Stock code: 6414

Ennocoon Corporation and Subsidiaries

Consolidated Financial Statements and CPA Report

2018 and 2017

Address: 3rd to 6th floors, No.10, Jiankang Rd., Zhonghe Dist., New Taipei City

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Statement of Consolidated Financial Statements of Affiliated Companies

In 2018 (from January 1 to December 31, 2018), the Company followed the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" to include the same companies in the consolidated financial statements as parent company and affiliates according to the International Financial Reporting Standard No. 10. The affiliation report discloses all relevant information as the parent company and affiliates in the consolidated financial statement. Therefore, a consolidated financial statement has not been prepared separately.

Hereby declared

Company Name: Ennoconn Corporation

Owner: Chu, Fu-Chuan

March 29, 2019

CPA Report

To Ennoconn Corporation

Audit Opinion

We have audited the Consolidated Balance Sheet of Ennoconn Corporation and its subsidiaries as of December 31, 2017 and 2018, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements (including Summary of Significant Accounting Policies) for the period from January 1 to December 31, 2017 and 2018.

Based on the audit results and the audit report of other accountants (please refer to Other Matters), we have concluded that the consolidated financial statements have been compiled based on the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations and their preparation recognized and put in effect by the Financial Supervisory Committee. The report adequately presents the consolidated financial position of Ennoconn Corporation up to December 31 of 2017 and 2018, as well as the consolidated financial performance and consolidated cash flows from January 1 to December 31 of 2017 and 2018.

Basis for Audit Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Individual Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under those standards are further described in the CPA's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audit results and the audit report prepared by other CPAs, we believe that we have obtained enough adequate audit evidence to provide a basis for our audit opinion.

Key Audit Matters

Key Audit Matters refer to most vital matters in the process of auditing of 2018 Consolidated Financial Statement of Ennoconn Corporation based on our professional judgment. These items have been covered in the verification process of the overall consolidated financial statements and the audit opinion. Hence, the CPA shall not express a separate opinion on these items.

The key audit matters to be identified in the consolidated financial statements of the combined Company for 2018 are described below:

Business Combinations

In accordance with the operational development plan, the acquisition this year has a significant impact on the overall consolidated financial statements. For relevant disclosures of subsidiary acquisitions, please refer to notes 15 and 33 of the consolidated financial statements. A price allocation report prepared by experts is required for business combinations for an acquisition to be measured as the fair value of the assets transferred, liabilities incurred as well as the recognition of goodwill. This process involves many complex assumptions and estimates. Therefore, we have listed business combinations as a key audit matter.

In this regard, our audit procedures include the acquisition price allocation report by the management of the independent appraisal specialists to assess the professional qualifications, experience and independence of the experts as well as reviewing the rationality of the assumptions and valuation methods to confirm that the accounting treatment complies with the provisions of IFRS 3.

Impairment of Goodwill

The goodwill of Ennoconn Corporation is mainly generated by adopting the acquisition method when merger and acquisition occurs. The value goodwill was NT$11,071,282,000 as of December 31, 2018, accounting for 15% of the consolidated total assets. In accordance with the IFRS 36 “Impairment of Assets”, the management must conduct an annual impairment test. The process includes assumptions such as the future operating cash flow and the weighted average cost of capital used in estimating the value, which involves subjective judgments of management and may be affected by future market or economic conditions. Therefore, it is highly uncertain. We have listed the impairment of goodwill as a key audit matter.

The auditing procedure includes obtaining the goodwill impairment assessment report issued by the independent evaluation expert commissioned by the management to understand and review the assumptions used in the evaluation model, covering the forecast of future operating cash flow, growth rate, profitability, discount rate, etc., This allows for a comprehensive assessment of the reasonableness of the abovementioned goodwill impairment.

Other Matters

Among the subsidiaries listed in the Company's consolidated financial statements, the financial statements of some subsidiaries were reviewed by other accountants. Therefore, the opinions expressed in the consolidated financial statements related to the financial statements of these subsidiaries, including the amounts and disclosures, are recognized and disclosed according to other CPAs' audit reports. The total assets of these subsidiaries amounted to NT$ 30,265,884,000 and NT$28,824,052,000 as of 2018 and December 31, 2017 respectively, representing 40.39% and 57.04% of the total consolidated net assets. The net operating revenue reached NT$ 35,563,124,000 and $17,946,921,000 respectively, accounting for 51.57% and 51.42% of the consolidated net revenue.

In the consolidated financial statements, some of the financial statements of the invested companies evaluated by the equity method are reviewed by other accountants. Therefore, in our opinion expressed in the consolidated financial statements, information regarding investment by the equity method by the affiliated companies and relevant disclosures are recognized and disclosed according to other CPAs' audit reports. The balance of investments accounted for using equity method of the invested companies as of December 31, 2017 and 2018 were NT$361,903,000 and NT$0 respectively, accounting for 0.48% and 0% of the consolidated total assets. The consolidated gains and losses recognized by the equity method as of December 31, 2017 and 2018 were NT$9,488,000 and NT$ 97,334,000 respectively, representing 0.31% and 6.34% of the combined consolidated profit and loss.

We have also audited the individual financial statements of Ennoconn Corporation as of and for the years 2018 and 2017, and have issued the auditor’s report with unqualified opinion.

Responsibility of the management and the governing body for the Consolidated Financial Statements

It is the management’s responsibility to fairly present the Consolidated Financial Statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to sustain internal controls respecting preparation of the Consolidated Financial Statements so as to avoid material misstatements due to fraud or errors therein.

In preparing for the Consolidated Financial Statements, the responsibility of management includes assessing the Company's ability to continue as a going concern, disclosing relevant matters, as well as adopting going concern accounting base, unless the management intends to liquidate the Company or terminate the business, or no practicable measure other than liquidation or termination of the business can be taken.

The governing bodies of Ennoconn Corporation (including the Audit Committee) have the responsibility to oversee the procedures for financial reporting.

Responsibilities of CPA Audit on Consolidated Financial Statements

The purpose of our audit is to provide reasonable assurance that the Consolidated Financial Statements as a whole contains no material misstatements, 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 Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. Misstatement could be caused by fraud or error. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the consolidated financial statements, they will be deemed as material.

When CPAs conduct reviews in accordance with generally accepted auditing standards, they exercise professional judgment and maintains professional skepticism. The CPAs also conducted the following tasks:

1. Identify and evaluate the risk of material misrepresentation in the consolidated financial statements due to fraud or error, design and implement appropriate countermeasures for the risks, and obtain sufficient and appropriate evidence as the basis for the review. Because fraud may involve conspiracy, forgery, intentional omission, false statement or overstepping internal control, the risk of not reporting significant misrepresentation due to fraud is higher than the cause of the error.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluating the appropriateness of the accounting policy adopted by the management and the reasonableness of the accounting assessment and related disclosures made accordingly
4. Concluded on the appropriateness of the management's use of going concern basis of accounting, and determined whether there existed events or circumstances that might cast significant uncertainty over Ennoconn Corporation's ability to continue as a going concern. If we believe that there is a material uncertainty in the events or circumstances, we are then required to remind the users of the consolidated financial statements to pay attention to the relevant disclosures in the consolidated financial statements or to correct the comments when the disclosure is inappropriate. Our conclusions are based on the audit evidence obtained as of the date of the audit report, but future events or circumstances may cause the Company to no longer have the ability to continue to operate.
5. Evaluating the overall expression, structure, and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements could appropriately express related transactions and events

6. Obtained adequate and appropriate audit evidence regarding financial information of Ennocoon Corporation so as to express opinions for the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicated with the governing body, including the planned scope and time of the review, as well as major findings (including significant lack of internal control identified during the audit process).

We have also provided the statement pertaining to our accounting firm's personnel under governance of independence to the governing body, as well as the relationships and other matters that could affect the CPA's independence (including relevant protective measures).

From the matters communicated with the governing body, we determined the key audit matters for the Company's Consolidated Financial Statements for 2018. We have stated the matters in the audit report, unless the law does not allow public disclosure of specific matters, or in the rare case, the CPA decides not to communicate specific matters in the audit report, as it can be reasonably expected that the negative impact is greater than the public interest.

Deloitte & Touche

CPA Liu Shui-En

CPA Yang Ching-Chen

March 29, 2019

Ennocoon Corporation and Subsidiaries
Consolidated Balance Sheet
December 31, 2017 and 2018

Unit: NT$ 1,000

Code	Assets	December 31, 2018 Amount	%	December 31, 2017 (recompiled and audited) Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 12,456,516	17	$ 10,152,021	20
1110	Financial assets at fair value through profit or loss - current (Notes 4 and 7)	90,944	-	-	-
1120	Financial assets at fair value through other comprehensive income- current (Notes 4 and 8)	40,880	-	-	-
1125	Available-for-sale financial assets - current (Notes 4 and 10)	-	-	1,392,063	3
1136	Financial assets at amortized cost - current (Notes 4, 9 and 40)	4,374	-	-	-
1140	Contract assets - current (Notes 4 and 28)	4,382,925	6	-	-
1147	Investment in bond with no active market - current (Notes 4, 11 and 40)	-	-	70,262	-
1150	Net bills receivable (Notes 4 and 12)	107,095	-	1,860	-
1172	Net accounts receivable (Notes 4, 5, 12 and 40)	15,927,435	21	10,647,171	21
1180	Accounts receivable - related parties (Notes 4, 5, 12 and 39)	561,866	1	386,096	1
130X	Inventory (Notes 4, 5, 13 and 40)	11,171,069	15	5,738,748	11
1470	Other current assets (Notes 4, 21 and 40)	3,399,781	4	1,926,235	4
11XX	Total current assets	48,142,885	64	30,314,456	60
	Non-current assets				
1510	Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	413,028	1	-	-
1520	Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	323,342	-	-	-
1543	Financial assets carried at cost - non-current (Notes 4 and 14)	-	-	291,958	1
1550	Investments accounted for under equity method (Notes 4 and 16)	754,061	1	23,875	-
1600	Property, plant and equipment (Notes 4, 5, 17 and 40)	4,686,418	6	2,200,551	4
1805	Goodwill (Notes 4, 5, 18 and 33)	11,071,282	15	8,064,476	16
1821	Other intangible assets (Notes 4, 5 and 19)	7,280,211	10	7,594,084	15
1840	Deferred income tax assets (Notes 4, 5 and 30)	1,449,285	2	1,228,904	2
1960	Current prepayments for investments (Notes 4 and 20)	4,800	-	75,000	-
1990	Other non-current assets (Notes 4, 21 and 40)	799,564	1	738,327	2
15XX	Total non-current assets	26,781,991	36	20,217,175	40
1XXX	Total assets	$ 74,924,876	100	$ 50,531,631	100
Code	**Liabilities and Equity**				
	Current liabilities				
2100	Short-term loans (Notes 4 and 22)	$ 9,643,490	13	$ 1,650,413	3
2120	Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 23)	16,609	-	4,666	-
2130	Contract liabilities - current (Notes 4 and 28)	4,766,754	6	-	-
2150	Bill payable - non-related parties (Notes 4)	1,044,159	1	385	-
2170	Accounts payable (Notes 4)	12,534,220	17	7,259,966	14
2180	Accounts payable - related parties (Notes 4 and 39)	1,683,076	2	2,216,314	5
2200	Other payables (Notes 4, 24 and 39)	5,204,574	7	3,173,801	6
2230	Current tax liabilities (Notes 4)	594,253	1	196,399	1
2250	Liability reserve - current (Notes 4 and 28)	998,470	1	1,313,380	3
2320	Long-term liabilities due within one year or one business cycle (Notes 4, 22 and 23)	8,562,224	12	557,263	1
2399	Other current liabilities (Notes 4 and 24)	124,830	-	1,166,778	2
21XX	Total current liabilities	45,172,659	60	17,539,365	35
	Total non-current liabilities				
2500	Financial liabilities at fair value through profit or loss - non-current (Notes 4, 7 and 23)	-	-	4,053	-
2530	Corporate bonds payable (Notes 4 and 23)	-	-	7,584,544	15
2540	Long-term loans (Notes 4 and 22)	1,861,575	3	2,419,743	5
2550	Liability reserve - non-current (Notes 4 and 25)	380,856	1	654,640	1
2570	Deferred income tax liabilities (Notes 4 and 30)	538,584	1	451,735	1
2640	Net defined benefit liabilities - non-current (Notes 4 and 26)	301,747	-	105,474	-
2670	Other non-current liabilities (Notes 4 and 24)	893,752	1	1,260,543	2
25XX	Total non-current liabilities	3,976,514	6	12,480,732	24
2XXX	Total liabilities	49,149,173	66	30,020,097	59
	Equity attributable to owners of the parent (Notes 4, 23, 27, 35 and 37)				
3110	Common stock	775,745	1	765,288	2
3200	Capital reserve	4,728,440	6	5,050,172	10
	Retained earnings				
3310	Legal reserve	425,018	-	312,681	1
3320	Special reserve	495,665	1	41,036	-
3350	Unappropriated retained earnings	818,932	1	1,312,289	2
3300	Total retained earnings	1,739,615	2	1,666,006	3
3490	Other equity	(384,452)	-	(495,665)	(1)
3500	Treasury stock	(236,048)	-	(233,608)	-
31XX	Total equity attributable to owners of the Company	6,623,300	9	6,752,193	14
36XX	Non-controlling interests (Notes 15, 33 and 34)	19,152,403	25	13,759,341	27
3XXX	Total equity	25,775,703	34	20,511,534	41
	Total liabilities and equity	$ 74,924,876	100	$ 50,531,631	100

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

(Please refer to Audit Report of Deloitte & Touche on March 29, 2019)

Chairman: Chu, Fu-Chuan President: Deng, Chin-Tai; Accounting Officer:Wu, You-Mei

Ennocoon Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2017 and 2018

Expressed in NT$ 1,000, except for earnings per share amounts

		2018		2017 (after recompilation and audit)	
Code		Amount	%	Amount	%
4100	Operating revenue (Notes 4, 28 and 39)	$ 68,962,459	100	$ 34,904,064	100
5110	Operating costs (Notes 13, 29, 36 and 39)	(53,698,549)	(78)	(27,175,483)	(78)
5900	Net operating margin	15,263,910	22	7,728,581	22
	Operating expenses (Notes 26, 29 and 36)				
6100	Selling expenses	(2,939,769)	(4)	(1,417,895)	(4)
6200	General and administrative expenses	(3,260,740)	(5)	(1,503,096)	(4)
6300	Research and development expenses	(5,876,650)	(9)	(3,064,338)	(9)
6450	Expected credit losses	(246,600)	-	-	-
6000	Total operational expenses	(12,323,759)	(18)	(5,985,329)	(17)
6900	Operating profit	2,940,151	4	1,743,252	5
	Non-operating income and expenses (Notes 16, 23 and 29)				
7190	Other income	91,488	-	34,067	-
7020	Other gains and losses	1,084,124	2	659,186	2
7050	Finance costs	(485,009)	(1)	(308,252)	(1)
7060	Share of profit of affiliates accounted for under equity method	16,945	-	101,942	-
7000	Total non-operating income and expenses	707,548	1	486,943	1

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Code		2018 Amount	2018 %	2017 (after recompilation and audit) Amount	2017 (after recompilation and audit) %
7900	Profit before income tax	$ 3,647,699	5	$ 2,230,195	6
7950	Income tax expense (Notes 4, 5 and 30)	(778,822)	(1)	(409,252)	(1)
8200	Net income for the period	2,868,877	4	1,820,943	5
	Other comprehensive income (Notes 4, 26, 27 and 30)				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit plans	(1,723)	-	11,002	-
8316	Unrealized gain (loss) invested with equity instruments at fair value through other comprehensive income	(49,160)	-	-	-
8349	Income tax expenses (gains) related to items that are not reclassified subsequently to profit or loss	11,966	-	(31)	-
		(38,917)	-	10,971	-
8360	Items that might be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	230,302	-	(277,893)	(1)
8362	Unrealized gain (loss) on valuation of available-for-sale financial assets	-	-	(18,961)	-
		230,302	-	(296,854)	(1)
8300	Other comprehensive income (net amount after tax)	191,385	-	(285,883)	(1)
8500	Total comprehensive income for the period	$ 3,060,262	4	$ 1,535,060	4
	Profit (loss) attributable to:				
8610	Owners of the parent	$ 1,108,117	2	$ 1,083,247	3
8620	Non-controlling equity	1,760,760	2	737,696	2
8600		$ 2,868,877	4	$ 1,820,943	5

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Code		2018 Amount	2018 %	2017 (after recompilation and audit) Amount	2017 (after recompilation and audit) %
	Total Comprehensive Income Attributable to:				
8710	Owners of the parent	$ 1,196,274	2	$ 631,183	2
8720	Non-controlling equity	1,863,988	2	903,877	2
8700		$ 3,060,262	4	$ 1,535,060	4
	Earnings per share (Notes 31)				
9750	Basic earnings per share	$ 14.45		$ 14.28	
9850	Diluted earnings per share	$ 13.45		$ 12.88	

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

(Please refer to Audit Report of Deloitte & Touche on March 29, 2019)

Chairman: Chu, Fu-Chuan; President: Deng, Chin-Tai; Accounting Officer: Wu, You-Mei

Ennocoon Corporation and Subsidiaries
Consolidated Statement of Changes in Equity
January 1 to December 31, 2017 and 2018

Unit: NT$ 1,000

		Equity attributable to owners of the parent																		
		Common stock capital		Capital reserve					Retained earnings				Other equity interests							
Code		Shares (1,000 shares)	Share capital	Share premium	Conversion premium of Corporate bonds	Share options of Convertible corporate bonds	Changes in equity of Subsidiaries	Total	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences of Financial Statements Translation of Foreign Operations	Unrealized gain (loss) of Financial assets Available-for-sale	Unrealized gain (loss) of Financial assets Measured at fair value through other comprehensive income	Total	Treasury stocks	Total	Non-controlling equity	Total equity
A1	Balance as of January 1, 2017	76,300	$ 763,008	$ 2,878,259	$ 932,414	$ 89,210	$ -	$ 3,899,883	$ 210,406	$ 6,312	$ 1,126,484	$ 1,343,202	($ 20,582)	($ 20,454)	$ -	($ 41,036)	$ -	$ 5,965,057	$ 1,936,159	$ 7,901,216
	Surplus allocation and distribution in 2016																			
B1	Legal reserve	-	-	-	-	-	-	-	102,275	-	(102,275)	-	-	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	-	-	-	-	-	34,724	(34,724)	-	-	-	-	-	-	-	-	-
B5	Cash dividends for shareholders	-	-	-	-	-	-	-	-	-	(763,008)	(763,008)	-	-	-	-	-	(763,008)	-	(763,008)
	Subtotal	-	-	-	-	-	-	-	102,275	34,724	(900,007)	(763,008)	-	-	-	-	-	(763,008)	-	(763,008)
O1	Cash dividends for shareholders of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(299,884)	(299,884)
	Other capital surplus changes:																			
C5	Issuance of convertible corporate bonds with recognized equity component	-	-	-	-	322,635	-	322,635	-	-	-	-	-	-	-	-	-	322,635	-	322,635
C7	Changes in equity of subsidiaries under the equity method	-	-	-	-	-	734,913	734,913	-	-	-	-	-	-	-	-	-	734,913	(2,867,623)	(2,132,710)
D1	Net Profit for 2017	-	-	-	-	-	-	-	-	-	1,123,374	1,123,374	-	-	-	-	-	1,123,374	836,430	1,959,804
D3	Other Comprehensive Income after tax for 2017	-	-	-	-	-	-	-	-	-	2,565	2,565	(435,668)	(18,961)	-	(454,629)	-	(452,064)	166,181	(285,883)
D5	Total comprehensive income for 2017	-	-	-	-	-	-	-	-	-	1,125,939	1,125,939	(435,668)	(18,961)	-	(454,629)	-	671,310	1,002,611	1,673,921
I1	Corporate bonds converted into common shares	228	2,280	-	72,821	(3,316)	-	69,505	-	-	-	-	-	-	-	-	-	71,785	-	71,785
T1	Treasury stock transferred to employees	-	-	23,236	-	-	-	23,236	-	-	-	-	-	-	-	-	123,045	146,281	-	146,281
L1	Stock repurchase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(356,653)	(356,653)	-	(356,653)
O1	Non-controlling equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,210,651	11,210,651
Z1	Balance as of December 31, 2017	76,528	765,288	2,901,495	1,005,235	408,529	734,913	5,050,172	312,681	41,036	1,352,416	1,706,133	(456,250)	(39,415)	-	(495,665)	(233,608)	6,792,320	10,981,914	17,774,234
A3	Effect of retrospective application and retrospective restatement (Notes 3 and 18)	-	-	-	-	-	-	-	-	-	(62,436)	(62,436)	-	39,415	(17,106)	22,309	-	(40,127)	2,777,427	2,737,300
A5	Balance retrospective application and retrospective restatement on January 1, 2018	76,528	765,288	2,901,495	1,005,235	408,529	734,913	5,050,172	312,681	41,036	1,289,980	1,643,697	(456,250)	-	(17,106)	(473,356)	(233,608)	6,752,193	13,759,341	20,511,534
	Surplus allocation and distribution in 2017																			
B1	Appropriation of statutory surplus reserve	-	-	-	-	-	-	-	112,337	-	(112,337)	-	-	-	-	-	-	-	-	-
B3	Appropriation of special reserve	-	-	-	-	-	-	-	-	454,629	(454,629)	-	-	-	-	-	-	-	-	-
B5	Cash dividends for shareholders	-	-	-	-	-	-	-	-	-	(682,864)	(682,864)	-	-	-	-	-	(682,864)	-	(682,864)
	Subtotal	-	-	-	-	-	-	-	112,337	454,629	(1,249,830)	(682,864)	-	-	-	-	-	(682,864)	-	(682,864)
M7	Change in ownership interests in subsidiaries accounted for using equity method	-	-	-	-	-	(734,913)	(734,913)	-	-	(328,588)	(328,588)	-	-	-	-	-	(1,063,501)	2,928,351	1,864,850
O1	Cash dividends for shareholders of the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(527,998)	(527,998)
D1	Net Profit for the Year	-	-	-	-	-	-	-	-	-	1,108,117	1,108,117	-	-	-	-	-	1,108,117	1,760,760	2,868,877
D3	Other comprehensive income after tax in 2018	-	-	-	-	-	-	-	-	-	(747)	(747)	111,088	-	(22,184)	88,904	-	88,157	103,228	191,385
D5	Total comprehensive income for 2018	-	-	-	-	-	-	-	-	-	1,107,370	1,107,370	111,088	-	(22,184)	88,904	-	1,196,274	1,863,988	3,060,262
I1	Corporate bonds converted into common shares	1,046	10,457	-	437,216	(24,035)	-	413,181	-	-	-	-	-	-	-	-	-	423,638	-	423,638
L1	Stock repurchase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,440)	(2,440)	-	(2,440)
O1	Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,128,721	1,128,721
Z1	Balance as of December 31, 2018	77,574	$ 775,745	$ 2,901,495	$ 1,442,451	$ 384,494	$ -	$ 4,728,440	$ 425,018	$ 495,665	$ 818,932	$ 1,739,615	($ 345,162)	$ -	($ 39,290)	($ 384,452)	($ 236,048)	$ 6,623,300	$19,152,403	$25,775,703

The accompanying notes are an integral part of these consolidated financial statements.
(Please refer to Audit Report of Deloitte & Touche on March 29, 2019)

Chairman:Chu, Fu-Chuan   President: Deng, Chin-Tai o   Accounting Officer: Wu, You-Mei

Ennocoon Corporation and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2017 and 2018

Unit: NT$ 1,000

Code		2018	2017 (after recompilation and audit)
	Cash flows from operating activities		
A10000	Profit before tax	$ 3,647,699	$ 2,230,195
A20010	Income charges not affecting cash		
A21000	Expected credit losses	246,600	-
A20300	Bad debt	-	89,517
A20100	Depreciation	458,367	233,111
A20200	Amortization	1,156,656	568,127
A21900	Employee stock option costs	-	23,236
A20900	Finance costs	485,009	308,252
A22300	Share of profit of associates and joint ventures accounted for under equity method	(16,945)	(101,942)
A21200	Interest income	(77,136)	(27,378)
A23700	Loss from disposal of inventories	85,937	136,489
A29900	Loss from scrapped inventories	26,747	20,571
A22500	Loss (gain) on disposal of property, plant and equipment	(20,611)	5,863
A23800	Impairments of non-financial assets	-	181,538
A20400	Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(89,284)	(8,121)
A23200	Gains from disposal of investments accounted for using equity method	-	(612,145)
A23100	Loss from disposal of available-for-sale financial assets	-	293,489
A24100	Foreign currency (gains) losses	(4,172)	13,489
A21100	Gain from bargain purchase	(56,174)	-
A30000	Net changes in operating assets and liabilities		
A31115	Financial assets at fair value through enforced profit and loss	1,292,042	-
A31125	Contract assets	(1,003,715)	-
A31130	Notes receivable	56,126	2,823
A31150	Accounts receivable	(1,665,989)	(2,673,763)
A31200	Inventories	(1,596,925)	(679,789)
A31240	Other current assets	(851,311)	427,454
A32125	Contract liabilities	(500,496)	-
A32130	Notes payable	(227,798)	(538)
A32150	Accounts payable	555,369	2,698,030
A32180	Other payables	2,956,500	553,340
A32200	Liability reserve	(588,760)	-
A32230	Other current liabilities	43,070	(212,072)
A32990	Others	18,107	244,102
A33000	Cash inflow generated from operations	4,328,913	3,713,878
A33100	Interest received	83,524	27,398
A33300	Interest paid	(294,763)	(167,174)
A33500	Income tax paid	(587,675)	(423,049)
AAAA	Net cash inflow from operating activities	3,529,999	3,151,053

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Code		2018	2017 (after recompilation and audit)
	Cash inflow from financing activities		
B00300	Acquisition of available-for-sale financial assets	$ -	($ 10,550,835)
B00400	Proceeds from disposal of available-for-sale financial assets	-	8,886,320
B00600	Acquisition of investments in debt instrument without active market	-	(6,152)
B01200	Acquisition of financial assets carried at cost	-	(192,209)
B00050	Disposable of financial assets at amortized cost	65,888	-
B01800	Acquisition of long-term equity investment under equity method	(641,404)	(22,094)
B02000	Increase in current prepayments for investments	(4,800)	(75,000)
B02200	Acquisition of net cash inflow from subsidiaries	(4,265,980)	814,671
B07100	Increase in prepayments for business facilities	(59,593)	(10,606)
B02700	Acquisition of property, plant and equipment	(767,835)	(417,992)
B02800	Disposal of property, plant, and equipment	147,505	-
B04500	Acquisition of Intangible assets	(849,978)	(351,900)
B03800	Increase in refundable deposits	28,069	(47,784)
B06500	Increase in other financial assets	(229,466)	-
B09900	Other investing activities	-	(395,593)
BBBB	Net cash outflow from investing activities	(6,577,594)	(2,369,174)
	Cash flow from fundraising		
C00100	Increase in short-term loans	6,517,532	(1,508,328)
C01200	Issuance of convertible corporate bonds	-	6,301,458
C01600	Increase in long-term loans	1,116,673	673,540
C01700	Repayment of long-term loans	(1,224,411)	(201,921)
C04600	Issue of new shares	-	-
C09900	Payment of share capital – common stock	-	-
C04500	Cash dividends paid	(682,864)	(763,008)
C04900	Buyback of treasury stocks	-	(356,653)
C05000	Proceeds from disposal of treasury shares	-	123,045
C05800	Cash dividends paid to non-controlling interests	(527,998)	(299,884)
C05800	Change in non-controlling interests	349,093	2,893,143
CCCC	Net cash inflow from financing activities	5,548,025	6,861,392
DDDD	Impacts on cash and cash equivalents from changes in exchange rates	(195,935)	51,843
EEEE	Net increase in cash and cash equivalents	2,304,495	7,695,114
E00100	Cash and cash equivalents at beginning of the period	10,152,021	2,456,907
E00200	Cash and cash equivalents at end of period	$ 12,456,516	$ 10,152,021

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

(Please refer to Audit Report of Deloitte & Touche on March 29, 2019)

Chairman: Chu, Fu-Chuan; President: Deng, Chin-Tai; Accounting Officer: Wu, You-Mei

Ennocoon Corporation and Subsidiaries

Notes to the consolidated financial statements

January 1 to December 31, 2017 and 2018

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

I. History and Organization

Ennoconn Corporation (hereinafter referred to as "the Company") was established on July 12, 1999 with main business operations in data storage, processing equipment, along with manufacturing and sales of industrial motherboards. The Company is registered at and operates from 3-6F, No. 10, Jiankang Road, Zhonghe District, New Taipei City.

The Company first went public on November 21, 2012. On December 18 of the same year, the Company started trading emerging stocks at Taipei Exchange. In addition, the Company was listed in TWSE stock exchange on March 28, 2014.

The consolidated financial statements are presented in New Taiwan Dollar, the functional currency of the Company.

II. Approval Date and Procedures of Financial Statements

These consolidated financial statements were approved by the board of directors on March 29, 2019.

III. Application of New and Revised Standards and Interpretations

(I) Regulations Governing the Preparation of Financial Reports by Securities Issuers after first applicable amending, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (hereinafter referred to as "IFRSs") endorsed by Financial Supervisory Commission (hereinafter referred to as "FSC").

With the exception of the following, applicability of amended Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as IFRSs endorsed and announced by FSC should not result in major changes in the combined Company's accounting policies:

1. IFRS 9 "Financial Instruments" and Related Amendments

IFRS 9 - "Financial Instruments” supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, and amended other standards such as IFRS 7 “Financial Instruments: Disclosures”. New requirements of IFRS 9 cover financial asset classification, measurement, impairment, and general hedge accounting. For related accounting policies, please refer to note 4.

On January 1, 2018, the combined Company has applied the classification, measurement and impairment of financial assets retrospectively and promoted general hedge accounting. IFRS is not applicable for items that have been excluded as of December 31, 2017 (inclusive).

Classification, Measurement and Impairment of Financial Assets

Based on existing financial assets and conditions on January 1, 2018, the combined Company made assessments on its financial asset classification and made retrospective adjustments. The combined Company has chosen not to adjust for comparison periods. As of January 1, 2018, the summary of measurement types, book values, and relevant changes based on IAS 39 and IFRS 9 is as follows:

Financial Asset Category	Measurement type IAS 39	Measurement type IFRS 9	Book value IAS 39	Book value IFRS 9	Description
Cash	Loans and receivables	Measured at amortized cost	$ 10,152,021	$ 10,152,021	(1)
Stock investment	Available-for-sale financial assets	Equity instrument investments measured at FVTOCI	40,640	40,640	(2)
Stock investment	Financial assets carried at cost	Equity instrument investments measured at FVTOCI	291,958	291,958	(3)
Fund Beneficiary Certificate	Available-for-sale financial assets	Measured at FVTPL	1,351,423	1,351,423	(4)
Fixed deposits with original maturity of over three months	Loans and receivables	Measured at amortized cost	70,262	70,262	(5)
Notes receivable, accounts receivable (including related parties) and other receivables	Loans and receivables	Measured at amortized cost	11,881,285	11,881,285	(1)

	Carrying amount on January 1, 2018 (IAS 39)	Reclassification	Remeasurement	Carrying amount on January 1, 2018 (IFRS 9)	Impact on retained earnings on January 1, 2018	Impact on other equity on January 1, 2018	Description
Financial assets measured at fair value through profit and loss	$ -	$ -	$ -	$ -	$ -	$ -	
Plus: reclassification of available-for-sale assets (IAS 39)	-	1,351,423	-	1,351,423	(22,309)	22,309	(4)
	-	1,351,423	-	1,351,423	-	-	
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	
Plus: reclassification of available-for-sale assets (IAS 39)	-	40,640	-	40,640	-	-	(2)
Remeasurement of financial assets carried at cost (IAS 39)	-	291,958	-	291,958	-	-	(3)
	-	332,598	-	332,598	-	-	
Financial assets measured at amortized cost							
Plus: Reclassification of loans and receivables (IAS 39)	-	22,033,306	-	22,033,306	-	-	(1) and (5)
	-	22,033,306	-	22,033,306	-	-	
Total	$ -	$ 23,717,327	$ -	$ 23,717,327	($ 22,309)	$ 22,309	

(1) Cash and cash equivalents, bills receivable, accounts receivable (including related parties), and other receivables classified as loans and receivables based on IAS 39 are classified as financial assets measured at amortized cost based on IFRS 9, and assessed for expected credit loss.

(2) Equity investments were classified as available-for-sale financial assets in accordance with IAS 39, because they are not held for trading. The combined company chose to measure them at FVTOCI. For other equities, the available-for-sale financial assets have been reclassified as other equity - unrealized gains and losses on financial assets at fair value through other comprehensive income.

(3) Investment in unlisted stocks measured at cost is measured at fair value through other comprehensive income in accordance with IFRS 9.

(4) Fund beneficiary vouchers are classified as available-for-sale financial assets based on IAS 39. As its cash flow is not entirely the interest paid on the principal and the outstanding principal amount, nor is it an equity instrument, it is classified by IFRS 9 as profit (loss) measured at fair value. As a result of retrospective application, unrealized gain or loss from other equity - available-for-sale financial assets increased by NT$22,309,000 and retained earnings decreased by NT$ 22,309,000 after adjustment.

(5) For classified debt instrument investments with no active markets and bond investments bond investments measured at amortized cost based on IAS 39, the contractual cash flow was recognized for full principle payment and outstanding principle interests. The business model related to contractual cash flow is assessed based on facts and conditions as of January 1, 2018, measured at amortized cost based on IFRS 9, and assessed for expected credit loss.

2. IFRS 15 "Revenue from Contracts with Customers" and Related Amendments

IFRS 15 are principles for recognizing revenue from contracts with customers. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts", and relevant interpretations. Please refer to note 4 for related accounting policies.

When identifying performance obligations, IFRS 15 and related amendments, if the product or service can be separated (product or service often sold at a single units) and its contract commitment can be separated (contract commitment for transfer of each product or service and not the combination), then the product or service can be separated.

