181 to 365 days	0%~0.0923%	147,639	56
1 to 2 years	0%~36.9081%	169,728	5,037
Over 2 years	100%	110,007	110,007
Total		<u>\$ 2,272,978</u>	<u>\$ 115,178</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>

<u>March 31, 2018</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0%~0.1718%	\$ 978,008	\$ 194
Up to 90 days	0%~1.4256%	276,540	845
91 to 180 days	0%~1.6415%	113,131	398
181 to 365 days	0%~2.6826%	85,022	1,072
1 to 2 years	0%~72.6733%	163,124	22,180
Over 2 years	100%	53,878	53,878
Total		<u>\$ 1,669,703</u>	<u>\$ 78,567</u>

(ii) Accounts receivable in relation to sales

<u>March 31, 2019</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0%~0.0315%	\$ 1,230,652	\$ 39
Up to 90 days	0%~0.9871%	201,152	678
91 to 180 days	0%~0.9871%	62,622	102
181 to 365 days	0%~47.1797%	48,171	1,356
Over 365 days	100%	53,678	53,678
Total		<u>\$ 1,596,275</u>	<u>\$ 55,853</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>

<u>March 31, 2018</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0%~1.2138%	\$ 1,323,489	\$ 1,840
Up to 90 days	0%~5.8324%	104,575	372
91 to 180 days	0%~11.5309%	15,107	505
181 to 365 days	0%~58.8601%	31,756	10,780
Over 365 days	99.99%~100%	55,253	55,212
Total		<u>\$ 1,530,180</u>	<u>\$ 68,709</u>

- (iii) Based on historical experience, the Group applies individual assessment to evaluate expected credit loss of the high-credit risk customers. On March 31, 2019, December 31, 2018 and March 31, 2018, accounts receivable and loss allowance amounted to \$460,128 and \$406,640, \$490,992 and \$393,053, \$541,459 and \$305,603, 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 March 31, 2019, December 31, 2018 and March 31, 2018, notes and accounts receivable and loss allowance amounted to \$454,605 and \$91, \$288,926 and \$91, \$295,930 and \$6,994, 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:

	Three months ended March 31, 2019		
	Notes receivable	Accounts receivable	Total
At January 1	\$ -	\$ 615,679	\$ 615,679
Reversal of impairment	- (	45,481) (	45,481)
Write-offs	- (	867) (	867)
Effect of foreign exchange	-	8,431	8,431
At March 31	\$ -	\$ 577,762	\$ 577,762

	Three months ended March 31, 2018		
	Notes receivable	Accounts receivable	Total
At January 1_IAS 39	\$ 8,494	\$ 378,156	\$ 386,650
Adjustments under new standards	-	29,297	29,297
At January 1_IFRS 9	8,494	407,453	415,947
Provision for (reversal of) impairment	(1,500)	41,628	40,128
Effect of foreign exchange	-	3,798	3,798
At March 31	\$ 6,994	\$ 452,879	\$ 459,873

For provisioned loss for the three months ended March 31, 2019 and 2018, the impairment loss (reversal) arising from customers' contracts are (\$45,481) and \$40,128, 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>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Floating rate:			
Expiring beyond one year	\$ 200,000	\$ 200,000	\$ 200,000
Fixed rate:			
Expiring beyond one year	14,105	13,938	13,770
	<u>\$ 214,105</u>	<u>\$ 213,938</u>	<u>\$ 213,770</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>March 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	\$ 2,935,265	\$ -	\$ -	\$ -
Notes payable (including related parties)	1,180,424	-	-	-
Accounts payable (including related parties)	3,626,514	-	-	-
Other payables	376,049	-	-	-
Bonds payable (including current portion)	10,824	-	-	-
Long-term borrowings	1,956	200,489	-	-
Lease liability	146,525	99,759	225,654	1,046,600

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	-	-

Non-derivative financial liabilities

<u>March 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	\$ 1,475,545	\$ -	\$ -	\$ -
Notes payable	1,132,662	-	-	-
Accounts payable (including related parties)	3,374,877	-	-	-
Other payables	409,218	-	-	-
Bonds payable	-	178,442	-	-
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 (including related parties), accounts receivable (including related parties), other receivables, other financial assets (recorded as other current assets), financial assets measured at cost, guarantee deposits paid (recorded as other current and non-current assets), short-term borrowings, notes payable (including related parties), accounts payable (including related parties), other payables, lease liability, bonds payable (including current portion), long-term borrowings and guarantee deposits received (recorded as other non-current liabilities, others) are approximate to their fair values.

