

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

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Marketech International Corp.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2019, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,  
Marketech International Corp.  
Margaret Kao  
March 5, 2020

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

***Opinion***

We have audited the accompanying consolidated balance sheets of Marketech International Corp. and its subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

***Basis for opinion***

For the year ended December 31, 2019, we conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, the Financial Supervisory Commission (FSC) Jin-Guan-Zheng-Shen-Zi Order No. 1090360805 issued on February 25, 2020, and generally accepted auditing standards in the Republic of China (ROC GAAS). For the year ended December 31, 2018, we conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and ROC GAAS. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters on the consolidated financial statements for the year ended December 31, 2019 were as follows:



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

#### Description

Refer to Note 4(29) for accounting policy on construction contract revenue, Note 5(2) for the details of uncertainty of construction contract accounting estimation and assumptions, and Note 6(18) and 6(4) for description on construction contract revenue and construction contract cost.

The Group recognized revenue and profit by using the percentage of completion method. This method is also being used to calculate the cost for each contract at year-end. Management will re-evaluate the cost if the budget had increased or decreased, and depending on the cost after adjustment will recalculate the percentage of completion. The construction contract revenue may be affected by the appropriateness of determination of cost and estimated cost. Thus, we considered this as one of the key audit matters.

#### How our audit addressed the matter

We tailored the major audit scope as follows:

- A. Obtained an understanding of the management's control system and determined whether the contract had been created or significant change with respect to estimated cost.
- B. Obtained the newly added construction contract list for this fiscal year, and ensured that the total contract price is equal to the amount being used to calculate construction contract revenue. Ensured that any additional construction supplement can be traced back to supplementary contracts.
- C. Checked the construction costs incurred estimation sheets in the current period, and sampled the basis of estimation and subcontract amount, and ensured that it has been approved appropriately by the management.
- D. Checked the rationality of significant changes in estimation of construction cost, and sample tested whether the revised plan had been approved by the management.
- E. Obtained the billing details and selected samples of related vouchers by using statistical procedure to check the correctness of input cost in engineering reports and computation of percentage of completion.

## *Valuation of inventories*

### Description

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

The Group is primarily engaged in import and export trading business, which include integrated circuit, electronic equipment, and materials, components used on electronic equipment. Due to the rapid technological changes, the semiconductor equipment industry has become more and more competitive, and the product price frequently changes. Therefore, the Group is now exposed to risk on inventory valuation loss and slow-moving inventory. Inventories are stated at the lower of cost or net realizable value, and the specific identification method is used to estimate the allowance for inventory valuation loss on slow-moving inventories.

The base stock of inventories is based on assumptions of future demand and development plan. Due to the large quantity of inventories for sale, and since the amounts involved are significant, the determination of net realizable value for obsolete or slow-moving inventory involves subjective judgement resulting in high degree of estimation uncertainty. As a result of the high uncertainties in these estimates, we considered this as one of the key audit matters.

### How our audit addressed the matter

We tailored the major audit scope as follows:

- A. Assessed the policy on allowance for inventory valuation loss based on our understanding of the operations and industry of the Group.
- B. Tested whether the basis of market value used in calculating the net realizable value of inventory is consistent with the policy of the Group and validated selling prices of selected samples of respective inventory and their accuracy of net realizable value calculation.
- C. Acquired management's individually identified out-of-date inventory list, inspected the related supporting documents and proper recognition in the financial statements.



### *Valuation of loss allowance for accounts receivable*

#### Description

Refer to Note 4(8) for accounting policy on accounts receivable, Note 5(2) for accounting estimates and assumption uncertainty in relation to loss allowance of accounts receivable, and Note 6(3) for the details of accounts receivable.

The Group assesses the significant accounts receivable individually, and for those that are not significant, are assessed either individually or collectively. If there is no impairment after individual assessment, then the group of accounts receivable will be added for collective assessment. If the accounts receivable over a certain age is significant, the management will re-examine the collectability and assesses each case for possible impairment. Management uses professional judgement during the process, and accounting estimates have a high possibility of becoming inappropriate. The professional judgement may be affected by several factors, such as customer's financial status, internal credit rating, order history, and economic situation. Accordingly, obtaining the supporting documents which management used for judgement is important. Thus, we considered the assessment on loss allowance of accounts receivable as one of our key audit matters.

#### How our audit addressed the matter

We tailored the major audit scope as follows:

- A. Obtained an understanding of the process which management used to evaluate the collectibility of accounts receivable.
- B. Ensured that the classification of impairment in the group of accounts receivable is appropriate and in accordance with the Group's accounting policy.
- C. Checked the details of significant impairment recognized by the management against the supporting documents to verify appropriateness.
- D. Verified the subsequent collection details of significant accounts receivable.
- E. Obtained the details of significant accounts receivable which have not yet been collected at year end, and re-evaluated the appropriateness.



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***Other matter – Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Marketech International Corp. as at and for the years ended December 31, 2019 and 2018.

***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group’s financial reporting process.

***Auditor’s responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:



1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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





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

Chang, Shu-Chung

Weng, Shih-Jung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 5, 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		Equity attributable to owners of the parent										
		Capital Reserves			Retained Earnings			Other Equity Interest				
Notes		Share capital - ordinary shares	Share premium	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on available-for- sale financial assets	Total	Non-controlling interests	Total equity
<b>2018</b>												
		\$ 1,770,164	\$ 822,905	\$ 20,152	\$ 626,773	\$ 92,239	\$ 1,893,389	(\$ 103,658 )	\$ 23,013	\$ 5,144,977	(\$ 975 )	\$ 5,144,002
		-	-	-	-	-	19,315	-	( 23,013 )	( 3,698 )	205	( 3,493 )
		1,770,164	822,905	20,152	626,773	92,239	1,912,704	( 103,658 )	-	5,141,279	( 770 )	5,140,509
		-	-	-	-	-	792,582	-	-	792,582	( 10,418 )	782,164
		-	-	-	-	-	( 7,579 )	( 37,273 )	-	( 44,852 )	( 806 )	( 45,658 )
		-	-	-	-	-	785,003	( 37,273 )	-	747,730	( 11,224 )	736,506
	6(17)											
		-	-	-	65,295	-	( 65,295 )	-	-	-	-	-
		-	-	-	-	-	( 442,541 )	-	-	( 442,541 )	-	( 442,541 )
	6(14)(15)(16)	10,520	13,391	( 3,521 )	-	-	-	-	-	20,390	-	20,390
	6(16)											
		-	-	2,000	-	-	7,193	-	-	9,193	-	9,193
	6(15)(16)(25)	75,229	123,663	( 8,209 )	-	-	-	-	-	190,683	-	190,683
		-	-	-	-	-	-	-	-	-	82,563	82,563
		<u>\$ 1,855,913</u>	<u>\$ 959,959</u>	<u>\$ 10,422</u>	<u>\$ 692,068</u>	<u>\$ 92,239</u>	<u>\$ 2,197,064</u>	<u>(\$ 140,931 )</u>	<u>\$ -</u>	<u>\$ 5,666,734</u>	<u>\$ 70,569</u>	<u>\$ 5,737,303</u>
<b>2019</b>												
		\$ 1,855,913	\$ 959,959	\$ 10,422	\$ 692,068	\$ 92,239	\$ 2,197,064	(\$ 140,931 )	\$ -	\$ 5,666,734	\$ 70,569	\$ 5,737,303
		-	-	-	-	-	703,006	-	-	703,006	( 33,886 )	669,120
		-	-	-	-	-	( 8,625 )	( 29,316 )	-	( 37,941 )	( 914 )	( 38,855 )
		-	-	-	-	-	694,381	( 29,316 )	-	665,065	( 34,800 )	630,265
	6(17)											
		-	-	-	79,258	-	( 79,258 )	-	-	-	-	-
		-	-	-	-	-	( 556,774 )	-	-	( 556,774 )	-	( 556,774 )
	6(14)(15)(16)	7,625	9,229	( 3,767 )	-	-	-	-	-	13,087	-	13,087
	6(16)											
		-	-	42	-	-	-	-	-	42	-	42
	6(11)(15)(16)(25)	4,862	7,500	( 503 )	-	-	-	-	-	11,859	-	11,859
		-	-	-	-	-	-	-	-	-	2,186	2,186
		<u>\$ 1,868,400</u>	<u>\$ 976,688</u>	<u>\$ 6,194</u>	<u>\$ 771,326</u>	<u>\$ 92,239</u>	<u>\$ 2,255,413</u>	<u>(\$ 170,247 )</u>	<u>\$ -</u>	<u>\$ 5,800,013</u>	<u>\$ 37,955</u>	<u>\$ 5,837,968</u>

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

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

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

(Continued)

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

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

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



MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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

1. ORGANIZATION AND OPERATIONS

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 44.67% of the shares of the Company. The ultimate parent company of the Company is Ennoconn Corporation.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

The consolidated financial statements were reported to the Board of Directors on March 5, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, ‘Leases’

(a) IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard

requires lessees to recognize a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the ”Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Liabilities on cash-settled share-based payment arrangements measured at fair value.
  - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.
  - (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
  - (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All

amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. The subsidiaries included in the consolidated financial statements:

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

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2019	December 31, 2018	
Marketech International Corp.	Marketech Integrated Manufacturing Company Limited	Design, manufacturing, installation of automatic production equipment and its parts	100	100	-
Marketech International Corp.	Marketech International Sdn. Bhd.	Specialized contracting and related repair services	100	100	-
Marketech International Corp.	PT Marketech International Indonesia	Trading business of machine equipment and parts	99.92	99.92	-
Marketech International Corp.	Marketech Netherlands B.V.	International trade business of machine and components and technical service	100	100	-
Marketech International Corp.	ADAT Technology CO., LTD. (ADAT)	Research, development, application, and service of software; supply of electronic information and the buying and selling of equipment	29.41	30.30	Note 1
Marketech International Corp.	Marketech International Corporation USA	Specialized contracting and related repair services	100	-	-
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	Investment holdings and reinvestment	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	Rusky H.K. Limited	Investment holdings and reinvestment	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Investment holdings and reinvestment	60	60	-
MIC-Tech Ventures Asia Pacific Inc.	Frontken MIC Co., Limited	Investment holdings and reinvestment	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2019	December 31, 2018	
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech (WuXi) Co., Ltd.	Design, manufacturing, installation and maintenance of semiconductor device, crystal dedicated device, electronic component device, environment pollution preventing equipment; assembly of wrapping device and cooling equipment; producing, assembling and sale of LED illuminator and its component; wholesale, commission agency and import and export of the aforementioned products and their components, textile, commodities, chemical products and cosmetics; lease of self-owned plants; design, manufacturing, sales and installation of automatic warehousing equipment and accessories, automatic logistics transporting equipment and accessories; R&D, sales and installation of supplementary engineering in logistics dispatch system, manufacturing and sales of medical devices.	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2019	December 31, 2018	
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech (Shanghai) Corp.	Wholesale, commission agency, maintenance, repair, manufacture, import and export of semiconductor production, inspection equipment and its consumables and boilers that generate electricity; storage and allocation of mainly chemical and boiler products; international and entrepot trade; trading and trading agency among enterprises in customs bonded area; consulting services in customs bonded area	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech Electronics Engineering Corp.	Installation and construction of mechanical and electrical systems; construction of chemical and petroleum projects; construction of public municipal infrastructure projects; professional building renovation and decoration services; design and construction of smart buildings; construction of electronic projects and related technical services and consulting. Building equipment, building materials (excluding steel and cement), electronic products, chemical products (excluding hazardous products), metal products, electrical	100	100	-



Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2019	December 31, 2018	
		equipment, wholesale of communications equipment, commission-based agency (excluding auctions) and import-export business, and delivery of all related and supplementary services			
MIC-Tech Ventures Asia Pacific Inc.	Fuzhou Jiwei System Integrated Co., Ltd.	Installation and complete services of clean room, mechanical system, street pipe system	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	SKMIC (WUXI) Corp.	Design, installation and repair of semi-conductor and transistor facilities, electronic components facilities and pollution prevention equipment, as well as wholesale, commission agent and export/import business of products listed above, industrial cleaning, repair and maintenance	-	49	Note 1 and 2

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2019	December 31, 2018	
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech China Trading (Shanghai) Co., Ltd.	Wholesale, commission agency and import and export of chemical products, semiconductors, inspection equipment and its consumables, solar equipment consumables and boilers that generate electricity; international and entrepot trade, trading and trading agency among enterprises in customs bonded area; consulting service for trading; installation, repair, and maintenance of automation equipment, electronic equipment, and their parts	100	100	-
Rusky H.K. Limited	Shanghai Maohua Electronics Engineering Co., Ltd.	Production of scrubber bins for semiconductor manufacturers; design, installation, debugging and technology services of tunnel system; equipment repair for semiconductor manufacturers; consulting service for electrical and medical equipment wholesale, commissioned distribution, export, import and related services of electronic products, machinery equipment, chemical products, communication equipment, metal products, plastic products	87	87	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2019	December 31, 2018	
Rusky H.K. Limited	ChenGao M&E Engineering (Shanghai ) Co., Ltd.	Design of microelectronic products and display devices; consulting service for related technology and management	-	100	Note 3
Rusky H.K. Limited	PT Marketech International Indonesia	Trading business of machine equipment and parts	0.08	0.08	-
MICT International Limited	Integrated Manufacturing & Services Co., Ltd.	Development of special equipment for solar cell production, manufacture of optical engine, lighting source, projection screen, high definition projection cathode-ray tube and micro-display module, and production, cleaning and regeneration of new electrical device; sells the products that manufactured by itself; machinery equipment, research and development, transfer, consulting and service of semiconductor-related technology; processing of metal salvage and junk (except for hazardous chemicals and hazardous waste); metallic material (except for steels and noble metal), ceramic product, paper products and wholesale, retail and import and export of hardware products	60	60	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2019	December 31, 2018	
Frontken MIC Co., Limited	Frontken-MIC (Wuxi) Co., Ltd.	Research of specialized cleaning equipment of semiconductor device and integrated circuit, cleaning of special components of semiconductor device, integrated circuit and micromodule and cleaning technology for semiconductor	100	100	-
Marketech Engineering Pte. Ltd.	Marketech Integrated Construction Co., Ltd.	Specialized contracting for electrical installation construction	97.69	95	-

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

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

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

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: As of December 31, 2019 and 2018, the non-controlling interests amounted to \$37,955 and \$70,569, respectively.

#### (4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars (NTD), which is the Company's functional and the Group's presentation currency.

##### A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) Foreign exchange gains and loss based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

#### B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

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

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

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

(6) Cash and cash equivalents

A. Cash and cash equivalents include petty cash, bank deposits and other short-term and highly liquid investments in the statements of cash flows.

B. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Group recognizes the dividend income when the right to receive payment is established, future

economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

At each reporting date, for accounts receivable, contract assets and financial guarantee contracts that have a significant financing component, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Inventories

The perpetual inventory system is adopted for inventory recognition. Cost is the basis for recognition and is determined using the weighted-average method. Costs include acquisition, manufacturing or processing costs to make inventories available for sale or use. These exclude borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value for the measure of the ending inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity are not recognized in profit or loss or other comprehensive

income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss



during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	2 ~ 55 years
Machinery and equipment	3 ~ 15 years
Other equipment	2 ~ 10 years

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

Effective 2019

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

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

(15) Leases (leasee)

Effective 2018

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(16) Intangible assets

A. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 10 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Other intangible assets

Other intangible assets are technology royalties which are stated at cost and amortized on a straight-line basis over the contract duration.

(17) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. Goodwill is evaluated annually and is recorded as cost less impairment loss. Impairment loss of goodwill shall not be reversed.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Convertible bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus - stock options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. Call options and put options embedded in convertible corporate bonds are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. Bonds payable of convertible corporate bonds is initially recognized at fair value and subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.
- C. Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognized in 'capital surplus – stock options' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable - net' as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus - stock options.

(21) Derecognition of financial liabilities

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

(22) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation on each balance sheet date.

(23) Non-hedging and embedded derivatives

Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For defined contribution plan, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognized immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related

deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(27) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

A. Sales of goods or products

- (a) The Group manufactures and sells a range of various integrated circuits, semiconductors, electrical and computer equipment and materials, chemicals, gas, components. Sales are recognized when control of the products has transferred, being when the products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales revenue from products is recognized based on the contract price, and the amount is limited to the part that is highly possible of not incurring a significant reversal. The sales are usually made with a credit term of 30 days, which is consistent with the market practice. As the time interval between the transfer of committed goods or services and the payment of

customers may possibly exceed one year, the Group does not adjust the transaction price to reflect the time value of money. However, the individual financial components of contracts are not significant.

- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Construction contract

- (a) The Group is engaged in factory affair and mechatronic system including clean room, automatic supply system of (specialty) gas and chemicals, monitor system, turn-key and hook-up project services. Construction contract revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs spent relative to the total expected costs. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.
- (b) The Group's estimate of revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management becomes aware of the changes in circumstances.

(30) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the

acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognized and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Construction contract

The Group recognizes contract revenue and profit based on management's evaluation to contract profit and percentage of completion. Management assesses and adjusts the contract profit and cost during execution of the contract. The actual result of the total profit and cost may be higher or lower than the estimation, and the effect is recognized in revenue and profit.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

C. Loss assessment of accounts receivable

During the process of assessing the loss allowance of receivables, the Group uses judgement in evaluating the collectability of receivables. The collectability assessment is affected by various factors: customers' financial conditions, historical transaction records, current economic conditions, etc. If the collectability of those accounts is in doubt, the Group is required to



individually assess the possibility of recovery and make appropriate allowances for the amount. Since the evaluation of allowance is based on the status as of balance sheet date for reasonable expectations of future events, the actual results may be different than the estimation. Therefore, it may have significant changes.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

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

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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

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

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

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

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

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

(3) Notes and accounts receivable

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

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

A. The ageing analysis of notes and accounts receivable (including related parties) that were past due but not impaired is as follows:

(a) Notes receivable

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

(b) Accounts receivable

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

The above ageing analysis was based on past due date.

B. As of December 31, 2019, and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$157,693 and \$95,991, respectively. As of December 31, 2019, and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was \$5,035,212, and \$4,260,670, respectively.