The net result of recognized revenue, amounts received, and receivables are recognized as contract assets (liabilities). Prior to the application of IFRS 15, contracts under IAS 18 recognized decrease in receivables or revenues collected in advance.

When the combined Company has sold a product and not provided service, the service shall be treated as a performance obligation per IFRS 15. For transactions with no combined products or service, no transactions have been authorized. Therefore, no major difference exists after the combined Company's application of IFRS 15 and related amendments.

(II) Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by FSC applicable for 2019

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

Note 1: unless otherwise noted, the aforementioned new announcements/amendments/amended standards and Interpretations will take effect in the fiscal year after their respective dates.

Note 2: FSC has allowed the Company to apply these amendments earlier on January 1, 2018.

Note 3: these amendments apply to plan amendments, curtailment, or settlement occurring after January 1, 2019.

1. IFRS 16 "Leases"

IFRS 16 regulates the recognition of lease agreements and will supersede IAS 17 "Leases" and other interpretations.

Definition of lease

For the first-time application of IFRS 16, the combined Company will choose whether to evaluate (or include) the leases based on IFRS 16 for the contracts signed (or amended) after January 1, 2019. Currently, lease contracts in the definition of IAS 17 and IFRIC 4 will not be reclassified. The assessment will be processed in accordance with the transitional provisions of IFRS 16.

The combined Company as lessee

For the first IFRS 16 application, asset leases with low-value bids and short-term leases are recognized as expense on a straight-line basis. Other leases are recognized as right-of-use assets and lease liabilities on the consolidated balance sheet. In consolidated statements of comprehensive income will list separately the depreciation expense under right of use, and interest expense accrued from lease liabilities using effective interest method. In the consolidated statement of cash flows, the principal amount of the lease liability is shown as financing activities and interest payments will be classified as operating activities. Prior to the application of IFRS 16, expense for operating lease contracts were recognized as expense on a straight-line basis. The lease prepayments for the acquisition of land use rights in China are recognized in the prepaid lease payments. Cash flow from operating leases is classified under operating activities in the consolidated statements of cash flows. Contracts classified as financing leases are recognized as lease assets and lease payables in the consolidated balance sheet.

Based on current operating lease agreements under IAS 17, remaining lease payments will be discounted at the lessee's incremental borrowing rate on January 1, 2019. All right-of-use assets will be measured as lease liabilities on that day. IAS 36 is applicable for impairment assessment of the recognized right-of-use assets.

The combined Company is expected to apply the following expedients:

(1) A single discount rate is used to measure lease liability combination with reasonably similar characteristics.

(2) Lease terms that end before December 31, 2019, will be treated as short-term leases.

(3) Original direct cost is not included in right-of-use asset measurement on January 1, 2019.

(4) When measuring lease liabilities, decisions on lease terms are clarified after use.

For leases classified as financial leasing under IAS 17, the carrying amount of the leased asset and the lease liability of December 31, 2018 will be adopted as the carrying amount of the right-of-use asset and the lease liability on January 1, 2019.

The combined Company as lessor

No adjustments will be made to lessor's leases during the transition, and IFRS 16 will be applied starting from January 1, 2019.

Expected impact on assets, liabilities and equity

	Carrying amount as of December 31, 2018	Adjustment for First-time Application	January 1, 2019 Carrying Amount After Adjustment
Use of right-of-use assets	$ -	$ 1,109,138	$ 1,109,138
Lease prepayments	6,004	(6,004)	-
Long-term lease prepayments	78,825	(78,825)	-
Impact on Assets	$ 84,829	$ 1,024,309	$ 1,109,138
Lease liability - current	$ -	$ 1,014,448	$ 1,014,448
Lease payables - non-current	-	9,861	9,861
Impact on Liabilities	$ -	$ 1,024,309	$ 1,024,309
Impact on equity	$ -	$ -	$ -

2. IFRIC 23, "Uncertainty over Income Tax Treatments"

   IFRIC 23 clarifies that when there is uncertainty about the tax treatment of the income, the combined Company must assume that the tax authorities will be able to take all relevant information for review. If it is decided that the tax treatment of its application is likely to be accepted by the tax authorities, the income, tax base, unused tax losses, unused tax credits and tax rates must be consistent with the tax treatment used in reporting the income tax. If the tax authority is not likely to accept the tax treatment of a tax liability, the combined Company shall adopt the most likely amount or expected value (the method that is more likely to be predict future uncertainties). Whenever changes in facts or situation occur, the combined Company shall reassess its judgments and estimates.

   When applying IFRIC 23 for the first time, the combined Company expects to recognize the cumulative impact of the application retroactively on January 1, 2019.

3. Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement"

   In case of plan amendment, curtailment, or settlement, current service cost and net interests for the remainder of the year will be determined under the actuarial assumptions for remeasured net defined benefit liabilities (assets) at the time. In addition, the amendment clarifies the effects of plan amendment, curtailment, or settlement on asset cap regulations. The combined Company will defer the application of the aforementioned amendments.

Besides the effects mentioned and up until the publishing date of the consolidated financial statements, the combined Company is continuing to assess the amendment effects from other standards and interpretations on financial status and performance. Relevant effects shall be disclosed when assessment is completed.

(III) IFRSs Announced by IASB but Not Approved by FSC nor in Effect

New, Revised, Amended Standards and Interpretations	Effective Date Announced by IASB (note 1)
IFRS 3 Amendments "Definition of a Business"	January 1, 2020 (note 2)
IFRS 10 and IAS 28 Amendments "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2021
IAS 1 and IAS 8 Amendments "Definition of Material"	January 1, 2020 (note 3)

Note 1: unless otherwise noted, the aforementioned new announcements/amendments/amendment standards and Interpretations will take effect in the fiscal year after their respective dates.

Note 2: this amendment applies to business combinations, as well as other subsequent asset acquisitions, with acquisition dates after January 1, 2020 or the start of annual reporting period.

Note 3: application of this amendment is postponed to the fiscal year after January 1, 2020.

As of the date of authorization of the consolidated financial statements, the combined Company has continued to assess the effects of amendments to other standards and interpretations on its financial position and performance. Related impacts will be disclosed upon completion of the assessment.

IV. Summary of Significant Accounting Policies

(I) Compliance statement

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed and announced by the FSC.

(II) Basis of Preparation

The consolidated financial statements were prepared based on historical cost, except for financial instruments measured at fair value and net defined benefit liabilities from its present value minus recognized fair value of plan assets.

Fair value measurement is divided into three levels based on observable input and materiality:

1. Level 1 Input: offer price of comparable assets or liabilities in active market on day of measurement (unadjusted).
2. Level 2 Input: assets, input of directly observable (the price) and indirectly observable (deduced from price) liabilities, with the exception of level 1 offer price.
3. Level 3 Input: unobservable input of assets or liabilities.

(III) Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months of the balance sheet date; and

3. Cash and cash Equivalent (excluding those restricted from trading or settlement 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities with settlement in the 12 months after the balance sheet date (long-term refinancing and repayment agreements completed after balance sheet date and before publishing of financial reporting are treated as current liabilities), and;
3. Liabilities for which settlement date cannot be extended unconditionally to more than 12 months after the balance sheet date. The issuance of equity instruments for settlement, based on transaction party's choice on liability terms, does not affect the classification.

Other types of assets or liabilities are classified as non-current.

(IV) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned entities (subsidiaries). The consolidated statement of profit or loss has included the operating gains and losses of the subsidiaries that are acquired or disposed of in the current period from the date of acquisition or to the date of disposal. The financial reports of subsidiaries have been reorganized to bring uniformity in their accounting policies. In preparing for the consolidated financial statements, transactions, account balance, income and expenses among each entity have been eliminated in full. A subsidiary's total comprehensive income is attributed to the shareholders of the Company and non-controlling interests, even if non-controlling interests become deficit balance in the process.

When a change in the combined Company's ownership interests in a subsidiary does not cause a loss of control, it is treated as equity transaction. The carrying amounts of the combined Company’s and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The difference between the adjustment amount of non-controlling interests and the fair value of consideration paid or collected shall be directly recognized in equity attributable to the shareholders of the Company.

Please refer to Note 15, Table 8 and Table 9 for details on the subsidiaries, shareholding ratios and operations.

(V) Business combinations

Business combinations are accounted for using the acquisition method, and acquisition-related costs are expensed as labor and services received in the current period.

Goodwill is measured at the aggregate of the fair value of the consideration transferred, the amount of non-controlling interest in the acquiree and the acquisition-date fair value of the acquiree’s interest in the acquiree over the net fair value of the identifiable assets acquired, and liabilities assumed at the date of acquisition.

The combined Company recognizes a non-controlling interest in the acquiree on an acquisition-by-acquisition basis, and at a proportionate share of the acquiree’s net assets, over the amount of the non-controlling interests that are acquired in the acquiree and the proportionate share of the recognized amounts of the acquiree’s identifiable net assets.

When the consideration transferred by the combined Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and the resulting gain or loss is recognized in profit or loss as part of the consideration transferred. If the change in the fair value of the contingent consideration is an adjustment of the measurement period, it is a retrospective adjustment of the acquisition cost and a relative adjustment of the goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) are about facts and circumstances that existed on the acquisition date.

Changes in fair value attributable to a contingent consideration that is not adjusted within the measurement period are classified as contingent consideration. Other contingent consideration is measured at fair value on the balance sheet date. Changes in fair value are recognized in profit or loss.

During the measurement period, the acquirer should recognize the adjustment of the provisional amount and consider the accounting treatment for business combination as the acquisition date. Therefore, the acquirer should consider the comparative information in the financial statements as required, including the original accounting treatment for depreciation, amortization of any changes in depreciation or other gains and losses on such assets.

(VI) Foreign Currency

In preparing each individual financial statement, transactions denominated in a currency other than the entity's functional currency (i.e. foreign currency) are translated into the entity's functional currency by using the exchange rate at the date of the transaction before they are recorded by each entity.

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Differences in exchange amount arising from settlement or conversion of monetary items are recognized in profit or loss in its period of occurrence.

Non-monetary items denominated in foreign currencies measured at fair value are converted using exchange rate on date of fair value determination. The differences are recognized under loss and gain of the period. For changes in fair value from other comprehensive income, the differences arising from exchange are recognized under other comprehensive income.

Non-monetary items denominated in foreign currencies and measured at historical cost are converted using exchange rates on date of transaction, and are not re-converted.

For the purpose of preparing for the consolidated financial statements, assets and liabilities of foreign operations (including the subsidiaries with different locations of operations or use different currencies) are translated into the New Taiwan Dollars at the exchange rates ruling at the balance sheet date. The income and expense items are translated at the average rate of the year. The exchange differences arising are recognized in other comprehensive income.

(VII) Inventories

Inventories include raw materials, work in progress, semi-finished goods, finished goods and commodity inventory. Inventories are measured by taking the lower value of cost and net realizable value. When comparing the two, individual items are used as the basis except for same-category inventory. NRV is the estimated selling price less estimated costs for completion and estimated costs necessary to make the sale. Cost of inventory is calculated using the monthly weighted-average method.

(VIII) Investment in the affiliated enterprises

Affiliate enterprises are companies in which the merging company has major influence but they are neither its subsidiaries nor joint ventures.

The combined Company adopts the equity method for investment in affiliate enterprises.

Under the equity method, investments in affiliated companies are initially recognized at cost. The carrying amount of such investments after the acquisition date changes in accordance with the combined Company's share of subsidiaries' profit or loss and other comprehensive income, as well as earnings allocation. In addition, changes in the interest of the affiliate companies are recognized in the proportion of shareholding.

Any excess of the cost of acquisition over the combined Company's share of the net fair value of the identifiable assets and liabilities of the associate is recorded as goodwill, which is included in the carrying amount of the investment and is not amortized. The excess of the cost of acquisition over the carrying amount of the investment in the associate is stated in the consolidated statement of profit or loss over the period of the relevant lease.

When the Company issues new shares, the combined Company has not subscribed for its shares in proportion to its shareholding ratio, resulting in changes in shareholding percentage and thus increase the adjusted capital surplus and increase the amount of net equity attributable to the equity method and investment in equity method. If the amount of ownership interests in associates is not subscribed for or obtained in proportion to the shareholding ratio, the amount of the related asset or liability shall be recognized in other comprehensive income. The basis of the accounting treatment is the same as that of the associate. The basis of the difference in the balance of the capital reserve accounted for using equity method shall be the same as that of the associate.

When the combined Company loses its share of losses of an associate equals or exceeds its interest in the associate (including the carrying amount of the investment in an associate under the equity method and other long-term interests that, in substance, the carrying amount of the investment in the associate), the combined Company discontinues recognizing its further losses. The combined Company recognizes additional losses and liabilities for the purpose of recognizing the amount of legal obligations, defined obligations or payment of the associated companies.

When assessing impairment, the combined Company shall consider the overall carrying amount of the investment (including goodwill) as a single asset to be the single asset and the carrying amount is tested for impairment. Impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment and is included in the carrying amount of the investment. Any reversal of impairment loss is recognized in the consolidated income statement within the scope of the investment.

The combined Company shall cease the use of equity method from its investment no longer be the date of the related business. Its retained interest in the associate is measured at fair value, and the difference between the fair value and the carrying amount of the investment and the carrying amount of the investment at the date of acquisition of the equity method is included in profit or loss for the current period. In addition, the accounting practices for amounts of the associate shown in other comprehensive profit or loss account shall follow the same basis as that followed by the Company for direct disposal of related assets or liabilities. Additionally, when investments in the associates become investments in the joint venture, or vice versa, the combined Company will continue to adopt the equity method, instead of remeasuring the reserved equities.

The profit and loss from the combined Company's transactions with its associates and the current and downstream exchanges are recognized in the consolidated financial statements only to the extent of the combined Company's interests in the associates.

(IX) Property, Plant, and Equipment

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

Property, plant and equipment in construction is recognized at cost less accumulated impairment loss. The cost includes professional service expenses and borrowing costs eligible for capitalization. When these assets are completed and ready for use, they are classified as property, plant or equipment, and start to be listed as depreciation.

Property, plant and equipment are depreciated on a straight-line basis over the useful life of the assets, and each significant component is depreciated separately. The combined Company reviews at least annually the estimated useful life, residual values and depreciation method and will also extend the impact of changes in accounting estimates.

When derecognizing property, plant and equipment, the difference between net disposal proceeds and asset carrying amount is recognized under loss and gain.

(X) Goodwill

Goodwill acquired in a business combination is recognized as cost of goodwill and subsequently measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the combined Company’s cash-generating units (or combined Companies of cash-generating units) that is expected to benefit from the synergies of the combination and is described as a cash-generating unit (“CGU”).

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired, in which unit and the amount of the cash-generating unit to which the goodwill has been allocated is tested for impairment before the impairment test. If the goodwill allocated to the cash-generating unit is acquired in a business combination for the current year, the unit shall perform impairment testing before the end of the current year. If the recoverable amount of the cash-generating unit is less than its carrying amount, the carrying amount of the cash-generating unit is reduced to its recoverable amount, which is the sum of the carrying amount of the cash-generating unit to which the goodwill is allocated. Any impairment loss is recognized directly as profit or loss. Loss in impairment of goodwill cannot be reversed subsequently.

When a disposal of an operating entity is disposed of in a cash-generating unit, the amount of goodwill relating to the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

(XI) Intangible assets

1. Separate acquisition

Intangible assets that are acquired separately and are measured at cost minus the accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their useful lives, and at least annually, and are tested for impairment at least annually, and on the impact of changes in accounting estimates. Intangible assets with indefinite useful lives are carried at cost minus the accumulated impairment losses.

2. Acquisition from business combinations

Intangible assets acquired in a business combination are recognized at fair value at the acquisition date, with goodwill recognized separately from goodwill and are subsequently measured at amortized cost with the same separately as intangible assets acquired separately.

3. Derecognition

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

(XII) Impairment of tangible and intangible assets (other than goodwill) and contract costs

The combined Company assesses on each balance sheet date whether there is any indication that an intangible asset may be impaired. If any such indication exists, the asset’s recoverable amount is estimated. If an individual asset's recoverable amount is not possible to determine, the combined Company will determine it for its cash-generating unit. Common assets are amortized reasonably consistently for the minimum cash-generating unit combined Company. The total assets shared are shared to the minimum cash-generating unit on a reasonable and consistent basis.

The recoverable amount is defined as the higher of the "fair value less costs to sell" and the "value in use." If the recoverable amount of an individual asset or a cash-generating unit is lower than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized in profit or loss.

For customer contracts that apply IFRS 15, the amount of the impairment loss on assets, property, plant and equipment and intangible assets recognized in accordance with the contract is less than the sum of the estimated amount that the relevant product or service is expected to be received, and the carrying amount of the relevant assets is reduced by the amount of the estimated future cash-generating units.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization and depreciation) had no impairment loss been recognized for the asset in prior years. Reversal of impairment loss is recognized in profit or loss.

(XIII) Financial instruments

Financial assets and financial liabilities shall be recognized in the consolidated balance sheet when the combined Company becomes a party of the financial instrument contract.

When financial assets and financial liabilities are recognized initially, they are measured at fair value, plus transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

Regular transactions of financial assets are recognized and derecognized based on the trade date accounting basis.

(1) Measurement types

2018

Financial assets held by the combined Company are classified as financial assets at fair value through profit or loss, financial assets at amortized cost and equity instruments measured at FVTOCI.

A. Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets at fair value through profit or loss and financial assets designated as at FVTPL. Financial assets at fair value through profit or loss forcibly include equity instrument investment that is not designated as at FVTOCI by the combined Company, and non-conforming debt instrument investments that are measured at amortized cost or measured at fair value through other comprehensive gain or loss.

Financial assets at FVTPL are measured at fair value, with gains or losses arising from remeasurement recognized in profit or loss (including any dividends or interest earned on the financial assets). Please refer to Note 38 for the ways in which the fair value is determined.

B. Financial assets measured at amortized cost

If both of the following conditions apply to the financial assets the combined Company invest in, they are then classified as financial assets measured at amortized cost:

a. It is held under a business model that is held for the purpose of obtaining financial assets to collect contractual cash flows; and

b. The contractual terms generate cash flows on a specified date basis and the cash flows are solely payments on the principal amounts outstanding and interest amounts outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable and other financial assets measured at amortized cost) are measured at the aggregate carrying amount of the financial asset after initial recognition and determined by using the effective interest method. Any foreign currency exchange gains and losses are recognized in profit or loss.

Except for the following two situations, interest income is calculated by applying the effective interest rate to total carrying amount of financial assets:

a. For financial assets acquired or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate of effective interest rate multiplied by the effective interest rate of the financial asset.

b. For financial assets that are not purchased or the original credit impairment, subsequent credit-impaired financial assets are measured at amortized cost using the effective interest method.

Cash equivalents include fixed deposits that are highly liquid and highly liquid, with fixed amounts of cash and short-term bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

C. Equity instrument investment measured at FVTOCI

If the combined Company is on initial recognition, an irrevocable election can be made to an equity instrument that is not held for trading, and the equity instrument that is not recognized by a business combination is designated as at FVTOCI.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, with changes in fair value recognized in other comprehensive income and accumulated in other equity. When the investment is disposed of, the cumulative gain or loss is directly transferred to retained earnings and is not reclassified to profit or loss.

Dividends on equity instruments measured at fair value through other comprehensive income are recognized in profit or loss when the combined Company's right to receive payments is established, unless such dividends clearly represent the recovery of the investment cost.

<u>2017</u>

Financial assets held by the combined Company are financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables.

A. Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading.

Financial assets at FVTPL are measured at fair value, with gains or losses arising from remeasurement recognized in profit or loss (including any dividends or interest earned on the financial assets).

B. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

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

Dividends on available-for-sale equity investments are recognized in profit or loss when the combined Company's right to receive payments is established.

Subsequent to the sale of financial assets in the absence of an active market quotation and the fair value of the equity instrument investment, and the derivative instruments that are linked to such non-quote equity instruments and are required to deliver the equity instruments, the amount measured in addition to the impairment loss is separately classified as "financial assets measured by cost." When a financial asset is subsequently measured at its fair value, the difference between its carrying amount and its fair value is recognized in other comprehensive income. If any impairment loss is recognized, it is recognized in profit or loss.

C. Loans and Receivables

Loans and receivables (including accounts receivable, cash and cash equivalents, investments in debt instrument investments with active markets and other receivables) are measured at amortized cost using the effective interest method, minus any impairment losses except where the interest recognition for short-term accounts receivable is not material.

Cash equivalents include buy-back bonds, commercial promissory notes and fixed deposits that are highly liquid within 3 months from the date of acquisition, can be converted into fixed cash at any time and have little risk of changes in value, and are used to meet short-term cash commitments.

(2) Impairments of Financial Assets

2018

Financial assets (including accounts receivable) are measured at amortized cost on the balance sheet date through debt instrument investments, lease receivables and impairment of contract assets by the combined Company.

Account receivables and lease receivables are recognized as a provision for expected credit losses over the lifetime of the lease. Other financial assets are assessed for significant increases in credit risk after initial recognition. If significant increases are not significant, loss allowance for estimated credit losses is recognized in 12-month expected credit losses. If significant increases have been demonstrated, loss allowance for lifetime is recognized.

Expected credit losses are weighted average of credit losses that are highly probable. 12-month expected credit losses are the expected credit losses arising from the default of the financial instrument within twelve months after the reporting date. Expected credit losses are expected to occur in the financial statements for expected credit losses on a financial instrument that is expected to occur throughout the expected lifetime of the financial instrument.

Impairment loss on financial assets is reduced through the use of an allowance account, provided that the loss allowance for debt instrument investments measured at FVTOCI is recognized in other comprehensive income without any reduction in its carrying amount.

2017

The combined Company assesses at each balance sheet date whether there is any objective evidence that a financial asset other than the ones at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of single or multiple events that has occurred after the initial recognition of the asset and that event has a negative impact on the estimated future cash flows of the financial asset.

Financial assets carried at amortized cost, such as accounts receivable, that are assessed not to be impaired individually, are assessed for impairment on a collective basis in addition. Objective evidence of impairment for a receivable is assessed for impairment and more frequently if there is an increase in the payment history of the combined Company that in the past year and the collective excess of the expected credit period.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The financial assets presented at amortized cost are reduced in the subsequent period, and the amount of the impairment loss is reduced in the subsequent period, and the decrease is recognized directly or by adjustment of the allowance account. The reversal is recognized in profit or loss, except that the reversal shall not cause the carrying amount of the financial asset to exceed the amortized cost on the reversal date if the impairment is not recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the investment below its cost is also evidence that the assets are impaired.

Evidence of objective impairment of other financial assets may include significant financial difficulties or defaults of the issuer or debtor (such as delays or non-payment of interest or principal payments), a significant increase in the likelihood that the debtor will enter bankruptcy or other financial restructuring, or financial difficulties have made the active market of financial assets disappear.

The amount of accumulated losses originally recognized as other comprehensive profits and losses will be reclassified as profit or loss when the available-for-sale financial assets is impaired.

Impairment losses recognized in profit or loss on available-for-sale equity instruments are not reversed through profit or loss. Any increase in the fair value after recognition of impairment loss has to be recognized in other comprehensive profits and losses. If the fair value of the provision for the sale of the debt is increased in the subsequent period and the increase can be objectively linked to the occurrence of the impairment loss recognized in profit or loss, the impairment loss is reversed and recognized in profit or loss.

For financial assets measured at cost, the amount of impairment loss is evaluated as the difference between the asset's carrying amount with expected future cash flow and the discounted present value of the estimated future cash flows of a market return on financial assets of a similar asset. Such impairment loss will not be reversed in subsequent periods.

The impairment loss of financial assets is directly deducted from the carrying amount of the financial asset. However, the carrying amount of accounts receivable is reduced through the use of an allowance account. When the receivable is considered uncollectible, it is written off against the allowance account. The amount of subsequent recoveries of amounts previously written off is credited against the allowance account. Except for accounts receivable which are uncollectible and written off against allowance account, changes in the carrying amount of the allowance account are recognized in profit or loss.

(3) Derecognition of financial assets

The combined Company derecognizes financial assets when the contractual rights to the cash inflow from the asset expire or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

Prior to 2017 (inclusive), the difference between the carrying amount and the sum of the consideration received and the cumulative gain or loss recognized in other comprehensive income is recognized in profit or loss. Since 2018, the difference between the carrying amount and the consideration received shall be recognized in profit or loss when the financial asset is derecognized at amortized cost. On derecognition of a debt instrument measured at FVTOCI, the difference between the carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. In addition to derecognition of equity instruments that are measured at FVTOCI, the cumulative gain or loss is directly transferred to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

The combined Company classifies its issuance of debts and financial instruments as financial liabilities or equity in accordance with the definition of financial liabilities and equity instruments, as well as the contractual substance.

Equity instruments issued by the combined Company are recognized as the net of proceeds less direct issuance costs.

The combined Company's equity instruments are recognized and deducted from equity afterwards. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or disposition of the Company’s own equity instruments.

3. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at amortized cost, using the effective interest method, except for:

Financial liabilities measured at fair value through profit and loss

Financial liabilities measured at fair value through profit or loss are financial liabilities held for trading.

Financial liabilities held for trading shall refer to the amount of gains or losses incurred in the financial liabilities, and the gains or losses (excluding any dividends or interest paid on the financial liabilities) are recognized in profit or loss. Please refer to Note 38 for the ways in which the fair value is determined.

(2) Derecognition of financial liabilities

When a financial liability is derecognized, the difference between the carrying amount and the consideration paid (including any non-cash asset transferred or liability assumed) is recognized in profit or loss.

4. Convertible corporate bonds

Compound financial instruments issued by the combined Company (convertible corporate bonds) are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the time of initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments and measured at amortized reached. The liability component of the non-equity derivative is measured at fair value.

The conversion option classified as equity is a conversion option that is equal to the fair value of the compound instrument as a whole, net of income tax effects, and is subsequently measured at the amount that would be recognized in equity after deducting the impact of income tax effects. When the conversion option is exercised, the associated liability component and the amounts recognized in equity are transferred to share capital and reserves – the premium. If the conversion option of convertible bonds remains unexercised at the maturity date, the amount recognized in equity will be transferred to capital surplus – premium.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability (carrying amount of the liability) and the equity component, as appropriate, on the basis of the allocation of total gross proceeds (the “carrying amount”) and equity component (included in equity).

5. Derivatives

Derivative agreements entered into by the combined Company include forward foreign exchange contracts and foreign currency option contracts to manage the exchange rate risk.

Derivatives are initially recognized at fair value and subsequently measured at fair value, with subsequent measurement gains and losses that are recognized in the balance sheet. Derivatives are carried as financial assets when the fair value is positive and as liabilities when the fair value is negative.

Prior to 2017 (inclusive), if the embedded derivative is in line with the definition of the derivative, its risk and characteristics are not closely related to the risk and characteristics of the principal contract, and the hybrid contract is not a financial asset or financial measure measured at fair value through profit or loss. When indebted, the derivative is treated as a separate derivative. Since

2018, derivatives that are embedded in the asset master contract within the scope of IFRS 9 determine the classification of financial assets by the overall contract. If derivatives embedded in an asset host contract is not within the scope of IFRS 9 (eg. embedded in the host contract of financial liabilities), and the embedded derivative meets the definition of derivative too, when the risks and characteristics are not closely related to the risks and characteristics of the host contract, and the hybrid contract is not measured at fair value through profit or loss, the derivative is treated as a separate derivative.

(XIV) Liability reserve

The amount recognized as liability reserve is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties surrounding repayment. Liability reserve is measured at the discounted present value of the estimated cash flows discounted at the financial asset's original effective interest rate.

1. Onerous contracts

   When the combined Company expects that the costs incurred to be incurred in fulfilling the contract obligations exceed the expected costs of obtaining the contract, the recognized onerous contract is recognized as a liability.

2. Reconstructing

   Liability reserves for restructuring liabilities are recognized when the combined Company has a detailed formal plan for restructuring and has begun to proceed with or release the principal contents of the plan. Liability reserves for restructuring liabilities comprise direct costs incurred from the reconstructing, which are not related to the ongoing activities required to be undertaken by the combined Company and the corporate activities.

3. Warranty

   The warranty obligations that correspond to the requirements of the guarantee and the agreement are based on the best estimates of the expenditure required to settle the combined Company's obligations, and recognize revenue when the relevant products are recognized.

(XV) Revenue recognition

<u>2018</u>

After the combined Company identifies the contract performance obligations in a customer contract, the transaction price is apportioned to the performance obligations and revenue is recognized when contract obligations have been satisfied.

The contract price is not adjusted for the transaction price of the transfer of the commodity or services and the time interval of the consideration.

1. Sales revenue from goods

   Revenue from sales of goods is derived from the sales of industrial motherboards, information systems integration products and online communication. As the products are mainly shipped to designated locations where the customers have established the right to set the price and use the products, as well as taking on the responsibility for the sales and the risks for obsolescence, the combined Company shall recognize revenue and accounts receivable at appropriate times.

When the material is processed, control of the processed products is not transferred and the amount of the control is not recognized when the material is finished.

2. Service revenue

Service income is derived from the maintenance services of the product. The relevant income is recognized when the services are rendered.

3. Construction revenue

The combined Company gradually recognizes revenue over the construction process when real property contracts govern properties that are controlled by the client during construction. Due to the direct correlation between the cost and the completion of performance obligations, the combined Company measured the progress of the actual cost incurred to the total estimated costs. The combined Company recognizes contract assets gradually during the construction process and reclassifies the assets as accounts receivable when invoicing the customer. If the construction amount received exceeds the recognized revenue, the difference is recognized as contract liabilities. Retention amount withheld by customers is recognized in accordance with the contract terms to ensure that the combined Company has completed all contractual obligations and recognized as contract assets before the completion of the obligation performance.

<u>2017</u>

Revenue is measured at the fair value of the consideration received or receivable and excludes estimated customer returns, rebates and other similar allowances.

1. Sales of goods

Revenue is recognized when the following conditions are met:

(1) The combined Company has transferred the significant risks and rewards of ownership of the products to the buyer;
(2) The combined Company has neither continuing managerial involvement to the degree usually associated with the products sold nor maintained effective control over the goods sold;
(3) The amount of revenue can be measured reliably;
(4) The economic benefits associated with the transaction will flow to the combined Company; and
(5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. Provision of services

Service income (such as commission income) is recognized when the services are rendered.

3. Dividend income and interest income

Dividend income from investments is recognized when the shareholder’s right to receive payment is established, provided that it is probable that the economic benefits associated with the transaction will flow to the combined Company and the amount of revenue can be measured reliably.

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

(XVI) Leases

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

<u>The combined Company as lessee</u>

Finance leases are recognized at cost, being the lower of the total present value of the minimum lease payments and the present value of the leased asset at the inception of the lease or, if lower, at the time of the recognition.

The implicit interest payments on the lease payments are capitalized as current financial expense and are capitalized if they are directly attributable to qualifying assets.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(XVII) Borrowing Costs

Cost of loans directly attributable to acquisition, construction, or production of assets that meet requirements is considered as part of the cost of the asset until it reaches the stage of functional use or is ready for sale.

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

Except for the above, other borrowing costs are recognized as an expense.

(XVIII) Employee benefits

1. Short-term employee benefits

   Short-term employee benefits liabilities are measured at the undiscounted amount of the employee services expected to be paid in exchange for the services.

2. Post-employment benefits

   Pension contributions to defined contribution retirement plans are recognized as expenses in the period in which the contributions are rendered by employees.

   The defined benefit costs (including service costs, net interest and remeasurements) of defined benefit pension plans are calculated under the projected unit credit method. Current service costs and net defined benefit liabilities (assets) are recognized as employee benefit expense when they are incurred. Remeasurement (including actuarial gains and losses and plan assets after deducting interest) is recognized in other comprehensive income and included in retained earnings, and is not reclassified to profit or loss in subsequent periods.

   Net defined benefit liability (asset) is the shortfall (surplus) for defined benefit pension plans. Net defined benefit asset shall not exceed the present value of the funded pension fund refund or reductions in future contributions.

(XIX) Employee Share-based Payment

Equity-settled share-based payment agreements are recognized as a liability in the fair value of the equity instruments granted to the equity instrument issued at the grant date, with a corresponding adjustment to equity. The fair value of equity instruments reflects market vesting conditions and non-vesting conditions. The recognized remuneration costs are adjusted as the number of awards that are expected to meet the vesting conditions and the market price vesting conditions are adjusted, and the amount recognized is recognized on the current-date basis.

(XX) Income taxes

Income tax expense represents the sum of current income tax and deferred tax.

1. Current income tax

The unappropriated earnings calculated in accordance with the income tax law in the Republic of China are subject to the annual recognition of the earnings.

Adjustments to income taxes payable in the precious year are included in the current income tax.

2. Deferred income tax

Deferred income tax is calculated at the temporary differences between the carrying amount of assets and liabilities and the tax base used to determine the taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are recognized when it is probable that taxable profits will be available against which deductible temporary differences, losses or losses from machineries are set off.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the combined Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. If the deferred income tax assets are not recognized as deferred income tax assets, it is also re-examined on each balance sheet date, and the carrying value will be increased if the future taxable income can be wholly or partially recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the combined Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income tax for the current year

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

V. The Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions

When the combined Company adopts accounting policies, the management must make judgments, estimates and assumptions based on historical experience and other critical factors. Actual results may differ from these estimates.

The management will constantly review the estimates and underlying assumptions. If the revision of an estimate only affects the current period, the revision will be recognized for the current period. If the revision affects the accounting estimate, the revision is recognized for the current and future periods.

(I) Estimated impairment of financial assets (for 2018)

The estimated impairment of accounts receivable, debt instrument investments and financial guarantee contracts is based on the assumption that the combined Company has applied for the default rate and expected loss rate. The combined Company considers the historical experience, current market conditions and forward-looking information to make assumptions and select the input value to be assessed. Please refer to Note 12 for the significant assumptions and inputs used. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(II) Estimated impairment of accounts receivable (for 2017)

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

(III) Impairment of inventories

The net realizable value of inventories is estimated as the estimated selling price in the ordinary course of business minus estimated costs to completion and estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions could significantly affect these estimates.