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

(a) The related information of nature of the assets is as follows:

<u>March 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	\$ 48,748	\$ -	\$ 418,993	\$ 467,741
Beneficiary certificates	-	-	1,629	1,629
Hybrid instruments	-	-	33,043	33,043
Total	<u>\$ 48,748</u>	<u>\$ -</u>	<u>\$ 453,665</u>	<u>\$ 502,413</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	-	-	23,652	23,652
Total	<u>\$ 102,936</u>	<u>\$ -</u>	<u>\$ 403,476</u>	<u>\$ 506,412</u>
<u>March 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	\$ 65,263	\$ -	\$ 301,596	\$ 366,859
Call provision of convertible corporate bonds	-	-	37	37
Total	<u>\$ 65,263</u>	<u>\$ -</u>	<u>\$ 301,633</u>	<u>\$ 366,896</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 three months ended March 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 three months ended March 31, 2019 and 2018:

	Three months ended March 31,			
	2019		2018	
	Equity instruments	Hybrid instruments	Equity instruments	Hybrid instruments
At January 1	\$ 379,824	\$ 23,652	\$ -	\$ 210
Acquired in the period	16,429	12,313	279,549	-
Gains and losses recognised in profit or loss (Note)	24,369	(2,922)	22,047	(173)
Total	<u>\$ 420,622</u>	<u>\$ 33,043</u>	<u>\$ 301,596</u>	<u>\$ 37</u>
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at end of the period (Note)	<u>\$ 24,369</u>	<u>(\$ 2,922)</u>	<u>\$ 22,047</u>	<u>(\$ 173)</u>

Note: Recorded as non-operating income and expense.

F. For the three months ended March 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 March 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 383,668	Market comparable companies	Note 1	Not applicable	Note 2
Venture capital shares	36,954	Net asset value	Not applicable	Not applicable	Not applicable
Hybrid instrument:					
Convertible bond	33,043	Market comparable companies	Note 2	Not applicable	Note 2
	December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 344,499	Market comparable companies	Note 1	Not applicable	Note 2
Venture capital shares	35,325	Net asset value	Not applicable	Not applicable	Not applicable
Hybrid instrument:					
Convertible bond – call provision	6	Binomial tree pricing model	Volatility	38.01%~48.01%	The higher the stock price volatility, the higher the fair value
Convertible bond	23,646	Market comparable companies	Note 2	Not applicable	Note 2

	Fair value at March 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 269,358	Market comparable companies	Note 1	Not applicable	Note 2
Venture capital shares	29,322	Net asset value	Not applicable	Not applicable	Not applicable
Hybrid instrument:					
Convertible bond – call provision	37	Binomial tree pricing model	Volatility	22.85%~32.85%	The higher the stock price volatility, the higher the fair value
Convertible bond	2,916	Market comparable companies	Note 2	Not applicable	Note 2

Note 1: Price to earnings ratio multiple, price to book ratio multiple, enterprise value to operating income ratio multiple, enterprise value to EBITA multiple, discount for lack of marketability.

Note 2: The higher the multiple and control premium, the higher the fair value; the higher the discount for lack of marketability, the lower the fair value.

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:

		March 31, 2019				
		Recognised in profit or loss		Recognised in other comprehensive income		
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity	Stock price	± 10%	\$ 42,062	(\$ 42,062)	\$ -	\$ -
Convertible bond						
- call provision	Stock price	± 10%	10	-	-	-
"	Volatility	± 5%	10	-	-	-
Total			<u>\$ 42,082</u>	<u>(\$ 42,062)</u>	<u>\$ -</u>	<u>\$ -</u>

		December 31, 2018				
		Recognised in profit or loss		Recognised in other comprehensive income		
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity	Stock price	± 10%	\$ 37,982	(\$ 37,982)	\$ -	\$ -
Convertible bond						
- call provision	Stock price	± 10%	30	(20)	-	-
"	Volatility	± 5%	40	(30)	-	-
Total			\$ 38,052	(\$ 38,032)	\$ -	\$ -

		March 31, 2018				
		Recognised in profit or loss		Recognised in other comprehensive income		
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Equity	Stock price	± 10%	\$ 30,160	(\$ 30,160)	\$ -	\$ -
Convertible bond						
- call provision	Stock price	± 10%	20	(10)	-	-
"	Volatility	± 5%	40	(20)	-	-
Total			\$ 30,220	(\$ 30,190)	\$ -	\$ -

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: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 5.