C. The Group does not hold any collateral as security.

D. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	\$ 542,663	(\$ 34,709)	\$ 507,954
Merchandise inventory	569,064	( 14,971)	554,093
Raw materials	750,329	( 33,630)	716,699
Supplies	40,437	( 2,694)	37,743
Work in process	1,145,266	( 14,894)	1,130,372
Semi-finished goods and finished goods	196,272	( 29,062)	167,210
Total	<u>\$ 3,244,031</u>	<u>(\$ 129,960)</u>	<u>\$ 3,114,071</u>
	December 31, 2018		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	\$ 538,814	(\$ 27,922)	\$ 510,892
Merchandise inventory	617,983	( 85,195)	532,788
Raw materials	908,155	( 29,328)	878,827
Supplies	42,119	( 2,866)	39,253
Work in process	1,478,925	( 22,960)	1,455,965
Semi-finished goods and finished goods	417,758	( 34,669)	383,089
Total	<u>\$ 4,003,754</u>	<u>(\$ 202,940)</u>	<u>\$ 3,800,814</u>

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

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

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

B. The Group has no inventories pledged to others.

(5) Prepayments

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

(6) Investments accounted for using equity method

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

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

B. Associates

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

	Years ended December 31,	
	2019	2018
Profit (loss) for the year from continuing operations	\$ 16,453	(\$ 14,610)
Other comprehensive (loss) income - net of tax	( 1,709)	605
Total comprehensive income (loss)	<u>\$ 14,744</u>	<u>(\$ 14,005)</u>

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

(7) Property, plant and equipment

	2019					
	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1</u>						
Cost	\$ 205,438	\$ 2,389,961	\$ 636,198	\$ 227,223	\$ 326,017	\$ 3,784,837
Accumulated depreciation	-	( 913,855)	( 474,127)	( 148,881)	( 16,041)	( 1,552,904)
Book value	<u>\$ 205,438</u>	<u>\$ 1,476,106</u>	<u>\$ 162,071</u>	<u>\$ 78,342</u>	<u>\$ 309,976</u>	<u>\$ 2,231,933</u>
<u>Year ended December 31, 2019</u>						
Opening net book amount	\$ 205,438	\$ 1,476,106	\$ 162,071	\$ 78,342	\$ 309,976	\$ 2,231,933
Additions	-	65,622	50,445	25,370	57,222	198,659
Transfers (Note)	-	347,172	777	3,579	( 356,412)	( 4,884)
Disposals	( 21,896)	( 1,190)	( 12,947)	( 1,540)	( 158)	( 37,731)
Depreciation	-	( 109,457)	( 36,255)	( 29,918)	( 2,573)	( 178,203)
Net exchange differences	-	( 4,089)	( 1,102)	( 458)	7,550	1,901
Closing net book amount	<u>\$ 183,542</u>	<u>\$ 1,774,164</u>	<u>\$ 162,989</u>	<u>\$ 75,375</u>	<u>\$ 15,605</u>	<u>\$ 2,211,675</u>
<u>At December 31, 2019</u>						
Cost	\$ 183,542	\$ 2,789,288	\$ 623,216	\$ 240,160	\$ 31,075	\$ 3,867,281
Accumulated depreciation	-	( 1,015,124)	( 460,227)	( 164,785)	( 15,470)	( 1,655,606)
Book value	<u>\$ 183,542</u>	<u>\$ 1,774,164</u>	<u>\$ 162,989</u>	<u>\$ 75,375</u>	<u>\$ 15,605</u>	<u>\$ 2,211,675</u>

	2018					
	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1</u>						
Cost	\$ 205,438	\$ 1,961,031	\$ 598,400	\$ 207,804	\$ 364,423	\$ 3,337,096
Accumulated depreciation	-	( 855,248)	( 463,220)	( 139,742)	( 14,609)	( 1,472,819)
Book value	<u>\$ 205,438</u>	<u>\$ 1,105,783</u>	<u>\$ 135,180</u>	<u>\$ 68,062</u>	<u>\$ 349,814</u>	<u>\$ 1,864,277</u>
<u>Year ended December 31, 2018</u>						
Opening net book amount	\$ 205,438	\$ 1,105,783	\$ 135,180	\$ 68,062	\$ 349,814	\$ 1,864,277
Additions	-	11,293	55,423	34,476	417,176	518,368
Transfers (Note)	-	421,461	5,932	2,797	( 432,292)	( 2,102)
Disposals	-	( 406)	( 2,608)	( 1,062)	( 4,798)	( 8,874)
Depreciation	-	( 60,962)	( 31,053)	( 25,741)	( 2,276)	( 120,032)
Net exchange differences	-	( 1,063)	( 803)	( 190)	( 17,648)	( 19,704)
Closing net book amount	<u>\$ 205,438</u>	<u>\$ 1,476,106</u>	<u>\$ 162,071</u>	<u>\$ 78,342</u>	<u>\$ 309,976</u>	<u>\$ 2,231,933</u>
<u>At December 31, 2018</u>						
Cost	\$ 205,438	\$ 2,389,961	\$ 636,198	\$ 227,223	\$ 326,017	\$ 3,784,837
Accumulated depreciation	-	( 913,855)	( 474,127)	( 148,881)	( 16,041)	( 1,552,904)
Book value	<u>\$ 205,438</u>	<u>\$ 1,476,106</u>	<u>\$ 162,071</u>	<u>\$ 78,342</u>	<u>\$ 309,976</u>	<u>\$ 2,231,933</u>

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

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

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

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

(8) Leasing arrangements — lessee

Effective 2019

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

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

D. For the year ended December 31, 2019, the additions to right-of-use assets was \$94,641.

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

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

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

G. Extension options

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



(9) Short-term borrowings

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

Details of mortgage loan are provided in Note 8.

(10) Other payables

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

(11) Bonds payable

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

A. The Company issued the 3rd domestic unsecured convertible bonds, as approved by the regulatory authority on August 1, 2016. The terms and conditions are as follows:

- (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 year ended December 31, 2019, the convertible corporate bonds with par value totaling \$11,900 have been converted into 486 thousand ordinary shares, generating capital surplus of \$7,500 and resulting in a decrease in 'capital surplus - stock options' by \$503.

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

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$21,136 were separated from the liability component and were recognized in 'capital surplus - stock options' in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognized in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation is 1.788%.

(12) Long-term borrowings

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

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

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

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

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

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2018			
Balance at January 1	(\$ 272,010)	\$ 117,996	(\$ 154,014)
Current service cost	( 1,279)	-	( 1,279)
Interest (expense) income	( 3,381)	1,494	( 1,887)
	<u>( 276,670)</u>	<u>119,490</u>	<u>( 157,180)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,234	3,234
Change in demographic assumptions	( 2,201)	-	( 2,201)
Change in financial assumptions	( 8,629)	-	( 8,629)
Experience adjustments	( 2,842)	-	( 2,842)
	<u>( 13,672)</u>	<u>3,234</u>	<u>( 10,438)</u>
Pension fund contribution	-	5,661	5,661
Balance at December 31	<u>(\$ 290,342)</u>	<u>\$ 128,385</u>	<u>(\$ 161,957)</u>

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

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

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

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

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2020 amount to \$6,151.

(g) As of December 31, 2019, the weighted average duration of the defined benefit retirement plan is 11 years.

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

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

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

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

(14) Share-based payment

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

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

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

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

(a)The Company

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

(b)Subsidiary-ADAT

	Years ended December 31,			
	2019		2018	
	No. of options	Weighted- average exercise price (in dollars)	No. of options	Weighted- average exercise price (in dollars)
Options outstanding at beginning of the year	-	\$ -	-	\$ -
Options granted	750	10.00	-	-
Options exercised	(201)	10.00	-	-
Options outstanding at end of the year	<u>549</u>	10.00	<u>-</u>	-
Options exercisable at end of the year	<u>24</u>		<u>-</u>	
Options approved but not yet issued at end of the year	<u>204</u>		<u>-</u>	



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

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

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

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

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

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

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

(15) Share capital

A. As of December 31, 2019, the Company's authorized capital was \$2,500,000, consisting of 250 million shares of ordinary stock (including 9,800 thousand shares reserved for employee stock options), and the paid-in capital was \$1,868,400 with a par value of \$10 (in dollars) per share amounting to 186,839,950 shares. All proceeds from shares issued have been collected.

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

	Years ended December 31,	
	2019	2018
At January 1	185,591,264	177,016,429
Conversion of convertible bonds	486,186	7,522,835
Exercise of employee stock options	762,500	1,052,000
At December 31	<u>186,839,950</u>	<u>185,591,264</u>

(16) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

Details of movements in capital surplus are as follows:

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

	2018				
	Share premium	Employee stock options	Stock options	Others	Total
At January 1	\$ 822,905	\$ 11,089	\$ 8,712	\$ 351	\$ 843,057
Exercise of employee stock options	13,391	( 6,101)	-	-	7,290
Compensation cost of employee stock options	-	2,580	-	-	2,580
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	2,000	2,000
Conversion of convertible bonds	123,663	-	( 8,209)	-	115,454
At December 31	<u>\$ 959,959</u>	<u>\$ 7,568</u>	<u>\$ 503</u>	<u>\$ 2,351</u>	<u>\$ 970,381</u>

(17) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve. The remaining amount along with the prior years' unappropriated earnings are resolved by the Board of Directors and proposed to the stockholders for appropriation or reserve.
- B. The Company's dividend policy is summarized below: in consideration of the overall environment development and industrial growth, fulfilling future operation development needs as priority and optimizing financial structure, distribution of stock dividends shall not exceed 50% of the dividend distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Financial-Supervisory-Securities-Firms No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. (a) Details of 2018 and 2017 earnings appropriation resolved by the shareholders on May 30, 2019 and May 30, 2018, respectively are as follows:

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

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

Information about the earnings distribution of 2018 and 2017 as approved by the Board of Directors and resolved by the shareholders will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

- (b) Details of 2019 earnings appropriation proposed by the Board of Directors on March 5, 2020 are as follows:

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

Information about the earnings appropriation for 2019 by the Company as approved by the Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

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

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

(18) Operating revenue

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

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

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

B. Contract assets and liabilities

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

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

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

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

(c) All contracts of the Group are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction prices allocated to these unsatisfied contracts are not disclosed.

(19) Other income

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

(20) Other gains and losses

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

(21) Employee benefit expense, depreciation and amortisation

A. Employee benefit expense, depreciation and amortisation

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

	Year ended December 31, 2018		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 680,255	\$ 876,893	\$ 1,557,148
Compensation cost of employee stock options	-	2,580	2,580
Labour and health insurance fees	67,800	65,315	133,115
Pension costs	51,598	50,124	101,722
Other employee benefit expense	21,734	24,877	46,611
Depreciation	74,016	46,016	120,032
Amortisation	8,289	8,865	17,154

B. Employees' compensation and directors' remuneration

(a) According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall not be higher than 3% for directors' remuneration and shall be 1~15% for employees' compensation. If the company has accumulated deficit, earnings should be reserved to cover losses.