(IV) Impairment assessment of tangible and intangible assets

In assessing impairment of assets, the combined Company assesses the value in use of the asset by making subjective judgement based on the use of the asset and the characteristics of the industry. The value in use calculation requires the combined Company to estimate future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(V) Estimated impairment of goodwill

When determining whether goodwill is impaired, an estimation of the value in use of the cash-generating units to which goodwill has been allocated is required. For value in use calculations, management should estimate future cash flows expected to arise from the cash-generating unit and determine a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise.

(VI) Realizability of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the deductible temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires significant accounting judgements and estimates of the management, including assumptions such as expected future growth in sales revenue and margin, tax periods, income tax credits and tax planning. Any changes in the global economic conditions, industry environment and laws and regulations may cause significant adjustments to deferred income tax assets.

VI. Cash and Cash Equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 22,488	$ 8,297
Bank cheques and demand deposits	12,024,265	9,995,962
Cash equivalents		
Bank fixed deposits with original maturity within three months	409,763	147,762
	$ 12,456,516	$ 10,152,021

The market interest rates for fixed deposits at the balance sheet date are as follows:

	December 31, 2018	December 31, 2017
Demand deposits	0.001%~3.51%	0.001%~4.85%
Fixed deposits	0.14%~6.81%	0.58%~2.25%

VII. Financial instruments compulsorily measured at fair value through profit or loss

	December 31, 2018	December 31, 2017
Financial assets - current		
Held for trading		
Derivative instruments (non-hedging)		
– Domestic convertible corporate bonds	$ 6	$ -
Forcibly measured at FVTPL		
Non-derivative financial assets		
– Listed (TPEx) and emerging stock companies	90,938	-
	$ 90,944	$ -
Financial assets - non-current		
Compulsorily measured at FVTPL		
Non-derivative financial assets		
– Listed (TPEx) and emerging stock companies	$ 9,558	$ -
– Unlisted (TPEx) and emerging stock	379,824	-
– Foreign convertible corporate bonds	23,646	-
	$413,028	$ -

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	December 31, 2018	December 31, 2017
Financial liabilities – current		
Held for trading		
Derivative instruments (non-hedging)		
– Foreign currency option contracts	($ 245)	($ 328)
– Forward foreign exchange contracts	5,111	4,994
– Domestic convertible corporate bonds (Note 23)	11,743	-
	$ 16,609	$ 4,666
Financial liabilities – non-current		
Held for trading		
Derivative instruments (non-hedging)		
– Domestic convertible corporate bonds (Note 23)	$ -	$ 4,053

(I) The combined Company does not apply the following foreign currency option contracts for hedging accounting and has not yet expired:

December 31, 2018

Currency	Maturity	Contractual Amount (NT$ Thousand)
Sell USD/BUY EUR	June, 2017 - June, 2020	USD 3,000/EUR2,620

December 31, 2017

Currency	Maturity	Contractual Amount (NT$ Thousand)
Sell USD/BUY EUR	June 2018 - June 2020	USD3,000/EUR2,501

(II) Forward foreign exchange contracts that have not yet been used for hedge accounting are as follows:

December 31, 2018

Currency	Maturity	Contractual Amount (NT$ Thousand)
Sell EUR/BUY USD	January 2019	EUR17/USD19
Sell CHF/BUY EUR	February 2019	CHF570 / EUR504

December 31, 2017

Currency	Maturity	Contractual Amount (NT$ Thousand)
Sell EUR／BUY USD	January 2018 - February 2018	EUR2,838/USD3,365
Sell USD/BUY EUR	January 2018 - March 2018	USD17,150/EUR 14,423
Sell AUD/BUY EUR	March 2018	AUD175 / EUR112
Sell CNY/BUY EUR	March 2018	CNY 30,000/EUR3,810

VIII. Financial assets measured at fair value through other comprehensive income - 2018

Equity instrument investments measured at FVTOCI

	December 31, 2018
Current	
Domestic investment	
Listing (TPEx) and Emerging Stock Stocks	$ 40,880
Non-current	
Domestic investment	
Unlisted shares	$ 10,450
Foreign investment	
Unlisted shares	147,798
Limited Partnership	165,094
	$ 323,342

The combined Company adopts medium- and long-term strategies and expects to gain profit through long-term investment. The management of the combined Company considers that the short-term fair value of the investments will be included in the profit or loss and is not consistent with the long-term investment planning mentioned above, and therefore, the designation of such investments is not in line with the fair value of the investment in other comprehensive income. These investments are originally classified as available-for-sale financial assets under IAS39. The reclassification and information for 2017 are disclosed in Note 3, Note 10 and Note 14.

IX. Financial assets measured at amortized cost - 2018

	December 31, 2018
Current	
Domestic investment	
Fixed deposits with original maturity of over three months	$ 4,374

As at 31st December 2018, the interest rate range for the original maturity over 3 months is 0.01% to 0.07% per annum. These deposits are classified as debt instrument investment in non-active markets under IAS 39. Please refer to Note 3 and Note 11 for the reclassification and information for 2017.

X. Available-for-sale financial assets - 2017

	December 31, 2017
Domestic investment	
Listing (TPEx) and Emerging Stock Stocks	$ 40,640
Fund Beneficiary Certificate	1,351,423
	$ 1,392,063

XI. Investments in debt instruments in non-active market - current

	December 31, 2017
Bank fixed deposits with original maturity of over three months	$ 70,262
Deposit interest rate	0.74%~1.05%

XII. Notes receivable and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable		
Notes receivable – arising from operations	$ 107,095	$ 1,860
Minus: Allowance for bad debts	-	-
	$ 107,095	$ 1,860
Accounts receivable		
Total carrying amount measured at amortized cost	$ 16,879,854	$ 10,957,756
Minus: Allowance for loss	(952,419)	(310,585)
	$ 15,927,435	$ 10,647,171
Accounts receivable - related parties	$ 561,866	$ 386,096

2018

Accounts receivable measured at amortized cost

The average credit period for the combined Company's sales of goods is 30 to 75 days. Interests are not charged to the accounts receivable. The combined Company adopts a policy of treating transactions with good quality credit ratings and where necessary, sufficient collateral is obtained to mitigate the risk of financial losses arising from defaults. Credit rating information is provided by independent rating institutions. If no such information can be obtained, the combined Company will use other public available financial information and historical transaction records to rate major customers. The combined Company continues to monitor credits risk and the credit rating of transaction counterparties. Credit limits for transaction counterparties are reviewed and approved at appropriate times on a yearly basis.

The combined Company adopts the simplified approach of IFRS 9 to recognize allowance for losses for accounts receivable over the lifetime based on expected credit losses. The lifetime expected credit losses are calculated using the provision matrix. Consideration is given to the past default history and the current financial status of the customers, the industry and economic situation, and the consideration of GDP forecast and industry outlook. The historical experience of the combined Company's credit loss history has shown that the loss patterns of different customer have not significantly different from the loss patterns. Therefore, the provision matrix is not further differentiated in the customer base. Only the number of overdue days for accounts receivable are used for setting the expected credit loss rate.

If there is evidence that the counterparty is facing serious financial difficulties and the combined Company cannot reasonably expect the recoverable amount, for example, if the counterparty is liquidating or the debt has been overdue for more than one year, the combined Company will directly write off the relevant receivables, but will continue to pursue recourse. The amount recovered by recourse is recognized in profit or loss.

The combined Company's allowance for losses for accounts receivable measured by applying the reserve matrix is as follows:

December 31, 2018

	Not overdue	1 - 30 days overdue	31 - 150 days overdue	151 - 270 days overdue	271 - 365 days overdue	1 - 2 years overdue	Over 2 years overdue	Total
Expected credit loss rate	0.23%	3.05%	3.60%	9.25%	35.09%	74.49%	100%	
Total carrying amount	$ 13,508,169	$ 1,424,269	$ 1,082,039	$ 317,773	$ 205,192	$ 774,819	$ 129,459	$ 17,441,720
Loss allowance (lifetime expected credit losses)	(30,876)	(43,504)	(38,993)	(29,400)	(72,007)	(608,180)	(129,459)	(952,419)
Amortized cost	$ 13,477,293	$ 1,380,765	$ 1,043,046	$ 288,373	$ 133,185	$ 166,639	$ -	$ 16,489,301

The impairment of the allowance for loss of accounts receivable is as follows:

	2018
Opening balance (IAS 39)	$ 310,585
Adjustments from the retroactive application of IFRS 9	-
Opening balance (IFRS 9)	310,585
Plus: Bad debt recognized for the current period	246,600
Plus: Acquisition through business combinations	488,011
Minus: Actual write-off for the current period	(19,409)
Foreign currency translation differences	(73,368)
Ending balance	$ 952,419

2017

The credit policy of the combined Company in 2017 was the same as the credit policy for 2018. When deciding on the recoverability of accounts receivable, the combined Company considers any changes in the credit quality of its accounts receivable from the original credit date to the balance sheet date. As the past experience shows that accounts receivable that are overdue for over 360 days cannot be recovered, the combined Company recognizes 100% allowance for bad debts for accounts receivable overdue for over 360 days. For accounts receivable overdue for less than 360 days, the calculation for allowance for bad debts is based on the past default records of the counterparty and its current financial position to estimate the amount that cannot be recovered.

Before accepting a new customer, the combined Company shall engage the credit company to assist the investigation for the net value, business conditions, credit guarantee and credit line of the customer to evaluate the credit quality and credit line of the potential customer. Any customer who has not applied for credit should trade in cash. The credit limits and credit rating of customers are adjusted from time to time in accordance with changes in customer transaction status and changes in the financial status. Accounts receivable that are neither overdue nor impaired refer to the Company's performance and the past payment status, profitability, and industry-wide risk.

Analysis of age of accounts receivable

	December 31, 2017
Not overdue	$ 9,699,287
Within 30 days	1,231,700
31 - 150 days	215,900
151 - 270 days	62,830
271 - 360 days	23,557
Over 361 days	110,578
Total	$ 11,343,852

The above is an analysis of the overdue number of days based on the age of receivables.

The age analysis of overdue but yet impaired accounts receivable is:

	December 31, 2017
Within 30 days	$ 1,231,700
31 - 150 days	102,280
151 - 270 days	-
271 - 360 days	-
Over 361 days	-
Total	$ 1,333,980

The above is an analysis of the overdue number of days based on the number of days overdue.

The changes for allowance for bad debts of accounts receivable are as follows:

	Individually assessed impairment losses	group assessed impairment loss	Total
Balance as of January 1, 2017	$ 45,364	$ 5,973	$ 51,337
Plus: Bad debt recognized for the current period	1,261	88,256	89,517
Plus: Increase in corporate combinations	66	1,213,575	1,213,641
Minus: Actual write-off for the current period	-	(1,043,805)	(1,043,805)
Foreign currency translation differences	(179)	74	(105)
Balance as of December 31, 2017	$ 46,512	$ 264,073	$ 310,585

The amount of accounts receivable as collateral for the combined Company is set as the amount of accounts receivable for the purpose of the loan. Please refer to Note 40.

XIII. Inventories

	December 31, 2018	December 31, 2017
Raw materials	$ 5,123,912	$ 2,595,883
Raw materials in transit	7,124	-
Work in progress	2,085,099	745,331
Semi-finished products	622,847	32,188
Finished goods	2,123,474	1,679,132
Commodity inventories	1,678,988	927,486
Minus: Allowance for loss in inventory valuation	(470,375)	(241,272)
	$ 11,171,069	$ 5,738,748

Cost of sales for the year of 2018 includes loss in inventory value of NT$ 85,937,000 and inventory obsolescence loss of NT$ 26,747,000.

Cost of sales for the year of 2017 includes loss in inventory value of NT$ 136,489,000 and inventory obsolescence loss of NT$ 20,571,000.

The combined Company has set up the amount of inventories for loan guarantee. Please refer to Note 40.

XIV. Financial assets carried at cost - 2017

	December 31, 2017
Ordinary shares of unlisted companies	$123,501
Limited Partnership	168,457
	$291,958

The classification of unlisted shares in the abovementioned unlisted companies is classified as financial assets available-for-sale. As the ranges of reasonable estimates of fair value are material, and it is impossible to assess the probability of all estimates, the combined Company's management is required to measure the probability of the combination; thus the cost minus the impairment loss on the balance sheet date.

XV. Subsidiaries

(I) Subsidiaries included in consolidated financial statements

The consolidated financial statements are presented as follows:

			Percentage of shareholding		
Name of investee	Name of subsidiary	Nature of business	2018 December 31st	2017 December 31	Description
The Company	Innovative Systems Integration Limited, Hong Kong (hereinafter referred to as "HK Innovative")	Professional investment	100%	100%	
〃	Ennoconn International Investment Co., Ltd. (hereinafter referred to as "Ennoconn International")	Professional investment	100%	100%	
The Company	Ennoconn Investment Holdings Co., Ltd (hereinafter referred to as EIH)	Professional investment	100%	100%	
HK Innovative	Nanjing Asiatek Inc. (hereinafter referred to as the "Asiatek")	Research, development and sales of software and hardware products, as well as installation, processing and technical consultancy	100%	100%	
〃	Ennoconn (Foshan) Investment Co., Ltd. (hereinafter referred to as Foshan Ennoconn)	Professional investment	100%	100%	Note 1
〃	ENGA Technology Co., Ltd. (hereinafter referred to as ENGA)	Wholesale, manufacturing, service and import/export of industrial computer and industrial systems	100%	100%	Note 1
〃	Ennoconn (Suzhou) Technology Co., Ltd.	Research and development, production and sales of industrial computers	100%	100%	Note 1
Ennoconn International	Goldtek Technology Co., Ltd. (hereinafter referred to as Goldtek Technology)	Import of telecommunications-based RF equipment and information software wholesale/retail	56.74%	56.74%	Note 2
Goldtek Technology	Jing Yuan Da Electronic Technology (Nanjing) Co., Ltd. (hereinafter referred to as "Jing Yuan Da")	Research, design and sales of electronic products, computer hardware and software, electronic cash registers, and barcode readers	-	-	Note 3
〃	Keenest Electronic Corp. (hereinafter referred to as Keenest)	Professional investment	100%	100%	
Keenest Electronic Corp.	Shenzhen Goldtek Electronics Co. Ltd (hereinafter referred to as Goldtek (Shenzhen))	Research, design and sales of electronic products, communication devices and accessories, and after-sales services for the above products.	100%	100%	
The Company and Ennoconn International	Caswell Inc. (hereinafter referred to as "Caswell")	Manufacturing of electronic parts, computer and peripheral devices, electronic material	34.48%	38.73%	Note 4

Name of investee	Name of subsidiary	Nature of business	Percentage of shareholding 2018 December 31st	2017 December 31	Description
		wholesale and software services			
Ennoconn International	EnnoMech Precision (Cayman) Co., Ltd. (hereinafter referred to as the EnnoMech Cayman)	Professional investment	100%	100%	
〃	SyS-P Co., Ltd. (hereinafter referred to as SyS-P)	International trade, information software wholesale and services	100%	100%	
〃	Taiwan Applied Module Corporation (hereinafter referred to as Taiwan Applied Module)	Research, design and sales of products relevant to mobile payment, electronic approval system and information security	60%	60%	
〃	Thecus Technology Corp. (hereinafter referred to as "Thecus Technology")	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	60%	60%	
〃	Dexatek Technology Ltd. (hereinafter referred to as "Dexatek")	R&D and design, manufacturing of multimedia products	60%	60%	
〃	Marketech International Corp. (hereinafter referred to as "Marketech")	Integration of high-tech industrial plants and manufacturing system planning services	45.34%	-	Note 9
Ennoconn International and EIH	S&T AG and subsidiaries	Integration service for information software and hardware	26.61%	22.33%	Note 5
EIH	AIS Cayman Technology (hereinafter referred to as AIS Cayman)	Professional investment	60%	60%	Note 6
AIS Cayman	American Industrial Systems Inc. (hereinafter referred to as AIS)	Human machine interface and Industrial 4.0	100%	100%	Note 6
〃	Vecow Co., Ltd.	Manufacturing, processing, trading and import/export of communication machinery, electronic equipment and electronic devices	100%	-	Note 10
EIH	Kontron Canada Inc. (hereinafter referred to as KCI)	Communication products	-	49%	Note 7
Caswell Inc.	CASO Inc.	Import and sales of Internet machinery and computer products	99%	99%	
〃	CASWELL INTERNATIONAL INVESTMENT CO., LTD.	Professional investment	100%	100%	
CASWELL INTERNATIONAL INVESTMENT CO., LTD.	Beijing Caswell Ltd. (hereinafter referred to as Beijing Caswell)	Production of electronic monitoring and network communication products	82%	82%	
EnnoMech Cayman	DOMINATE UNITED ENTERPRISE LTD.	Professional investment	100%	100%	
〃	EnnoMech Precision Co., Ltd. (hereinafter referred to as EnnoMech Precision)	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	100%	100%	
〃	HighAim Technology Inc. (hereinafter referred to as HighAim)	Professional investment	66.05%	66.05%	
DOMINATE UNITED ENTERPRISE LTD.	EnnoMech Precision (Shenzheng) Co., Ltd. (hereinafter referred to as EnnoMech Shenzhen)	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	100%	100%	
HighAim	HighAim Technology Inc.	Design, development and production of various modules, servers and communication devices	100%	100%	
〃	Andrix International LTD.	Import and export trading	100%	100%	
〃	Funology Investment Inc.	Import and export trading	100%	100%	
Thecus Technology Corp.	Thecus NL B.V.	Sales of network storage devices	100%	100%	

Name of investee	Name of subsidiary	Nature of business	Percentage of shareholding 2018 December 31st	2017 December 31	Description
		and maintenance services			
〃	Thecus U.S.A., Inc.	Sales of network storage devices and maintenance services	100%	100%	
〃	Thecus Technology Corp. (Delaware)	Professional investment	100%	100%	
Thecus Technology Corp. (Delaware)	Thecus Technology Co., Ltd. (Nanjing)	Sales of network storage devices and maintenance services	-	100%	Note 11
SyS-P Co., Ltd.	SYS-P Corp.	International trade, information software wholesale and services	100%	100%	

Note 1: Ennoconn (Foshan) Investment Co., Ltd., ENGA Technology Co., Ltd. and Ennoconn (Suzhou) Technology Co., Ltd. were established in January, July and November 2017 respectively. They were then included in the consolidated financial statements.

Note 2: The combined Company failed to subscribe for the shares in the capital increase by Goldtek Technology Co., Ltd. in April 2017, which resulted in the decrease in shareholding percentage to 56.74% (see Note 34).

Note 3: The combined Company's Board of Directors resolved to enhance the operational efficiency and simplify management costs of the organization on August 4, 2017. Jing Yuan Da Electronic Technology (Nanjing) Co., Ltd., which the combined Company had 100% of the shareholding, was liquidated. The liquidation was registered in November 2017, and the remaining capital of US$184,000 was remitted in December 2017.

Note 4: The shareholding of the Company and Ennoconn International Investment Co., Ltd. was 33.32% and 5.41% respectively. The combined Company acquired the majority voting rights of the board of directors of Caswell Inc., gaining the ability to dominate its human resources, financial and operational decisions. Therefore, it is listed as a subsidiary. In April 2018, the Company did not subscribe for cash capital increase by holding the shares in proportion to its shareholding ratio, resulting in a decrease in the shareholding percentage to 34.18%. From October to December 2018, Caswell Inc. repurchased its treasury stocks, resulting in an increase in the consolidated shareholding percentage to 34.48% (see Note 34).

Note 5: The combined Company held 8.96% of S&T AG's shareholding in 8.96% through Ennoconn Investment Holdings Co., Ltd in January 2017. S&T AG is a listed company in Frankfurt, Germany and is a combined Company holding company. As this company's shareholding structure is scattered, the shareholding ratio of other shareholders is significant and therefore has significant influence. In addition, at the end of June 2017, the company increased its shareholding to 28.45% (the shares held by Ennoconn International Investment Co., Ltd. and EIH were 1.52% and 26.93%, respectively) to become the largest shareholder and obtained more than half of the board seats with substantial control. Therefore, it was listed as a subsidiary. The assets, liabilities and equity were incorporated into the consolidated financial statements on June 30, 2017. The profit and loss items were incorporated in the second half of the same year (see Note 33). In addition, the Company did not subscribe for S&T AG shares in proportion to its cash-invested equity between August and December 2017, causing the shareholding ratio to decrease to 22.33% (see Note 34). In

October 2018, through equity transfer, the entire equity of KCI held by EIH was transferred to S&T AG and its shareholding was obtained, resulting in the comprehensive shareholding ratio to rise to 26.61%.

Note 6: The combined Company prepaid the investment in American Industrial Systems., Inc. in 2016. The transfer of equity was completed in January 2017 and incorporated in the consolidated financial statements (see Note 33).

Note 7: The combined Company obtained 49% equity in June 2016 and has significant influence over the company. As mentioned in Note 5, the company is a subsidiary of S&T AG, it was merged into the consolidated financial report at the end of June, 2017. In October 2018, 49% of the equity was transferred to S&T AG.

Note 8: The combined Company failed to subscribe for cash capital increase by shareholding in proportion in October 2017, resulting in a decrease in shareholding percentage to 66.05% (see Note 34).

Note 9: The combined Company obtained 46.79% of equity in Ennoconn International Investment Co., Ltd. in May 2018. Considering the proportion of voting rights held by other shareholders, the combined Company has substantial control. Therefore, it was listed as a subsidiary (see Note 33). In 2018, the combined Company did not subscribe to the number of shares by proportion. Therefore, the shareholding ratio decreased to 45.34% (see Note 34).

Note 10: The combined Company obtained 100% of the equity through AIS Cayman Technology in June 2018, as well as including it in the consolidated financial statements (see Note 33).

Note 11: The operations ended in the first quarter of 2018, and the liquidation was completed.

The list of subsidiaries in the financial statements was prepared in accordance with the audited financial statements for the same period.

(II) Information on subsidiaries with material non-controlling interests

	Proportion of equity and voting rights held by non-controlling interests	
Name of subsidiary	December 31, 2018	December 31, 2017
Caswell Inc.	65.82%	61.27%
S&T AG	73.39%	77.67%
Marketech International Corp.	54.66%	Non-consolidated reporting entities

Please refer to Table 8 for information on the country of the main operation premises and registration.

	Profit or loss allocated to non-controlling interests		Non-controlling equity	
Name of subsidiary	2018	2017	December 31, 2018	December 31, 2017
Caswell Inc. (non-controlling interests of subsidiaries)	$ 186,059	$ 163,502	$ 1,883,507	$ 1,159,860
S&T AG (non-controlling interests of subsidiaries)	932,197	390,426	12,514,207	11,205,986
Marketech International (non-controlling interests of subsidiaries)	255,110	-	3,104,709	-
	$ 1,373,366	$ 553,928	$17,502,423	$12,365,846

The summarized financial information of the following subsidiaries is prepared in accordance before the amount of inter-company transactions has been eliminated:

Caswell Inc. and subsidiaries

	December 31, 2018	December 31, 2017
Current assets	$ 3,754,081	$ 2,548,620
Non-current assets	668,311	737,622
Current liabilities	(1,320,697)	(1,171,469)
Total non-current liabilities	(6,519)	(5,457)
Equity	$ 3,095,176	$ 2,109,316
Equity attributable to:		
Owners of the Company	$ 1,180,309	$ 924,096
Non-controlling interests of Caswell Inc.	1,883,507	1,159,860
Non-controlling interests of the subsidiaries of Caswell Inc.	31,360	25,360
	$ 3,095,176	$ 2,109,316

	2018	2017
Operating revenue	$ 4,247,762	$ 4,036,345
Net income for the period	$ 293,038	$ 269,316
Other comprehensive gain or loss	(1,971)	(3,024)
Total comprehensive income	$ 291,067	$ 266,292
Profit (loss) attributable to:		
Owners of the Company	$ 100,435	$ 103,336
Non-controlling interests of Caswell Inc.	186,059	163,502
Non-controlling interests of the subsidiaries of Caswell Inc.	6,544	2,478
	$ 293,038	$ 269,316
Total Comprehensive Income Attributable to:		
owners of the Company	$ 100,091	$ 102,260
Non-controlling interests of Caswell Inc.	185,058	161,799
Non-controlling interests of the subsidiaries of Caswell Inc.	5,918	2,233
	$ 291,067	$ 266,292
Cash flow		
Operating activities	($ 5,947)	$ 162,980
Investing activities	(22,333)	(16,359)
Financing activities	534,069	(143,153)
Effect of exchange rate fluctuations on cash	(2,164)	(3,193)
Net cash inflow	$ 503,625	$ 275
Dividends paid to non-controlling interests Caswell Inc.	$ 158,049	$ 183,903

S&T AG and subsidiaries

	December 31, 2018	December 31, 2017
Current assets	$ 19,535,066	$ 19,104,657
Non-current assets	18,123,367	17,467,134
Current liabilities	(13,476,829)	(12,037,635)
Total non-current liabilities	(3,442,684)	(4,787,623)
Equity	$ 20,738,920	$ 19,746,533
Equity attributable to:		
Owners of the Company (Note)	$ 7,826,755	$ 8,199,497
Non-controlling interests of S&T AG	12,514,207	11,205,986
Non-controlling interests of S&T AG subsidiaries	397,958	341,050
	$ 20,738,920	$ 19,746,533

Note: Including the interests of Ennoconn International and EIH in the joint shareholding of S&T AG, and the equity of EIH in the KCI holdings of the subsidiary of S&T AG.

	2018	2017
Operating revenue	$ 35,223,782	$ 17,768,393
Net income for the period	$ 1,440,695	$ 599,936
Other comprehensive gain or loss	63,981	(90,556)
Total comprehensive income	$ 1,504,676	$ 509,380
Profit (loss) attributable to:		
Owners of the Company	$ 384,961	$ 182,469
Non-controlling interests of S&T AG	932,197	390,426
Non-controlling interests of S&T AG subsidiaries	123,537	27,041
	$ 1,440,695	$ 599,936
Total Comprehensive Income Attributable to:		
Owners of the Company	$ 402,267	$ 152,723
Non-controlling interests of S&T AG	982,351	311,232
Non-controlling interests of S&T AG subsidiaries	120,058	45,425
	$ 1,504,676	$ 509,380
Cash flow		
Operating activities	$ 1,070,990	$ 1,675,084
Investing activities	(2,222,464)	(828,303)
Financing activities	(450,356)	3,359,189
Effect of exchange rate fluctuations on cash	11,272	(87,467)
Net cash inflow (outflow)	($ 1,590,558)	$ 4,118,503
Dividends paid to non-controlling interests	$ 247,334	$ 1,116

Marketech International Corp. and subsidiaries

	December 31, 2018	December 31, 2017
Current assets	$ 15,268,921	$ -
Non-current assets	5,308,552	-
Current liabilities	(12,123,395)	-
Total non-current liabilities	(367,508)	-
Equity	$ 8,086,570	$ -
Equity attributable to:		
Owners of the Company	$ 4,911,293	$ -
Non-controlling interests of Marketech International Corp.	3,104,709	-
Non-controlling interests of Marketech International Corp. subsidiaries	70,568	-
	$ 8,086,570	$ -

	2018	2017
Operating revenue	$15,654,188	$ -
Net income for the period	$ 468,153	$ -
Other comprehensive gain or loss	(46,459)	-
Total comprehensive income	$ 421,694	$ -
Profit (loss) attributable to:		
Owners of the Company	$ 219,646	$ -
Non-controlling interests of Marketech International Corp.	255,110	-
Non-controlling interests of Marketech International Corp. subsidiaries	(6,603)	-
	$ 468,153	$ -
Total Comprehensive Income Attributable to:		
Owners of the Company	$ 198,705	$ -
Non-controlling interests of Marketech International Corp.	230,304	-
Non-controlling interests of Marketech International Corp. subsidiaries	(7,315)	-
	$ 421,694	$ -
Cash flow		
Operating activities	$ 97,169	$ -
Investing activities	(505,328)	-
Financing activities	301,928	-
Effect of exchange rate fluctuations on cash	(38,984)	-
Net cash outflow	($ 145,215)	$ -
Dividends paid to non-controlling interests	$ 235,461	$ -

XVI. Investment using equity method

Investment in associates

	December 31, 2018	December 31, 2017
Associates with significance		
Kontron Canada Inc.	$ -	$ -
Associates not individually significant	754,061	23,875
	$ 754,061	$ 23,875

(I) Associates with significance

Company Name	Proportion of ownership interests and voting rights held	
	December 31, 2018	December 31, 2017
Kontron Canada Inc.	Note	Note

Note: Included in the consolidated financial statements on June 30, 2017. Please refer to Note 15.

For the nature of business, main operation premises and country of registration, please refer to Table 8: "Information on Investee, Location, etc."

The combined Company evaluates the above associate under the equity method.

The combined Company's equity investment in Kontron Canada Inc. constitutes mainly of goodwill. The Company's investment lasted for a year. Considering the interest is lower than the book value, the management of the combined Company conducted an impairment test on the investment in May 2017 to compare whether the carrying amount of the investment is lower than the recoverable amount. The value in use is calculated by the combined Company to estimate the cash flow of the associate's operating income based on the annual discount rate of 9.66%. The estimated carrying amount of the investment in Kontron Canada Inc. is higher than its recoverable amount. The impairment loss has been recognized as NT$181,538,000.

The investments accounted for using equity method and the combined Company's share of profit and loss and other comprehensive income are recognized in the financial statements based on the audited financial statements of the same period of the respective associates.

The summarized financial information below is based on the individual financial statements of the associates and reflects the adjustment of the equity method.

Kontron Canada Inc.

	December 31, 2017
Current assets	$ -
Non-current assets	-
Current liabilities	-
Total non-current liabilities	-
Equity	$ -
Percentage of the combined Company's shares held	-
Interests of the combined Company	$ -
Goodwill	-
Carrying amount of investment	$ -

	2017
Operating revenue	$ 1,474,076
Net income for the period	$ 178,454
Other comprehensive gain or loss	-
Total comprehensive income	$ 178,454
Dividends received	$ 57,644

(II) Summarized information on associates not individually significant

	2018	2017
Shares of the combined Company		
Net income for the year	$ 16,945	$ 1,957
Other comprehensive income	-	-
Total comprehensive income	$ 16,945	$ 1,957

The investment accounted for using equity method and the combined Company's profit and loss and other comprehensive income, except for Shenzhen Xiangxing Technology Co., Ltd., are recognized in accordance with the financial statements of the same period as the Company's financial statements. However, the management of the Company is of the opinion that the financial statements of the investee though not yet audited by the CPAs, would not cause a significant impact.

XVII. Property, plant, and equipment

	Land	Buildings	Machinery and equipment	Leasehold improvements	Other equipment	Total
Cost						
Balance as of January 1, 2018	$ 292,191	$ 975,212	$1,397,496	$ 13,418	$ 559,003	$3,237,320
Addition	-	85,888	308,175	1,165	349,604	744,832
Reclassification	-	481,343	137,569	-	(543,337)	75,575
Disposal	(21,961)	(21,366)	(159,030)	-	(35,836)	(238,193)
Acquired through business combinations	266,928	2,251,312	1,178,510	-	784,431	4,481,181
Net exchange differences	2,081	(19,738)	(51,818)	1,877	(25,467)	(93,065)
Balance as of December 31, 2018	$ 539,239	$3,752,651	$2,810,902	$ 16,460	$1,088,398	$8,207,650
Accumulated depreciation and impairment						
Balance as of January 1, 2018	$ -	$ 171,854	$ 695,944	$ 4,360	$ 164,611	$1,036,769
Disposal	-	(10,012)	(79,714)	-	(21,573)	(111,299)
Reclassification	-	2,950	(3,545)	-	(2,655)	(3,250)
Acquired through business combinations	-	1,005,077	959,066	-	161,634	2,125,777
Depreciation	-	87,885	276,273	3,204	91,005	458,367
Net exchange differences	-	(5,438)	23,855	510	(4,059)	14,868
Balance as of December 31, 2018	$ -	$1,252,316	$1,871,879	$ 8,074	$ 388,963	$3,521,232
Net amount as of December 31, 2018	$ 539,239	$2,500,333	$ 939,023	$ 8,388	$ 699,435	$4,686,418
Cost						
Balance as of January 1, 2017	$ 292,191	$ 481,327	$ 312,741	$ 13,251	$ 175,465	$1,274,975
Addition	-	11,148	203,329	1,725	198,850	415,052
Reclassification	-	-	6,561	-	409	6,970
Disposal	-	(2,349)	(14,690)	(1,558)	(41,995)	(60,592)
Acquired through business combinations	-	475,013	852,205	-	213,757	1,540,975
Net exchange differences	-	10,073	37,350	-	12,517	59,940
Balance as of December 31, 2017	$ 292,191	$ 975,212	$1,397,496	$ 13,418	$ 559,003	$3,237,320
Accumulated depreciation and impairment						
Balance as of January 1, 2017	$ -	$ 38,701	$ 169,028	$ 1,647	$ 76,322	$ 285,698
Disposal	-	(52)	(8,672)	(635)	(41,655)	(51,014)
Reclassification	-	704	(704)	-	-	-
Acquired through business combinations	-	102,733	385,793	-	63,647	552,173
Depreciation	-	25,345	143,620	3,348	60,798	233,111
Net exchange differences	-	4,423	6,879	-	5,499	16,801
Balance as of December 31, 2017	$ -	$ 171,854	$ 695,944	$ 4,360	$ 164,611	$1,036,769
Net amount as of December 31, 2017	$ 292,191	$ 803,358	$ 701,552	$ 9,058	$ 394,392	$2,200,551

The combined Company's property, plant and equipment are depreciated on a straight-line basis over the following years of service life:

Buildings	5 - 50 years
Machinery and equipment	2 - 15 years
Leasehold improvements	5 years
Other equipment	3 - 15 years

Please refer to Note 40 for the amount of property, plant and equipment pledged as collateral for borrowings.