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 three months ended March 31, 2019 and 2018 is as follows:

Three months ended March 31, 2019					
	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	\$ 942,864	\$ 3,082,793	\$ 1,727,401	\$ -	\$ 5,753,058
Inter-segment revenue	<u>14,212</u>	<u>38,611</u>	<u>3,626</u>	<u>1,252</u>	<u>57,701</u>
Total segment revenue	<u>\$ 957,076</u>	<u>\$ 3,121,404</u>	<u>\$ 1,731,027</u>	<u>\$ 1,252</u>	<u>\$ 5,810,759</u>
Segment profit (loss)	<u>\$ 118,505</u>	<u>(\$ 24,526)</u>	<u>\$ 58,031</u>	<u>(\$ 1,110)</u>	<u>\$ 150,900</u>
Segment profit including: Depreciation and amortisation	<u>\$ 8,736</u>	<u>\$ 38,378</u>	<u>\$ 40,057</u>	<u>\$ 991</u>	<u>\$ 88,162</u>
Three months ended March 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	\$ 814,428	\$ 3,175,888	\$ 1,558,194	\$ 538	\$ 5,549,048
Inter-segment revenue	<u>19,095</u>	<u>16,633</u>	<u>566</u>	<u>1,216</u>	<u>37,510</u>
Total segment revenue	<u>\$ 833,523</u>	<u>\$ 3,192,521</u>	<u>\$ 1,558,760</u>	<u>\$ 1,754</u>	<u>\$ 5,586,558</u>
Segment profit (loss)	<u>\$ 68,715</u>	<u>\$ 78,089</u>	<u>\$ 99,811</u>	<u>(\$ 761)</u>	<u>\$ 245,854</u>
Segment profit including: Depreciation and amortisation	<u>\$ 3,030</u>	<u>\$ 15,177</u>	<u>\$ 14,453</u>	<u>\$ 881</u>	<u>\$ 33,541</u>

(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 three months ended March 31, 2019 and 2018 is provided as follows:

	Three months ended March 31,	
	2019	2018
Reportable segments income	\$ 152,010	\$ 246,615
Other reportable segments loss	(1,110)	(761)
Total segments	150,900	245,854
Other gains and losses	72,399	13,694
Finance costs	(23,077)	(15,840)
Income before tax from continuing operations	<u>\$ 200,222</u>	<u>\$ 243,708</u>

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Loans to others

For the three months ended March 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 three months ended March 31, 2019 (Note 3)	Balance at March 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	\$ 50,000	\$ -	4.616	Short-term financing	\$ -	Operations	\$ -	None	-	\$ 2,338,598	\$ 2,338,598	Note 7
1	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	Other receivables	Y	54,959	41,219	41,219	4.785-5.0025	Short-term financing	-	Operations	-	None	-	172,199	344,399	Note 7
1	MIC-Tech Electronics Engineering Corp.	Fuzhou Jiwei System Integrated Co., Ltd.	Other receivables	Y	3,206	1,832	1,832	5.0025	Short-term financing	-	Operations	-	None	-	344,399	344,399	Note 7
1	MIC-Tech Electronics Engineering Corp.	MIC-Tech (WuXi) Co., Ltd.	Other receivables	Y	64,119	64,119	64,119	5.0025	Short-term financing	-	Operations	-	None	-	344,399	344,399	Note 7
2	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co., Ltd.	Other receivables	Y	32,220	32,059	32,059	4.785	Short-term financing	-	Operations	-	None	-	304,649	304,649	Note 7
3	Marketech Integrated Manufacturing Co., Ltd.	Marketech Integrated Construction Co., Ltd.	Other receivables	Y	6,164	6,164	6,164	5.000	Short-term financing	-	Operations	-	None	-	144,202	288,405	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 three-month period ended March 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 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.