(b) For the years ended December 31, 2019 and 2018, employees' compensation and directors' remuneration are accrued as follows:

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

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

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

Employees' compensation and directors' remuneration for 2018 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2018 financial statements. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax		
Current tax on profits for the year	\$ 213,649	\$ 215,736
Tax on undistributed surplus earnings	3,914	6,790
Land Value Increment Tax	328	-
Adjustments in respect of prior year	( 20,916)	4,600
Total current tax	196,975	227,126
Deferred tax		
Origination and reversal of temporary differences	24,926	12,055
Impact of change in tax rate	-	( 20,506)
Income tax expense	<u>\$ 221,901</u>	<u>\$ 218,675</u>

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

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



B. Reconciliation between income tax expense and accounting profit

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

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

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

	2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Loss allowance	\$ 32,399	\$ 12,778	\$ -	\$ 45,177
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	18,020	11,980	-	30,000
Defined benefit obligation	26,182	3,350	2,859	32,391
Impairment loss on financial assets	7,097	1,252	-	8,349
Unused compensated absences payable	10,098	1,129	-	11,227
Unrealized loss on investments	24,015	( 23,300)	-	715
Unrealized construction loss	674	4,186	-	4,860
Unrealized exchange loss	2,089	( 2,089)	-	-
Exchange differences on translation	2,340	-	14,002	16,342
Subtotal	<u>122,914</u>	<u>9,286</u>	<u>16,861</u>	<u>149,061</u>
—Deferred tax liabilities:				
Temporary differences:				
Unrealized exchange gain	-	( 835)	-	( 835)
Subtotal	-	( 835)	-	( 835)
Total	<u>\$ 122,914</u>	<u>\$ 8,451</u>	<u>\$ 16,861</u>	<u>\$ 148,226</u>

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

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

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

(23) Earnings per share

	<u>Year ended December 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	\$ 703,006	186,085	<u>\$ 3.78</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	75	226	
Employee stock option	-	356	
Employees' compensation	-	<u>1,420</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 703,081</u>	<u>188,087</u>	<u>\$ 3.74</u>

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 792,582	180,063	\$ <u>4.40</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	1,799	5,191	
Employee stock option	-	855	
Employees' compensation	-	2,654	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>794,381</u>	<u>188,763</u>	\$ <u>4.21</u>

(24) Operating leases

Details are provided in Note 9(1).

(25) Supplemental cash flow information

Financing activities with no cash flow effects

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

(26) Changes in liabilities from financing activities

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

	2018			
	Lease liabilities	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ -	\$ 2,012,182	\$ 200,000	\$ 2,212,182
Changes in cash flow from financing activities	-	644,096	-	644,096
Impact of changes in foreign exchange rate	-	( 20,853)	-	( 20,853)
At December 31	<u>\$ -</u>	<u>\$ 2,635,425</u>	<u>\$ 200,000</u>	<u>\$ 2,835,425</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Parent company

The Company is controlled by Ennoconn International Investment Co., Ltd. (registered in the Republic of China), which owns 44.67% of the shares of the Company. The remaining 55.33% of the shares of the Company are held by the general public. The ultimate parent company of the Company is Ennoconn Corporation (registered in the Republic of China).

### (2) Names of related parties and relationship

Names of related parties	Relationship with the Group
FIH Precision Componet (Beijing) Co., Ltd.	Other related party
Chung-Hsin Precision Machinery Co., Ltd.	"
Hon Hai Precision Industry Co., Ltd.	"
Chung-Hsin Electric & Machinery Mfg. Corp.	"
Hong Kong Ennpower Information Technology Co., Limited	"
MIC Techno Co., Ltd.	Associate
Glory Technology Service Inc.	"
Fortune International Corporation	"
Macrotec Technology Corp.	Entity controlled by key management or entity with significant influence
ProbeLeader Co., Ltd.	"
Forward Science Corp.	"
Shenzhen Hyper Power Information Technology Co., Ltd. (Note)	"
WT Microelectronics Co., Ltd.	"
Ennoconn Corporation	The ultimate parent company

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

(3) Significant related party transactions and balances

A. Sales of goods and services

(a) Sales of goods

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

Prices to related parties and third parties are based on normal sales transactions and sales are collected 2 to 3 months after the completion of transactions.

(b) Construction contract revenue

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

- i. Construction contract revenue from related parties and non-related parties are collected based on the general construction contract or general agreement. In addition, construction contracts entered into with related parties are based on the price lists in force and terms that would be available to third parties while collection for construction are about 2 to 3 months after inspection of construction depending on the construction contracts or individual agreements.
- ii. As of December 31, 2019 and 2018, contract price and priced contract of unfinished construction are as follows:

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

(c) Other contract revenue

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

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

B. Acquisition of goods and services

(a) Purchase of goods

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

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

(b) Construction contract costs

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

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



C. Receivables from related parties

Accounts receivable

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

The collection terms to related parties and third parties are about 2 to 3 months after the sales while terms for construction are about 2 to 3 months after inspection of construction depending on the construction contracts or individual agreements.

D. Payables to related parties

Notes payable

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

Accounts payable

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

The payment terms to related parties and third parties are about 2 to 3 months after inspection of purchases. The payment terms for outsourcing construction costs are about 2 months after inspection of construction, depending on normal construction contracts or individual agreements.

E. Property transactions

For the years ended December 31, 2019 and 2018, the Group has acquired computer equipment and related software from entities controlled by key management and the acquisition price was \$12,721 and \$20,111 (recorded as 'property, plant and equipment' and 'intangible assets'), respectively.

(4) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	<u>\$ 125,867</u>	<u>\$ 93,297</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>December 31, 2019</u>	<u>December 31, 2018</u>	
Restricted time deposits (recorded as 'other current assets')	\$ 46,677	\$ 1,584	Performance guarantee and other guarantee
Guarantee deposits paid (recorded as 'other current assets' and 'other non-current assets')	124,268	68,834	Bid bond, performance guarantee and warranty
Buildings and structures (recorded as 'property, plant and equipment')	13,821	14,384	Guarantee for bank's borrowing facility
	<u>\$ 184,766</u>	<u>\$ 84,802</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT  
COMMITMENTS

Commitments

(1) Operating lease agreements

Effective 2018

The Group leases buildings under non-cancellable operating lease agreements. The lease terms are under 10 years, and all these lease agreements are renewable at the end of the lease period. Rental is increased periodically to reflect market rental rates. The Group recognized rental costs and expenses of \$190,804 for these leases in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

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

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

10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For details of 2019 earnings appropriation proposed by the Board of Directors on March 5, 2020, refer to Note 6(17) E(b).

## 12. OTHERS

### (1) Capital management

The Group's main objective when managing capital is to maintain an optimal credit ranking and capital ratio to support the operation and to maximize stockholders' equity.

### (2) Financial instruments

#### A. Financial instruments by category

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

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

December 31, 2019

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

December 31, 2018

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 44,916	30.715	\$ 1,379,609	1%	\$ 13,796	\$ -
USD : RMB	15,905	6.8685	488,527	1%	4,885	-
EUR : NTD	12,789	35.2	450,183	1%	4,502	-
JPY : NTD	754,164	0.2782	209,808	1%	2,098	-
JPY : RMB	164,868	0.0622	45,866	1%	459	-
RMB : NTD	11,453	4.4719	51,214	1%	512	-
USD : IDR	1,183	14,420	36,337	1%	363	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 4,894	30.715	\$ 150,318	1%	\$ 1,503	\$ -
USD : RMB	27,124	6.8685	833,112	1%	8,331	-
JPY : NTD	285,633	0.2782	79,463	1%	795	-

iv. Please refer to the following table for the details of unrealized exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group.

Year ended December 31, 2019			
Exchange gain (loss)			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	29.98	(\$ 30,672)
EUR : USD	( 258)	0.8925	( 7,728)
USD : MNK	( 134,387)	1,480	( 2,728)
USD : RMB	( 519)	6.9642	( 2,233)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	29.98	\$ 3,516
Year ended December 31, 2018			
Exchange gain (loss)			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
EUR : NTD	\$ -	35.2	\$ 3,383
JPY : NTD	-	0.2782	2,116
EUR : USD	( 240)	0.8726	( 7,381)
USD : MMK	974	1,550	2,029
USD : IDR	1,262,742	14,420	2,690
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : RMB	(\$ 7,359)	6.8685	(\$ 32,909)

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and

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

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from bank borrowings with variable rates, which expose the Group to cash flow interest rate risk. For the years ended December 31, 2019 and 2018, the Group's borrowings at variable rate were mainly denominated in NTD, USD, SGD and RMB.
  - ii. The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
  - iii. If the borrowing interest rate of NTD, USD, SGD and RMB had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2019 and 2018 would have decreased/increased by \$25,987 and \$22,683, respectively. The main factor is that changes in interest expense result from floating rate borrowings.
- (b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
  - ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of excellence are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
  - iii. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments are past due over 30 days based on the terms, there is a significant increase in credit risk on that instrument since initial recognition.
  - iv. The Group considers the historical experience and industrial characteristics, whereby a default occurs when the sale and construction contract payments are past due over 1 to 2 years in line with credit risk management procedure.

- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group classifies customers' accounts receivable in accordance with customer types. The Group applies the simplified approach using the provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2019 and 2018, the Group has no written-off financial assets that are still under recourse procedures.
- viii. The Group used the forecastability of global boom information to adjust historical and timely information to assess the default possibility of notes and accounts receivable (including related parties). On December 31, 2019 and 2018, the provision matrix and loss rate methodology are as follows:
- (i) Accounts receivable in relation to construction

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

<u>December 31, 2018</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0%~0.1718%	\$ 1,776,124	\$ 565
Up to 90 days	0%~1.4256%	351,288	1,273
91 to 180 days	0%~1.6415%	98,900	1,242
181 to 365 days	0%~2.6826%	152,724	2,290
1 to 2 years	0%~47.3808%	96,777	7,798
Over 2 years	100%	129,458	129,458
Total		<u>\$ 2,605,271</u>	<u>\$ 142,626</u>



(ii) Accounts receivable in relation to sales

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

<u>December 31, 2018</u>	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0%~1.2138%	\$ 1,283,899	\$ 1,153
Up to 90 days	0%~5.8324%	154,025	2,339
91 to 180 days	0%~7.5017%	43,520	740
181 to 365 days	0%~24.8094%	31,381	1,351
Over 365 days	100%	74,326	74,326
Total		<u>\$ 1,587,151</u>	<u>\$ 79,909</u>

(iii) Based on historical experience, the Group applies individual assessment to evaluate expected credit loss of the high-credit risk customers. On December 31, 2019 and 2018, accounts receivable and loss allowance amounted to \$516,216 and \$490,992 and \$414,212 and \$393,053, respectively.

(iv) Due to the expected insignificant impairment, the Group applies individual assessment to evaluate expected credit loss of receivables due from construction warranties and notes receivable. On December 31, 2019 and 2018, notes and accounts receivable and loss allowance amounted to \$334,423 and \$91, \$288,926 and \$91, respectively.

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

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

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

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

(c) Liquidity risk

- i. The Group invests in financial assets measured at fair value through profit or loss in active markets, so it expects to sell the financial assets in markets with prices approximate to fair value. Financial assets at cost are not traded in active markets, thus, liquidity risk is expected. However, the Group's operating capital is sufficient to fulfill the Group's capital needs and it does not expect significant liquidity risk.
- ii. The Group has the following undrawn borrowing facilities:

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

- iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities.

Non-derivative financial liabilities

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

Non-derivative financial liabilities

<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 2,635,425	\$ -	\$ -	\$ -
Notes payable (including related parties)	1,044,159	-	-	-
Accounts payable (including related parties)	4,320,299	-	-	-
Other payables	588,941	-	-	-
Bonds payable (including current portion)	11,766	-	-	-
Long-term borrowings	-	200,000	-	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market and beneficiary certificates is included in Level 3.

B. Financial instruments not measured at fair value

Except for financial assets at fair value through profit or loss, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, restricted time deposits (recorded as other current assets), guarantee deposits paid (recorded as other current and non-current assets), short-term borrowings, notes payable (including related parties), accounts payable (including related parties), other payables, lease liability, bonds payable (including current portion), long-term borrowings and guarantee deposits received (recorded as other non-current liabilities) are approximate to their fair values.

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

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

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

(b) The methods and assumptions the Group used to measure fair value are as follows:

Instruments which use market quoted prices as their fair value (that is, Level 1) are using the closing prices of listed shares as market quoted prices based on characteristics of the instruments.

- D. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.
- E. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

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

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

- F. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.
- G. Investment strategies segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

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

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

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

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

- I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

		December 31, 2019			
		Recognized in profit or loss		Recognized in other comprehensive income	
Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets					
Equity instrument and beneficiary certificates	Stock price and fair value ± 10%	\$ 47,738	(\$ 47,738)	\$ -	\$ -

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

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries and associates): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

#### (2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

#### (3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

### 14. SEGMENT INFORMATION

#### (1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions.

The Group is divided into the following 4 segments:

- A. Agency for equipment materials segment: mainly engaged in semiconductor, optoelectronics and other high-tech industrial processing and trading, distribution, after-sale service and technical support of factory equipment and its materials, chemicals and parts.
- B. Process system and mechatronic system service segment: mainly contracting electrical, clean room, peripheral system facilities and process, engaged in lump sum contracts, providing integrated services consisting of planning, design, construction, supervision, installation, testing, operational consulting, maintenance and repair for gas, automatic supply system of chemicals, special gas and factory monitor system. Services for general industries such as petrochemical plant, conventional industry plant, mechatronic system for intelligent buildings.
- C. Customized equipment manufacturing segment: mainly engaged in research and development of customized automation equipment and process based on request of customers in semiconductor, optoelectronics and traditional industry.
- D. Other segments: mainly providing repair, cleaning and renewal services to customers' equipment and device in semiconductor, optoelectronics and traditional industry.

(2) Measurement of segment information

Management evaluates the performance of the operating segments based on their operational efficiency. The Group's Chief Operating Decision-Maker allocates resources and assesses performance of the operating segments based on the measurement and it is measured in a manner consistent with operating income in the consolidated statement of comprehensive income. There is no material change in the operating segments' accounting policies and accounting estimates and assumptions.

(3) Segment profit information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments for the years ended December 31, 2019 and 2018 is as follows:

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



	Year ended December 31, 2018				
	Sales and services for equipment materials segment	Facility system and mechanic & electric system service segment	Customized equipment manufacturing segment	Other segments	Total
Revenue from external customers	\$ 3,611,877	\$ 14,675,155	\$ 6,128,229	\$ 462	\$ 24,415,723
Inter-segment revenue	140,058	237,425	9,422	5,894	392,799
Total segment revenue	\$ 3,751,935	\$ 14,912,580	\$ 6,137,651	\$ 6,356	\$ 24,808,522
Segment profit (loss)	\$ 259,951	\$ 350,380	\$ 270,663	(\$ 5,241)	\$ 875,753
Segment profit including: Depreciation and amortisation	\$ 12,463	\$ 60,611	\$ 60,486	\$ 3,626	\$ 137,186

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

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

#### (4) Reconciliation for segment income (loss)

Sales and services between segments are carried out at arm's length. The revenue and financial information from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment income or loss to the income before tax from continuing operations for the years ended December 31, 2019 and 2018 is provided as follows:

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

(5) Information on products

Details of revenue is as follows:

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

(6) Geographical information

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

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

Note: Revenue is classified based on geographic location of customers and non-current assets are classified based on assets location.

(7) Major customer information

Information of customers whose revenue exceeds 10% of the total operating revenue for the years ended December 31, 2019 and 2018:

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

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2019

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2019 (Note 3)	Balance at December 31, 2019 (Note 8)	Actual amount drawn down	Interest rate (%)	Nature of loan (Note 4)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for bad debts	Collateral		Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 7)	Footnote
													Item	Value			
0	Marketech International Corp.	eZoom Information, Inc.	Other receivables	Y	\$ 50,000	\$ -	\$ -	-	Short-term financing	\$ -	Operations	\$ -	None	-	\$ 2,320,005	\$ 2,320,005	Note 7
0	Marketech International Corp.	Marketech Integrated Pte. Ltd.	Other receivables	Y	27,808	26,382	26,382	4.616	Short-term financing	-	Operations	-	None	-	2,320,005	2,320,005	Note 7
1	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	Other receivables	Y	54,959	38,744	38,744	4.785-5.0025	Short-term financing	-	Operations	-	None	-	203,302	406,605	Note 7
1	MIC-Tech Electronics Engineering Corp.	Fuzhou Jiwei System Integrated Co., Ltd.	Other receivables	Y	3,206	1,722	1,722	5.0025	Short-term financing	-	Operations	-	None	-	406,605	406,605	Note 7
1	MIC-Tech Electronics Engineering Corp.	MIC-Tech (WuXi) Co., Ltd.	Other receivables	Y	64,119	-	-	-	Short-term financing	-	Operations	-	None	-	406,605	406,605	Note 7
2	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co., Ltd.	Other receivables	Y	50,369	34,439	34,439	4.785-5.0025	Short-term financing	-	Operations	-	None	-	301,065	301,065	Note 7
3	Marketech Integrated Manufacturing Company Limited	Marketech Integrated Construction Co., Ltd.	Other receivables	Y	6,164	-	-	-	Short-term financing	-	Operations	-	None	-	150,099	300,198	Note 7
4	MIC-Tech Viet Nam Co., Ltd	Marketech Co., Ltd	Other receivables	Y	3,660	3,510	3,510	6.25	Short-term financing	-	Operations	-	None	-	22,074	22,074	Note 7

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables-related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2019

Note 4: The column of 'Nature of loan' shall fill in 'Business transaction' or 'Short-term financing'.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: Fill in limit on loans granted to a single party and ceiling on total loans granted as prescribed in the creditor company's "Procedures for Provision of Loans", and state each individual party to which the loans have been provided and the calculation for ceiling on total loans granted in the footnote.

The Company's ceiling on loans to others are as follows:

(1) Limit on the total loans to others provided by the Company is 40% of the net assets based on the Company's latest financial statements.

(2) Limit on the loans provided by the Company granted for a single party are as follows:

(2-1) Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.

(2-2) For short-term financing, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.

(3) Limit on the accumulated balance of loans to others provided by the foreign companies whose voting rights are 100% owned directly and indirectly by the Company is not under the limit stated on (1). However, it shall make the limit and period for the loans to others in each subsidiary's internal Companies. procedures based on Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies.

Limit on the loans from MIC-Tech Ventures Asia Pacific Inc.

(1) Limit on the accumulated balance of loans to others provided by MIC-Tech Ventures Asia Pacific Inc. is 80% of the net assets based on the latest financial statements of the lending companies

(2) Limit on the loans provided by MIC-Tech Ventures Asia Pacific Inc. granted for a single party are as follows:

(2-1) Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.

(2-2) For short-term financing between the Company and MIC-Tech Ventures Asia Pacific Inc. which the ultimate parent company holds 100% of the voting rights directly or indirectly, limit on loans granted for a single party is 80% of the net assets based on the latest financial statements of the lending companies.

(2-3) For short-term financing between MIC-Tech Ventures Asia Pacific Inc. and aforementioned associates, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.

Limit on the loans provided by the Company's mainland subsidiaries:

(1) Limit on the total loans to others provided by the Company's mainland subsidiaries is 80% of the net assets based on the latest financial statements of the lending companies.

(2) Limit on the loans provided by the Company's mainland subsidiaries granted for a single party are as follows:

(2-1) Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.