XVIII. Goodwill

	2018	2017
Cost		
Opening balance	$ 8,064,476	$ 255,548
Acquisition through business combinations for the current period (Note 33)	2,886,630	7,752,775
Net exchange differences	120,176	56,153
Ending balance	11,071,282	8,064,476
Accumulated impairment losses		
Opening and closing balances	-	-
Net amount	$ 11,071,282	$ 8,064,476

The combined Company assesses the recoverable amount of the tangible and intangible assets by taking the recoverable amount and the estimated duration into consideration for evaluating the use of cash flow. The key assumptions adopted in the value-in-use calculations of the combined Company's business performance, future operating activities and the Company's business development objectives and future market development objectives are estimated to calculate the value in use of the estimated future net cash flows. The estimated number of residual values of these assets will be discounted by weighted average cost of capital.

The combined Company obtained the acquisition price allocation report on the S&T AG acquisition date (June 28, 2017) in the second quarter of 2018. Based on the fair value of the intangible assets of the subsidiary S&T AG as measured on the acquisition date, and the merger The former consolidated company has held the equity of S&T AG and then measured its fair value, the combined Company adjusted the original accounting treatment and provisional amount from the acquisition date and re-stated the comparative information.

The increase (decrease) in related item balance sheet is as follows:

	December 31, 2017	Date of Acquisition
Goodwill	($ 1,168,930)	($ 1,156,986)
Trademark Rights	$ 1,425,834	$ 1,425,834
Existing Technology	$ 669,271	$ 701,245
Customer relations	$ 1,811,125	$ 1,918,012
Retained earnings	($ 40,127)	$ 11,944
Non-controlling equity	$ 2,777,427	$ 2,876,161

The adjustments to the relevant items in the consolidated income statement are as follows:

	2017
Operating expenses – amortization expense	$138,861

XIX. Other Intangible Assets

	Trademark Rights	Patents	Computer software	Customer relations	Others	Total
Cost						
Balance as of January 1, 2018	$ 2,335,023	$ 574,342	$ 2,928,625	$ 1,918,012	$ 1,605,633	$ 9,361,635
Separate acquisition	1,086	-	674,773	-	174,119	849,978
Acquired through business combinations	-	-	36,615	-	1,873	38,488
Disposal	-	-	(16,687)	-	-	(16,687)
Reclassification	-	(213)	630	-	-	417
Net exchange differences	(6,298)	1,420	52,196	-	(11,638)	35,680
Balance as of December 31, 2018	$ 2,329,811	$ 575,549	$ 3,676,151	$ 1,918,012	$ 1,769,988	$ 10,269,511
Accumulated amortization and impairment						
Balance as of January 1, 2018	$ 297,488	$ 166,052	$ 639,058	$ 106,887	$ 558,066	$ 1,767,551
Acquired through business combinations	-	-	26,426	-	653	27,079
Amortization	108,182	62,103	556,369	215,289	213,519	1,155,462
Disposal	-	-	(14,160)	-	-	(14,160)
Reclassification	-	(213)	(265)	-	-	(478)
Net exchange differences	(3,281)	723	65,247	-	(8,843)	53,846
Balance as of December 31, 2018	$ 402,389	$ 228,665	$ 1,272,675	$ 322,176	$ 763,395	$ 2,989,300
Net amount as of December 31, 2018	$ 1,927,422	$ 346,884	$ 2,403,476	$ 1,595,836	$ 1,006,593	$ 7,280,211
Cost						
Balance as of January 1, 2017	$ 324,406	$ 578,179	$ 29,582	$ -	$ -	$ 932,167
Separate acquisition	2,670	-	331,024	-	18,206	351,900
Disposal	(62)	(135)	(33,885)	-	(6,116)	(40,198)
Reclassification	(309)	-	1,522	-	-	-
Acquired through business combinations	1,995,116	-	2,545,227	1,918,012	1,577,237	8,035,592
Net exchange differences	13,202	(3,702)	55,155	-	16,306	80,961
Balance as of December 31, 2017	$ 2,335,023	$ 574,342	$ 2,928,625	$ 1,918,012	$ 1,605,633	$ 9,361,635
Accumulated amortization and impairment						
Balance as of January 1, 2017	$ 51,215	$ 105,189	$ 14,939	$ -	$ -	$ 171,343
Amortization	66,068	61,896	224,718	106,887	107,511	567,080
Disposal	(62)	(135)	(15,355)	-	-	(15,552)
Reclassification	(38)	-	38	-	-	-
Acquired through business combinations	176,175	-	386,034	-	448,600	1,010,809
Net exchange differences	4,130	(898)	28,684	-	1,955	33,871
Balance as of December 31, 2017	$ 297,488	$ 166,052	$ 639,058	$ 106,887	$ 558,066	$ 1,767,551
Net amount as of December 31, 2017	$ 2,037,535	$ 408,290	$ 2,289,567	$ 1,811,125	$ 1,047,567	$ 7,594,084

The above intangible assets with an indefinite useful life and are amortized using the straight-line method over their useful lives of three to eleven years.

The abovementioned trademarks are subject to an extension of statutory life at minimum cost. The management believes that the combined Company has the intention and capacity to extend the useful life. The management has conducted research on the product life cycle research, market, competitive, environmental trend and the research and development opportunities. The result shows that said trademarks are expected to generate net cash inflows for the indefinite useful life, and are therefore classified as intangible assets with indefinite useful life. The useful life of the trademark is not amortized until it is determined to be finite, and is tested annually for impairment regardless of the lack of any indicator of impairment.

XX. Prepaid investment

Investment companies	Investee	December 31, 2018 Amount	December 31, 2018 Acquisition Shareholding %	December 31, 2017 Amount	December 31, 2017 Acquisition Shareholding %
Marketech International Corp.	Taiwan Specialty Chemical Corporation	$ 4,800	0.07	$ -	-
HighAim Technology Inc.	Qingdao Bonin Fortune Access equipment Co., Ltd.	-	-	75,000	6
		$ 4,800		$ 75,000	

For the abovementioned investments, as of the balance sheet date, the remittances have been settled due to the fact that the equity transfer has not been completed.

XXI. Other Assets

	December 31, 2018	December 31, 2017
Other receivables	$ 1,580,852	$ 846,158
Current tax assets	49,161	69,695
Prepayments	1,531,728	932,140
Other financial assets (Note 1)	279,245	44,750
Prepaid lease (Note 2)	84,829	44,577
Refundable deposits	77,018	59,637
Prepaid equipment	7,900	15,821
Others	588,612	651,784
	$ 4,199,345	$ 2,664,562
Current	$ 3,399,781	$ 1,926,235
Non-current	799,564	738,327
	$ 4,199,345	$ 2,664,562

Note 1: Other financial assets are pledged demand deposits. Please refer to Note 40.

Note 2: The prepaid lease payment is for land use right in Mainland China. The land use right certificate has been obtained. Please refer to Note 40 for mortgage information.

XXII. Loans

(I) Short-term loans

	December 31, 2018	December 31, 2017
Secured loans (Note 40)		
Bank loans	$ 151,741	$ 292,997
Unsecured loans		
Bank loans	9,491,749	1,357,416
	$ 9,643,490	$ 1,650,413
Interest rate range		
Secured loans	0.75%~4.08%	1%~3.30%
Unsecured loans	0.88%~18.5%	1%~9%

(II) Long-term loans

	December 31, 2018	December 31, 2017
Secured loans (Note 40)		
Bank loans	$ 299,361	$ 278,632
Unsecured loans		
Bank loans	2,769,906	2,164,824
Minus: long-term loans due within one year	(1,207,692)	(23,713)
	$ 1,861,575	$ 2,419,743
Interest rate range		
Secured loans	0.65%~2.75%	1.35%~2.50%
Unsecured loans	1.55%~6.50%	0.50%~6.50%

The above guarantees were secured by the pledge of land and buildings, which were either due for repayment or the principal and interest on a monthly basis with terms of maturity in May 2032. The borrowing rate is a floating rate. Unsecured loans were due for repayment in May 2032, with a floating interest rate.

XXIII. Convertible corporate bonds

	December 31, 2018	December 31, 2017
First domestic unsecured convertible corporate bond issue	$ -	$ -
Second domestic unsecured convertible corporate bond issue	1,170,468	1,486,059
First foreign unsecured convertible corporate bond issue	6,172,298	6,098,485
Subsidiary unsecured ordinary corporate bonds	11,766	533,550
Minus: parts with maturity or executable sellback within 1 year	(7,354,532)	(533,550)
	$ -	$ 7,584,544

(I) The Company issued the first unsecured convertible corporate bonds on May 5, 2015 to repay bank loans and increase working capital. The status of the issuance is as follows:

1. Total amount: NT$800,000,000
2. Face value: NT$100,000 per unit
3. Coupon rate: 0%
4. Effective interest rate: 1.7447%
5. Carrying value at issuance: NT$759,547,000
6. Duration: May 5, 2015 - May 5, 2018
7. Conversion period:

   Except for the suspension of the conversion period, the creditor may request that the company's debt conversion method be held from the day following the second month after the date of issuance (July 6, 2015) to maturity date of May 5, 2018 to be converted into ordinary shares of the Company. The suspension of conversion period is as follows:

(1) The Company suspends and suspended the transfer period in accordance with the laws.

(2) The Company will negotiate with Taipei Exchange on the non-replenishment of the shareholding date, the cash dividend payment or the cash increase subscription stop dates, and the period from the 15 business days before the transfer date to the base date of the rights distribution.

(3) The date of capital reduction is cut off one day before the commencement of capital reduction.

(4) Other statuary suspension period.

8. Conversion price and adjustment:

The conversion price at the time of issuance was at NT$295. After the increase in the number of ordinary shares issued by the Company, it shall be handled in accordance with the provisions of Article 12 of the Company's domestic unsecured conversion of corporate bonds issuance and conversion procedures for the adjustment of conversion price. The conversion price after the final adjustment was $274.

9. Resale option of the creditor:

For 30 days prior to the 2 years of maturity of the corporate bonds (May 5, 2017), the bond holder may notify the Company in writing to redeem the bonds at face value plus the principal amount of the convertible bonds (102.01% of the nominal face value of the bonds after 2 years) for the convertible corporate bonds to be redeemed in cash.

10. Redemption right of the Company:

From the next day following the bond issuance for 2 months (July 6, 2015) to 40 days before the maturity date (March 26, 2018), if the closing price of the company's common stock exceeds the current conversion price for 30 consecutive business days for up to 30%, or the outstanding balance of the conversion of corporate bonds is less than 10% of the total amount of the original issuance, the Company may notify the bondholders in accordance with the conversion method and recover all the bonds in cash in denominations.

This convertible corporate bonds comprise a liability and equity component. The equity component is presented in equity as a capital surplus – share option scheme. The liability component is classified as a liability for embedded derivative instrument and non-derivative instrument. The embedded derivative instrument is estimated to be NT$0 of fair value as of December 31, 2017. The non-derivative liabilities were measured at amortized cost of NT$0. The effective interest rate for the initial recognition was 1.7447%.

Issue price (minus the transaction cost of NT$ 5,578,000)	$ 794,422
Equity component	(29,155)
Liability component (including corporate bonds payable of NT$759,547,000 and financial liabilities at fair value through profit or loss – non-current at NT$5,720,000)	765,267
Interest calculated at effective interest rate of 1.7447%	11,456
Financial instruments gain from valuation	(8,527)
Corporate bonds converted into ordinary shares	(768,196)
Liability component as of December 31, 2018	$ -

(II) The Company issued the second domestic unsecured convertible corporate bonds on May 13, 2016 to repay bank loans and increase working capital. The status of the issuance is as follows:

1. Total amount: NT$1,800,000,000
2. Face value: NT$100,000 per unit
3. Coupon rate: 0%
4. Effective interest rate: 1.4306%
5. Carrying value at issuance: NT$1,676,592,000
6. Duration: May 14, 2016 - May 13, 2021
7. Conversion period:

   Except for the suspension of the conversion period, the creditor may request that the company's debt conversion method be held from the day following the 2nd month after the date of issuance (July 14, 2016) to maturity date of May 13, 2021 to be converted into ordinary shares of the Company. The suspension of conversion period is as follows:

   (1) The Company suspends and suspended the transfer period in accordance with the laws.

   (2) The Company will negotiate with Taipei Exchange on the non-replenishment of the shareholding date, the cash dividend payment or the cash increase subscription stop dates, and the period from the 15 business days before the transfer date to the base date of the rights distribution.

   (3) The date of capital reduction is cut off one day before the commencement of capital reduction.

   (4) Other statuary suspension period.

8. Conversion price and adjustment:

   The conversion price at the time of issuance was at NT$435. After the increase in the number of ordinary shares issued by the Company, it shall be handled in accordance with the provisions of Article 12 of the Company's domestic unsecured conversion of corporate bonds issuance and conversion procedures for the adjustment of conversion price. As of December 31, 2018, the conversion price was adjusted to NT$ 403.

9. Resale option of the creditor:

   For 30 days prior to the 3 years of maturity of the corporate bonds (May 13, 2019), the bond holder may notify the Company in writing to redeem the bonds at face value plus the principal amount of the convertible bonds (103.0301% of the nominal face value of the bonds after 3 years) for the convertible corporate bonds to be redeemed in cash.

10. Redemption right of the Company:

    From the next day following the bond issuance for 2 months (July 14, 2016) to 40 days before the maturity date (April 3rd, 2021), if the closing price of the company's common stock exceeds the current conversion price for 30 consecutive business days for up to 30%, or the outstanding balance of the conversion of corporate bonds is less than 10% of the total amount of the original issuance, the Company may notify the bondholders in accordance with the conversion method and recover all the bonds in cash in denominations.

This convertible corporate bonds comprise a liability and equity component. The equity component is presented in equity as a capital surplus – share option scheme. The liability component is classified as a liability for embedded derivative instrument and non-derivative instrument. The embedded derivative instrument is estimated to be NT$11,743,000 of fair value as of December 31, 2018. The non-derivative liabilities were measured at amortized cost of NT$1,170,468,000. The effective interest rate for the initial recognition was 1.4306%.

Issue price (minus the transaction cost of NT$ 3,395,000)	$ 1,796,605
Equity component	(99,172)
Liability component (including corporate bonds payable of NT$1,679,592,000 and financial liabilities at fair value through profit or loss – non-current at NT$20,841,000)	1,697,433
Interest calculated at effective interest rate of 1.4306%	52,684
Financial instruments gain from valuation	(7,018)
Corporate bonds converted into ordinary shares	(560,888)
Liability component as of December 31, 2018	$ 1,182,211

(III) The Company issued the first unsecured convertible corporate bonds abroad on March 10, 2017 to repay bank loans and increase working capital. The declaration was validated by the FSC to be listed at the Singapore Exchange. The status of the issuance is as follows:

1. Total amount: US$200,000,000. The corporate bonds will be converted into the New Taiwan Dollars at a fixed exchange rate of 31.653 for the repayment, sellback and redemption.
2. Face value: US$200,000 per unit
3. Coupon rate: 0%
4. Effective interest rate: 2.4144%
5. Carrying value at issuance: NT$5,978,823,000
6. Duration: March 10, 2017 - March 10, 2022
7. Conversion period:

   Except for the suspension of the conversion period, the creditor may request that the company's debt conversion method be held from the day following the 2nd month after the date of issuance (April 10, 2017) to 10 days before the maturity date of February 28, 2022 to be converted into ordinary shares of the Company.
8. Conversion price

   The creditor can request the conversion of corporate bonds into the Company's common stocks at the conversion price of NT$435 and the fixed conversion rate of 31.653. After the increase in the number of ordinary shares issued by the Company, it shall be handled in accordance with the provisions of Article 13 of the Company's foreign unsecured conversion of corporate bonds issuance and conversion procedures for the adjustment of conversion price. As of December 31, 2018, the conversion price was adjusted to NT$ 463.94.

9. Repayment of bonds due:

Except for the redemption, repurchase and cancellation, as well as the conversion right exercised by the bondholder, the bonds will be repaid in full on the maturity date at the nominal value plus a yield of 1.25% per annum.

10. Resale option of the creditor:

From two years (March 10, 2019) to 4 years following the bond issuance (March 10, 2021), the bondholders may, in accordance with the provisions of the conversion method, notify the company in writing that the Company shall add the interest compensation (bond denomination plus 1.25% of the annual interest rate) to the denomination of the bond, and redeem the converted corporate bond held from the Company.

11. Redemption right of the Company:

After issuing the corporate bonds for 2 years (March 10, 2019), if there are 20 trading days out of 30 consecutive business days where the common stocks' closing price on the Taiwan Stock Exchange at the current conversion rate for the US dollar, reaches the issuer's advanced redemption price divided by the denomination multiplied by more than 130% of the total amount, the issuing company may redeem the bonds in whole or in part in advance at the price calculated by the denomination of the bonds plus the annual interest rate of 1.25%. If 90% of the bonds have been redeemed, converted, purchased or cancelled, the Company of issuance may redeem the outstanding bonds in full at the redemption price for advanced redemption.

This convertible corporate bonds comprise a liability and equity component. The equity component is presented in equity as a capital surplus – share option scheme. The liability component is a liability that is not a derivative instrument measured at amortized cost at NT$6,172,298,000 as of December 31, 2018. The effective interest rate for the initial recognition was 2.4144%.

Issue price (minus the transaction cost of NT$29,142,000)	$ 6,301,458
Equity component	(322,635)
Liability component at the date of issue	5,978,823
Interest calculated at an effective interest rate of 2.4144%	284,316
Corporate bonds converted into ordinary shares	(90,841)
Liability component as of December 31, 2018	$ 6,172,298

(IV) The major conditions for issuance of corporate bonds by subsidiaries are listed below:

Issuance period	Total amount	Coupon rate	Repayment method	December 31, 2018	December 31, 2017
May 2014 to May 2018	EUR 15,000	7.25%	The capital is repaid at maturity and the interest is paid annually.	$ -	$ 533,550

(V) The subsidiaries' unsecured convertible bonds issuance criteria are as follows:

1. Total amount: NT$500,000,000
2. Face value: NT$100,000 per unit
3. Coupon rate: 0%
4. Effective interest rate: 1.788%
5. Duration: August 22nd, 2016 - August 22nd, 2019
6. Conversion period: The date of the issuance of the corporate bond holders shall be the next day of the following month after the issuance of the bonds. Unless the Company has been required to suspend the transfer of the account in accordance with the procedures or regulations, bondholders may request the Company to convert into ordinary shares. The rights and obligations of the common shares shall be the same as the original issued ordinary shares.
7. Conversion price:

   The conversion price of the convertible corporate bonds is determined in accordance with the established model stipulated by the conversion method. The conversion price is subject to the conversion method. The Company will adjust the conversion price in accordance with the regulations of the conversion method. On the base date set by the method, the conversion price will be re-stated according to the prescribed model stipulated in the conversion method. If it is higher than the conversion price before the re-establishment of the current year, it will not be adjusted.
8. Redemption option:
   (1) Redemption of the bonds: After the maturity of the bonds, the Company will repay the principal.
   (2) Redemption in advance: From the next day following the bond issuance for one month to 40 days before the maturity date, if the closing price of the company's common stock exceeds the current conversion price for 30 consecutive business days for up to 30%, or the outstanding balance of the conversion of corporate bonds is less than 10% of the total amount of the original issuance, the Company may notify the bondholders in accordance with the conversion method and recover all the bonds in cash in denominations.
   (3) According to the conversion regulations, all recovered, repaid or converted corporate bonds will be cancelled and all rights and obligations attached to the bonds will be eliminated and not issued again.

XXIV. Other liabilities

	December 31, 2018	December 31, 2017
Other payables - current		
Salary and bonus payable	$ 1,310,831	$ 975,540
Employee bonus payable	242,843	93,817
Remuneration payable to directors and supervisors	23,999	11,573
Equipment payable	31,379	8,376
Procurement payable on behalf of others	1,378,208	-
Others	2,217,314	2,084,495
	$ 5,204,574	$ 3,173,801
Other liabilities		
Advance from customers	$ -	$ 1,128,853
Temporary credits	23,140	23,111
Receipts under custody	23,213	13,077
Others	972,229	1,262,280
	$ 1,018,582	$ 2,427,321
Current	$ 124,830	$ 1,166,778
Non-current	893,752	1,260,543
	$ 1,018,582	$ 2,427,321

XXV. Liability reserve

	December 31, 2018	December 31, 2017
Current		
Warranty (1)	$ 191,327	$ 235,638
Reconstructing (2)	7,814	249,365
Onerous contracts (3)	185,683	286,049
Others (4)	613,646	542,328
	$ 998,470	$ 1,313,380
Non-current		
Warranty (1)	$ 64,055	$ 30,250
Onerous contracts (3)	42,219	118,648
Employee benefits liability reserve (4)	77,998	75,892
Others (5)	196,584	429,850
	$ 380,856	$ 654,640

	Employee Benefits Liability reserve	Warranty	Onerous contract	Reconstructing	Others	Total
Balance as of January 1, 2018	$ 75,892	$ 265,888	$ 404,697	$ 249,365	$ 972,178	$ 1,968,020
Acquired through business combinations	7,811	7,509	10,508	-	51,781	77,609
Additions for the year	1,531	59,435	62,202	-	71,757	194,925
Used for the year	(1,278)	(49,054)	(180,535)	(40,827)	(213,486)	(485,180)
Reversal of unused balance for the current year	(5,167)	(48,759)	(33,343)	(198,130)	(68,304)	(353,703)
Others	-	25,171	(30,305)	-	4,801	(333)
Net exchange differences	(791)	(4,808)	(5,322)	(2,594)	(8,497)	(22,012)
Balance as of December 31, 2018	$ 77,998	$ 255,382	$ 227,902	$ 7,814	$ 810,230	$ 1,379,326

(I) Warranty reserve is the present value of the best estimate of the future economic benefits of the combined Company due to warranty obligations. The estimate is based on historical warranty experience and adjusted for factors such as the new raw materials, process changes or other factors affecting the quality of the products.

(II) Restructuring is for the liability reserve arising from the acquisition of KONTRON AG by S&T AG.

(III) The liability reserve for onerous contract is the estimated present value of the existing future payment obligation under S&T AG's non-cancellable purchase contract.

(IV) Employee benefit liability reserve is a one-time severance payment for temporary employees by S&T AG.

(V) Other items include litigation and employee benefits.

XXVI. Post-retirement benefit program

(I) Defined contribution plans

The pension system of the "Labor Pension Act" applicable to the combined Company as well as its domestic subsidiaries is a defined contribution plan under government administration. 6% of the employees' monthly salaries is contributed to their personal accounts at the Bureau of Labor Insurance.

The foreign subsidiaries of the combined Company also set aside and make payments to the relevant statutory bodies in accordance with the local laws and regulations.

(II) Defined benefit plans

1. The Company, Marketech International Corp. and Thecus Technology Corp. administer the pension system in accordance with domestic Labor Standards Act, which is a defined benefit retirement plan managed by the government. The payment of employee pension is based on the number years in service and the average wages of the six 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. The Company assesses the balance in the aforementioned labor pension reserve account by December 31 of 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 for the deficit by the end of next March. The Bureau of Labor Funds, Ministry of Labor is assigned to administer the account. The Company retains no rights that may influence its investment and administration strategies.

2. As part of the combined Company, Kontron shall comply with relevant local laws and regulations. When the employees who participate in the retirement plan meet the conditions (such as reaching the retirement age, losing the capacity to work, etc.), pension should be paid based on their years in service and wages when they leave the job or retire.

The amounts included in the defined benefit plan in the consolidated balance sheet are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$431,259	$107,195
Fair value of plan assets	(130,255)	(3,516)
Contribution deficit (surplus)	$301,004	$103,679
Net defined benefit assets	($ 743)	($ 1,795)
Net defined benefit liabilities	301,747	105,474
	$301,004	$103,679

The changes in net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
January 1, 2017	$ 1,889	($ 3,499)	($ 1,610)
Acquired through business combinations	109,190	-	109,190
Cost of service			
Current cost of service	3,413	-	3,413
Interest expense (income)	1,164	(24)	1,140
Recognized in profit and loss	4,577	(24)	4,553
Return on plan assets (excluding amounts included in net interest)	-	7	7
Actuarial (gain) loss – changes in financial assumptions	(10,475)	-	(10,475)
Actuarial (gain) loss – experience adjustments	(534)	-	(534)
Recognized in other comprehensive income	(11,009)	7	(11,002)
Benefits paid	(233)	-	(233)
Exchange differences	2,781	-	2,781
December 31, 2017	107,195	(3,516)	103,679
Acquired through business combinations	$ 323,149	($ 120,679)	$ 202,470
Cost of service			
Current cost of service	5,910	-	5,910
Interest expense (income)	3,868	(1,684)	2,184
Recognized in profit and loss	9,778	(1,684)	8,094
Return on plan assets (excluding amounts included in net interest)	-	(3,286)	(3,286)
Actuarial (gain) loss – demographic assumptions changes	(17)	-	(17)
Actuarial (gain) loss – changes in financial assumptions	5,659	-	5,659
Actuarial (gain) loss – experience adjustments	(633)	-	(633)
Recognized in other comprehensive income	5,009	(3,286)	1,723
Employer contributions	-	(15,168)	(15,168)
Benefits paid	(11,621)	11,621	-
Settlements	(647)	2,457	1,810
Exchange differences	(1,604)	-	(1,604)
December 31, 2018	$ 431,259	($ 130,255)	$ 301,004

The Company and the domestic subsidiaries are exposed to the following risks due to the pension system of the "Labor Standards Act":

1. Investment risk: The Labor Fund Application Bureau of the Ministry of Labor invests in domestic and foreign equity securities, debt securities and bank deposits, respectively, through self-employment and entrusted operations. However, the amount of the Company's planned assets is calculated as not lower than the income from the local bank's 2-year fixed deposit rate.
2. Interest rate risk: A decrease in the government bond yield rate will increase the present value of the defined benefit obligation, however, the return on the debt investments of the plan assets will also increase. Those two will partially offset each other.
3. Salary risk: The present value of defined benefit obligations is calculated by referencing the future salaries of the plan participants. Therefore, the increase in salaries of the plan participants will increase the present value of defined benefit obligations.

The principal risks of the pension plans of Kontron include the future salary changes for the plan participants, life expectancy and market interest rate volatility.

The present value of the defined benefit obligation of the merging company is determined by a qualified actuary. The significant assumptions on the measurement date are as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.000% - 3.000%	1.150% - 3.250%
Expected salary growth rate	2.0% - 4.0%	1.6% - 4.0%
Mortality rate	According to 90% of the 5th Taiwan Life Insurance standard ordinary experience mortality table	According to 90% of the 5th Taiwan Life Insurance standard ordinary experience mortality table
Turnover Rate	0% - 34%	0% - 34%

If reasonably possible changes occur in major actuarial assumptions while all other assumptions remain unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

	December 31, 2018	December 31, 2017
Discount rate		
Increase by 0.5%	($ 16,535)	($ 7,935)
Decrease by 0.5%	$ 10,777	$ 7,394
Expected salary growth rate		
Increase by 0.5%	$ 10,519	$ 7,286
Decrease by 0.5%	($ 16,369)	($ 7,312)

As actuarial assumptions may be related to one another, the likelihood of one assumption changing is low. Therefore, the sensitivity analysis above may not be representative of the actual change in the present value of defined benefit obligations.

	December 31, 2018	December 31, 2017
Expected appropriation within 1 year	$ 6,009	$ -
Average maturity period of defined benefit obligations	17.45 years	12.85 years

XXVII. Equity

(I) Share capital

Common stock

	December 31, 2018	December 31, 2017
Authorized shares (thousand shares)	150,000	120,000
Authorized capital	$ 1,500,000	$ 1,200,000
Number of issued and paid shares (thousand shares)	77,574	76,528
Issued capital	$ 775,745	$ 765,288

The par value of ordinary shares issued were NT$10 per share. Each share is entitled to the right to vote and receive dividend.

The convertible corporate bonds were converted into ordinary shares at NT$ 2,280,000 for 2017. Paid-in capital after change was NT$765,288,000.

The convertible corporate bonds were converted into ordinary shares at NT$10,457,000 for 2018. Paid-in capital after change was NT$775,745,000.

(II) Capital surplus

	December 31, 2018	December 31, 2017
For the purpose of offsetting losses, cash distribution or capitalization of share capital (1)		
Share premium	$ 2,415,595	$ 2,415,595
New shares issued by other companies	485,900	485,900
Premium on conversion of convertible bonds	1,442,451	1,005,235
Only for offsetting losses		
Changes in ownership interests in subsidiaries (2)	-	734,913
Not for any purpose		
Share options for convertible corporate bonds	384,494	408,529
	$ 4,728,440	$ 5,050,172

1. Such capital reserve can be used to make up for losses. It can also be used to issue cash or to make up the capital when the company has no loss, but only to a certain percentage of the paid-up share capital each year when the capital is used.

2. Such capital reserve is the number of equity transactions affected by the change in the equity when the Company has not actually acquired or owned the equity of the subsidiaries, or the adjustment of the capital reserve of the subsidiary recognized by the Company using the equity method.

(III) Retained earnings and dividend policy

In accordance with the Company's Articles of Incorporation, current year's earnings must be distributed in the following order:

1. Covering accumulated deficit.
2. Setting aside as legal reserve equal to 10% of current year's net income. However, when the legal reserve has reached the total capital of the company, this does not apply.
3. Other special reserve appropriated and reversed by other laws and regulations.
4. After the annual final accounting, after deducting the amount from the aforementioned items 1-3, the Company's net profit for the year is added to the undistributed earnings from beginning of the year. The Board of Directors makes a distribution proposal for distributable earnings and submits it to the Shareholders' Meeting for resolution.

The Company is at the growing stage. The Company's stock dividend policy shall consider the Company's capital budget and fund requirements for the Board of Directors to propose the distribution package and the Shareholders' Meeting to pass the resolution. The distribution of cash dividends shall be no less than 10% of the dividends distributed in the current year. For employees, directors and supervisors remuneration as stipulated in the Articles of Incorporation, please refer to Note 29 (6) for the employees' remuneration and remuneration of directors and supervisors.

The legal surplus reserve shall be allocated until it reaches the balance of the Company's paid-in capital. The legal surplus reserve can be used to make up for losses. When the Company has no loss, the portion of the statutory surplus reserve exceeding 25% can be allocated for the total paid-in capital as well as cash distribution.

The Company set aside and reverses special surplus reserve and reversal according to the Financial Supervisory Securities Letter No. 1010012865, the Financial Supervisory Commission's Letter No. 1010047490 and the "Adoption of International Financial Reporting Standards (IFRSs)".

The Company held shareholders' meetings on June 28, 2018 and May 18, 2017. The distribution of earnings for 2017 and 2016 was resolved as follows:

	Distribution of earnings		Dividends per share (NTD)	
	2017	2016	2017	2016
Legal reserve	$ 112,337	$ 102,275		
Special reserve	454,629	34,724		
Cash Dividends	682,864	763,008	$ 9.00	$ 10.00

The Board of Directors submitted the proposal for distribution of earnings and dividends per share for 2017 on March 29, 2019:

	Distribution of earnings	Dividends per share (NTD)
Legal reserve	$ 110,812	
Reversal) Special Reserve	(111,213)	
Cash Dividends	580,436	$ 7.00

The distribution of earnings for 2018 is subject to the resolution of the shareholders' meeting to be held on June 28, 2019.

(IV) Other equity items

1. Exchange differences on translation of foreign financial statements

	2018	2017
Opening balance	($ 456,250)	($ 20,582)
Arising from the current period		
Exchange differences on translation of foreign operations	111,088	(389,849)
Reclassification adjustment		
Disposal of foreign operations	-	(45,819)
Other comprehensive income (loss)	111,088	(435,668)
Ending balance	($ 345,162)	($ 456,250)

2. Unrealized gain (loss) on available-for-sale financial assets

	2017
Balance as of January 1, 2017	($ 20,454)
Arising from current period	
Unrealized gain (loss)	(312,450)
Reclassification adjustment	
Proceeds from disposal of available-for-sale financial assets	293,489
Other comprehensive income (loss)	(18,961)
Balance as of December 31, 2017	($ 39,415)

3. Unrealized gain (loss) on financial assets at fair value through other comprehensive income

	2018
Opening balance (IAS 39)	($ 39,415)
Impact of applying IFRS 9 retrospectively	22,309
Opening balance (IFRS 9)	(17,106)
Arising from current period	
Unrealized gain (loss)	
Equity instruments	(22,184)
Other comprehensive income (loss)	(22,184)
Ending balance	($ 39,290)

(V) Non-controlling interests

	2018	2017
Opening balance	$ 13,759,341	$ 1,936,159
Net income for the period	1,760,760	737,696
Other comprehensive income (loss)		
Exchange differences on translation of foreign financial statements	119,216	166,181
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(17,096)	-
Defined benefit plans	1,108	-
Cash dividends for shareholders of the subsidiaries	(527,998)	(299,884)
Increase in non-controlling interest of the subsidiaries increase by cash capital increase	786,939	5,045,779
Acquisition of non-controlling interests in subsidiaries (Note 33)	2,928,351	9,086,965
Transactions with non-controlling interests of subsidiaries (Note 34)	339,501	(2,913,555)
Non-controlling interests related to vested shares in circulation held by the employees of the subsidiaries (Note 32)	2,281	-
Ending balance	$ 19,152,403	$ 13,759,341

(VI) Treasury stock

Reason for recovery	Transfer of shares to Employees (thousand shares)	Parent company stocks held by subsidiaries (thousand shares)	Total (thousand shares)
Shares on January 1sr, 2017	-	-	-
Increase during the period	1,000	-	1,000
Decrease during the period	(345)	-	(345)
Number of shares as of December 31, 2017	655	-	655
Number of shares as of January 1, 2018	655	-	655
Increase during the period	-	10	10
Decrease during the period	-	-	-
Number of shares as of December 31, 2018	655	10	665

For the purpose of investment, the subsidiaries held shares of the Company as of December 31, 2018. The relevant information is as follows:

Name of subsidiary	Shares (1,000 shares)	Carrying Amount	Market value
Marketech International Corp.	10	$ 2,440	$ 2,440

The Company transferred 345,000 shares of treasury stocks to employees in August 2017. The transfer price per share was NT$356.653, and the total amount was NT$123,045,000. The fair value of the share options is NT$67.35 per share. The recognized salary expenses and capital reserve of NT$ 23,236,000 were recognized.