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 three months ended March 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 March 31, 2019 (Note 6)	Outstanding endorsement/ guarantee amount at March 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	\$ 2,923,248	\$ 10,435	\$ 10,269	\$ 10,056	-	0.18%	\$ 5,846,495	Y	N	N	Note 4
0	Marketech International Corp.	eZoom Information, Inc.	2	2,923,248	120,000	120,000	12,003	-	2.05%	5,846,495	Y	N	N	Note 4
0	Marketech International Corp.	Marketech International Sdn. Bhd.	2	2,923,248	245,720	123,280	14,003	-	2.11%	5,846,495	Y	N	N	Note 4
0	Marketech International Corp.	MIC-Tech (WuXi) Co., Ltd.	2	2,923,248	305,118	305,118	289,708	-	5.22%	5,846,495	Y	N	Y	Note 4
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	2	2,923,248	1,096,052	1,003,213	231,866	-	17.16%	5,846,495	Y	N	Y	Note 4
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	2	2,923,248	1,521,799	1,428,648	736,991	-	24.44%	5,846,495	Y	N	Y	Note 4
0	Marketech International Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	2	2,923,248	201,708	199,039	81,636	-	3.40%	5,846,495	Y	N	Y	Note 4
0	Marketech International Corp.	Special Triumph Sdn. Bhd.	5	2,923,248	12,741	12,722	12,722	-	0.22%	5,846,495	N	N	N	Note 4
1	Marketech Co., Ltd.	MIC-Tech Viet Nam Co., Ltd.	4	93,490	7,804	7,804	7,804	-	83.47%	93,490	N	N	N	Note 4
2	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	5	1,291,494	71,915	71,556	71,556	-	16.62%	2,152,490	N	N	Y	Note 4
2	MIC-Tech Electronics Engineering Corp.	MIC-Tech (Shanghai) Corp.	4	1,291,494	110,420	109,870	109,870	-	25.52%	2,152,490	N	N	Y	Note 4
3	MIC-Tech (Shanghai) Corp.	MIC-Tech Electronics Engineering Corp.	4	1,142,433	634,511	631,348	631,348	-	165.79%	1,904,055	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 Lending 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 nine months-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 three months ended March 31, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

As of December 31, 2018										
Securities held by	Type of marketable securities	Name of marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	Book value		Ownership (%)	Fair value	Collateral	Footnote
					Number of shares	(Note 2)				
Marketech International Corp.	Ordinary shares	Lasertec Corporation	None	Financial assets measured at fair value through profit or loss - current	20,000	\$ 25,743	-	\$ 25,743	None	
"	"	Solar Applied Materials Technology Corp.	"	"	44,078	820	-	820	"	
"	"	Aerospace Industrial Development Corp.	"	"	25,925	842	-	842	"	
"	"	Calitech Co., Ltd.	"	"	182,199	6,286	0.58%	6,286	"	
						<u>\$ 33,691</u>		<u>\$ 33,691</u>		
"	Ordinary shares	Taiwan Colour & Imaging Technology Corp.	None	Financial assets measured at fair value through profit or loss - non-current	1,700,000	\$ 1,671	13.03%	\$ 1,671	None	
"	"	Highlight Tech Corp.	"	"	453,000	12,231	0.46%	12,231	"	
"	"	Ennoconn Corporation	The ultimate parent company	"	10,624	2,826	0.01%	2,826	"	
"	"	WINGS GLOBAL TECHNOLOGY INC.	None	"	750,000	15,000	18.75%	15,000	"	
"	"	Promos Technologies, Inc.	"	"	250,331	-	0.56%	-	"	
"	"	Taiwan Puritic Corp.	"	"	6,191,181	174,456	10.32%	174,456	"	
"	"	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	27,620	1.58%	27,620	"	
"	"	H&D Venture Capital Investment Corp.	Entities controlled by key management or entities with significant influence	"	499,200	4,992	6.67%	4,992	"	
"	"	Civil Tech Pte. Ltd.	None	"	336,374	11,844	0.58%	11,844	"	
"	"	ProbeLeader Co., Ltd.	Entities controlled by key management or entities with significant influence	"	966,000	7,429	3.46%	7,429	"	
"	"	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	4,798	2.24%	4,798	"	
"	"	Long Time Technology Corp.	"	"	346,000	7,274	0.29%	7,274	"	
"	"	Paradigm Venture Capital Corp.	"	"	90,187	902	3.50%	902	"	
"	"	Taiwan Special Chemicals Corp.	"	"	4,401,333	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	10.00%	10,000	"	
"	"	Radisen Co. Ltd	"	"	87,803	7,250	19.41%	7,250	"	
"	"	Foresight Energy Technologies Co., Ltd.	"	"	1,350,000	6,887	4.50%	6,887	"	
"	"	Sum Capital Healthcare Investment Corp. (BE Healthcare Investment Co., Ltd.)	Entities controlled by key management or entities with significant influence	"	943,050	9,431	7.44%	9,431	"	
"	"	Intellicares co., Ltd	"	"	200,000	337	19.99%	337	"	
"	"	Forward Science Corp.	"	"	2,000,000	20,000	10.00%	20,000	"	
"	Convertible bonds	HALLYS CORPORATION	None	"	-	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	Vertax Growth (SG) LP	"	"	-	1,629	-	1,629	"	
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>\$ 468,722</u>		<u>\$ 468,722</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 three months ended March 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)		
Shanghai Maohua Electronics Engineering Co., Ltd.	Shenzhen Hyper Power Information Technology Co., Ltd.	Other related parties	Sales (Note 2)	\$ 126,034	58.02%	Note 1	\$ -	-	\$ -	-		