(2-2) For short-term financing between the Company's mainland subsidiary and the foreign companies which the ultimate parent company holds 100% of the voting rights directly or indirectly, limit on loans granted for a single party is 80% of the net assets based on the latest financial statements of the lending companies.

(2-3) For short-term financing between the Company's mainland subsidiaries and aforementioned associates, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.

Limit on the loans provided by the Company's Myanmar subsidiaries:

(1) Limit on the total loans to others provided by the Company's Myanmar subsidiaries is 80% of the net assets based on the latest financial statements of the lending companies.

(2) Limit on the loans provided by the Company's Myanmar subsidiaries granted for a single party are as follows:

(2-1) Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.

(2-2) For short-term financing between the Company's Myanmar subsidiary and the foreign companies which the ultimate parent company holds 100% of the voting rights directly or indirectly, limit on loans granted for a single party is 80% of the net assets based on the latest financial statements of the lending companies.

(2-3) For short-term financing between the Company's Myanmar subsidiaries and aforementioned associates, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.

Limit on the loans provided by the Company's Vietnam subsidiaries:

(1) Limit on the total loans to others provided by the Company's Vietnam subsidiaries is 80% of the net assets based on the latest financial statements of the lending companies.

(2) Limit on the loans provided by the Company's Vietnam subsidiaries granted for a single party are as follows:

(2-1) Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.

(2-2) For short-term financing between the Company's Vietnam subsidiary and the foreign companies which the ultimate parent company holds 100% of the voting rights directly or indirectly, limit on loans granted for a single party is 80% of the net assets based on the latest financial statements of the lending companies.

(2-3) For short-term financing between the Company's Vietnam subsidiaries and aforementioned associates, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.

Note 8: The amounts of funds to be loaned to others which have been approved by the board of directors of a public company in accordance with Article 14, Item 1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" should be included in its published balance of loans to others at the end of the reporting period to reveal the risk of loaning the public company bears, even though they have not yet been appropriated. However, this balance should exclude the loans repaid when repayments are done subsequently to reflect the risk adjustment. In addition, if the board of directors of a public company has authorized the chairman to loan funds in instalments or in revolving within certain lines and within one year in accordance with Article 14, Item 2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the published balance of loans to others at the end of the reporting period should also include these lines of loaning approved by the board of directors, and these lines of loaning should not be excluded from this balance even though the loans are repaid subsequently, for taking into consideration they could be loaned again thereafter.

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

Table 2

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 5)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 6)	Outstanding endorsement/ guarantee amount at December 31, 2019	Actual amount drawn down (Note 7)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 4)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 8)	Provision of endorsements/ guarantees to the party in Mainland China (Note 8)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Marketech International Corp.	Marketech Integrated Pte. Ltd.	2	\$ 2,900,006	\$ 36,484	\$ 17,084	\$ 5,661	\$ -	0.29%	\$ 5,800,013	Y	N	N	Note 4
0	Marketech International Corp.	eZoom Information, Inc.	2	2,900,006	120,000	60,000	18,450	-	1.03%	5,800,013	Y	N	N	Note 4
0	Marketech International Corp.	Marketech International Corporation USA	2	2,900,006	125,560	119,920	-	-	2.07%	5,800,013	Y	N	N	Note 4
0	Marketech International Corp.	Marketech International Sdn. Bhd.	2	2,900,006	245,720	239,840	-	-	4.14%	5,800,013	Y	N	N	Note 4
0	Marketech International Corp.	MIC-Tech (WuXi) Co., Ltd.	2	2,900,006	312,840	191,872	185,876	-	3.31%	5,800,013	Y	N	Y	Note 4
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	2	2,900,006	1,096,052	815,306	7,647	-	14.06%	5,800,013	Y	N	Y	Note 4
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	2	2,900,006	1,571,232	1,536,251	1,075,132	-	26.49%	5,800,013	Y	N	Y	Note 4
0	Marketech International Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	2	2,900,006	507,461	359,319	188,099	-	6.20%	5,800,013	Y	N	Y	Note 4
0	Marketech International Corp.	Special Triumph Sdn. Bhd.	5	2,900,006	12,741	-	-	-	-	5,800,013	N	N	N	Note 4
0	Marketech International Corp.	Te Chang Construction Co., Ltd.	5	2,900,006	174,000	174,000	86,997	-	3.00%	5,800,013	N	N	N	Note 4
1	Marketech Co., Ltd.	MIC-Tech Viet Nam Co., Ltd.	4	33,380	7,933	-	-	-	-	33,380	N	N	N	Note 4
2	MIC-Tech Electronics Engineering Corp.	Marketech International Corp.	3	1,524,768	524,704	507,112	507,112	-	99.77%	2,541,280	N	Y	N	Note 4
2	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	5	1,524,768	71,915	-	-	-	-	2,541,280	N	N	Y	Note 4
2	MIC-Tech Electronics Engineering Corp.	MIC-Tech (Shanghai) Corp.	4	1,524,768	110,420	103,272	103,272	-	20.32%	2,541,280	N	N	Y	Note 4
3	MIC-Tech (Shanghai) Corp.	MIC-Tech Electronics Engineering Corp.	4	1,128,993	634,511	593,435	593,435	-	157.69%	1,881,665	N	N	Y	Note 4

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 4: Limit on endorsements and guarantees stated in "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies":

- (1) In accordance with mutual guarantee requirement in the same industry for contracting constructions, limit on the total amount is 5 times of the Company's net assets.
- (2) Except for guarantees for contracting constructions, limit on the Company's accumulated endorsement/guarantee is the Company's net assets; limit on endorsement/guarantee to a single party is 50% of the Company's net assets. Limit on the total endorsement/guarantee of the Company and its subsidiaries as a whole is 1.5 times of the Company's net assets; limit on endorsement/guarantee to a single party is 75% of the Company's net assets.

Limit on endorsements and guarantees of the Group's subsidiary - Marketech Co., Ltd.:

- (1) In accordance with mutual guarantee requirement in the same industry or the common builders for contracting constructions, or provision of endorsements and guarantees for joint ventures from shareholders in proportion to shareholding ratio, limit on the total amount is 5 times of the net assets of Marketech Co., Ltd.. Limit on endorsement/guarantee to a single party is three times of the net assets of Marketech Co., Ltd..
- (2) Except for (1), the Group follows standards of endorsements and guarantees as below:
  - (2-1) Total amount: (2-1-1) Limit on the accumulated endorsements and guarantees is 10 times of the net assets of Marketech Co., Ltd.;
    - (2-1-2) Limit on endorsements and guarantees to a company of which the endorser company and the Company directly or indirectly holds 90%, should meet the requirement in (2-1-1) and may not exceed 10% of the Company's net assets. However, the endorsements and guarantees of Marketech Co., Ltd. to the Company which it holds 100% of voting shares are not subjected.
    - (2-1-3) Total endorsements and guarantees of Marketech Co., Ltd. and its subsidiaries are limited to 10 times of the net assets of Marketech Co., Ltd..
  - (2-2) Limit on endorsement/guarantee to a single party
    - (2-2-1) For the companies having business relationship with Marketech Co., Ltd. and thus being provided endorsements/guarantees, limit on endorsements to a single party is the total value of business transactions within past 12 months. (the value of business transactions is the higher of purchase or sales)
    - (2-2-2) Limit on endorsement/guarantee to a single party who having business relationship with the Group is 10 times of the net assets of Marketech Co., Ltd..

Limit on endorsements and guarantees of the Group's subsidiary - MIC-Tech Electronics Engineering Corp. and MIC-Tech (Shanghai) Corp.:

- (1) In accordance with mutual guarantee requirement in the same industry or the common builders for contracting constructions, or provision of endorsements and guarantees for joint ventures from shareholders in proportion to shareholding ratio, limit on the total amount is 5 times of the net assets of the endorser/guarantor on endorsement/guarantee to a single party is three times of the net assets of the endorser/guarantor.
- (2) Except for (1), the Group follows standards of endorsements and guarantees as below:
  - (2-1) Total amount: (2-1-1) Limit on the accumulated endorsements and guarantees is 5 times of the net assets of the endorser/guarantor;
    - (2-1-2) Limit on endorsements and guarantees to a company of which the endorser company and the Company directly or indirectly holds 90%, should meet the requirement in (2-1-1) and may not exceed 10% of the ultimate parent's net assets.
    - (2-1-3) Total endorsements and guarantees of the endorser/guarantor and its subsidiaries are limited to 5 times of the net assets of the endorser/guarantor.
  - (2-2) Limit on endorsement/guarantee to a single party
    - (2-2-1) For the companies having business relationship with the endorser/guarantor and thus being provided endorsements/guarantees, limit on endorsements to a single party is the total value of business transactions within past 12 months. (the value of business transactions is the higher of purchase or sales)
    - (2-2-2) Limit on endorsement/guarantee to a single party who having business relationship with the Group is 3 times of the net assets of the endorser/guarantor.