Treasury stocks held by the Company shall not be pledged as collateral in accordance with the Securities and Exchange Act, nor shall it be entitled to dividend distribution and voting rights. Company stocks held by the subsidiaries are treated as treasury stocks. Except for not being used for the Company's cash capital increase and the lack of voting power, the rest of the rights are the same as the general shareholders' rights.

XXVIII. Revenue

	2018	2017
Revenue from customer contracts		
Sales revenue	$ 47,958,862	$ 34,780,869
Service revenue	10,402,788	123,195
Construction revenue	10,600,809	-
	$ 68,962,459	$ 34,904,064

The abovementioned products are sold to the world's largest suppliers in different application fields at fixed price as per the contract

(I) Contract assets and contract liabilities

	December 31, 2018
Accounts receivable (Note 12)	$ 16,489,301
Contract assets	
Contract assets – construction contracts	$ 4,382,925
Contract liabilities	
Contract liabilities – Construction contracts	$ 3,208,427
Contract liabilities – sales contracts	1,457,005
Contract liabilities – service contracts	29,322
Total	$ 4,766,754

Changes in contract assets and contract liabilities are mainly caused by the difference between the timing of obligation performance and timing of payment. Other important changes are acquired through business combinations.

The amount of contract liabilities recognized as revenue at the beginning of the year is as follows:

	2018
Opening contract liabilities	
Sale of goods	$ 1,087,496

(II) For details on the customer contract, please refer to Note 45.

XXIX. Net Income

(I) Other income

	2018	2017
Rental income	$ 14,352	$ 6,689
Interest income	77,136	27,378
	$ 91,488	$ 34,067

(II) Other gains and losses

	2018	2017
Net loss from disposal of available-for-sale financial assets	$ -	($ 293,489)
Financial assets and financial liabilities		
Financial liabilities held for trading	-	8,121
Financial assets at fair value through the statement of other comprehensive income	89,284	-
Disposal of associate interests (Note 33)	-	612,145
Impairment loss on investments under the equity method	-	(181,538)
Net foreign exchange loss	46,859	(45,098)
Proceeds from actual settlement of litigation	19,654	-
Bargain purchase gain – acquisition of subsidiaries (Note 33)	56,174	-
Proceeds from disposal of property, plant, and equipment	20,611	-
Others	851,542	559,045
	$ 1,084,124	$ 659,186

(III) Finance Costs

	2018	2017
Interest on bank loans	$302,883	$167,180
Imputed interest on corporate bonds payable	182,126	141,072
	$485,009	$308,252

(IV) Depreciation and amortization cost

	2018	2017
Depreciation of property, plant and equipment	$ 458,367	$ 233,111
Amortization cost on other intangible assets	1,155,462	567,080
Amortization of long-term prepaid lease payments	1,194	1,047
	$ 1,615,023	$ 801,238
Depreciation cost summarized by function		
Operating costs	$ 146,009	$ 41,128
Operating expenses	312,358	191,983
	$ 458,367	$ 233,111
Amortized cost summarized by function		
Operating costs	$ 134,203	$ 1,116
Operating expenses	1,022,453	567,011
	$ 1,156,656	$ 568,127

(V) Employee benefits expenses

	2018	2017
Post-employment benefits		
Defined contribution plans	$ 157,018	$ 56,522
Defined benefit plans	8,094	4,553
Salaries, bonuses and dividends	8,702,093	4,105,380
Other employee benefits	285,476	149,039
	$ 9,152,681	$ 4,315,494
Summarized by function		
Operating costs	$ 720,929	$ 152,372
Operating expenses	8,431,752	4,163,122
	$ 9,152,681	$ 4,315,494

(VI) Employees' compensation and directors' and supervisors' remuneration

The Company will allocate no less than 2% and no more than 2% of respectively before deducting the pre-tax benefits to employees' compensation and directors' and supervisors' remuneration. The employees' compensation and directors' and supervisors' remuneration for 2018 and 2017 were resolved by the board of directors on March 29, 2019 and March 30, 2018 respectively as follows:

Estimated ratio

	2018	2017
Employee compensation	3.0%	4.1%
Director and Supervisor remuneration	0.3%	0.2%

Amount

	2018	2017
Employee remuneration	$ 33,116	$ 50,000
Remuneration to Directors and Supervisors	$ 3,060	$ 2,901

If there are any changes in the amounts after approval of the annual consolidated financial report, they will be treated accordingly and recorded in the accounts of the next fiscal year.

The actual distribution amount for employees' compensation and directors' and supervisors' remuneration for 2017 and 2016 did not differ from the recognized amounts of the consolidated financial statements for 2017 and 2016.

Information on the employees' compensation and directors and supervisors' remuneration resolved by the Board of Directors in 2019 and 2018 is available on the Market Observation Post System of TWSE.

(VII) Foreign exchange gains and losses

	2018	2017
Total gains on foreign exchange	$ 688,513	$ 247,418
Total loss on foreign exchange	(641,654)	(292,516)
Net (loss) gain	$ 46,859	($ 45,098)

XXX. Income tax

(I) Income tax recognized in profit or loss

The main components of income tax expenses are as follows:

	2018	2017
Current income tax		
Arising from the current period	$ 816,241	$ 303,669
Surtax on unappropriated retained earnings	34,485	46,694
Adjustments for prior years	(4,698)	4,324
Deferred income tax		
Arising from the current period	(71,369)	54,565
Change in tax rate	(14,725)	-
Income tax expense recognized in profit or loss	$ 778,822	$ 409,252

Reconciliation between accounting income and current income tax expenses is as follows:

	2018	2017
Net income before tax	$ 3,647,699	$ 2,230,195
Income tax expense at the statutory rate	$ 882,651	$ 408,372
Expenses not deductible for tax	303,332	83,884
Tax-exempted income	(164,262)	(23,049)
Surtax on unappropriated retained earnings	34,485	46,694
Unrecognized temporary difference	(282,238)	(15,991)
Investment tax credit	(3,418)	(3,328)
Effect of different tax rates for consolidated entities	27,985	(15,022)
Unrecognized deductible losses	(290)	(76,632)
Adjustments in respect of current income tax expense for prior periods	(4,698)	4,324
Changes in tax rates	(14,725)	-
Income tax expense recognized in profit or loss	$ 778,822	$ 409,252

The combined Company is eligible to tax rate of 17% applicable to individuals based on the Income Tax Act of the Republic of China

The Income Tax Law of the Republic of China was increased from 17% to 20% in the Income Tax Act amended in February 2018 and implemented in 2018. In addition, the tax rate applicable to unappropriated earnings for 2018 will decrease from 10% to 5%.

The tax rate applicable to subsidiaries in the Mainland China is 25%. Tax arising from other jurisdictions is calculated at the rates applicable in the respective jurisdictions.

As the distribution of earnings from the shareholders' meeting in 2019 is still uncertain, the potential income tax on undistributed earnings for 2018 has not been determined by the potential profit tax.

(II) Income tax recognized in other comprehensive income

	2018	2017
Deferred income tax		
Changes in tax rates	$ -	$ -
Arising from the current period		
– At fair value through other comprehensive income	2,086	-
– Remeasurement of defined benefit plans	9,880	31
Income tax recognized in other comprehensive income	$ 11,966	$ 31

(III) Deferred income tax assets and liabilities

The changes in deferred income tax assets and liabilities are as follows:

2018

	Opening balance	Acquired through business combinations	Recognized in profit and loss	Recognized in other comprehensive income	Exchange differences	Closing balance
Deferred income tax assets						
Allowance for inventory valuation loss	$ 148,737	$ 13,191	$ 37,716	$ -	($ 6,619)	$ 193,025
Loss deduction	603,216	-	174,540	-	(9,774)	767,982
Bad debt loss	4,757	41,774	(4,757)	-	-	41,774
Liability reserve	441,403	36,336	(77,475)	-	(6,752)	393,512
Others	30,790	49,828	(49,554)	9,880	12,048	52,992
	$1,228,903	$ 141,129	$ 80,470	$ 9,880	($ 11,097)	$1,449,285
Deferred income tax liabilities						
Defined benefit retirement plan	$ 616	$ -	$ 2,241	($ 2,086)	$ -	$ 771
Book-tax difference	193,279	42,870	(19,653)	-	(3,101)	213,395
Asset revaluation	257,841	46,452	7,896	-	(2,692)	309,497
Others	-	11,029	3,892	-	-	14,921
	$ 451,736	$ 100,351	($ 5,624)	($ 2,086)	($ 5,793)	$ 538,584

2017

	Opening balance	Acquired Acquisition	Recognized in profit and loss	Recognized in other comprehensive income	Exchange differences	Closing balance
Deferred income tax assets						
Allowance for inventory valuation loss	$ 20,105	$ 147,220	($ 19,909)	$ -	$ 1,321	$ 148,737
Loss deduction	31,208	461,484	99,416	-	11,108	603,216
Bad debt loss	-	-	4,757	-	-	4,757
Liability reserve	-	552,653	(123,557)	-	12,307	441,403
Others	7,021	44,285	(19,420)	-	(1,096)	30,790
	$ 58,334	$1,205,642	(58,713)	$ -	$ 23,640	$1,228,903
Deferred income tax liabilities						
Defined benefit retirement plan	$ 585	$ -	$ -	$ -	$ 31	$ 616
Book-tax difference	-	195,875	(17,516)	-	14,920	193,279
Asset revaluation	-	235,965	16,037	-	5,839	257,841
Unrealized exchange gains	2,669	-	(2,669)	-	-	-
	$ 3,254	$ 431,840	($ 4,148)	$ -	$ 20,790	$ 451,736

(IV) Unused tax credits not recognized in the consolidated balance sheet

	2018	2017
Carry-forward deficit deduction	$ 1,362,980	$ 1,804,724

(V) Information on unused carry-forward deficit:

As of December 31, 2018, relevant information for carry-forward deficit is set out below:

Balance before deduction	Final year of deduction
$ 54,014	2022
20,938	2023
27,652	2024
38,208	2025
30,946	2026
61,492	2027
2,662,224	2028
2,641	2034
5,132	2035
2,175	2036
5,275	2038
6,085,218	No limit
$ 8,995,915	

(VI) Aggregate amount of temporary differences associated with investments and unrecognized deferred income tax liabilities

As of December 31, 2017 and 2018, the taxable temporary differences for the investee subsidiaries were NT$4,020,480,000 and NT$2,801,416,000 respectively, and the deferred tax liabilities were not recognized.

(VII) Income tax approval status

The Company, Ennoconn International Investment Co., Ltd., Goldtek Technology Co., Ltd., Thecus Technology Corp., Caswell Inc. and Marketech International Corp.'s business income tax declarations as of 2016 have been approved by the tax collection agency.

XXXI. Earnings per share (EPS)

The weighted average number of ordinary shares for the purpose of calculating earnings per share and the weighted average number of ordinary shares are as follows:

Net income for the period

	2018	2017
Net income attributable to owners of the Company	$ 1,108,117	$ 1,083,247
Impact on ordinary shares with dilutive effect:		
Post-tax interest on convertible corporate bonds	145,701	117,090
Net profit used in calculating diluted earnings per share	$ 1,253,818	$ 1,200,337

Unit: thousand shares

	2018	2017
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	76,686	75,838
Impact on ordinary shares with dilutive effect:		
Convertible corporate bonds	16,396	17,233
Employees' compensation	161	122
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	93,243	93,193

If the Company chooses to distribute employee compensation in shares or cash, when calculating the diluted earnings per share, it is assumed that the employee compensation will be issued in the form of stocks, and the diluted ordinary shares will be included in the weighted average number of outstanding shares to calculate the diluted earnings per share. The dilutive effect of potential ordinary shares in respect of the Company's shares before the issuance of shares as employee compensation by the Board of Directors in the following year is also considered.

XXXII. Share-based Payment Agreement

(I) Subsidiary employee stock option plan

A subsidiary, Caswell Inc., increased capital by cash before being listed in the stock exchange. Pursuant to Article 267 of the Company Act, a total of 1,200,000 shares (15%) were retained for employee subscription at NT$101 per share. The transfer of the restricted share options shall only be transferable three months after the shares are listed.

Caswell Inc. adopts the Black-Scholes option pricing model to estimate the fair value of the share-based payment.

The information on employee stock options is as follows:

	2018	
Employee stock options	Unit (thousand)	Weighted average Exercise price (NT$)
Opening outstanding	-	$ -
Distributed this period	999	101
Lost this period	-	-
Exercised this period	(999)	(101)
Closing outstanding	-	$ -

In 2018, Caswell Inc. recognized compensation expenses of NT$ 3,723,000 and additional capital surplus according to the fair value of the equity goods. The Company's shareholding ratio of all subsidiaries' equity changes is estimated to be NT$1,442,000.

(II) Share option plan for the subsidiary acquired during the current period

The subsidiary Marketech International Corp. provides stock options to its managers and senior employees. The combined Company has not been replaced by any other share option schemes as of the acquisition date of the subsidiary. The plan continues to be valid.

The share option scheme of Marketech International Corp. for 2018 is set out below:

Type of agreement	Date of grant	Quantity (thousand shares)	Contract period	Vesting conditions
Employee stock option scheme	September 11, 2015	3,956	6 years	2 - 4 years in service

The abovementioned share-based payment agreements are equity-settled share-based payment transactions.

All outstanding share options are measured at the market price at the acquisition date. The option is calculated using the Black-Scholes valuation model. The inputs for the model are as follows:

Type of agreement	Share option scheme
Share price at the date of acquisition (NT$)	$ 19.60
Exercise price (NT$)	$ 19.60
Expected volatility	34.91%
Duration	4.375 years
Expected dividend yield	0%
Risk-free interest rate	0.81%
Fair value per unit (NTD)	$ 5.8326

The information on employee stock options is as follows:

	January 1st to December 31, 2018	
Employee stock options	Unit (thousand)	Weighted average Exercise price (NT$)
Opening outstanding	-	$ -
Acquired through business combinations	2,031	-
Lost this period	(56)	-
Exercised this period	(650)	16.7
Closing outstanding	1,325	16.7
Exercisable at the end of the period	83	

XXXIII. Business Combination

(I) Acquisition of subsidiaries

	Main operating activities	Date of Acquisition	Proportion of acquisition with voting rights (%)	Transfer consideration
KCC Kapsch combined Company	Information technology services	2018.04.01	100.00	$ 22,390
Active Internet Performance	Information technology services	2018.05.01	100.00	17,740
Exceet combined Company	IoT	2018.07.28	100.00	1,083,132
Fair Value	Information technology services	2018.08.01	100.00	29,608
Inocybe	Embedded System Services	2018.08.01	100.00	152,159
Pils Com	Information technology services	2018.10.01	100.00	38,200
Steu Da Tec	Information technology services	2018.12.01	100.00	14,233
Marketech International Corp. and subsidiaries (hereinafter referred to as "Marketech")	Planning integration services for high-tech industrial plants and process systems	2018.05.15	46.79	4,924,648
Vecow Co., Ltd. (hereinafter referred to as "Vecow")	Manufacturing, processing, trading and import/export of communication machinery, electronic equipment and electronic devices	2018.06.29	100.00	98,366
AIS Cayman and subsidiaries (hereinafter referred to as AIS)	Professional investment	2017.01.02	60.00	153,513
S&T AG and subsidiaries (hereinafter referred to as S&T)	Integration service for information software and hardware	2017.06.28	28.45	3,611,576

The combined Company acquired these companies for business expansion, and has acquired relevant development design and production technologies.

The transfer consideration for the acquisition of the subsidiaries above was paid in cash.

(II) Assets acquired and liabilities assumed on acquisition date

2018

	Marketech	Vecow	KCC Kapsch combined Company	Exceet combined Company	Others
Current assets					
Cash and Cash Equivalents	$ 1,935,003	$ 44,078	$ 57,849	$ 38,610	$ 38,956
Financial assets at fair value through profit or loss - current	65,300	11,240	-	-	-
Contract assets - current	3,225,826	-	-	-	-
Notes and accounts receivable	3,670,782	45,321	218,570	305,858	8,396
Other receivables	51,648	-	-	-	-
Inventories	3,042,843	85,847	13,512	778,689	4,017
Prepayments	574,112	-	-	-	-
Others	222,901	-	-	-	-
Non-current assets					
Financial assets at fair value through profit or loss - non-current	301,596	-	-	-	-
Investment accounted under equity method	52,903	-	-	-	-
Property, plant and equipment	2,043,907	85,850	14,811	198,354	12,482
Other intangible assets	11,409	-	-	-	-
Deferred income tax assets	141,129	-	-	-	-
Long-term prepaid lease payments	41,068	-	-	-	-
Others	51,802	7,993	24,208	141,551	41,321
Current liabilities					
Short-term loans	(1,475,545)	-	-	-	-
Contract liabilities – current	(2,818,334)	-	-	-	-
Notes and accounts payable	(4,491,262)	(182,450)	(195,316)	(507,551)	(84,813)
Other payables	(409,218)	-	-	-	-
Current income tax liabilities	(146,451)	-	-	-	-
Others	(55,669)	-	-	-	-
Total non-current liabilities					
Corporate bonds payable	(178,442)	-	-	-	-
Long-term loans	(200,000)	-	-	-	-
Net defined benefit liabilities	(153,576)	-	-	-	(48,894)
Deferred income tax liabilities	-	-	(52,147)	(70,246)	22,042
Others	-	-	(2,923)	(110,989)	30,373
	$ 5,503,732	$ 97,879	$ 78,564	$ 774,276	$ 23,880

The initial accounting treatment for the acquisition of Marketech and Vecow is only provisional on the balance sheet date. At the date of issuance of these consolidated financial statements, the market valuation and other required calculations have not been completed. Therefore, the value is based on the best estimate of the combined Company's management.

The fair value of the accounts receivable from these companies in the merger transaction is close to the book value, and there is no expected uncollectible amount on the acquisition date.

2017

	AIS	S & T
Current assets		
Cash and Cash Equivalents	$ 162,745	$ 3,512,271
Notes and accounts receivable	12,018	4,704,272
Inventories	19,700	3,218,823
Prepayments	358	146,073
Others	414	1,619,303
Non-current assets		
Property, plant and equipment	1,476	987,326
Deferred income tax assets	5,198	1,200,444
Other intangible assets	-	7,024,786
Others	-	284,881
Current liabilities		
Short-term loans	-	(893,530)
Notes and accounts payable	(12,456)	(3,861,987)
Other payables	(1,718)	(3,362,384)
Long-term liabilities due within one year	-	(520,800)
Others	(1,357)	(1,387,266)
Total non-current liabilities		
Long-term loans	-	(1,948,124)
Deferred income tax liabilities	-	(431,840)
Others	-	(1,773,548)
	$ 186,378	$ 8,779,974

The fair value of the accounts receivable from these companies in the merger transaction is close to the book value, and there is no expected uncollectible amount on the acquisition date.

(III) Goodwill arising from acquisition (bargain purchase gain)

2018

	Marketech	Vecow	KKC Kapsch	Exceet combined Company	Others
Transfer consideration	$ 4,924,648	$ 98,366	$ 22,390	$ 1,083,132	$ 251,940
Plus: Non-controlling interests	2,928,351	-	-	-	-
Minus: Fair value of identifiable net assets acquired	(5,503,732)	(97,879)	(78,564)	(774,276)	(23,920)
Goodwill arising from acquisition (bargain purchase gain)	$ 2,349,267	$ 487	($ 56,174)	$ 308,856	$ 228,020

2017

	AIS	S & T
Transfer consideration	$ 153,513	$ 3,611,576
Plus: Fair value of shares held	-	3,867,073
Non-controlling equity	74,584	9,012,381
Minus: Fair value of identifiable net assets acquired	(186,378)	(8,779,974)
Goodwill arising on acquisition	$ 41,719	$ 7,711,056

The benefits arising from the fair value of the shares held by the S&T in the current period are based on the fair value of the acquisition date as follows:

Fair value of shares held	$ 3,867,073
Carrying amount of investment at the date of acquisition	(3,312,691)
Plus: Other comprehensive income from associates accounted for using equity method	45,819
Plus: Unrealized gain (loss) on available-for-sale financial assets	11,944
Recognized benefits	$ 612,145

The goodwill arising from the acquisition is mainly attributable to the control premium. In addition, the consideration paid for the combination includes the combination of expected synergies, revenue growth and future market development. However, if the recognition criteria for an intangible asset are not met, they are not separately recognized.

(IV) Net cash outflow (inflow) from acquisition of subsidiaries

2018

	Marketech	Vecow	KKC Kapsch	Exceet combined Company	Others
Consideration paid for cash	$ 4,924,648	$ 98,366	$ 22,390	$ 1,083,132	$ 251,940
Cash and cash equivalents acquired	(1,935,003)	(44,078)	(57,849)	(4,630)	(72,936)
	$ 2,989,645	$ 54,288	($ 35,459)	$ 1,078,502	$ 179,004

2017

	AIS	S & T
Transfer consideration	$ 153,513	$ 3,611,576
Minus: Prepaid investment	-	(904,744)
Consideration paid for cash	153,513	2,706,832
Cash and cash equivalents acquired	(162,745)	(3,512,271)
	($ 9,232)	($ 805,439)

(V) Impact on operating results from business combination

2018

The operating results of the acquired companies from the acquisition date are as follows:

	Marketech	Vecow	KKC Kapsch	Exceet combined Company	Others
Operating revenue	$15,654,188	$ 397,747	$ 418,091	$ 972,878	$ 76,411
Net income for the period	$ 468,154	$ 51,589	($ 26,208)	$ 19,301	($ 22,887)

2017

The operating results of the acquired companies from the acquisition date are as follows:

	AIS	S & T
Operating revenue	$ 178,528	$ 17,768,393
Net (loss) profit for the period	($ 7,500)	$ 650,305

XXXIV. Equity transactions with non-controlling interests

In April 2017, Ennoconn International Investment Co., Ltd. did not subscribe for the cash capital increase by the shares of Goldtek Technology Co., Ltd., resulting in the shareholding ratio to reduce from 60% to 56.74%.

From July to December 2017, Ennoconn International Investment Co., Ltd. and EIH did not subscribe for the cash capital increase by the shares of S&T AG, resulting in the shareholding ratio to reduce from 28.45% to 22.33%.

S&T AG increased its investment in its subsidiary Kontron from August to December 2017, resulting in its shareholding ratio to increase from 29.90% to 92%.

In October 2017, AIS Cayman Technology did not subscribe for the cash capital increase by the shares of HighAim, resulting in the shareholding ratio to reduce from 70% to 66.05%.

EIH increased its investment in the equity of S&T AG in February 2018, resulting in the shareholding ratio of EIH and Ennoconn International Investment Co., Ltd. to increase from 22.33% to 24.99%. From May to September 2018, EIH did not subscribe for cash capital increase by shares in proportion to its shareholding ratio, causing the shareholding ratio of S&T AG to drop to 24.11%. In October 2018, EIH transferred all of its 49% KCI shares to S&T AG and increased its comprehensive shareholding ratio to 26.61%.

S&T AG increased its investment in its subsidiaries Kontron, S&T Romania, BIT IT and Amanox from February to June 2018, resulting in a change in shareholding ratio.

In April 2018, Ennoconn Corporation and Ennoconn International did not subscribe for the cash capital increase by the shares of Caswell, resulting in the comprehensive shareholding ratio to reduce from 38.73% to 34.18%. In October to December of 2018, Caswell bought back the treasury shares, resulting in a change in the shareholding ratio to 34.48%.

As the transactions mentioned above did not change the control of the Company, they are regarded as equity transactions.

2018

	S&T AG	S&T AG subsidiaries	Caswell
Cash consideration paid	($ 445,963)	($ 279,479)	$ -
Carrying amount of net assets of the subsidiaries recognized in the consolidated statement of changes in equity	(645,194)	58,868	246,825
Difference in equity transactions	($ 1,091,157)	($ 220,611)	$ 246,825

2017

	Goldtek Technology	Kontron	S&T AG	Highaim
Cash consideration paid	($ 131,107)	($3,744,264)	$ -	$ -
Carrying amount of net assets of the subsidiary recognized in the consolidated statement of changes in equity	139,889	2,047,535	726,719	(588)
Difference in equity transactions	$ 8,782	($1,696,729)	$ 726,719	($ 588)

XXXV. Non-cash transactions

(I) The Company converted convertible corporate bonds into equity and capital reserve in 2018, and the total impact is NT$423,638,000.

(II) The Company converted convertible corporate bonds into equity and capital reserve in 2017, and the total impact is NT$71,785,000.

(III) The Company acquired 275,185 shares of Cloudtalk Inc. with NT$24,268,000 in cash and other assets of NT$ 52,766,000.

XXXVI. Operating Lease Agreement

The combined Company leases office, machinery and equipment, as well as vehicles. The leases will expire at the end of February 2026 and can be renewed.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Less than 1 year	$ 616,478	$ 412,205
1 - 5 years	1,522,458	1,053,374
Over 5 years	630,493	200,358
	$ 2,769,429	$ 1,665,937

The lease payments recognized as expenses as follows:

	2018	2017
Minimum lease payments	$ 569,531	$ 304,063

XXXVII. Capital risk management

Based on the industry characteristics and future development of the combined Company, and taking into account external environmental changes and other factors, the combined Company plans the working capital and dividend expenses required for the future period to ensure that the combined Company can continue to operate and maintain the optimal capital structure in order to maximize shareholder benefits in the long run.

To maintain or adjust the capital structure, the combined Company may adjust the amount of dividends paid to shareholders or issue new shares. In addition, the combined Company does not need to comply with other externally imposed capital requirements.

XXXVIII. Financial instruments

(I) Fair value information - financial instruments not measured at fair value

The carrying amounts of financial assets and financial liabilities not measured at fair value, except for the following table, are considered to be close to the fair value by the management.

	December 31, 2018	
	Carrying Amount	Fair value
Financial liabilities		
Financial liabilities at amortized cost:		
– Convertible corporate bonds	$ 7,342,766	$ 7,416,674

	December 31, 2017	
	Carrying Amount	Fair value
Financial liabilities		
Financial liabilities at amortized cost:		
– Convertible corporate bonds	$ 7,584,544	$ 7,928,127

(II) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit and loss				
Derivatives	$ -	$ 6	$ -	$ 6
Equity instruments				
– Domestic listed (TPEx) and emerging stocks	100,496	-	-	100,496
– Domestic unlisted and emerging stocks (TPEx)	-	-	379,824	379,824
Foreign convertible corporate bonds	-	-	23,646	23,646
Total	$ 100,496	$ 6	$ 403,470	$ 503,972
Financial assets measured at fair value through other comprehensive income				
Equity instruments				
– Domestic listed (TPEx) and emerging stocks	$ 40,880	$ -	$ -	$ 40,880
– Domestic unlisted and emerging stocks (TPEx)	-	-	10,450	10,450
– Foreign exchange (OTC) stocks	-	-	312,892	312,892
Total	$ 40,880	$ -	$ 323,342	$ 364,222
Financial liabilities measured at fair value through profit and loss				
Derivatives	$ -	$ 16,609	$ -	$ 16,609

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed (TPEx) securities				
– Equity investments	$ 40,640	$ -	$ -	$ 40,640
Fund Beneficiary Certificate	1,351,423	-	-	1,351,423
	$ 1,392,063	$ -	$ -	$ 1,392,063
Financial liabilities measured at fair value through profit and loss				
Derivatives				
– Foreign currency option contracts	$ -	($ 328)	$ -	($ 328)
– Forward foreign exchange contracts	-	4,994	-	4,994
– Redemption of convertible corporate bonds	-	4,053	-	4,053
	$ -	$ 8,719	$ -	$ 8,719

There was no Level 1 or Level 2 consideration under fair value measurement in 2018 and 2017.

2. Reconciliation of financial instruments at Level 3 fair value measurement

2018

Financial assets	Measured at FVTPL			Financial assets Measured at fair value through other comprehensive income	
	Derivatives	Equity instruments	Total	Equity instruments	Total
Opening balance	$ -	$ -	$ -	$ 291,958	$ 291,958
Business Combinations	-	301,596	301,596	-	301,596
Recognized in profit or loss (other gains and losses)	-	31,431	31,431	-	31,431
Recognized in other comprehensive income (unrealized gains and losses on financial assets at FVTOCI)	-	-	-	(49,400)	(49,400)
Purchase (including transfer of investment funds)	23,646	51,200	74,846	75,000	149,846
Disposal/settlement	-	(4,403)	(4,403)	-	(4,403)
Foreign currency translation differences	-	-	-	5,784	5,784
Ending balance	$ 23,646	$ 379,824	$ 403,470	$ 323,342	$ 726,812
Unrealized gain (loss) for the period	$ -	$ 31,431	$ 31,431		$ 31,431

3. Valuation techniques and inputs for Level 2 fair value measurement

Categories of financial instruments	Valuation techniques and inputs
Derivative instruments – swap contracts, forward foreign exchange contracts, foreign currency option contracts and interest rate swap contracts	Discounted cash flow method: Discounted forward exchange rate and the estimated future cash flows at the balance sheet date are discounted using a discount rate that reflects the credit risk of each counterparty.
Derivatives – repurchase and redemption option of convertible corporate bonds	The valuation model for convertible corporate bonds is assessed based on the conversion price, risk free rate, risk discount rate and remaining life of the binary tree.
Private equity securities in the domestic market	The fair value decision is based on the option's pricing model and the underlying observable market price.

4. Valuation techniques and inputs for Level 3 fair value measurements

The equity investment in domestic and overseas markets is the income approach, and is calculated using the discounted cash flow method for the present value of the expected proceeds from the investment.

(III) Classification of financial instruments

	December 31, 2018	December 31, 2017
Financial assets		
Measured at FVTPL		
Held for trading	$ 6	$ -
Forcibly measured at FVTPL	503,966	-
Loans and receivables (Note 1)	-	22,152,107
Available-for-sale financial assets (Note 2)	-	1,684,021
Financial assets measured at amortized cost (Note 3)	30,864,166	-
Financial assets at fair value through other comprehensive income (equity investments)	364,222	-
Financial liabilities		
Financial assets at fair value through profit or loss (held for trading)	16,609	4,053
Measured at amortized cost (Note 4)	40,536,336	23,887,301

Note 1: The balance includes cash and cash equivalents, debt instrument investment in non-active markets, bills receivable, accounts receivable, other receivables (excluding tax refund-business tax) and refundable deposits, such as tax receivable and refundable deposits.

Note 2: The balance includes the balance of financial assets classified as available-for-sale at cost.

Note 3: Balance included financial assets measured at amortized cost, including cash and cash equivalents, debt instrument investments, notes receivable, accounts receivable and other receivables.

Note 4: The balance includes financial liabilities measured at amortized cost, including long-term and short-term loans, accounts payable, other payables (excluding salaries and bonuses), corporate bonds payable and guarantee deposits.

(IV) Objectives and policy of financial risk management

The combined Company's major financial instruments include investments in equity and debt instruments, accounts receivable, accounts payable, corporate bonds payable and bank borrowings. The financial management department of the combined Company provides services to the business units, including cooperating operations of the domestic and international financial markets, and monitoring and managing financial risks relating to the operations based on the degree of risk and the degree of the breadth of the exposure. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

1. Market risk

The combined Company's activities expose it primarily to the financial risks of changes in foreign exchange rates (see (1) and the changes in interest rates (see (2) below).

There has been no change in the financial instruments market risks in relation to the combined Company's financial instruments and the management and measurement methods for these exposures.

(1) Exchange rate risk

The combined Company is engaged in sales and purchases denominated in foreign currencies, resulting in the exposure to foreign exchange risk.

The monetary assets and liabilities of the combined Company denominated in non-functional currency at the balance sheet date (including monetary items denominated in a non-functional currency in the consolidated financial statements) are set out in Note 40.

Sensitivity analysis

The combined Company is mainly exposed to USD fluctuations.

The following table details the Company's sensitivity analysis for New Taiwan Dollar (functional currency) to each foreign currency where there is a 1% increase and decrease in the exchange rate of each relevant foreign currency. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable range of possible fluctuations in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the adjustment of their translation at the end of the period for a 1% change in exchange rate. The amount in the table below indicates that when the NTD strengthens by 1% in relation to each currency, the impact on net profit before tax will be reduced. When NTD weakens by 1% against the relevant foreign currency, it will impact the net profit before tax for the same positive amount.

	Impact of US$	
	2018	2017
Profit or loss	($ 31,135) (i)	($ 12,913) (i)

(i) Mainly derived from the net assets of US dollar-denominated cash, receivables and payables that are still in circulation at the balance sheet date and are not hedged by cash flows.

Due to the increase in net asset position, the combined Company's foreign exchange sensitivity in 2018 and two periods in 2017 increased.

(2) Interest rate risk

The combined Company has been exposed to interest rate risk through its fixed and floating-rate borrowings.

The carrying amounts of financial assets and financial liabilities of the combined Company at the balance sheet date are as follows:

	December 31, 2018	December 31, 2017
Fair value interest rate risk		
– Financial liabilities	$ 7,354,532	$ 7,584,544
Cash flow interest rate risk		
– Financial assets	12,089,086	10,212,956
– Financial liabilities	12,712,757	4,093,869

Sensitivity analysis

The following sensitivity analysis is according to the non-derivative instrument's interest risk at the balance sheet date. For floating rate assets and liabilities, the analysis is based on the assumption that the amount of assets and liabilities outstanding on the balance sheet date is circulated during the reporting period. The change in interest rates used for reporting to the combined Company's internal management is plus or minus 1%, which represents the assessment of the range of reasonable changes in interest rates.

If interest rates had been 1% higher/lower while all other variables were held constant, the combined Company's net profit before tax for 2018 would decrease/increase by NT$ 6,193,000, due mainly to the net position of the combined Company's variable-rate bank deposits and variable-rate borrowings.

If interest rates had been 1% higher/lower while all other variables were held constant, the combined Company's net profit before tax for 2017 would increase/decrease by $61,190,000, mainly due to the increase in the combined Company's interest rate on the consolidated financial statements.

The combined Company has increased the interest rate sensitivity in the current period due to the increase in bank borrowings at variable interest rate.

(3) Other price risk

The combined Company has equity price exposure arising from the holding of domestic listed and OTC stocks and funds. The combined Company appoints a specific team to monitor the price risk and assess the hedging positions that is necessary to increase the risk of hedging.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the balance sheet date.