Note 1: Repaid in installment based on the contract.

Note 2: Revenue arising from contracting constructions recognised based on the percentage of completion method for the three months ended March 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
 Significant inter-company transactions during the reporting period
 For the three months ended March 31, 2019

Table 5

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 contract revenue	\$ 6,790	Sales revenue: Prices and terms of sales of goods to related parties are approximately the same to third parties. A certain percentage of profit is negotiated for sale of services with related parties. Construction revenue: The price of construction charges to related parties and third parties are based on normal construction contracts or individual agreements. Furthermore, the collection terms to related parties are approximately the same to third parties, which is about 2 to 3 months after inspection of constructions depending on the construction contracts or individual agreements.	0.12%
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	1	Non-operating revenue	5,280		0.09%
0	Marketech International Corp.	eZoom Information, Inc.	1	Construction contract revenue	6,563		0.11%
1	eZoom Information, Inc.	Marketech International Corp.	2	Services contract revenue	5,708		0.10%
2	MIC-Tech Global Corp.	Marketech International Corp.	2	Sales contract revenue	5,923		0.10%
2	MIC-Tech Global Corp.	Marketech International Corp.	2	Accounts receivable	9,592		0.05%
3	MIC-Tech Electronics Engineering Corp.	Marketech International Corp.	2	Accounts payable	5,264		0.03%
3	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	3	Other receivables	41,219		0.21%
3	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	3	Accounts payable	51,529		0.27%
3	MIC-Tech Electronics Engineering Corp.	MIC-Tech (WuXi) Co., Ltd.	3	Other receivables	64,119		0.33%
4	Shanghai Maohua Electronics Engineering Co., Ltd.	MIC-Tech Electronics Engineering Corp.	3	Construction contract revenue	15,414		0.27%
5	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co. Ltd.	3	Other receivables	32,059		0.17%
6	Marketech Integrated Manufacturing Company Limited	Marketech Integrated Construction Co., Ltd.	3	Other receivables	5,839		0.03%

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

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

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

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

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

Note 4: Individual amounts less than \$5,000 are not disclosed.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Information on investees