Note 5: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 6: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 7: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 8: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
For the year ended December 31, 2019

Table 3

Expressed in thousands of NTD  
(Except as otherwise indicated)

As of December 31, 2019											
Securities held by	Type of marketable securities	Name of marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	Number of shares	Book value (Note 2)	Ownership (%)	Fair value	Collateral	Footnote	
Marketech International Corp.	Ordinary shares	Lasertec Corporation	None	Financial assets measured at fair value through profit or loss - current	40,000	\$ 61,382	-	\$ 61,382	None		
"	"	Solar Applied Materials Technology Corp.	"	"	44,078	990	-	990	"		
"	"	Aerospace Industrial Development Corp.	"	"	25,925	931	-	931	"		
						<u>\$ 63,303</u>		<u>\$ 63,303</u>			
"	Ordinary shares	Taiwan Colour & Imaging Technology Corp.	None	Financial assets measured at fair value through profit or loss - non-current	1,700,000	\$ 1,575	12.59%	\$ 1,575	None		
"	"	Chung-Hsin Electric and Machinery Manufacturing Corp.	"	"	581,000	14,118	0.14%	14,118	"		
"	"	Ennoconn Corporation	The ultimate parent company	"	10,624	2,624	0.01%	2,624	"		
"	"	WINGS GLOBAL TECHNOLOGY INC.	None	"	750,000	14,049	18.75%	14,049	"		
"	"	Promos Technologies, Inc.	"	"	250,331	-	0.56%	-	"		
"	"	Taiwan Puritic Corp.	"	"	6,191,181	202,012	10.32%	202,012	"		
"	"	SOPOWER Technology Corp.	"	"	189,223	-	12.61%	-	"		
"	"	VEEV Interactive Pte. Ltd.	"	"	840,000	-	6.32%	-	"		
"	"	Taiwan Intelligent Fiber Optic Network Co., Ltd.	"	"	3,868,261	22,137	1.41%	22,137	"		
"	"	H&D Venture Capital Investment Corp.	Entities controlled by key management or entities with significant influence	"	294,528	2,945	6.67%	2,945	"		
"	"	Civil Tech Pte. Ltd.	None	"	336,374	-	0.58%	-	"		
"	"	ProbeLeader Co., Ltd.	Entities controlled by key management or entities with significant influence	"	966,000	10,367	3.46%	10,367	"		
"	"	Top Green Energy Technologies, Inc.	None	"	1,111,111	-	0.89%	-	"		
"	"	IP Fund Six Co., Ltd.	"	"	1,000,000	10,000	1.79%	10,000	"		
"	"	Innorich Venture Capital Corp.	"	"	1,000,000	10,000	1.87%	10,000	"		
"	"	Taiwan Foresight Co., Ltd.	"	"	380,000	4,589	2.24%	4,589	"		
"	"	Long Time Technology Corp.	"	"	346,000	9,397	0.29%	9,397	"		
"	"	Paradigm Venture Capital Corp.	"	"	90,187	902	3.50%	902	"		
"	"	Taiwan Special Chemicals Corp.	"	"	4,401,333	65,013	1.51%	65,013	"		
"	"	Atech Totalsolution Co., Ltd.	"	"	128,000	-	0.23%	-	"		
"	"	East Wind Life Science Systems	"	"	124,457	-	12.87%	-	"		
"	"	EcoLand Corp.	"	"	310,715	-	13.51%	-	"		
"	"	Kcashin Technology Corporation	"	"	642,500	10,000	19.01%	10,000	"		
"	"	Radisen Co. Ltd.	"	"	87,803	7,172	19.36%	7,172	"		
"	"	Foresight Energy Technologies Co., Ltd.	"	"	1,350,000	4,057	4.09%	4,057	"		
"	"	Mycropore Corporation, Ltd.	"	"	971,000	21,991	5.81%	21,991	"		
"	"	STEK CO., LTD.	"	"	333,000	23,310	6.34%	23,310	"		
"	"	Sum Capital Healthcare Investment Corp.	Entities controlled by key management or entities with significant influence	"	943,050	9,431	7.44%	9,431	"		
"	"	Intellicares co., Ltd	"	"	200,000	-	19.99%	-	"		
"	"	Forward Science Corp.	"	"	2,000,000	19,622	10.00%	19,622	"		
"	Convertible bonds	HALLYS CORPORATION	None	"	-	20,730	-	20,730	"		
"	"	Radisen Co. Ltd.	"	"	-	12,313	-	12,313	"		
"	"	Nitride Solutions Inc.	"	"	-	-	-	-	"		
"	Preferred stock	Adant Technologies Inc.	"	"	174,520	-	Note3	-	"		
"	"	Kinestral Technologies, Inc.	"	"	501,532	24,089	"	24,089	"		
"	Beneficiary certificates	Vertex Growth (SG) LP	"	"	-	4,720	-	4,720	"		
MIC-Tech (Shanghai) Corp. Ltd.	Ordinary shares	MIC-Tech (Beijing) Environment Co.	Entities controlled by key management or entities with significant influence	"	-	-	19.00%	-	"		
		Total				<u>\$ 527,163</u>		<u>\$ 527,163</u>			

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 3: Holding preferred stock.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2019

Table 4

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

Note 1: Repaid in installment based on the contract.

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

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.



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

Table 5 Expressed in thousands of NTD  
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019 ( Note 1 )	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Marketech International Corp.	Hong Kong Ennpower Information Technology Co., Limited	Other related parties	\$ 126,786	Not applicable	\$ -	-	\$ -	2

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

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

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Sales revenue	\$ 27,628	Sales revenue: Prices and terms of sales of goods to related parties are approximately the same to third parties. A certain percentage of profit is negotiated for sale of services with related parties. Construction revenue: The price of construction charges to related parties and third parties are based on normal construction contracts or individual agreements. Furthermore, the collection terms to related parties are approximately the same to third parties, which is about 2 to 3 months after inspection of construction depending on the construction contracts or individual agreements.	0.11%
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	1	Non-operating revenue	21,449		0.09%
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	1	Construction revenue	39,821		0.16%
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Non-operating revenue	9,364		0.04%
0	Marketech International Corp.	eZoom Information, Inc.	1	Construction revenue	19,890		0.08%
0	Marketech International Corp.	Marketech Integrated Pte. Ltd.	1	Other receivables	26,602		0.14%
0	Marketech International Corp.	MIC-Tech Global Corp.	1	Construction revenue	20,272		0.08%
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Accounts receivable	6,337		0.03%
1	eZoom Information, Inc.	Marketech International Corp.	2	Services revenue	34,363		0.14%
2	MIC-Tech Global Corp.	Marketech International Corp.	2	Sales revenue	94,822		0.39%
3	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	3	Other receivables	38,744		0.20%
3	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	3	Accounts receivable	5,381		0.03%
4	Shanghai Maohua Electronics Engineering Co., Ltd.	MIC-Tech Electronics Engineering Corp.	3	Construction revenue	26,938		0.11%
5	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co. Ltd.	3	Other receivables	34,439		0.18%

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

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

Note 4: Individual amounts less than \$5,000 are not disclosed. Additionally, if it is disclosed as assets and revenue, its opposite transactions will not be disclosed.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2019

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount (Note 2)		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 1)	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Singapore	Contracting for semiconductor automatic supply system	\$ 215,087	\$ 215,087	9,235,678	100	(\$ 52,050)	(\$ 68,169)	(\$ 68,169)	The Company's subsidiary
Marketech International Corp.	Market Go Profits Ltd.	Virgin Islands	Investment holding and reinvestment	1,298,124	1,282,562	40,069,104	100	1,207,977	166,487	166,487	The Company's subsidiary
Marketech International Corp.	MIC-Tech Global Corp.	South Korea	International trade	19,147	19,147	131,560	100	6,425	199	199	The Company's subsidiary
Marketech International Corp.	Headquarter International Ltd.	Virgin Islands	Investment holding and reinvestment	42,475	42,475	1,289,367	100	37,667	( 275)	( 275)	The Company's subsidiary
Marketech International Corp.	Tiger United Finance Ltd.	Virgin Islands	Investment holding and reinvestment	46,475	46,475	1,410,367	100	36,624	( 293)	( 293)	The Company's subsidiary
Marketech International Corp.	Marketech Engineering Pte. Ltd.	Singapore	Contracting for electrical installing construction	20,902	10,129	894,987	100	7,715	( 18,547)	( 18,547)	The Company's subsidiary
Marketech International Corp.	Marketech Integrated Manufacturing Company Limited	Myanmar	Design, manufacturing, installation of automatic production equipment and its parts	478,985	438,298	1,535,600	100	375,248	( 30,633)	( 30,633)	The Company's subsidiary
Marketech International Corp.	MIC-Tech Viet Nam Co., Ltd.	Vietnam	Trading, installation and repair of various machinery equipment and its peripherals	39,345	39,345	-	100	27,593	745	745	The Company's subsidiary
Marketech International Corp.	Marketech Co., Ltd.	Vietnam	Specialized contracting and related repair services; equipment sales and repair; sales of cosmetics and daily necessities	45,246	45,246	-	100	3,338	( 7,728)	( 7,728)	The Company's subsidiary
Marketech International Corp.	eZoom Information, Inc.	Taiwan	Research, trading and consulting of information system software and hardware appliance	195,737	195,737	20,000,000	100	121,118	( 31,829)	( 31,829)	The Company's subsidiary
Marketech International Corp.	Marketech International Sdn.Bhd.	Malaysia	Specialized contracting and related repair services	86,103	86,103	12,242,750	100	62,433	( 2,546)	( 2,546)	The Company's subsidiary
Marketech International Corp.	Marketech International Corporation USA	USA	Specialized contracting and related repair services	22,485	-	750,000	100	16,881	( 5,779)	( 5,779)	The Company's subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount (Note 2)		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognized by the Company for the year ended December 31, 2019 (Note 1)	Footnote
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Marketech International Corp.	ADAT Technology CO., LTD.	Taiwan	The research, development, application, and service of software; supply of electronic information and the buying and selling of equipment	\$ 20,000	\$ 20,000	\$ 2,000,000	29.41	\$ 1,602	(\$ 38,512)	(\$ 11,474)	The Company's subsidiary
Marketech International Corp.	PT Marketech International Indonesia	Indonesia	Trading business of machine equipment and parts	38,042	38,042	1,199,000	99.92	35,344	( 2,218)	( 2,218)	The Company's subsidiary
Marketech International Corp.	Marketech Netherlands B.V	Netherlands	International trade business of machine and components and technical service	21,070	10,671	600,000	100	9,111	( 7,229)	( 7,229)	The Company's subsidiary
Marketech International Corp.	Glory Technology Service Inc..	Taiwan	Sale and installation of information and communication equipment	42,714	42,714	5,510,305	29.24	63,804	21,629	6,324	The Company's investee accounted for using equity method
Marketech International Corp.	MIC Techno Co., Ltd.	Taiwan	Sale of panels and its materials	2,000	2,000	200,000	20	1,834	( 41)	( 8)	The Company's investee accounted for using equity method
Marketech International Corp.	Smart Health Corp.	Taiwan	Smart medical consulting services and investment	1,500	-	150,000	42.86	1,490	( 23)	( 10)	The Company's investee accounted for using equity method
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	Cayman Islands	Investment holding and reinvestment	1,292,627	1,277,065	39,966,604	100	1,206,356	166,555	-	The investor's subsidiary
Marketech Engineering Pte Ltd.	Marketech Integrated Construction Co., Ltd.	Myanmar	Contracting for electrical installing construction	19,342	8,569	63,500	97.69	7,531	( 18,975)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Rusky H.K. Limited	Hong Kong	Investment holding and reinvestment	34,551	34,551	833,000	100	( 11,558)	( 1,597)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Frontken MIC Co. Limited	Hong Kong	Investment holding and reinvestment	31,422	31,422	2,337,608	100	5,116	( 99)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Hong Kong	Investment holding and reinvestment	132,282	132,282	5,400,000	60	51,665	( 14,511)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Leader Fortune Enterprise Co., Ltd.	Samoa	Investment holding and reinvestment	8,990	8,990	303,000	31.43	( 4,462)	( 86)	-	The investor's investee accounted for using equity method
MIC-Tech Ventures Asia Pacific Inc.	Fortune Blessing Co., Limited	Hong Kong	Investment holding and reinvestment	15,563	-	500,000	27.78	13,513	( 5,026)	-	The investor's investee accounted for using equity method
Rusky H.K. Limited	PT Marketech International Indonesia	Indonesia	Trading business of machine equipment and parts	32	32	1,000	0.08	30	( 2,218)	-	The investor's investee accounted for using equity method