If the equity price had been 1% higher/lower, the profit or loss before tax for 2018 would increase/decrease by NT$ 5,040,000 from the financial assets at fair value through profit or loss. Other comprehensive income before tax for 2018 would increase/decrease by NT$ 3,642,000 due to the increase/decrease in fair value of financial assets through other comprehensive income.

2. Credit risk

Credit risks refer to risks that cause financial loss to the combined Company due to the counterparty's delay in honoring contractual obligations. As at the balance sheet date, the combined Company’s maximum exposure to credit risk which will cause a financial loss to the combined Company due to failure to discharge an obligation by the counterparties and financial loss to the combined Company arises mainly from:

(1) The carrying amount of financial assets recognized in the consolidated balance sheet.

(2) The maximum amount that may be paid to the combined Company for financial guarantee without considering the probability of occurrence.

To mitigate the credit risk, the management of the combined Company appoints a team responsible for determination of credit lines, credit approvals and other monitoring procedures to ensure that appropriate action has been taken for the collection of overdue receivables. In addition, the combined Company reviews the recoverable amount of each receivable one by one on the balance sheet date to ensure that the appropriate amount of impairment has been recognized in the receivables. Accordingly, the management believes that the combined Company’s credit risk is significantly reduced.

The accounts receivable cover a number of customers in different industries and geographical areas. The combined Company's customer base is diversified and dispersed, and thus the concentration of credit risk is not high.

3. Liquidity risk

The combined Company is responsible for the management and maintenance of the cash and cash equivalents to support the combined Company's operations and mitigate the effects of fluctuations in cash flow. The management of the combined Company monitors the use of bank facilities and ensures compliance with the terms of the loan contract.

The bank borrowings are a significant source of liquidity for the combined Company. Please refer to (2) Financing line below for the unfunded financing amount of the combined Company as of 2018 and December 31, 2017.

(1) Liquidity and interest risk of non-derivative financial liabilities

The remaining contractual maturity analysis for non-derivative financial liabilities is prepared based on the undiscounted cash flows (including principal and estimated interest) of financial liabilities based on the earliest date on which the combined Company can be required to pay.

The undiscounted interest cash flows of interest-bearing borrowings are extrapolated using the interest rates at the balance sheet date.

December 31, 2018

	Within 6 months (inclusive)	Over 6 months Up to 1 year	Over 1 year
Non-derivative financial liabilities			
Non-interest-bearing liabilities	$ 22,666,227	$ 14,141	$ 842
Variable interest rate instruments	9,201,965	2,915,666	1,864,255
Fixed interest rate instruments	7,354,532	-	-

December 31, 2017

	Within 6 months (inclusive)	Over 6 months Up to 1 year	Over 1 year
Non-derivative financial liabilities			
Non-interest-bearing liabilities	$ 12,843,009	$ 1,360	$ 2,495
Variable interest rate instruments	916,957	776,764	2,552,598
Fixed interest rate instruments	533,550	-	7,584,544

(2) Liquidity and interest risk of derivative financial liabilities

For the liquidity analysis of derivative financial instruments, the derivatives are netted on the basis of undiscounted net cash inflows and outflows. For derivatives with total delivery, they are unfolded. The current total cash inflows and outflows are based total undiscounted cash inflow and outflow. When the amount due from or receivable is not fixed, the amount disclosed is determined by using the projected interest rates as illustrated by the yield curves adopted at the balance sheet date.

December 31, 2018

	Within 6 months (inclusive)	Over 6 months Up to 1 year	Over 1 year
Net settlement			
Foreign Currency Option Contracts	($ 245)	$ -	$ -
Forward exchange contracts	5,111	-	-
	$ 4,866	$ -	$ -

December 31, 2017

	Within 6 months (inclusive)	Over 6 months Up to 1 year	Over 1 year
Net settlement			
Foreign Currency Option Contracts	($ 328)	$ -	$ -
Forward exchange contracts	4,994	-	-
	$ 4,666	$ -	$ -

(3) Financing credit

	December 31, 2017	December 31, 2017
Unsecured bank overdraft facilities		
– Utilized amount	$ 12,261,655	$ 4,055,791
– Unused amount	10,419,454	5,937,090
	$ 22,681,109	$ 9,992,881
Secured bank borrowing facilities		
– Utilized amount	$ 451,102	$ 571,628
– Unused amount	1,720,458	1,606,094
	$ 2,171,560	$ 2,177,722

XXXIX. Related party transactions

Transactions, balances, income and expenses between the Company and its subsidiaries (related parties of the Company) are eliminated in full on consolidation and therefore are not disclosed in this note.

Transactions between the combined Company and other related parties are as follows:

(I) Related parties' name and relationships

Name of related party	Relationship with the combined Company
Hon Hai Precision Industry Co., Ltd.	Associate
Hong Fujin Precision Industry (Chongqing) Limited Company	Associate
Hong Fujin Precision Industry (Shenzhen) Limited Company	Associate
Hong Fujin Precision Industry (Wuhan) Limited Company	Associate
Hong Fujin Precision Industry (Henyang) Limited Company	Associate
Hong Fujin Precision Industry (Zhengzhou) Limited Company	Associate
Hong Fujin Precision Industry (Guizhou) Limited Company	Associate
Hong Fujin Precision Industry (Guiyang) Limited Company	Associate
Hong Fu Sheng Precision Electronics (Zhengzhou) Co., Ltd.	Associate
Hong Fu Jin Precision Industry (Taiyuan) Co., Ltd.	Associate
Guizhou Fuzhikang Precision Electronics Co., Ltd.	Associate
Guizhou Funayuanchaung Science And Technology Co., Ltd.	Associate
Fuguikang Precision Electronics (Guizhou) Co., Ltd.	Associate
Fu Ding Precision Component (Shenzhen) Co., Ltd.	Associate
Futaihua Industry (Shenzhen) Co., Ltd.	Associate
Fujin Precision Industry (Jincheng) Co., Ltd.	Associate
Hengyang Futaihong Precision Co., Ltd.	Associate
Kang Zhun Electronic Technology (Kunshan) Co., Ltd.	Associate
British Cayman Islands Hong Teng Precision Technology Co., Ltd. Taiwan Branch	Associate
Anpinda Precision Industry (Huizhou) Co., Ltd.	Associate
Foxnum Technology Co., Ltd.	Associate
Foxconn CZ s.r.o.	Associate
eCMMS Precision Singapore Pte Ltd.	Associate
Hong Zhun Precision Industry Co., Ltd.	Associate
Hong Zhun Precision Tooling (Kunshan)	Associate

Name of related party	Relationship with the combined Company
Co., Ltd.	
Innolux Corporation	Associate
Tekcon Electronics Corporation	Associate
Macrotec Electronics Corp.	Associate
Chung-Hsin Electric and Machinery Manufacturing Corp.	Associate
Chung-Hsin Electric and Machinery Manufacturing Corp. (Jiangsu)	Associate
Ennopower Information Technology Co., Ltd. (Shenzhen)	Associate
Ennopower Information Technology Co., Ltd. (Hong Kong)	Associate
Kontron Europe GmbH	Subsidiary (changed from affiliated company to subsidiary as of the end of June 2017)
Kontron Canada Inc.	Subsidiary (changed from affiliated company to subsidiary as of the end of June 2017)
Kontron Asia Pacific Design Sdn.Bhd	Subsidiary (changed from affiliated company to subsidiary as of the end of June 2017)
Kontron America Inc.	Subsidiary (changed from affiliated company to subsidiary as of the end of June 2017)

(II) Operating Revenue

Accounting items	Category/name of related party	2018	2017
Sales revenue	Associate		
	Kontron Canada Inc.	$	$ 831,178
	Kontron Europe GmbH		424,683
	Futaihua Industry (Shenzhen) Co., Ltd.	1,196,932	798,743
	Hon Hai Precision Industry Co., Ltd.	589,997	2,257,114
	Hong Fujin Precision Industry (Shenzhen) Limited Company	831,878	237,976
	Others	357,334	165,118
Construction revenue	Associate	175,853	
		$ 3,151,996	$ 4,714,814

The sales transaction price charged by the combined Company is determined by both parties, and the collection policy is based on monthly payment for 2 months.

(III) Purchase and processing fees

Category/name of related party	2018	2017
Associate		
Hon Hai Precision Industry Co., Ltd.	$ 7,038,364	$ 7,706,668
Others	206,973	190,698
	$ 7,245,337	$ 7,897,366

The purchase transaction price charged by the combined Company is determined by both parties, and the collection policy is based on monthly payment for one to two months.

(IV) Receivables from related parties (excluding loans to related parties)

Accounting items	Category/name of related party	December 31, 2018	December 31, 2017
Accounts receivable - related parties	Associate		
	Futaihua Industry (Shenzhen) Co., Ltd.	$ 183,862	$ 169,735
	Hon Hai Precision Industry Co., Ltd.	100,677	105,979
	Hong Fujin Precision Industry (Shenzhen) Limited Company	166,623	79,846
	Others	110,704	30,536
		$ 561,866	$ 386,096

Receivables from related parties outstanding are not guaranteed. For accounts receivable from related parties for 2018 and 2017, no bad debt has been recognized.

(V) Accounts payable to related parties (excluding loans from related parties)

Accounting items	Category/name of related party	December 31, 2018	December 31, 2017
Accounts payable	Associate		
	Hon Hai Precision Industry Co., Ltd.	$ 1,576,404	$ 2,193,206
	Others	106,672	23,108
		$ 1,683,076	$ 2,216,314
Fees payable (shown as from associates)	other payables	$ 213,008	$ -

The balance of accounts payable to related parties outstanding are not guaranteed and will be settled in cash.

(VI) Endorsements and Guarantees

Endorsement/Guarantee for Others

Category/name of related party	December 31, 2018	December 31, 2017
Dexatek Technology Ltd.	254,144	205,000
Thecus Technology Corp.	100,000	100,000
HighAim Technology Inc.	706,445	238,080
Highaim Technology Inc.	92,145	-
S&T AG subsidiaries	5,108,896	4,224,803
Marketech International Corp. subsidiaries	4,236,980	-
	$ 10,498,610	$ 4,767,883

(VII) Remuneration of key management level

	2018	2017
Short-term employee benefits	$ 228,792	$ 152,962
Post-employment benefits	2,455	2,347
Other long-term employee benefits	-	-
Share-based payment	-	28
	$ 231,247	$ 155,337

The remuneration of directors and other members of key management is determined by the Remuneration Committee based on individual performance and market trends.

XL. Assets pledged as collateral

The following assets of the combined Company are the collateral for the financing loans and the guarantee deposits for the import tax of raw materials:

	December 31, 2018	December 31, 2017
Pledged time deposits (recognized as debt instrument investments with non-active market)	$ 4,374	$ 29,145
Pledged demand deposits (recognized as other financial assets)	279,245	44,750
Accounts receivable	443,601	116,560
Inventories	-	58,718
Land	80,728	6,100
Buildings – net amount	540,383	324,784
Prepaid lease payments	84,829	44,577
Refundable deposits	68,834	-
Others	166,168	85,122
	$ 1,668,162	$ 709,756

XLI. Significant contingent liabilities and unrecognized commitments

The significant or contingent commitments at the balance sheet date are the total future minimum lease payments for the combined Company's non-cancellable operating leases. Please refer to Note 36.

XLII. Significant Subsequent Events

(I) The Company's cash capital increase is NT$60,000,000 with a par value of NT$10 each and a total of 6,000 shares. The full amount of shares has been collected as of March 13, 2019. The subscription price was NT$220 per share, and the total amount of paid-up shares was NT$1,320,000,000. The date was set as the base date for cash increase.

(II) The Company's affiliated company, Sunlit Precision Technology Co., Ltd. (Hong Kong), with transferred investment through its subsidiary Keenest Electronic Corp., held a temporary shareholders' meeting on January 15, 2019. Over half of the re-elected board seats were obtained by Keenest Electronic Corp. The Company gained substantial control.

XLIII. Information regarding the significant assets and liabilities denominated in foreign currencies

The following information is expressed in foreign currencies other than the functional currency of the combined Company. The exchange rate disclosed refers to the exchange rate of these foreign currencies to the functional currency. Foreign currency assets and liabilities with significant influence are as follows:

December 31, 2018

	Foreign currency	Exchange rate	Carrying Amount
Financial assets			
Monetary item			
US$	$ 215,814	30.715 (USD: New Taiwan Dollars)	$ 6,628,736
US$	70,266	1.146 (USD: EUR)	2,158,227
US$	36,431	0.145 (USD: RMB)	1,118,973
Financial liabilities			
Monetary item			
US$	$ 137,530	30.715 (USD: New Taiwan Dollars)	$ 4,224,234
US$	72,614	1.146 (USD: EUR)	2,230,352
US$	11,000	0.145 (USD: RMB)	337,865

December 31, 2017

	Foreign currency	Exchange rate	Carrying Amount
Financial assets			
Monetary item			
US$	$ 170,189	29.76 (USD: New Taiwan Dollars)	$ 5,064,832
US$	119,031	1.20 (USD: EUR)	3,542,363
Financial liabilities			
Monetary item			
US$	131,191	29.76 (USD: New Taiwan Dollars)	3,904,244
US$	58,786	1.20 (USD: EUR)	1,749,457

The combined Company's foreign currency exchange profit and loss (including realized and unrealized) for 2018 and 2017 were NT$ 46,859,000 and NT$ 45,098,000 respectively. Due to the various types of foreign currency transactions and the functional currency of the combined Company, the exchange profit and loss is not able to be disclosed in the foreign currency with significant influence.

XLIV. <u>Other disclosures</u>

(I) Major transactions and

(II) relevant information of reinvestments in subsidiaries:

1. Loans to others (Table 1)
2. Endorsements/guarantees to others (Table 2)
3. Marketable Securities Held at the End of the Period (Excluding Equity in Subsidiaries, Associates and Joint Ventures). (Table 3)
4. Accumulated purchase or disposal of the same securities at cost in excess of NT$300 million or 20% of the paid-in capital. (Note 4)
5. Acquisition of Real Estate at Cost in Excess of NT$300 Million or 20% of the Paid-in Capital (N/A)
6. Disposal of Real Estate at Cost in Excess of NT$300 Million or 20% of the Paid-in Capital (N/A)
7. Amount of purchases from and sales to related parties reaching NT$100 million or 20% of its paid-in capital (Table 5)
8. Accounts receivable from related parties reaching NT$100 million or 20% of its paid-in capital (Note 6)
9. Derivative financial instrument transactions (Notes 7 and 38)
10. Others: business relationships, important transactions, and amount between the parent company and subsidiaries (Table 7)
11. Investee company information. (Note 8)

(III) Investment information in Mainland China:

1. The Company's investee companies in Mainland China, the main operations, paid-in capital, investment method, capital outward remittance status, shareholding ratio, current profit and loss and recognized investment gains and losses, book value of the investment at the end of the period, repatriation of investment gains and losses and investment quotas for the Mainland. (Table 9)
2. Significant transactions with investees in Mainland China, directly or indirectly via the third region, and the prices, payment terms, unrealized gains and losses: (Note 39 and Tables 1, 2, 5, 6, and 7)
   (1) Purchase amount and percentage, and the ending balance and percentage of payables.
   (2) Sales amount and percentage, and the ending balance and percentage of receivables.
   (3) Property transaction amount and the resulting gain or loss.
   (4) Ending balance of endorsement, guarantee or collateral provided and purposes.
   (5) The maximum balance, ending balance, interest rate range and total amount of current interest of financing.
   (6) Other transactions having a significant impact on profit or loss or financial status of the period, such as providing or receiving services.

XLV. Segment information

The combined Company provides information regarding the performance of the chief operating decision-maker to be used to allocate resources and assess the performance of the departments, focusing on the types of products provided. The combined Company was engaged in the manufacturing and sales of data storage, processing and industrial motherboards, network communication and factory systems services for 2018 and 2017.

(I) Segment revenue and results of operations

The combined Company's revenue and results of the operations for the segments are as follows:

	Segment revenue		Segment profit and loss	
	2018	2017	2018	2017
Sales of computer hardware and software	$ 11,585,313	$ 12,502,840	$ 901,978	$ 999,116
Information System	35,223,782	21,010,493	1,100,270	367,408
Manufacturing and sales of online communication equipment	4,575,070	4,229,515	373,471	292,802
Plant System and Electromechanical System Services	14,912,580	-	523,536	-
Other segments	5,477,284	2,669,401	71,271	4,975
Total	71,774,029	40,412,249		
Elimination of inter-segment transactions	(2,811,570	(5,508,185		
Total	$ 68,962,459	$ 34,904,064		
Other income			91,488	34,067
Miscellaneous income			1,068,528	1,239,653
Interest expenses			(485,009)	(308,252
Miscellaneous expenses			(14,779)	(501,516
Share of profits (losses) of associates accounted for using equity method			16,945	101,942
Profit before income tax			$ 3,647,699	$ 2,230,195

Revenue reported above is generated from transactions with external customers.

Segment profit and loss refers to the profit earned by each segment, excluding rental income, interest income, dividend income, disposal of investment gains and losses, impairment loss, miscellaneous expenses, interest expenses, and profits and losses of associates and income tax expenses using the equity method. The amount of the financial asset is determined based on the amount that is provided to the chief operating decision maker for the purpose of resource allocation and performance assessment.

(II) Segment assets and liabilities

The combined Company has not provided information regarding the assets and liabilities to operational decision-makers. Therefore, the amount of assets and liabilities that should be disclosed is zero.

(III) Revenue from major products and services

The analysis of the combined Company's revenue from major products and services is as follows:

	2018	2017
Manufacture and distribution of motherboard	$ 11,561,874	$ 12,419,525
Motherboard maintenance	16,700	60,919
Manufacturing and sales of online communication equipment	4,247,762	4,036,345
Integration service for information software and hardware	35,223,782	17,730,194
Plant and electrical system services	14,675,155	-
Others	3,237,186	657,081
	$ 68,962,459	$ 34,904,064

(IV) Geographic Information

The combined Company mainly operates in three geographical areas, including Taiwan, Mainland China and Europe.

The combined Company's revenue from external customers classified by the location of the business and the non-current assets is listed as follows:

	Revenue from external customers		Non-current assets	
	2018	2017	December 31, 2018	December 31, 2017
Taiwan	$ 29,281,632	$ 16,707,727	$ 4,837,084	$ 1,226,999
Mainland China	3,850,398	1,934,755	485,304	421,450
Europe	28,280,702	15,297,472	4,993,891	4,757,410
Others	7,549,927	964,110	2,356,195	141,604
Total	$ 68,962,459	$ 34,904,064	$ 12,672,474	$ 6,547,463

Non-current assets do not include financial assets measured at fair value through profit or loss, financial assets held for sale, investment using equity method, goodwill, prepaid investment, deposit of deposit, net defined benefit assets and deferred income tax assets.

(V) Information on major customers

The breakdown of the major customers accounted for more than 10% of the consolidated net revenue for 2018 and 2017 are as follows:

	2018		2017	
Customer Name	Amount	% of operating income	Amount	% of operating income
Company A	$ 6,904,385	10.01%	$ 5,372,308	15.14

Ennocoon Corporation and Subsidiaries
A. Loans to others
January 1 to December 31, 2018

Table 1 Unit: NT$ 1,000

Number (Note 1)	Grantor	Borrower	Transaction	Related party	Highest balance in the current period (Note 3)	Ending balance (Note 3)	Actual expenditure	Interest rate range %	Capital loans nature (Note 2)	Transaction amount	Reason for short-term financing	Recognition allowance Bad debt amount	Collateral		Individual object Limit on loans	Total limit on loans	Note
													Name	Value			
1	Caswell Inc.	Beijing Caswell Ltd.	Other accounts receivable - related parties	Yes	$ 15,358	$ 15,358	$ 15,358	2	1	$ 118,983	Not applicable	$ -	None	$	$ 118,983	$ 490,935	
2	AIS Cayman Technology combined Company	American Industrial Systems	Other receivables	Yes	5,897	-	-	-	2	-	Purchase of materials	-	None		100,830	100,830	
3	S&T AG, Austria	S&T embedded GmbH, Germany	Other accounts receivable - related parties	Yes	103,174	103,174	-	3-5	2	-	Operating turnover	-	None		12,530,075	12,530,075	
3	S&T AG, Austria	S&T Bulgaria EOOD, Bulgaria	Other accounts receivable - related parties	Yes	21,120	-	-	3	2	-	Operating turnover	-	None		12,530,075	12,530,075	
3	S&T AG, Austria	S&T ICB d.o.o., Serbia	Other accounts receivable - related parties	Yes	31,680	31,680	-	3	2	-	Operating turnover	-	None		12,530,075	12,530,075	
3	S&T AG, Austria	S&T Crna Gora d.o.o., Montenegro	Other accounts receivable - related parties	Yes	458	458	153	3	2	-	Operating turnover	-	None		12,530,075	12,530,075	
3	S&T AG, Austria	Dorobet Ltd., Malta	Other accounts receivable - related parties	Yes	14,080	14,080	12,320	5	2	-	Operating turnover	-	None		12,530,075	12,530,075	
3	S&T AG, Austria	S&T Services Bel LLC	Other accounts receivable - related parties	Yes	17,609	17,600	15,840	3	2	-	Operating turnover	-	None		12,530,075	12,530,075	
3	S&T AG, Austria	S&T Deutschland GmbH, Germany	Other accounts receivable - related parties	Yes	136,607	127,776	41,536	3	2	-	Operating turnover	-	None		12,530,075	12,530,075	
3	S&T AG, Austria	S&T Consulting Hungary Kft., Hungary	Other accounts receivable - related parties	Yes	100,320	73,920	59,136	3	2	-	Operating turnover	-	None		12,530,075	12,530,075	
3	S&T AG, Austria	Kontron Austria GmbH	Other accounts receivable - related parties	Yes	170,119	141,504	139,885	2-3	2	-	Operating turnover	-	None		12,530,075	12,530,075	
3	S&T AG, Austria	S&T CEE Holding s.r.o., Slowakei	Other accounts receivable - related parties	Yes	552,401	528,000	510,400	5	2	-	Operating turnover	-	None		12,530,075	12,530,075	
3	S&T AG, Austria	Kontron Modular Computers S.A.S.	Other accounts receivable - related parties	Yes	106,410	105,600	105,600	3	2	-	Operating turnover	-	None		5,012,030	12,530,075	
3	S&T AG, Austria	RTSoft, AO, Russia	Other accounts receivable - related parties	Yes	35,452	34,696	34,696	4-5	2	-	Operating turnover	-	None		5,012,030	12,530,075	
3	S&T AG, Austria	S&T Romania S.R.L., Romania	Other accounts receivable - related parties	Yes	98,240	90,957	90,957	3	2	-	Operating turnover	-	None		5,012,030	12,530,075	
3	S&T AG, Austria	S&T CZ S.r.o, Czech Republic	Other accounts receivable - related parties	Yes	28,188	28,160	-	3	2	-	Operating turnover	-	None		5,012,030	12,530,075	
3	S&T AG, Austria	funworld gmbh, Austria	Other long-term receivables - other investments	No	14,080	13,376	13,376	3-4	2	-	Operating turnover	-	None		5,012,030	12,530,075	

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Number (Note 1)	Grantor	Borrower	Transaction	Related party	Highest balance in the current period (Note 3)	Ending balance (Note 3)	Actual expenditure	Interest rate range %	Capital loans nature (Note 2)	Transaction amount	Reason for short-term financing	Recognition allowance Bad debt amount	Collateral Name	Collateral Value	Individual object Limit on loans	Capital loans on loans	Note
3	S&T AG, Austria	S&T Serbia d.o.o.	Other accounts receivable - related parties	Yes	$ 31,875	$ 31,680	$ 31,680	3	2	$ -	Operating turnover	$ -	None	$	$ 12,530,075	$ 12,530,075	
3	S&T AG, Austria	S&T Smart Energy GebH	Other accounts receivable - related parties	Yes	24,640	-	-	3	2	-	Operating turnover	-	None		12,530,075	12,530,075	
4	S&T Mazedonien	S&T AG, Austria	Other accounts receivable - related parties	Yes	38,914	38,720	26,400	1	2	-	Operating turnover	-	None		127,439	127,439	
7	Kontron S&T AG	Kontron ECT design s.r.o.	Other accounts receivable - related parties	Yes	7,601	-	-	-	2	-	Operating turnover	-	None		1,785,455	4,463,637	
7	Kontron S&T AG	Kontron Modular Computers S.A.S.	Other accounts receivable - related parties	Yes	70,400	-	-	-	2	-	Operating turnover	-	None		1,785,455	4,463,637	
7	Kontron S&T AG	Kontron Technology A/S	Other accounts receivable - related parties	Yes	33,112	33,045	-	2	2	-	Operating turnover	-	None		1,785,455	4,463,637	
7	Kontron S&T AG	KONTRON EUROPE GMBH	Other accounts receivable - related parties	Yes	176,000	176,000	-	2	2	-	Operating turnover	-	None		1,785,455	4,463,637	
7	Kontron S&T AG	KONTRON AMERICA INC.	Other accounts receivable - related parties	Yes	608,155	608,155	-	4.13	2	-	Operating turnover	-	None		1,785,455	4,463,637	
7	Kontron S&T AG	KONTRON ASIA PACIFIC DESIGN SDN. BHD.	Other accounts receivable - related parties	Yes	584,041	584,041	578,787	3.808	2	578	Operating turnover	-	None		1,785,455	4,463,637	
8	KONTRON CANADA INC.	Kontron S&T AG	Other accounts receivable - related parties	Yes	301,939	-	-	-	2	-	Operating turnover	-	None		566,482	1,416,205	
8	KONTRON CANADA INC.	Inocybe Technologies Inc.	Other long-term receivables - other investments	No	99,922	99,922	-	15	1	-	Not applicable	-	None		141,621	1,416,205	
9	KONTRON EUROPE GMBH	Kontron S&T AG	Other accounts receivable - related parties	Yes	2,852,480	1,953,550	1,411,380	1.69-4.61	2	-	Operating turnover	-	None		1,813,925	4,534,813	
11	Kontron Technology A/S	Kontron S&T AG	Other accounts receivable - related parties	Yes	24,705	24,222	22,943	2.00-4.61	2	-	Operating turnover	-	None		9,573	23,932	
14	Kontron ECT design s.r.o.	Kontron S&T AG	Other accounts receivable - related parties	Yes	2,824	-	-	-	2	-	Operating turnover	-	None		7,774	19,435	
15	Goldtek Technology Co., Ltd.	Goldtek Technology Co., Ltd. (Shenzhen)	Other accounts receivable - related parties	Yes	30,715	-	-	As of date of grant TAIFX3+0.5	2	-	Operating turnover	-	None		123,592	617,959	
16	Marketech International Corp.	eZoom Information, Inc.	Other receivables	Yes	50,000	50,000	-	4.616	2	-	Operating turnover	-	None		2,266,694	2,266,694	
16	Marketech International Corp.	Marketech International Sdn. Bhd.	Other receivables	Yes	55,056	-	-	-	2	-	Operating turnover	-	None		2,266,694	2,266,694	
16	Marketech International Corp.	MIC-Tech (Wuxi) Co., Ltd.	Other receivables	Yes	107,503	-	-	-	2	-	Operating turnover	-	None		2,266,694	2,266,694	

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Number (Note 1)	Grantor	Borrower	Transaction	Related party	Highest balance in the current period (Note 3)	Ending balance (Note 3)	Actual expenditure	Interest rate range %	Capital loans nature (Note 2)	Transaction amount	Reason for short-term financing	Recognition allowance Bad debt amount	Collateral		Individual object Limit on loans	Capital loans on loans	Note
													Name	Value			
17	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Shanghai Chen Kao Engineering Design Co., Ltd.	Other receivables	Yes	$ 2,109	$	$ -	-	2	$ -	Operating turnover	$ -	None	$	$ 334,194	$ 334,194	
17	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Fuzhou Jiwei Electronic System Engineering Co., Ltd.	Other receivables	Yes	1,406	1,341	1,341	4.785	2	-	Operating turnover	-	None		334,194	334,194	
17	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Shanghai Maohua Electron Engineering Technology Limited Company	Other receivables	Yes	58,574	40,247	40,247	4.785	2	-	Operating turnover	-	None		167,097	334,194	
18	MIC-Tech Ventures Asia Pacific Inc.	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Other receivables	Yes	46,073		-	-	2	-	Operating turnover	-	None		855,005	817,273	
19	Huayou Chemical Industry International Trade （Shanghai） Limited Company	Shanghai Maohua Electron Engineering Technology Limited Company	Other receivables	Yes	18,588		-	-	2	-	Operating turnover	-	None		140,487	280,974	
19	Huayou Chemical Industry International Trade （Shanghai） Limited Company	Nantong Jianrui Optoelectronics Technology Co., Ltd.	Other receivables	Yes	17,097		-	-	2	-	Operating turnover	-	None		140,487	280,974	
19	Huayou Chemical Industry International Trade （Shanghai） Limited Company	Shanghai Fanya Trading Co., Ltd.	Other receivables	Yes	86,115	31,303	31,303	4.785	2	-	Operating turnover	-	None		280,974	280,974	
20	Marketech Integrated Manufacturing Co., Ltd.	Marketech Integrated Construction Co., Ltd.	Other receivables	Yes	6,191	6,143	6,143	5.000	2	-	Operating turnover	-	None		142,009	284,018	
21	MIC-TECH VIET NAM CO., LTD.	MARKETECH CO.,LTD	Other receivables	Yes	1,190		-	-	2	-	Operating turnover	-	None		22,049	22,049	

Note 1: (1) Issuer filled in 0.

(2) The investee company is numbered in sequence from 1.

Note 2: The nature of the capital loans and the nature of the funds are as follows:

(1) For business transactions, please fill in 1.

(2) For short-term financing, please fill in 2.

Note 3: Limit to loans is resolved by the Board of Directors.