For the three months ended March 31, 2019

Table 6

 Expressed in thousands of NTD
 (Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount (Note 2)		Shares held as at March 31, 2019			Net profit (loss) of the investee for the three months ended March 31, 2019	Investment income (loss) recognised by the Company for the three months ended March 31, 2019 (Note 1)	Footnote
				Balance as at March 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	\$ 8,698	(\$ 6,582)	(\$ 6,582)	The Company's subsidiary
Marketech International Corp.	Market Go Profits Ltd.	Virgin Islands	Investment holding and reinvestment	1,282,562	1,282,562	39,569,104	100	1,136,488	44,974	44,974	The Company's subsidiary
Marketech International Corp.	MIC-Tech Global Corp.	South Korea	International trade	19,147	19,147	131,560	100	4,908	(1,618)	(1,618)	The Company's subsidiary
Marketech International Corp.	Headquarter International Ltd.	Virgin Islands	Investment holding and reinvestment	42,475	42,475	1,289,367	100	38,861	(136)	(136)	The Company's subsidiary
Marketech International Corp.	Tiger United Finance Ltd.	Virgin Islands	Investment holding and reinvestment	46,475	46,475	1,410,367	100	37,920	(23)	(23)	The Company's subsidiary
Marketech International Corp.	Marketech Engineering Pte. Ltd.	Singapore	Contracting for electrical installing construction	10,129	10,129	421,087	100	8,537	(7,014)	(7,014)	The Company's subsidiary
Marketech International Corp.	Marketech Integrated Manufacturing Company Limited	Myanmar	Design, manufacturing, installation of automatic production equipment and its parts	438,298	438,298	1,400,000	100	360,506	(3,465)	(3,465)	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	27,938	147	147	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	9,349	(1,831)	(1,831)	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	140,484	(12,463)	(12,463)	The Company's subsidiary
Marketech International Corp.	Marketech International Sdn.Bhd.	Malaysia	Specialized contracting and related repair services	89,054	87,070	12,242,750	100	67,291	176	176	The Company's subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount (Note 2)		Shares held as at March 31, 2019			Net profit (loss) of the investee for the three months ended March 31, 2019	Investment income (loss) recognised by the Company for the three months ended March 31, 2019 (Note 1)	Footnote
				Balance as at March 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	30.30	\$ 11,027	(\$ 6,626)	(\$ 2,008)	The Company's subsidiary
Marketech International Corp.	PT Marketech International Indonesia	Indonesia	Trading business of machine equipment and parts	38,042	38,042	1,199,000	99.92	36,784	(755)	(755)	The Company's subsidiary
Marketech International Corp.	Marketech Netherlands B.V	Netherlands	International trade business of machine and components and technical service	10,671	10,671	300,000	100	4,737	(1,513)	(1,513)	The Company's subsidiary
Marketech International Corp.	Glory Technology Service Inc..	Taiwan	Sale and installation of information and communication equipment	42,714	42,713	5,510,305	29.24	62,412	4,020	1,176	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	1,838	(18)	(4)	The Company's investee accounted for using equity method
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	Cayman Islands	Investment holding and reinvestment	1,277,065	1,277,065	39,466,604	100	1,134,755	44,975	-	The investor's subsidiary
Marketech Engineering Pte Ltd.	Marketech Integrated Construction Co., Ltd.	Myanmar	Contracting for electrical installing construction	8,569	8,569	28,500	95	8,166	(7,356)	-	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	(9,674)	928	-	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	5,353	(190)	-	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	64,540	1,132	-	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	(4,389)	1,283	-	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	31	(755)	-	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 March 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 three months ended March 31, 2019