Note 1: The amount of \$0 means that the Company does not directly recognise gain or loss on investments.

Note 2: Except for subsidiaries in Malaysia which are translated at the current rate as of December 31, 2019, the initial investment amounts of other investees are translated at the current rate as of the investment date.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2019

Table 8

Expressed in thousands of NTD

1. Basic information

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 (Note 3)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (Note 3)	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MIC-Tech (WuXi) Co., Ltd.	Design, manufacturing, installation and maintenance of semiconductor device, crystal dedicated device, electronic component device, environment pollution preventing equipment; assembly of wrapping device and cooling equipment; producing, assembling and sale of LED illuminator and its component; wholesale, commission agency and import and export of the aforementioned products and their components, textile, commodities, chemical products and cosmetics; lease of self-owned plants; design, manufacturing, sales and installation of automatic warehousing equipment and accessories, automatic logistics transporting equipment and accessories; R&D, sales and installation of supplementary engineering in logistics dispatch system; manufacturing and sales of medical devices.	\$ 764,490	Note1(2)	\$ 614,590	\$ -	\$ -	\$ 614,590	(\$ 719)	100	(\$ 138)	\$ 34,146	\$ -	Note 2 (2)B
MIC-Tech (Shanghai) Corp.	Wholesale, commission agency, maintenance, repairment, manufacture, import and export of semiconductor production, inspection equipment and its consumables and boilers that generate electricity; storage and allocation of mainly chemical and boiler products; international and entrepot trade; trading and trading agency among enterprises in customs bonded area; consulting services in customs bonded area	247,065	Note1(2)	14,990	-	-	14,990	39,698	100	39,698	376,331	-	Note 2 (2)B
Fuzhou Jiwei System Integrated Co., Ltd.	Installation and complete services of clean room, mechanical system, street pipe system	8,994	Note1(2)	8,994	-	-	8,994	( 568)	100	( 568)	( 1,525)	-	Note 2 (2)B
Shanghai Maohua Electronics Engineering Co.,Ltd.	Production of scrubber bins for semiconductor manufacturers, design, installation, debugging and technology services of tunnel system, equipment repair for semiconductor manufacturers, consulting service for electrical and medical equipment; wholesale, commissioned distribution (exclude auction), export, import and related services of electronic products, machinery equipment, chemical products (exclude dangerous articles), communication equipment, metal products, plastic products	17,988	Note1(2)	18,078	-	-	18,078	( 2,646)	87	( 2,302)	( 14,388)	-	Note 2 (2)B
MIC-Tech Electronics Engineering Corp.	Installation and construction of mechanical and electrical systems; construction of chemical and petroleum projects; construction of public municipal infrastructure projects; professional building renovation and decoration services; design and construction of smart buildings; construction of electronic projects and related technical services and consulting. Building equipment, building materials (excluding steel and cement), electronic products, chemical products (excluding hazardous products), metal products, electrical equipment, wholesale of communications equipment, commission-based agency (excluding auctions) and import-export business, and delivery of all related and supplementary services	528,218	Note1(2)	255,430	-	-	255,430	110,192	100	110,192	508,256	-	Note 2 (2)B
SKMIC (WUXI) Corp.	Design, installation and repairment of semi-conductor and transistor facilities, electronic components facilities and pollution prevention equipment, as well as wholesale, commission agent and export/import business of products listed above, industrial cleaning, repairment and maintenance.	9,144	Note1(2)	1,469	-	-	1,469	( 122)	49	( 61)	-	-	Note 2 (2)B and Note 4
ChenGao M&E Engineering (Shanghai) Co., Ltd.	Design of microelectronic products and display devices, consulting service for related technology and management	5,996	Note1(2)	5,996	-	-	5,996	588	100	590	-	-	Note 2 (2)B and Note 5

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 (Note 3)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (Note 3)	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Frontken-MIC (Wuxi) Co., Ltd.	Research of specialized cleaning equipment of semiconductor device and integrated circuit, cleaning of special components of semiconductor device, integrated circuit and micromodule and cleaning technology for semiconductors, assembling, installation and maintenance of cooling equipment; design, manufacture, sale and installation of automatic warehouse equipment and fittings, and automatic logistics transporting equipment and fittings; development, sale and installation of computer aided engineering; wholesale, commission, import and export of above products and parts	\$ 69,194	Note1(2)	\$ 27,678	\$ -	\$ -	\$ 27,678	(\$ 100)	100	(\$ 100)	\$ 5,096	\$ -	Note 2 (2)B
Integrated Manufacturing & Services Co., Ltd.	Development of special equipment for solar cell production, manufacture of optical engine, lighting source, projection screen, high definition projection cathode-ray tube and micro-display module, and production, cleaning and regeneration of new electrical device; sells the products that manufactured by itself; machinery equipment, research and development of production technology of utilities equipment, technology transfer, technology consulting, technology service; processing of metal salvage and junk (except for hazardous chemicals and hazardous waste); metallic material (except for steels and noble metal), ceramic product, paper products and wholesale, retail and import and export of hardware products.	209,860	Note1(2)	80,946	35,976	-	116,922	( 14,495)	60	( 8,697)	50,909	-	Note 2 (2)B
MIC-Tech China Trading (Shanghai) Co., Ltd.	Wholesale, commission agency and import and export of chemical products (except for hazardous chemicals, chemicals used in production of narcotic drugs and psychotropic substances and special chemicals), semiconductors, inspection equipment and its consumables, solar equipment consumables and boilers that generate electricity, International and entropot trade, trading and trading agency among enterprises in customs bonded area, consulting service for trading, installation, repair, and maintenance of automation equipment, electronic equipment, and their parts	44,970	Note1(2)	44,970	-	-	44,970	828	100	828	18,633	-	Note 2 (2)B
Macrotec Technology (Shanghai) Co., Ltd.	Wholesale, commission agency, import and export and other complementary service of electrical products, food, textile, commodities, cosmetics, valve switch, instrumentation, metal products, electrical equipment, International and entropot trade, trading and trading agency among enterprises in customs bonded area, simple commercial processing in customs bonded area, and consulting service for trading in customs bonded area	28,688	Note1(2)	9,016	-	-	9,016	( 86)	31.43	( 27)	( 4,466)	-	Note 2 (2)B
Fortune International Corporation	Research and development, design, manufacturing, sales, installation and repair services of semiconductor-related devices, equipment and materials; research and development, transfer, consulting and service of semiconductor-related technology; supply chain management service; self-operation and agency of import and export business of various products and technologies; property management service; industrial park management service; accommodation service; retail of articles of daily use, food and beverages; venue rental; enterprise management service; conference and exhibition services; warehousing service; handling and transportation agency services	35,976	Note1(2)	-	14,990	-	14,990	( 5,007)	27.78	( 1,391)	8,522	-	Note 2 (2)B

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in Market Go Profits Ltd., which then invested in the investee in Mainland China.
- (3) Others.

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2019' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
  - A. The financial statements that are reviewed and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
  - B. The financial statements that are reviewed and attested by R.O.C. parent company's CPA.
  - C. Others - unreviewed financial statements.

Note 3: Paid-in capital and investment amount were translated at the original currency times exchange rate at period end.

## 2. Limit on investees in Mainland China

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 (Note 1) (Note 2)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Marketch International Corp.	\$ 1,144,930	\$ 1,958,202	\$ 3,502,781

Note 1: The amount was translated at the original currency times exchange rate at period end.

Note 2: The Company has sold WUXI Probeleader Electronics Co., Ltd. at the end of November 2011. As the accumulated investment was different from the investment collected back, the difference between accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 and accumulated amount of remittance from Taiwan to Mainland China registered at and approved by MOEA was US\$186 thousand.

Note 3: The liquidation of TPP-MIC (WuXi) Co., Ltd. was completed in November, 2015. As the accumulated investment was different from the investment collected back, the difference between accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019, and accumulated amount of remittance from Taiwan to Mainland China registered at and approved by MOEA was US\$186 thousand.

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

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