Ennocoon Corporation and Subsidiaries
Endorsement/Guarantee for Others
January 1st to December 31, 2018

Table 2 Unit: Foreign currency/NT$ thousands

Number	Endorsement/Guarantee Company Name	Endorsed/guaranteed party		A single enterprise Endorsement/ Guarantee Quota	Highest endorsement for the period Guarantee balance	Endorsement at the end of the period Guarantee balance	Actual expenditure	Property-guaranteed Endorsement or guarantee amount	Ratio of accumulated endorsement and guarantee to net worth in the latest financial statements (%)	Endorsement/ Guarantee Highest limit	Parent company to subsidiary Endorsement/Guarantee	Subsidiary to parent company Endorsement/Guarantee	Endorsement / Guarantee for Mainland China	Note
		Company Name	Relationship											
0	Ennoconn Corporation	Ennoconn International Investment Co., Ltd.	Subsidiaries	NT$9,934,950 (limited by 150% of the Company's net worth)	NT$1,900,000	New Taiwan Dollars-	New Taiwan Dollars-	$ -	-	NT$13,246,600 (limited by 200% of the Company's net worth)	Y	N	N	
0	Ennoconn Corporation	HIGHAIM TECHNOLOGY INC.	Subsidiaries	NT$9,934,950 (limited by 150% of the Company's net worth)	NT$92,145	NT$92,145	New Taiwan Dollars-	-	1.26	NT$13,246,600 (limited by 200% of the Company's net worth)	Y	N	N	
0	Ennoconn Corporation	HighAim Technology Inc.	Subsidiaries	NT$9,934,950 (limited by 150% of the Company's net worth)	NT$399,295	NT$399,295	NT$307,150	-	5.46	NT$13,246,600 (limited by 200% of the Company's net worth)	Y	N	Y	
0	Ennoconn Corporation	Dexatek Technology Ltd.	Subsidiaries	NT$9,934,950 (limited by 150% of the Company's net worth)	NT$49,144	NT$49,144	New Taiwan Dollars-	-	0.67	NT$13,246,600 (limited by 200% of the Company's net worth)	Y	N	N	
0	Ennoconn Corporation	Thecus Technology Corp.	Subsidiaries	NT$9,934,950 (limited by 150% of the Company's net worth)	NT$100,000	NT$100,000	NT$100,000	-	1.37	NT$13,246,600 (limited by 200% of the Company's net worth)	Y	N	N	
0	Ennoconn Corporation	Dexatek Technology Ltd.	Subsidiaries	NT$9,934,950 (limited by 150% of the Company's net worth)	NT$205,000	NT$205,000	NT$40,000	-	2.8	NT$13,246,600 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Mold srl	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	EUR 15 NT$543	Euro- New Taiwan Dollars-	Euro-NTD-	-	-	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Technologies GmbH	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 65 NT$2,288	Euro 65 NT$2,288	Euro- New Taiwan Dollars-	-	0.02	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Plus s.r.o.	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 198 NT$6,964	Euro 194 NT$6,842	Euro- New Taiwan Dollars-	-	0.05	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Albania Sh.p.k	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 205 NT$7,216	Euro 205 NT$7,216	Euro 138 NT$4,849	-	0.05	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Services GmbH	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 5,300 NT$168,560	Euro 300 NT$10,560	Euro- New Taiwan Dollars-	-	0.08	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Deutschland GmbH	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 600 NT$21,120	Euro 600 NT$21,120	Euro 75 NT$2,633	-	0.15	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T embedded GmbH	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 1,000 NT$35,200	Euro- New Taiwan Dollars-	Euro- New Taiwan Dollars-	-	-	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	3
1	S&T AG, Austria	Kontron Europe GmbH	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 1,000 NT$35,200	Euro 1,000 NT$35,200	Euro- New Taiwan Dollars-	-	0.26	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T CZ s.r.o.	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 1,749 NT$61,577	Euro 1,749 NT$61,577	Euro- New Taiwan Dollars-	-	0.45	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	

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Number	Endorsement/ Guarantee Company Name	Endorsed/guaranteed party		A single enterprise Endorsement/ Guarantee Quota	Highest endorsement for the period Guarantee balance	Endorsement at the end of the period Guarantee balance	Actual expenditure	Property-guaranteed Endorsement or guarantee amount	Ratio of accumulated endorsement and guarantee to net worth in the latest financial statements (%)	Endorsement/ Guarantee Highest limit	Parent company to subsidiary Endorsement / Guarantee	Subsidiary to parent company Endorsement/Guarantee	Endorsement / Guarantee for Mainland China	Note
		Company Name	Relationship											
1	S&T AG, Austria	S&T Slovenija d.d.	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 2,000 NT$70,400	Euro 2,000 NT$70,400	Euro- New Taiwan Dollars-	$ -	0.51	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Serbia d.o.o.	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 4,500 NT$158,400	Euro- New Taiwan Dollars-	Euro- New Taiwan Dollars-	-	-	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Bulgaria e.o.o.d.	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 3,062 NT$107,782	Euro 3,037 NT$106,902	Euro 506 NT$17,796	-	0.78	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Smart Energy GmbH	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 4,200 NT$147,840	Euro 4,200 NT$147,840	Euro 323 NT$11,376	-	1.08	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Slovakia s.r.o.	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 4,000 NT$140,800	Euro 4,000 NT$140,800	Euro 1,321 NT$46,483	-	1.03	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	diverse / Factoring CEE	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 20,000 NT$704,000	Euro 20,000 NT$704,000	Euro 4,934 NT$173,683	-	5.13	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Poland Sp.z.o.o.	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 7,125 NT$250,796	Euro 6,974 NT$245,501	Euro- New Taiwan Dollars-	-	1.79	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Services Poland Sp.z.o.o.	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 9,638 NT$339,253	Euro 9,299 NT$327,335	Euro- New Taiwan Dollars-	-	2.39	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Consulting Hungary Kft.	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 8,723 NT$307,060	Euro 8,723 NT$307,060	Euro 6,224 NT$219,087	-	2.24	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	Kontron S&T AG	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 17,000 NT$598,400	Euro 8,000 NT$281,600	Euro- New Taiwan Dollars-	-	2.05	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	Kontron America Inc.	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 17,671 NT$622,018	Euro 17,467 NT$614,847	Euro 7,885 NT$277,555	-	4.48	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	Kontron Austria GmbH	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 348 NT$12,264	Euro 250 NT$8,800	Euro 197 NT$6,923	-	0.06	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	S&T Romania SRL	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 6,200 NT$218,240	Euro 6,200 NT$218,240	Euro 589 NT$20,745	-	1.59	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	GADA combined Company ROMANIA SRL	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 5,480 NT$192,896	Euro 3,780 NT$133,056	Euro 204 NT$7,171	-	0.97	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	BIT IT Service GmbH	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 2,000 NT$7,040	Euro- New Taiwan Dollars-	Euro- New Taiwan Dollars-	-	-	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	4
1	S&T AG, Austria	diverse / Factoring DACH	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 15,000 NT$528,000	Euro 14,200 NT$499,840	Euro 9,117 NT$320,911	-	3.64	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	RT Soft Ao	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 1,366 NT$48,081	Euro 640 NT$22,520	Euro- New Taiwan Dollars-	-	0.16	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	

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Number	Endorsement/ Guarantee Company Name	Endorsed/guaranteed party		A single enterprise Endorsement/ Guarantee Quota	Highest endorsement for the period Guarantee balance	Endorsement at the end of the period Guarantee balance	Actual expenditure	Property-guaranteed Endorsement or guarantee amount	Ratio of accumulated endorsement and guarantee to net worth in the latest financial statements (%)	Endorsement/ Guarantee Highest limit	Parent company to subsidiary Endorsement / Guarantee	Subsidiary to parent company Endorsement/Guarantee	Endorsement / Guarantee for Mainland China	Note
		Company Name	Relationship											
1	S&T AG, Austria	RTSoft Project OOO	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 4,281 NT$150,701	Euro 3,149 NT$110,834	Euro- New Taiwan Dollars-	-	0.81	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	Kontron electronics GmbH	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 300 NT$10,560	Euro 300 NT$10,560	Euro- New Taiwan Dollars-	-	0.08	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
1	S&T AG, Austria	diverse / Factoring Kontron EUR	Subsidiaries	NT$20,575,154 (limited by 150% of the Company's net worth)	Euro 30,000 NT$1,056,000	Euro 30,000 NT$1,056,000	Euro 14,786 NT$520,481	-	7.70	NT$27,433,538 (limited by 200% of the Company's net worth)	Y	N	N	
2	HIGHAIM TECHNOLOGY INC.	HighAim Technology Inc.	Subsidiaries	NT$471,073 (limited by 100% of the Company's net worth)	NT$307,150	NT$307,150	NT$307,150	-	6.38	NT$471,073 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	Marketech Integrated Pte Ltd.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT$56,525	NT$56,338	NT$3,027	-	0.99	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	N	
3	Marketech International Corp.	Marketech International Sdn. Bhd.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT$245,720	NT$245,720	NT$13,691	-	4.34	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	N	
3	Marketech International Corp.	Shanghai Fanya Trading Co., Ltd.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT$32,801	New Taiwan Dollars-	New Taiwan Dollars-	-	-	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	MIC-Tech (Wuxi) Co., Ltd.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT$411,581	NT$411,581	NT$304,079	-	7.26	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	Huayou Chemical Industry International Trade (Shanghai) Limited Company	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	New Taiwan Dollars 1,026,300	New Taiwan Dollars 977,875	New Taiwan Dollars 194,192	-	17.26	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	New Taiwan Dollars 1,531,207	New Taiwan Dollars 1,398,810	New Taiwan Dollars 652,481	-	24.68	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	Shanghai Maohua Electron Engineering Technology Limited Company	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	New Taiwan Dollars 198,223	New Taiwan Dollars 198,223	New Taiwan Dollars 117,375	-	3.50	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	Y	
3	Marketech International Corp.	Special Triumph Sdn. Bhd.	A company with contractual mutual-endorsement requirement for construction contracts	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT$40,431	NT$27,092	New Taiwan Dollars-	-	0.48	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	N	N	N	
3	Marketech International Corp.	eZoom Information, Inc.	Subsidiaries	New Taiwan Dollars 2,833,367,063 (limited by 50% of the Company's net worth)	NT$120,000	NT$120,000	NT$12,003	-	2.12	New Taiwan Dollars 5,666,734 (limited by 100% of the Company's net worth)	Y	N	N	

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Number	Endorsement/ Guarantee Company Name	Endorsed/guaranteed party		A single enterprise Endorsement/ Guarantee Quota	Highest endorsement for the period Guarantee balance	Endorsement at the end of the period Guarantee balance	Actual expenditure	Property-guaranteed Endorsement or guarantee amount	Ratio of accumulated endorsement and guarantee to net worth in the latest financial statements (%)	Endorsement/ Guarantee Highest limit	Parent company to subsidiary Endorsement/ Guarantee	Subsidiary to parent company Endorsement/ Guarantee	Endorsement/ Guarantee for Mainland China	Note
		Company Name	Relationship											
4	Marketech Co., Ltd.	MIC-Tech Viet Nam Co., Ltd.	Among companies the Company directly and indirectly holds 90% or more of the voting shares	New Taiwan Dollars 110,879,390 (limited by 150% of the Company's net worth)	NT$7,740	NT$7,740	NT$7,740	-	69.80	New Taiwan Dollars 110,879 (limited by 500% of the Company's net worth)	N	N	N	
5	Shanghai Jiwei Electronic System Engineering Co., Ltd.	MIC-Tech (Wuxi) Co., Ltd.	Among companies the Company directly and indirectly holds 90% or more of the voting shares	New Taiwan Dollars 1,253,227,971 (limited by 300% of the Company's net worth)	NT$4,405	New Taiwan Dollars-	New Taiwan Dollars-	-	-	New Taiwan Dollars 2,088,713 (limited by 500% of the Company's net worth)	N	N	Y	
5	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Shanghai Maohua Electron Engineering Technology Limited Company	A company with contractual mutual-endorsement requirement for construction contracts	New Taiwan Dollars 1,253,227,971 (limited by 300% of the Company's net worth)	NT$73,212	NT$69,868	NT$69,868	-	16.73	New Taiwan Dollars 2,088,713 (limited by 500% of the Company's net worth)	N	N	Y	
5	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Huayou Chemical Industry International Trade（Shanghai）Limited Company	Among companies the Company directly and indirectly holds 90% or more of the voting shares	New Taiwan Dollars 1,253,227,971 (limited by 300% of the Company's net worth)	NT$112,412	NT$107,278	NT$107,278	-	25.68	New Taiwan Dollars 2,088,713 (limited by 500% of the Company's net worth)	N	N	Y	
6	Huayou Chemical Industry International Trade（Shanghai）Limited Company	Shanghai Jiwei Electronic System Engineering Co., Ltd.	Among companies the Company directly and indirectly holds 90% or more of the voting shares	New Taiwan Dollars 1,053,653,961 (limited by 300% of the Company's net worth)	NT$645,959	NT$616,455	NT$616,455	-	175.52	New Taiwan Dollars 1,756,090 (limited by 500% of the Company's net worth)	N	N	Y	

Note 1: The exchange rate is the average demand exchange rate of the Bank of Taiwan on December 28, 2007.

Note 2: diverse/Factoring CEE includes S&T CZ, S&C CZ+(S&T+CZ), S&T HR, S&T SK 及 S&T SI, diverse/ Factoring DACH includes S&T Smart Energy GmbH, S&T Distribution GmbH, S&T EPS GmbH, BIT IT GmbH, S&T embedded GmbH, S&T Deutschland GmbH, S&T Services GmbH.

Note 3: Due to the adjustment of the organizational structure during the 2nd quarter of 2018, Kontron Europe GmbH has been eliminated or liquidated.

Note 4: Due to the adjustment of the organizational structure during the 2nd quarter of 2018, S&T Deutschland GmbH has been eliminated or liquidated.

Ennocoon Corporation and Subsidiaries
Marketable Securities Held
December 31, 2018

Table 3 Unit: NT$1,000

Holding Company	Type and Name of Marketable Securities	Relationship with the issuer	Financial statement item	End of Period				Note
				Number of Shares/Unit	Carrying Amount	Shareholding Percentage %	Fair value	
	Stock							
Ennoconn International Investment Co., Ltd.	Winmate Inc.	None	Financial assets at fair value through other comprehensive income - current	800,000	$ 40,000	-	$ 40,88	
	Minus: Unrealized gains and losses on financial assets at fair value through other comprehensive income - current				880			
					$ 40,880			
Goldtek Technology Co., Ltd.	Cloudtalk Inc.	None	Financial assets at fair value through other comprehensive income - non-current	484,260	$ 123,501	12.81	$ 74,10	
	Minus: Realized adjustment for financial assets at fair value through other comprehensive income				(49,400			
					$ 74,101			
Ennoconn (Foshan) Investment Co., Ltd.	Venture Capital Investment Fund for Tech Innovation Smart Industry of Foshan City	None	〃	RMB36,902	165,094	18.57	165,09	
Caswell Inc.	Advanio Technology Co., Ltd.	None	〃	1,045,000	10,450	19	10,45	
HighAim Technology Inc.	Qingdao Bonin Fortune Access equipment Co., Ltd.	None	〃	3,949,000	73,697	6.00	73,69	
					$ 323,342		$ 323,34	
Marketech International Corp.	Lasertec Corporation	None	Financial assets at fair value through profit or loss - current	20,000	$ 15,590		$ 15,59	
〃	ACM Research Inc.	〃	〃	167,684	56,037		56,03	
〃	Solar Applied Materials Technology Co., Ltd.	〃	〃	44,078	804		80	
〃	Aerospace Industrial Development Corporation	〃	〃	25,925	796		79	
〃	Calitech Co., Ltd.	〃	〃	645,199	17,711		17,71	
					$ 90,938		$ 90,93	
Marketech International Corp.	Taiwan Colour & Imaging Technology Corporation	None	Financial assets at fair value through profit or loss - non-current	1,700,000	$ 1,300	13.03	$ 1,30	
〃	Highlight Tech. Corporation	〃	〃	453,000	9,558	0.46	9,55	
〃	ProMOS Technologies	〃	〃	250,331	-	0.56		
〃	Taiwan Puritic Corp.	〃	〃	6,191,181	153,368	10.32	153,36	
〃	SOPOWER Technology Corp.	〃	〃	189,223	-	12.61		
〃	VEEV Interactive Pte. Ltd.	〃	〃	840,000	-	6.45		

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Holding Company	Type and Name of Marketable Securities	Relationship with the issuer	Financial statement item	End of Period				Note
				Number of Shares/Unit	Carrying Amount	Shareholding Percentage %	Fair value	
Marketech International Corp.	Taiwan Intelligent Fiber Optic Network Consortium	None	Financial assets at fair value through profit or loss - non-current	3,868,221	$ 25,17	1.58	$ 25,17	
〃	Han Da Venture Capital Co., Ltd.	Entities controlled by the main management or significant influence	〃	499,200	4,99	6.67	4,99	
〃	Civil Tech Holdings Ltd.	None	〃	336,374	11,84	0.58	11,84	
〃	ProbeLeader Co., Ltd.	Entities controlled by the main management or significant influence	〃	966,000	6,91	3.46	6,91	
〃	T Energy Co., Ltd	None	〃	1,111,111		0.89		
〃	Chi Yuan Venture Capital Co., Ltd.	〃	〃	1,000,000	10,00	1.79	10,00	
〃	Chun Shin Venture Capital Co., Ltd.	〃	〃	1,000,000	10,00	1.87	10,00	
〃	Hua Tai Technology, Inc.	〃	〃	380,000	4,41	2.24	4,41	
〃	Long Time Tech. Co., Ltd.	〃	〃	346,000	7,27	0.29	7,27	
〃	Bon Dian Venture Capital Co., Ltd.	〃	〃	90,187	90	3.50	90	
〃	Taiwan Specialty Chemical Corporation	〃	〃	4,201,333	60,21	1.44	60,21	
〃	8Tech Totalsolution Co., Ltd.	〃	〃	128,000		0.23		
〃	Dongfeng Life Sciences System Co., Ltd.	〃	〃	124,457		12.87		
〃	Ecoland Corporation	〃	〃	310,715		13.51		
〃	Radisen Co. Ltd	〃	〃	87,803	3,75	19.41	3,75	
〃	Foresight Energy Technologies	〃	〃	1,350,000	10,58	4.50	10,58	
〃	Yu Shan Bio Investment Co., Ltd. (formerly known as Bi Yi Biomedical Investment Co., Ltd.)	Entities controlled by the main management or significant influence	〃	943,050	9,43	7.44	9,43	
〃	Chi Yi Health Co., Ltd.	〃	〃	200,000	56	19.99	56	
〃	Wings Global Technology Co., Ltd	〃	〃	750,000	15,00	18.75	15,00	
〃	Forward Science Corporation	〃	〃	2,000,000	20,00	10.00	20,00	
					$ 365,29		$ 365,29	
Huayou Chemical Industry International Trade (Shanghai) Limited Company	Beijing Marketech Environmental Technology Co., Ltd.	Entities controlled by the main management or significant influence	Financial assets at fair value through profit or loss - non-current		$	19.00	$	
	Convertible corporate bonds							
Marketech International Corp.	Nitride Solutions Inc.	None	Financial assets at fair value through profit or loss - non-current		$ 2,91	-	$ 2,91	
〃	HALLYS CORPORATION	〃	〃	-	20,73	-	20,73	
					$ 23,64		$ 23,64	
	Preferred shares							
Marketech International Corp.	Adant Technologies Inc.	None	Financial assets at fair value through profit or loss - non-current	174,520	$	Note 3	$	
〃	Kinestral Technologies, Inc.	〃	〃	501,532	24,08	〃	24,08	
					$ 24,08		$ 24,08	

Note 1: The abovementioned securities have no guarantees, pledges or other agreed users as of the end of December, 2018.
Note 2: For the information on investment in subsidiaries, please refer to Table 8 and 9.
Note 3: Preferred shares held.

Ennocoon Corporation and Subsidiaries
Acquisition or Sale of the Same Securities with the Accumulated Cost Reaching NT$300 Million or 20% of Paid-in capital or More
January 1st to December 31, 2018

Table 4

Unit: Foreign currency/NT$ thousands

Buying/selling company	Type and Name of Marketable Securities	Financial statement item	Transaction counterparty	Relationship	Beginning of period		Buy		Sell				End of Period	
					Unit Count or Number of Shares	Amount	Unit Count or Number of Shares	Amount	Unit Count or Number of Shares	Selling price	Book cost	Loss disposal	Unit Count or Number of Shares	Amount
	Stock													
Ennoconn Corporation	BNP Paribas Currency Market Fund	Financial assets at fair value through profit or loss - current	BNP Paribas Securities Investment Advisory Co., Ltd.	None	217,693	$ 1,373,732	-	$ -	217,693	$ 1,359,582	$ 1,373,732	($ 14,150)	$ -	$ -
Ennoconn International Investment Co., Ltd.	Marketech International Corp.	Investment using equity method	Marketech International Corp.	Subsidiaries	-	-	83,468,613	4,866,033	-	-	-	-	83,468,613	4,866,033 (Note 1)
Ennoconn International Investment Co., Ltd.	DIVA Laboratories. Ltd.	Investment using equity method	DIVA Laboratories. Ltd.	Associate	-	-	14,500,000	298,442	-	-	-	-	14,500,000	298,442 (Note 2)
Goldtek Technology Co., Ltd.	Keenest Electronic Corp.	Investment using equity method	Keenest Electronic Corp.	Subsidiaries	1,050,000	27,175	10,950,000	332,168	-	-	-	-	12,000,000	368,204 (Note 3)
Keenest Electronic Corp.	Sunlit Industry Co., Ltd.	Investment using equity method	Sunlit Industry Co., Ltd.	None	-	-	7,500,000	US$10,212 NT$309,793	-	-	-	-	7,500,000	US$10,486 NT$322,067 (Note 4 and 6)

Note 1: The original investment was NT$4,924,648,000, the cash dividend gained was NT$207,080,000, the recognized investment interest was NT$184,558,000 (Note 4), other comprehensive profit and loss was NT$26,398,000 (Note 4), and the changes in the subsidiaries' equity was NT$9,695,000 (Note 4).

Note 2: The original investment was NT$279,850,000, the control was deemed to be the disposal investment benefit of NT$20,000,000, the recognized investment interest was NT$4,034,000 (Note 4) and other comprehensive profit and loss was NT$5,442,000 (Note 4).

Note 3: The opening balance of the period plus the original investment of the current period was NT$332,168,000, the investment benefit recognized by the shareholding ratio was NT$4,361,000 (Note 4), and other comprehensive profit and loss was NT$4,500,000 (Note 4).

Note 4: The initial investment gain was US$10,212,000, the recognized investment gain was US$253,000 (Note 4) and other comprehensive income was US$21,000 (Note 4).

Note 5: Calculated based on the audited financial statements and the percentage of shareholding of the investee companies in the same period as the invested company's accounting.

Note 6: The exchange rate is adopted as the average demand exchange rate of Bank of Taiwan on December 31, 2018.

Note 7: Transactions related to investments in this table are fully written off in the preparation of consolidated financial statements.

Ennocoon Corporation and Subsidiaries
Amount of purchases from and sales to related parties reaching NT$100 million or 20% of its paid-in capital
January 1st to December 31, 2018

Table 5 Unit: NT$ 1,000

Company of purchase/sales	Name of transaction counterparty	Relationship	Transaction Status				Transactions with different transactions situations and reasons		Notes and accounts receivable (payable)		Note
			Purchase (sales)	Amount	% of total purchases Percentage of the goods	Credit period	Unit Price	Credit period	Balance	Accounts receivable (payable) notes and accounts Ratio of the Company's financial assets	
Ennoconn Corporation	Hon Hai Precision Industry Co., Ltd.	Associate	Procurement and processing fees	$ 2,125,062	56.33%	Monthly payment over 60 days	No material discrepancy	No material discrepancy	($ 238,167)	(35.12%)	
Goldtek Technology Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	Associate	Procurement and processing fees	3,852,173	66.03%	Monthly payment over 60 days	No material discrepancy	No material discrepancy	(1,018,862)	(90.30%)	
Caswell Inc.	Hon Hai Precision Industry Co., Ltd.	Associate	Procurement and processing fees	1,001,752	28.52%	Monthly payment over 90 days	No material discrepancy	No material discrepancy	(281,412)	(27.63%)	
HighAim Technology Inc.	Futaihua Industry (Shenzhen) Co., Ltd.	Associate	Sales	(645,472)	(29.48%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	140,179	18.97%	
HighAim Technology Inc.	Hong Fujin Precision Industry (Shenzhen) Limited Company	Associate	Sales	(211,637)	(9.67%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	119,924	16.23%	
Nanjing Asiatek Inc.	Futaihua Industry (Shenzhen) Co., Ltd.	Associate	Sales	(239,136)	(35.73%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	43,683	29.08%	
Nanjing Asiatek Inc.	Hong Fujin Precision Industry (Shenzhen) Limited Company	Associate	Sales	(283,965)	(42.43%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	46,699	31.09%	
Kontron Malaysia	Hon Hai Precision Industry Co., Ltd.	Associate	Sales	(439,617)	(1.25%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	70,962	0.99%	
Kontron Europe GmbH	Kontron America Inc.	Associate	Sales	(1,020,549)	(2.90%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	184,037	2.58%	
Kontron Europe GmbH	Ennoconn Corporation	Subsidiaries	Procurement and processing fees	704,060	2.76%	Monthly payment over 90 days	No material discrepancy	No material discrepancy	(150,557)	(2.42%)	
Kontron Canada Inc.	Ennoconn Corporation	Subsidiaries	Procurement and processing fees	1,095,805	4.30%	Monthly payment over 90 days	No material discrepancy	No material discrepancy	(134,553)	(2.16%)	
Kontron America Inc.	Ennoconn Corporation	Subsidiaries	Procurement and processing fees	250,332	0.98%	Monthly payment over 90 days	No material discrepancy	No material discrepancy	(31,631)	(0.51%)	
Kontron Europe GmbH	Kontron Technology Beijing Co. Ltd.	Associate	Sales	(162,192)	(0.46%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	52,130	0.73%	
S&T Services GmbH	S&T AG	Associate	Sales	(122,193)	(0.35%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	44,440	0.62%	
S&T Poland Sp.z.o.o.	S&T Services Polska Sp.z.o.o.	Associate	Sales	(107,970)	(0.31%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	51,051	0.72%	
Kontron Asia Pacific Design Sdn. Bhd.	Kontron Europe GmbH	Subsidiaries	Sales	(109,205)	(0.31%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	3,344	0.05%	
Kontron Europe GmbH	RTSoft Project OOO	Subsidiaries	Sales	(137,909)	(0.39%)	Monthly payment over 90 days	No material discrepancy	No material discrepancy	44,473	0.62%	

Ennocoon Corporation and Subsidiaries
Accounts receivable from related parties reaching NT$100 million or 20% of its paid-in capital
December 31, 2018

Table 6

Unit: NT$ 1,000

Accounts receivable from companies	Relationship with	transaction party	Balance due from related party	Turnover rate	Overdue accounts receivable from related party		Accounts receivable from related party Amount recovered after period	Recognition allowance Bad debt amount
					Amount	Processing Method		
Ennoconn Corporation	Kontron Canada Inc.	Parent company to second-tier subsidiary	$ 134,55	8.14	$ -	-	$ -	$ -
〃	Kontron Europe Gmbh	Parent company to second-tier subsidiary	150,55	4.68	-	-	-	-
EnnoMech Precision (Cayman) Co., Ltd.	Hong Fujin Precision Industry (Shenzhen) Limited Company	Associate	119,92	-	-	-	-	-
〃	Futaihua Industry (Shenzhen) Co., Ltd.	Associate	140,28	-	-	-	-	-
Kontron S&T AG	Kontron Europe GmbH	Second-tier subsidiary to second-tier subsidiary	379,10	-	-	-	-	-
Kontron Europe GmbH	Kontron S&T AG	Second-tier subsidiary to second-tier subsidiary	1,637,22	-	-	-	-	-
Kontron Canada Inc.	Kontron America Inc.	Second-tier subsidiary to second-tier subsidiary	294,00	-	-	-	-	-
Kontron S&T AG	Kontron Asia Pacific Design Sdn. Bhd.	Second-tier subsidiary to second-tier subsidiary	580,06	-	-	-	-	(578,787
S&T AG, Austria	S&T CEE Holding s.r.o., Slowakei	Second-tier subsidiary to second-tier subsidiary	516,83	-	-	-	-	-
〃	Kontron Modular Computers S.A.S.	Second-tier subsidiary to second-tier subsidiary	109,59	-	-	-	-	-
〃	S&T Romania srl	Second-tier subsidiary to second-tier subsidiary	103,12	-	-	-	-	-

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Accounts receivable from companies	Transaction counterparty	Relationship	Balance due from related party	Turnover rate	Overdue accounts receivable from related party		Accounts receivable from related party Amount recovered after period	Recognition allowance Bad debt amount
					Amount	Processing Method		
S&T AG, Austria	Kontron electronics GmbH	Second-tier subsidiary to second-tier subsidiary	$ 344,968	-	$ -	-	$ -	($ 124,516
〃	Kontron Austria GmbH	Second-tier subsidiary to second-tier subsidiary	135,569	-	-	-	-	-
〃	Kontron Holding Austria GmbH	Second-tier subsidiary to second-tier subsidiary	184,242	-	-	-	-	(91,420
〃	Kontron S&T AG	Second-tier subsidiary to second-tier subsidiary	1,805,799	-	-	-	-	-
Kontron Europe GmbH	Kontron America Inc.	Second-tier subsidiary to second-tier subsidiary	195,760	-	-	-	-	-
S&T Services GmbH	S&T AG, Austria	Second-tier subsidiary to second-tier subsidiary	153,214	-	-	-	-	-

Note: All transactions listed above have been written off in the preparation of the consolidated financial statements with the exception of Kontron Canada Inc.

Ennocoon Corporation and Subsidiaries
Business relationships, important transactions, and amount between the parent company and subsidiaries
January 1st to December 31, 2018

Table 7 Unit: NT$ 1,000

Number (Note 1)	Name of transaction counterparty	Transaction counterparty	Relationship with counterparty	Transaction Status			
				Accounts	Amount	Transaction Terms	Percentage of Consolidated Net Revenue or total assets %
0	The Company	SyS-P Co., Ltd.	Parent company to second-tier subsidiary	Sales	$ 12,999	General terms and condition	0.02%
〃	〃	Kontron Europe GmbH, Germany	〃	Sales	704,060	〃	1.02%
〃	〃	〃	〃	Accounts receivable	150,557	〃	0.20%
〃	〃	Kontron Canada Inc., Canada	〃	Sales	1,095,805	〃	1.59%
〃	〃	〃	〃	Accounts receivable	134,553	〃	0.18%
〃	〃	Kontron America Inc.	〃	Sales	250,332	〃	0.36%
〃	〃	〃	〃	Accounts receivable	31,631	〃	0.04%
〃	〃	Kontron Malaysia	〃	Sales	3,534	〃	0.01%
1	Caswell Inc.	Thecus NL B.V.	Subsidiary to second-tier subsidiary	Sales	24,379	〃	0.04%
〃	〃	〃	〃	Accounts receivable	15,920	〃	0.02%
〃	〃	Thecus Technology Corp.	〃	Purchase	24,095	〃	0.03%
2	HighAim Technology Inc.	Andrix International Ltd.	Second-tier subsidiary to second-tier subsidiary	Purchase	135,059	〃	0.20%
〃	〃	〃	〃	Accounts payable	53,259	〃	0.07%
〃	〃	Funology Investment Inc.	〃	Purchase	136,652	〃	0.20%
〃	〃	〃	〃	Accounts payable	35,356	〃	0.05%
3	Funology Investment Inc.	HighAim Technology Inc.	〃	Purchase	134,928	〃	0.20%
〃	〃	〃	〃	Accounts payable	34,978	〃	0.05%
4	Andrix International Ltd.	〃	〃	Purchase	133,502	〃	0.19%
〃	〃	〃	〃	Accounts payable	52,573	〃	0.07%
5	Kontron S&T AG	Kontron Asia Pacific Design Sdn. Bhd.	〃	Accounts receivable	580,066	〃	0.78%
6	Kontron Europe GmbH	Kontron S&T AG	〃	Accounts receivable	1,637,221	〃	2.19%
〃	〃	Kontron America Inc.	〃	Accounts receivable	195,760	〃	0.26%
7	Kontron Canada Inc.	Kontron America Inc.	〃	Accounts receivable	294,000	〃	0.39%
8	S&T AG, Austria	S&T CEE Holding s.r.o., Slowakei	〃	Accounts receivable	516,832	〃	0.69%
〃	〃	Kontron Modular Computers S.A.S.	〃	Accounts receivable	109,597	〃	0.15%
〃	〃	S&T Romania Srl	〃	Accounts receivable	103,124	〃	0.14%
〃	〃	Kontron electronics GmbH	〃	Accounts receivable	344,968	〃	0.46%
〃	〃	Kontrona Austria GmbH	〃	Accounts receivable	135,569	〃	0.18%
〃	〃	Kontron Holding Austria GmbH	〃	Accounts receivable	184,242	〃	0.25%
〃	〃	Kontron Europe GmbH	〃	Accounts receivable	379,100	〃	0.51%
〃	〃	Kontron S&T AG	〃	Accounts receivable	1,805,799	〃	2.41%
9	S&T Services GmbH	S&T AG, Austria	〃	Accounts receivable	153,214	〃	0.20%

Note 1: Business information between the parent company and subsidiaries shall be indicated in column number and filled in with the following methods:
1. Fill in 0 for the parent company.
2. The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: The transaction amount accounts for the calculation of the combined total revenue or total assets ratio. In the case of an asset-liability account, the ending balance is calculated as the total assets consolidated. In the case of profit or loss, the cumulative amount at the end of the period accounts for the total combined revenue calculation.

Note 3: All transactions listed above have been written off in the preparation of the consolidated financial statements.