Table 7

1. Basic information

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2019 (Note 3)		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2019 (Note 3)	Net income of investee for the three months ended March 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2019 (Note 2)	Book value of investments in Mainland China as of March 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of March 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; assembling of barbecue grill; wholesale, commission agency and import and export of the aforementioned products their components, textile, commodities, chemical products and cosmetics; lease of self-owned plants; design, manufacturing, sales and installation of automatic warehousing equipment and accessories, automatic logistics transporting equipment and accessories; R&D, sales and installation of supplementary engineering in logistics dispatch system	\$ 785,910	Note1(2)	\$ 631,810	\$ -	\$ -	\$ 631,810	\$ 17,026	100	\$ 17,170	\$ 53,792	\$ -	Note 2 (2)B
MIC-Tech (Shanghai) Corp.	Wholesale, commission agency, maintenance, repairment, manufacture, import and export of semiconductor production, inspection equipment and its consumables and boilers that generate electricity; storage and allocation of mainly chemical and boiler products; international and entrepot trade; trading and trading agency among enterprises in customs bonded area; consulting services in customs bonded area	253,988	Note1(2)	15,410	-	-	15,410	21,037	100	21,037	380,811	-	Note 2 (2)B
Fuzhou Jiwei System Integrated Co., Ltd.	Installation and complete services of clean room, mechanical system, street pipe system	9,246	Note1(2)	9,246	-	-	9,246	(242)	100	(242)	(1,283)	-	Note 2 (2)B
Shanghai Maohua Electronics Engineering Co.,Ltd.	Production of scrubber bins for semiconductor manufacturers, design, installation, debugging and technology services of tunnel system, equipment repair for semiconductor manufacturers, consulting service for electrical and medical equipment; wholesale, commissioned distribution (exclude auction), export, import and related services of electronic products, machinery equipment, chemical products (exclude dangerous articles), communication equipment, metal products, plastic products	18,492	Note1(2)	18,584	-	-	18,584	1,120	87	975	(11,971)	-	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	543,018	Note1(2)	262,586	-	-	262,586	2,654	100	2,654	430,498	-	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.	9,400	Note1(2)	1,510	-	-	1,510	(1)	49	(1)	60	-	Note 2 (2)B
ChenGao M&E Engineering (Shanghai) Co., Ltd.	Design of microelectronic products and display devices, consulting service for related technology and management	6,164	Note1(2)	6,164	-	-	6,164	(10)	100	(10)	(612)	-	Note 2 (2)B
Frontken-MIC (Wuxi) Co., Ltd.	Research of specialized cleaning equipment of semiconductor device and integrated circuit, cleaning of special components of semiconductor device, integrated circuit and micromodule and cleaning technology for semiconductors, assembling, installation and maintenance of cooling equipment; design, manufacture, sale and installation of automatic warehouse equipment and fittings, and automatic logistics transporting equipment and fittings; development, sale and installation of computer aided engineering; wholesale, commission, import and export of above products and parts	71,133	Note1(2)	28,453	-	-	28,453	(190)	100	(190)	5,333	-	Note 2 (2)B

Table 7-1

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2019 (Note 3)		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2019 (Note 3)	Net income of investee for the three months ended March 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2019 (Note 2)	Book value of investments in Mainland China as of March 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Integrated Manufacturing & Services Co., Ltd.	Development of special equipment for solar cell production, manufacture of optical engine, lighting source, projection screen, high definition projection cathode-ray tube and micro-display module, and production, cleaning and regeneration of new electrical device; sells the products that manufactured by itself; machinery equipment, research and development of production technology of utilities equipment, technology transfer, technology consulting, technology service; processing of metal salvage and junk (except for hazardous chemicals and hazardous waste); metallic material (except for steels and noble metal), ceramic product, paper products and wholesale, retail and import and export of hardware products.	\$ 215,740	Note1(2)	\$ 83,214	\$ 36,984	\$ -	\$ 120,198	\$ 1,132	60	\$ 679	\$ 63,753	\$ -	Note 2 (2)B
MIC-Tech China Trading (Shanghai) Co., Ltd.	Wholesale, commission agency and import and export of chemical products (except for hazardous chemicals, chemicals used in production of narcotic drugs and psychotropic substances and special chemicals), semiconductors, inspection equipment and its consumables, solar equipment consumables and boilers that generate electricity, International and entrepot trade, trading and trading agency among enterprises in customs bonded area, consulting service for trading, installation, repair, and maintenance of automation equipment, electronic equipment, and their parts	46,230	Note1(2)	46,230	-	-	46,230	(2,762)	100	(2,762)	16,204	-	Note 2 (2)B
Macrotec Technology (Shanghai) Co., Ltd.	Wholesale, commission agency, import and export and other complementary service of electrical products, food, textile, commodities, cosmetics, valve switch, instrumentation, metal products, electrical equipment, International and entrepot trade, trading and trading agency among enterprises in customs bonded area, simple commercial processing in customs bonded area, and consulting service for trading in customs bonded area	29,492	Note1(2)	9,269	-	-	9,269	1,283	31.43	403	(4,393)	-	Note 2 (2)C

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 three months ended March 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 March 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.	\$ 1,161,599	\$ 2,013,068	\$ 3,547,847

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 March 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 March 31, 2019, and accumulated amount of remittance from Taiwan to Mainland China registered at and approved by MOEA was US\$180 thousand.