Table 8

Unit: Foreign currency/NT$ thousands

Name of investor	Name of investee	Location	Main operations	Initial Investment Amount		Closing holding			Current Profit and Loss of Investee	Recognized investment gain (loss) for the current period	Note
				End of the current period	End of last year	Number of Shares	Percentage	Carrying Amount			
Ennoconn Corporation	The Innovation System Integration Limited	Hong Kong	Professional investment	HKD: 346,329 NTD: 1,340,135	HKD: 125,135 NTD: 482,865	166,221,030	100.00	HKD: 371,777 NTD: 1,457,739	HKD: 13,678 NTD: 52,947	HKD: 13,678 NTD: 52,947	
〃	Ennoconn International Investment Co., Ltd.	Taiwan	Professional investment	NTD: 6,830,000	NTD: 1,870,000	702,635,000	100.00	NTD: 7,693,587	NTD: 625,549	NTD: 625,549	
〃	Caswell Inc.	Taiwan	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	NTD: 1,031,800	NTD: 1,031,800	20,000,000	29.66	NTD: 1,042,012	NTD: 356,144	NTD: 86,372	Note 2
〃	Ennoconn Investment Holdings Co.,Ltd	Samoa	Professional investment	USD: 239,360 NTD: 7,486,118	USD: 224,360 NTD: 7,045,855	239,360,000	100.00	US$246,348 NTD: 7,566,593	USD: 10,113 NTD: 305,913	USD: 10,113 NTD: 305,913	
The Innovation System Integration Limited	ENGA Technology Co., Ltd.	Hong Kong	Wholesale, manufacturing, service and import/export of industrial computer and industrial systems	USD: 3,500 NTD: 105,683	USD: 3,500 NTD: 105,910	3,500,000	100.00	HKD: 27,495 NTD: 107.809	HKD: 222 NTD: 859	HKD: 222 NTD: 859	
〃	Shengli Holdings Co., Ltd	Seychelles	Import and export trading	USD: - NTD: -	USD: - NTD: -	500,000	100.00	HKD: - NTD: -	HKD: - NTD: -	HKD: - NTD: -	〃
Ennoconn Investment Holdings Co.,Ltd	Kontron Canada Inc.	Canada	Communication products	USD: - NTD: -	USD: 57,300 NTD: 1,844,201	-	-	USD: - NTD: -	USD: 3,603 NTD: 108,012	USD: 1,766 NTD: 52,926	
〃	AIS Cayman Technology	Cayman Islands	Professional investment	USD: 5,062 NTD: 155,000	USD: 5,062 NTD: 152,087	2,250,000	60.00	USD: 5,224 NTD: 160,464	US$: 524 NTD: 15,866	USD: 314 NTD: 9,507	
〃	S&T AG	Austria	Integration service for information software and hardware	EUR: 158,929 NTD: 5,594,301	EUR: 135,464 NTD: 4,818,460	16,835,008	25.47	EUR: 210,834 NTD: 7,421,343	EUR: 44,983 NTD: 1,596,852	EUR: 8,931 NTD: 317,035	Note 2
AIS Cayman	AIS	USA	Human machine interface and Industrial 4.0	USD: 1,500 NTD: 46,073	USD: 1,500 NTD: 45,390	1,500,000	100.00	USD: 6,168 NTD: 188,277	US$ 137 NTD: 4,156	US$ 137 NTD: 4,156	
〃	Vecow Co., Ltd.	Taiwan	Manufacturing, processing, trading and import/export of communication machinery, electronic equipment and electronic devices	USD: 106 NTD: 3,256	USD: - NTD: -	20,000,000	100.00	USD: 3,229 NTD: 98,576	US$: 431 NTD: 13,064	US$: 431 New Taiwan Dollar: 13,064	
Ennoconn International Investment Co., Ltd.	Goldtek Technology Co., Ltd.	Taiwan	Import of telecommunications-based RF equipment and information software wholesale/retail	NTD: 492,221	NTD: 492,221	17,002,831	56.74	NTD: 930,855	NTD: 547,978	NTD: 310,938	
〃	Caswell Inc.	Taiwan	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	NTD: 149,500	NTD: 149,500	3,250,000	4.82	NTD: 138,297	NTD: 356,144	NTD: 14,063	Note 2
〃	EnnoMech Precision (Cayman) Co., Ltd.	Cayman Islands	Professional investment	USD: 13,800 NTD: 423,867	USD: 13,800 NTD: 448,861	13,800,000	100.00	USD: 17,319 NTD: 531,945	USD: 809 NTD: 25,666	USD: 809 NTD: 25,666	
〃	SyS-P Co., Ltd.	Taiwan	International trade, information software wholesale and services	NTD: 30,000	NTD: 30,000	-	100.00	NTD: 37,213	NTD: 11,592	NTD: 11,592	
〃	Taiwan Applied Module Corporation	Taiwan	Research, design and sales of mobile payment, electronic signature and information security	NTD: 50,400	NTD: 50,400	5,040,000	60.00	NTD: 37,164	NTD: (968)	NTD: (1,379)	Note 2
〃	Thecus Technology Corp.	Taiwan	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	NTD: 102,000	NTD: 102,000	10,200,000	60.00	NTD: 22,957	NTD: (7,159)	NTD: (5,276)	Note 2
〃	Dexatek Technology Ltd.	Taiwan	Multimedia products research, design and manufacturing	NTD: 236,862	NTD: 236,862	12,600,000	60.00	NTD: 262,627	NTD: 42,054	NTD: 17,517	Note 2
〃	S&T AG	Austria	Integration service for information software and hardware	EUR: 7,523 NTD: 264,810	EUR: 7,523 NTD: 263,363	750,000	1.13	EUR: 11,517 NTD: 405,412	EUR: 44,983 NTD: 1,596,852	EUR: 423 NTD: 15,000	Note 2
〃	Servtech Corporation	Taiwan	Wholesale of information software services	NTD: 10,000	NTD: -	400,000	7.23	NTD: 10,449	NTD: 6,204	NTD: 449	
〃	Marketech International Corp.	Taiwan	Planning integration services for high-tech industrial plants and process systems	NTD: 4,924,648	NTD: -	83,468,613	45.21	NTD: 4,911,293	NTD: 792,582	NTD: 219,646	Note 2
〃	DIVA Laboratories. Ltd.	Taiwan	Research and development, manufacturing and sales of medical equipment and computer peripherals	NTD: 279,850	NTD: -	14,500,000	20.04	NTD: 298,442	NTD: 52,154	NTD: 4,035	
EnnoMech Precision (Cayman) Co., Ltd.	HighAim Technology INC.	Brunei	Professional investment	USD: 10,843 NTD: 333,043	USD: 10,843 NTD: 350,997	3,302,618	66.05	USD: 11,846 NTD: 363,841	USD: 1,530 NTD: 48,568	USD: 814 NTD: 25,845	Note 2
〃	DOMINATE UNITED ENTERPRISE LTD.	Samoa	Professional investment	USD: 2,100 NTD: 64,502	USD: 2,100 NTD: 63,546	2,100,000	100.00	USD: 2,146 NTD: 65,922	USD: 83 NTD: 2,650	USD: 83 NTD: 2,650	
〃	EnnoMech Precision Co., Ltd.	Taiwan	Manufacturing of electronic parts, computer and peripheral devices, electronic material wholesale and software services	NTD: 10,000	NTD: 10,000	1,000,000	100.00	USD: 1,153 NTD: 35,422	USD: (105) NTD: (3,334)	USD: (105) NTD: (3,334)	
HighAim Technology INC.	FUNOLOGY INVESTMENT INC.	Samoa	Import and export trading	USD: 1 NTD: 31	USD: 1 NTD: 30	1,000	100.00	US$ 799 NTD: 24,541	USD: 58 NTD: 1,851	USD: 58 NTD: 1,851	
〃	ANDRIX INTERNATIONAL LIMITED	Anguilla	Import and export trading	USD: 1 NTD: 28	USD: 1 NTD: 27	900	100.00	USD: 307 NTD: 9,443	USD: 56 NTD: 1,763	USD: 56 NTD: 1,763	
Caswell Inc.	CASO Inc.	Japan	Sales of networking products	NTD: 27,063	NTD: 18,958	8,105,130	99.00	NTD: 33,486	NTD: 8,002	NTD: 7,922	
〃	Caswell International Investment Co., Ltd.	SAMOA	Investment	NTD: 101,135	NTD: 101,135	-	100.00	NTD: 123,632	NTD: 29,409	NTD: 29,409	
〃	Caswell Americas,Inc	USA	Sales of networking products	NTD: 92,460	NTD: 31,080	61,380,000	100.00	NTD: 65,486	NTD: (11,397)	New Taiwan Dollars: (11,397)	
Thecus Technology Corp.	Thecus NL B.V.	Netherlands	Network storage	NTD: 10,845	NTD: 10,845	2,600	100.00	NTD: -	NTD: (4,006)	NTD: (4,006)	Note 2
〃	Tecas USA.,Inc.	USA	Network storage	NTD: 23,367	NTD: 23,367	750,000	100.00	NTD: 5,058	NTD: (5,269)	NTD: (5,269)	Note 2
〃	Thecus Technology Corp. (Delaware)	Delaware	Professional investment	NTD: 15,528	NTD: 15,528	51	100.00	NTD: 16	NTD: -	NTD: -	

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Name of investee	Name of investee	Location	Main operations	Initial Investment Amount End of the current period	 End of last year	Closing holding Number of Shares	 Percentage	 Carrying Amount	Current Profit and Loss of Investee	Recognized investment gain (loss) f for the current period	Note
Goldtek Technology Co., Ltd.	Keenest Electronic Corp.	Samoa	Professional investment	USD 12,000 NTD: 365,040	USD: 1,050 NTD: 32,871	12,000,000	100.00	USD: 11,988 NTD: 368,204	USD: 142 NTD: 4,361	USD: 142 NTD: 4,361	
Keenest Electronic Corp.	Sunlit Industry Co., Ltd.	Hong Kong	Metal stamping and casting	USD: 10,212 NTD: 309,793	USD: - NTD: -	7,500,000	40.30	USD: 10,486 NTD: 322,067	USD: 3,891 NTD: 117,307	US: 253 NTD: 7,777	
Sunlit Industry Co., Ltd.	Tai Ron Precision Casting Corporation	Hong Kong	Finance/Logistics	HKD: 7,500 NTD: 29,408	HKD: - NTD: -	7,500,000	50.00	HKD: 27,178 NTD: 106,567	HKD: 37,733 NTD: 145,281	HKD: 18,871 NTD: 72,641	
SyS-P Co., Ltd.	SYS-P Corp	USA	International trade, information software wholesale and services	USD: 15 NTD: 461	USD: 15 NTD: 485	50,000	100.00	USD: 26 NTD: 796	USD: (2) NTD: (75)	USD: (2) NTD: (75)	
Taiwan Applied Module Corporation	Servtech Corporation	Taiwan	Wholesale of information software services	NTD: 28,125	NTD: -	1,125,000	20.34	NTD: 29,387	NTD: 6,204	NTD: 1,262	
S&T CEE Holding s.r.o., Slovakia	S&T CZ s.r.o., Czech Republic	Czech Republic	IT servers	EUR: 8,187 NTD: 288,182	EUR: 8,187 NTD: 49,500	49,500,000	99.00	EUR: 6,089 NTD: 214,433	EUR: 1,473 NTD: 52,454	EUR: 1,458 NTD: 51,919	
〃	S&T Plus s.r.o., Czech Republic	Czech Republic	Manufacturing and marketing of industrial computers	EUR: 471 NTD: 16,579	EUR: 471 NTD: 16,758	9,900,000	99.00	EUR: 3,086 NTD: 108,627	EUR: 1,577 NTD: 56,157	EUR: 1,561 NTD: 55,587	
〃	S&T Services Polska Sp.z.o.o., Poland	Poland	IT servers	EUR: 2,651 NTD: 93,315	EUR: 2,651 NTD: 94,309	2,120	100.00	EUR: 2,812 NTD: 98,982	EUR: 384 NTD: 13,674	EUR: 384 New Taiwan Dollar:	
〃	S&T Crna Gora d.o.o., Montenegro	Montenegro	IT servers	EUR: 33 NTD: 1,162	EUR: 33 NTD: 1,178	25,000	100.00	EUR: 622 NTD: 21,894	EUR: 105 NTD: 3,739	EUR: 105 NTD: 3,739	
〃	S&T Bulgaria e.o.o.d., Bulgaria	Bulgaria	Manufacturing and marketing of industrial computers	EUR: 1,271 NTD: 44,739	Euro: 770 NTD: 27,380	13,126	100.00	EUR: 2,015 NTD: 70,928	Euro: 273 NTD: 9,722	Euro: 273 NTD: 9,722	
〃	Kapsch EOOD	Bulgaria	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
〃	S&T Poland Sp.z.o.z., Poland	Poland	IT servers	EUR: 1 NTD: 35	EUR: 1 NTD: 36	26,974	100.00	EUR: 7,718 NTD: 271,674	EUR: 1,761 NTD: 62,709	EUR: 1,761 NTD: 62,709	
〃	S&T Services s.r.o., Slovakia	Slovakia	IT servers	EUR: 1 NTD: 35	EUR: 1 NTD: 36	9,818	1.00	EUR: 2 NTD: 70	EUR: 94 NTD: 3,374	EUR: 1 NTD: 36	
〃	S&T Slovenija d.d., Slovenia	Slovenia	IT servers	EUR: 15,516 NTD: 546,163	EUR: 15,516 New Taiwan Dollar: 551,914	1,310,716	100.00	EUR: 6,322 NTD: 222,534	EUR: 1,463 NTD: 52,097	EUR: 1,463 NTD: 52,097	
〃	Foreign Trade Unitary Enterprise 'Kapsch'	Belarus	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
S&T Slovenija d.d., Slovenia	S&T Hrvatska d.o.o., Croatia	Croatia	IT servers	EUR: 1,094 NTD: 38,509	EUR: 1,094 NTD: 38,916	221,300	100.00	EUR: 11,588 NTD: 407,898	EUR: 1,098 NTD: 39,100	EUR: 1,098 NTD: 39,100	
〃	S&T Macedonia d.o.o.e.l., Macedonia	Macedonia	IT servers	Euro: 85 NTD: 2,992	Euro: 85 NTD: 3,039	568,000	100.00	EUR: 3,739 NTD: 131,613	EUR: 346 NTD: 12,321	EUR: 346 NTD: 12,321	
〃	Kapsch d.o.o.	Slovenia	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
S&T AG, Austria	S&T Plus s.r.o., Czech Republic	Czech Republic	Manufacturing and marketing of industrial computers	EUR: 92 NTD: 3,238	EUR: 92 NTD: 3,262	100,000	1.00	EUR: 31 NTD: 1,091	EUR: 1,577 NTD: 56,157	EUR: 16 NTD: 570	
〃	S&T CZ s.r.o., Czech Republic	Czech Republic	IT servers	EUR: 61 NTD: 2,147	EUR: 61 NTD: 2,184	500,000	1.00	EUR: 62 NTD: 2,182	EUR: 1,473 NTD: 52,454	EUR: 15 NTD: 534	
〃	S&T Romania S.R.L., Romania	Romania	IT servers	EUR: 3,227 NTD: 113,590	EUR: 1,227 NTD: 43,648	2,461	31.00	EUR: 1,999 NTD: 70,365	Euro: (844) NTD: (30,055)	EUR: (262) NTD: (9,330)	
〃	S&T Serbia d.o.o., Serbia	Serbia	IT servers	EUR: 3,563 NTD: 125,418	EUR: 3,219 NTD: 114,504	8,786	100.00	EUR: 2,447 NTD: 86,134	EUR: 615 NTD: 21,900	EUR: 615 New Taiwan Dollar: 21,900	
〃	Kapsch D.O.O.	Serbia	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
〃	S&T Albania Sh.p.k., Albania	Albania	IT servers	EUR: 282 NTD: 9,926	EUR: 282 NTD: 10,018	100	100.00	EUR: 556 NTD: 19,571	EUR: 172 NTD: 6,125	EUR: 172 NTD: 6,125	
〃	S&T Mold srl., Moldova	Moldova	IT servers	EUR: 1,800 NTD: 63,360	EUR: 1,800 NTD: 64,026	1,135,094	100.00	EUR: 2,105 NTD: 74,096	EUR: (16) NTD: (570)	EUR: (16) NTD: (570)	
〃	S&T Consulting Hungary Kft., Hungary	Hungary	IT servers	EUR: 11,947 NTD: 420,534	EUR: 11,947 NTD: 424,943	100,000	100.00	EUR: 6,767 NTD: 238,198	EUR: 1,729 NTD: 61,570	EUR: 1,729 NTD: 61,570	
〃	S&T Deutschland GmbH, Germany	Germany	IT servers	EUR: 8,470 NTD: 298,320	EUR: 7,240 NTD: 257,521	25,000	100.00	EUR 7,701 NTD: 271,075	EUR: 2,465 NTD: 87,779	EUR: 2,465 NTD: 87,779	
〃	Computer Betting Company GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 37,738 NTD: 1,328,378	EUR 37,720 NTD: 1,341,686	36,336	100.00	EUR: 19,074 NTD: 671,405	EUR: 1,753 NTD: 62,424	EUR: 1,753 NTD: 62,424	
〃	SecureGUARD GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 2,371 NTD: 83,459	EUR: 2,371 NTD: 84,336	92,460	69.00	EUR: 1,377 NTD: 48,470	EUR: (118) NTD: (4,202)	EUR: (82) NTD: (2,920)	
〃	S&T embedded GmbH, Germany	Germany	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: 1,467 NTD: 52,166	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	
〃	Roding Embedded GmbH, Germany	Germany	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: 1,550 NTD: 55,134	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
〃	S&T CEE Holding s.r.o., Slovakia	Slovakia	IT servers	EUR: (5,345) NTD: (188,144)	Euro: (5,345) NTD: (190,107)	1,881,565	100.00	EUR: 13,677 NTD: 481,430	EUR: 1,630 NTD: 58,044	EUR: 1,630 NTD: 58,044	Note 4

(Continued on the next page)

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Name of investee	Name of investee	Location	Main operations	Initial Investment Amount: End of the current period	Initial Investment Amount: End of last year	Closing holding: Number of Shares	Closing holding: Percentage	Closing holding: Carrying Amount	Current Profit and Loss of Investee	Recognized investment gain (loss) for the current period	Note
〃	Dorobet Ltd., Malta	Malta	Manufacturing and marketing of industrial computers	EUR: 101 NTD: 3,555	EUR: 101 NTD: 3,593	198,000	99.00	EUR: (6) NTD: (211)	EUR: (206) NTD: (7,336)	EUR: (204) NTD: (7,264)	
〃	S&T Smart Energy GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 5,763 NTD: 202,858	EUR: 5,763 NTD: 204,987	36,000	100.00	EUR: 1,373 NTD: 48,330	EUR: (253) NTD: (9,009)	EUR: (253) New Taiwan Dollars: (9,009)	
〃	Amanox Solutions AG; Switzerland	Switzerland	IT servers	EUR: 4,856 NTD: 170,931	EUR: 4,856 NTD: 172,717	53,760	51.00	EUR: 4,469 NTD: 157,309	EUR: 3,895 NTD: 138,701	EUR: 1,994 NTD: 71,006	
〃	Hamcos IT Service GmbH, Germany	Germany	IT servers	EUR: 1,802 NTD: 63,430	EUR: 1,802 NTD: 64,104	98,000	49.00	EUR: 891 NTD: 31,363	EUR: 86 NTD: 3,062	EUR: 42 NTD: 1,496	
〃	Kontron Austria GmbH, Austria (formerly S&T Electronics and Payment Systems GmbH, Austria)	Austria	Manufacturing and marketing of industrial computers	EUR: 4,222 NTD: 148,614	EUR: 695 NTD: 24,714	32,702	90.00	EUR: 3,567 NTD: 125,558	EUR: (377) NTD: (13,425)	EUR: (339) NTD: (12,072)	
〃	S&T SME Distribution GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 18 NTD: 634	EUR: 18 NTD: 635	17,850	51.00	EUR: 308 NTD: 10,842	EUR: 24 NTD: 855	EUR: 12 NTD: 427	
〃	S&T Services GmbH, Austria	Austria	IT servers	EUR: 10,902 NTD: 383,750	EUR: 6,402 NTD: 227,715	35,000	100.00	EUR: 8,309 NTD: 292,477	EUR: (3,474) NTD: (123,709)	EUR: (3,474) NTD: (123,709)	
〃	Active Internet Performance GmbH	Austria	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
〃	S&T Technologies GmbH, Austria	Austria	IT servers	EUR: 3,773 NTD: 132,810	EUR: 3,773 NTD: 134,195	35,000	100.00	EUR: 6,123 NTD: 215,530	EUR: 1,003 NTD: 35,717	EUR: 1,003 NTD: 35,717	
〃	Linforge Technologies GmbH, Austria	Austria	IT servers	EUR: 1,181 NTD: 41,571	EUR: 1,181 NTD: 41,992	35,000	100.00	EUR: 1,485 NTD: 52,272	Euro: 283 NTD: 10,078	Euro: 283 NTD: 10,078	
〃	GADA combined Company ROMANIA SRL, Romania	Romania	Manufacturing and marketing of industrial computers	EUR: 11,675 NTD: 410,960	EUR: 11,675 NTD: 415,275	105,000	84.00	EUR 11,867 NTD: 417,718	EUR: 1,131 NTD: 40,275	EUR: 950 NTD: 33,830	
〃	Affair OOO, Russia	Russia	Manufacturing and marketing of industrial computers	EUR: 5,870 NTD: 206,624	EUR: 5,870 NTD: 208,796	4,800,000	48.00	EUR: 3,212 NTD: 113,062	EUR: 14 NTD: 499	EUR: 7 NTD: 249	
〃	Kontron S&T AG, Germany（原 Kontron AG）	Germany	Manufacturing and marketing of industrial computers	EUR: 191,550 NTD: 6,742,560	EUR: 183,158 NTD: 6,514,937	58,277,969	95.00	EUR: 122,059 NTD: 4,296,477	EUR: 6,114 NTD: 217,720	EUR: 5,817 NTD: 207,143	
〃	funworld gmbh, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 330 NTD: 11,616	EUR: 330 NTD: 11,738	40,000	40.00	EUR: 308 NTD: 10,842	EUR: (20) NTD: (712)	EUR: (8) New Taiwan Dollars: (285)	
〃	SnT Services Bel LCC, BLR	Belarus	IT servers	EUR: 538 NTD: 18,938	EUR: - NTD: -	113,267	100.00	EUR: 595 NTD: 20,944	EUR: 74 NTD: 2,635	EUR: 74 NTD: 2,635	
S&T Deutschland GmbH, Germany	BIT IT Services GmbH, Germany	Germany	IT servers	EUR: - NTD: -	EUR: 723 NTD: 25,705	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
〃	S&T Asia Inc., Taiwan	Taiwan	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	
〃	SteuDaTecc System-und Netzwerktechnik GmbH	Germany	IT servers	EUR: 494 NTD: 14,221	EUR: - NTD: -	25,000	100.00	EUR: 415 NTD: 14,608	EUR: 10 NTD: 356	EUR: 10 NTD: 356	
〃	XTRO AG, Germany	Germany	IT servers	EUR: 2,500 NTD: 88,000	EUR: 2,500 NTD: 88,925	50,000	100.00	EUR: 3,236 NTD: 113,907	EUR: 610 NTD: 21,722	EUR: 610 NTD: 21,722	
〃	CES-POS Anteile A GmbH, Germany	Germany	IT servers	EUR: - NTD: -	EUR: NTD: 43,942	-	-	EUR NTD:	EUR: - NTD: -	EUR: - NTD: -	Note 4
Computer Betting Company GmbH, Austria	S&T Romania S.R.L., Romania	Romania	IT servers	EUR: 1,690 NTD: 59,488	EUR: 1,690 NTD: 60,105	5,460	69.00	EUR: 4,434 NTD: 156,077	Euro: (844) NTD: (30,055)	EUR: (582) NTD: (20,725)	
〃	STS Sportwetten GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 61 NTD: 2,147	EUR: 61 NTD: 2,182	36,400	100.00	EUR: 51 NTD: 1,795	EUR: 15 NTD: 534	EUR: 15 NTD: 534	
〃	S&T Slovakia s.r.o., Slovakia	Slovakia	IT servers	EUR: 6,971 NTD: 245,379	EUR: 6,971 NTD: 247,948	1,659,696	100.00	EUR: 4,574 NTD: 161,005	EUR: 272 NTD: 9,686	EUR: 272 NTD: 9,686	
S&T Consulting Hungary Kft., Hungary	S&T Services Kft., Hungary	Hungary	IT servers	EUR: 3,627 NTD: 127,670	EUR: 3,627 NTD: 129,024	268,000	100.00	EUR: 2,643 NTD: 93,034	EUR: 663 NTD: 23,609	EUR: 663 NTD: 23,609	
Kontron S&T AG, Germany（原 Kontron AG）	KONTRON AMERICA INC.	USA	Communication products	EUR: 17,790 NTD: 626,208	EUR: 11,086 NTD: 394,315	2,036,040	100.00	EUR: 19,504 NTD: 686,541	EUR: 1,083 NTD: 38,566	EUR: 1,083 NTD: 38,566	
〃	KONTRON CANADA INC.	Canada	Communication products	EUR: 60,213 NTD: 2,119,498	EUR: 8,981 NTD: 319,445	50,000,200	100.00	EUR: 40,233 NTD: 1,416,202	EUR: 3,572 NTD: 127,199	EUR: 3,572 NTD: 127,199	
〃	KONTRON ASIA PACIFIC DESIGN SDN. BHD.	Malaysia	Manufacturing and marketing of industrial computers	EUR: 5,071 NTD: 178,499	EUR: 5,071 NTD: 180,386	44,581,102	100.00	EUR: (15,930) NTD: (560,736)	EUR: (1,108) NTD: (39,456)	EUR: (1,108) New Taiwan Dollars: (39,456)	
〃	KONTRON (BEIJING) TECHNOLOGY CO. LTD.	China	Manufacturing and marketing of industrial computers	Euro: 918 NTD: 32,314	Euro: 918 NTD: 32,663	15,398,961	100.00	EUR: 9,247 NTD: 325,494	EUR: (442) NTD: (15,740)	EUR: (442) NTD: (15,740)	
〃	KONTRON EUROPE GMBH	Germany	Manufacturing and marketing of industrial computers	EUR: 123,910 NTD: 4,361,632	EUR: 123,910 NTD: 4,407,476	23,600,000	100.00	EUR: 128,854 NTD: 4,535,661	EUR: 14,501 NTD: 516,381	EUR: 14,501 NTD: 516,381	
〃	Kontron S&T AG, Germany	Germany	Manufacturing and marketing of industrial computers	EUR: 2,797 NTD: 98,454	EUR: 371 NTD: 13,196	13,000	100.00	EUR: 1,643 NTD: 57,834	EUR: 169 NTD: 6,018	EUR: 169 NTD: 6,018	

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Name of investee	Name of investee	Location	Main operations	Initial Investment Amount: End of the current period	Initial Investment Amount: End of last year	Closing holding: Number of Shares	Closing holding: Percentage	Closing holding: Carrying Amount	Current Profit and Loss of Investee	Recognized investment gain (loss) for the current period	Note
KONTRON EUROPE GMBH	Kontron ECT design s.r.o.	Czech Republic	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: - NTD: -	500,000	100.00	Euro: 552 NTD: 19,430	EUR: 240 NTD: 8,546	EUR: 240 NTD: 8,546	
〃	Kontron UK Ltd.	UK	Manufacturing and marketing of industrial computers	EUR: 1,712 NTD: 60,262	EUR: 1,712 NTD: 60,884	172,550	100.00	EUR: 4,155 NTD: 146,256	EUR: 361 NTD: 12,855	EUR: 361 NTD: 12,855	
〃	Kontron Modular Computers S.A.S.	France	Manufacturing and marketing of industrial computers	EUR: 5,158 NTD: 181,562	EUR: 4,780 NTD: 170,034	344,503	100.00	EUR: 6,239 NTD: 219,613	EUR: (604) NTD: (21,508)	EUR: (604) NTD: (21,508)	
〃	Kontron Technology A/S	Denmark	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: - NTD: -	500,000	100.00	EUR: 680 NTD: 23,936	EUR: (52) NTD: (1,852)	EUR: (52) New Taiwan Dollars: (1,852)	
〃	Industrial Computers France	France	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
〃	Kontron electronics GmbH, Germany	Germany	Manufacturing and marketing of industrial computers	EUR: 19,262 NTD: 678,022	EUR: - NTD: -	102,150	100.00	EUR: 19,636 NTD: 691,187	Euro: 375 NTD: 13,354	Euro: 375 NTD: 13,354	
〃	Kontron Austria GmbH, Austria (formerly S&T Electronics and Payment Systems GmbH, Austria)	Austria	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: 77 NTD: 2,753	-	10.00	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
Kontron Holding Austria GmbH, Austria	Kontron Austria electronics GesmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 7,416 NTD: 261,043	EUR: - NTD: -	53,644	99.00	EUR: 597 NTD: 21,014	Euro: 585 NTD: 20,832	EUR: 581 NTD: 20,689	
Kontron Austria GmbH, Austria (formerly S&T Electronics and Payment Systems GmbH, Austria)	Kontron Austria electronics GesmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 17 NTD: 598	EUR: - NTD: -	356	1.00	EUR: 4 NTD: 141	Euro: 585 NTD: 20,832	EUR: 4 NTD: 142	
〃	Kontron electronics AG, Switzerland	Switzerland	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: - NTD: -	1,000	100.00	EUR: (479) NTD: (16,861)	EUR: (468) NTD: (16,665)	EUR: (468) NTD: (16,665)	
〃	Kontron Holding Austria GmbH, Austria	Austria	Manufacturing and marketing of industrial computers	EUR: 2,484 NTD: 87,437	EUR: - NTD: -	35,000	100.00	EUR: 9,956 NTD: 350,451	EUR: 56 NTD: 1,994	EUR: 56 NTD: 1,994	
S&T Romania S.R.L., Romania	FAIR VALUE COM S.R.L., Romania	Romania	IT servers	EUR: - NTD: -	EUR: - NTD: -	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
S&T CZ s.r.o., Czech Republic	Kapsch BusinessCom s.r.o., Czech Republic	Czech Republic	IT servers	EUR: - NTD: -	EUR: 420 NTD: 14,924	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
	S&T PilsCom s.r.o.	Czech Republic	IT servers	EUR: 1,874 NTD: 65,965	EUR: - NTD: -	100,000	100.00	EUR: 1,575 NTD: 55,440	EUR: 23 NTD: 819	EUR: 23 NTD: 819	
S&T Slovakia s.r.o., Slovakia	S&T Services s.r.o., Slovakia	Slovakia	IT Services	EUR: 36 NTD: 1,284	EUR: 36 NTD: 1,298	981,754	99	EUR: 149 NTD: 5,266	EUR: 94 NTD: 3,338	EUR: 93 New Taiwan Dollars:	Note 4
Affair OOO, Russia	RTSoft Project OOO, Russia	Russia	Manufacturing and marketing of industrial computers	EUR: 6,636 NTD: 233,587	EUR: 6,636 NTD: 236,030	372,500	75.00	EUR: 5,262 NTD: 185,222	EUR: 221 NTD: 7,870	EUR: 164 NTD: 5,840	
S&T Mold srl., Moldova	S&T IT Technologies srl., Moldova	Moldova	IT servers	EUR: 2 NTD: 70	EUR: - NTD: -	50,000	100.00	EUR: 15 NTD: 528	EUR: 12 NTD: 427	EUR: 12 NTD: 427	
S&T Hrvatska d.o.o., Croatia	Kapsch CarrierCom d.o.o.	Croatia	IT servers	EUR: 744 NTD: 26,189	EUR: - NTD: -	10,900,000	100.00	EUR: 712 NTD: 25,062	EUR: (34) NTD: (1,211)	EUR: (34) NTD: (1,211)	
S&T Macedonia d.o.o.e.l., Macedonia	Kapsch DOOEL Skopje	Macedonia	IT servers	EUR: 352 NTD: 12,390	EUR: - NTD: -	307,000	100.00	EUR: 361 NTD: 12,707	EUR: 10 NTD: 356	EUR: 10 NTD: 356	
Kontron UK Ltd.	Industrial Computers Ltd.	UK	Manufacturing and marketing of industrial computers	EUR: - NTD: -	EUR: 1,672 NTD: 59,473	-	-	EUR: - NTD: -	EUR: - NTD: -	EUR: - NTD: -	Note 4
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Singapore	semiconductor industry automation supply system	NTD: 215,087	NTD: 192,522	9,235,678	100.00	NTD: 15,095	NTD: (288)	NTD: (288)	
〃	Market Go Profits Ltd.	British Virgin Islands	Investment holding and reinvestment	NTD: 1,282,562	NTD: 1,245,570	39,569,104	100.00	NTD: 1,070,484	NTD: 36,179	NTD: 36,179	
〃	MIC-Tech Global Corp.	South Korea	General International Trade	NTD: 19,147	NTD: 19,147	131,560	100.00	NTD: 6,607	NTD: (993)	NTD: (993)	
〃	Headquarter International Ltd.	British Virgin Islands	Investment holding and reinvestment	NTD: 42,475	NTD: 42,475	1,289,367	100.00	NTD: 38,864	NTD: (307)	NTD: (307)	
〃	Tiger United Finance Ltd.	British Virgin Islands	Investment holding and reinvestment	NTD: 46,475	NTD: 46,475	1,410,367	100.00	NTD: 37,813	NTD: (476)	NTD: (476)	
〃	Marketech Engineering Pte. Ltd.	Singapore	Contracting of Engineering Business	NTD: 10,129	NTD: 10,129	421,087	100.00	NTD: 15,239	NTD: 13,794	NTD: 13,794	
〃	Marketech Integrated Manufacturing Company Limited	Myanmar	Design, manufacture and assembly of automated production machines and components	NTD: 438,298	NTD: 438,298	1,400,000	100.00	NTD: 355,022	NTD: (3,532)	NTD: (3,532)	
〃	MIC-Tech Viet Nam Co., Ltd.	Vietnam	Trading, installation and maintenance of various machinery and equipment	NTD: 39,345	NTD: 39,345	-	100.00	NTD: 27,561	NTD: (3,471)	NTD: (3,471)	
〃	Marketech Co., Ltd.	Vietnam	Engineering contracting and related maintenance services	NTD: 45,246	NTD: 29,922	-	100.00	NTD: 11,088	NTD: (6,843)	NTD: (6,843)	
〃	eZoom Information, Inc.	Taiwan	Research and development, trading, sales, consulting services, and consulting services	NTD: 195,737	NTD: 67,737	20,000,000	100.00	NTD: 152,947	NTD: (6,743)	NTD: (6,743)	

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Name of investee	Name of investee	Location	Main operations	Initial Investment Amount		Closing holding			Current Profit and Loss of Investee	Recognized investment gain (loss) f for the current period	Note
				End of the current period	End of last year	Number of Shares	Percentage	Carrying Amount			
〃	PT Marketech International Indonesia	Indonesia	Trading of machinery and accessories	NTD: 38,042	NTD: 38,042	1,199,000	99.92	NTD: 36,670	NTD: 2,622	NTD: 2,622	
〃	Glory Technology Service Inc.	Taiwan	Trading and installation of telecommunications equipment	NTD: 42,713	NTD: 31,019	5,510,305	29.24	NTD: 61,236	NTD: 13,881	NTD: 4,105	
〃	Hua Shuan Technology, Inc.	Taiwan	Sales of panel equipment and materials	NTD: 2,000	NTD: 2,000	200,000	20.00	NTD: 1,842	NTD: (36)	NTD: (7)	
〃	Ya Da Technology Co., Ltd.	Taiwan	Trading of information software and supply and installation of electronic information equipment	NTD: 20,000	NTD: 10,000	2,000,000	30.30	NTD: 13,034	NTD: (18,217)	NTD: (10,904)	
〃	Marketech Netherlands B.V.	Netherlands	International trade and technical services for machinery and equipment and components	NTD: 10,671	NTD: 10,671	300,000	100.00	NTD: 6,339	NTD: (4,051)	NTD: (4,051)	
〃	Marketech International Sdn. Bhd.	Malaysia	Engineering contracting and related maintenance services	NTD: 87,070	NTD: 44,431	12,242,750	100.00	NTD: 65,645	NTD: 6,481	NTD: 3,013	
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	British Virgin Islands	Investment holding and reinvestment	NTD: 1,240,073	NTD: 1,240,073	39,466,604	100.00	NTD: 1,068,756	NTD: 36,252	NTD: -	
Marketech Engineering Pte Ltd.	Marketech Integrated Construction Co., Ltd.	Myanmar	Contracting of Engineering Business	NTD: 8,569	NTD: 8,569	28,500	95.00	NTD: 14,844	NTD: 14,688	NTD: -	
MIC-Tech Ventures Asia Pacific Inc.	Russky H.K. Limited	Hong Kong	Investment holding and reinvestment	NTD: 34,551	NTD: 34,551	833,000	100.00	NTD: (10,296)	NTD: 4,156	NTD: -	
〃	Frontken MIC Co. Limited	Hong Kong	Investment holding and reinvestment	NTD: 31,422	NTD: 31,422	2,337,608	100.00	NTD: 5,414	NTD: (110)	NTD: -	
〃	Rui Shuan International Co., Ltd.	Hong Kong	Investment holding and reinvestment	NTD: 132,282	NTD: 95,290	5,400,000	60.00	NTD: 63,213	NTD: (10,126)	NTD: -	
〃	Leader Fortune Enterprise Co., Ltd.	Samoa	Investment holding and reinvestment	NTD: 8,990	NTD: 8,990	303,000	31.43	NTD: (4,638)	NTD: (28,455)	NTD: -	
Russky H.K. Limited	PT Marketech International Indonesia	Indonesia	Trading of machinery and accessories	NTD: 32	NTD: 32	1,000	0.08	NTD: 31	NTD: 2,622	NTD: -	

Note 1: Based on the audited financial statements and the percentage of shareholding of the investee companies in the same period as the invested company's accounting.

Note 2: Investment gain and loss recognized in the current period include the difference between the investment cost and net equity.

Note 3: The Company's net worth, long-term equity and net value of the investee's equity interests in the investee are fully written off in the preparation of the consolidated financial statements.

Note 4: In 2018, S&T AG was eliminated or dissolved and liquidated due to the adjustment of the organizational structure.

Ennocoon Corporation and Subsidiaries

Investment information in Mainland China

January 1st to December 31, 2018

Table 9

Unit: Foreign currency/NT$ thousands

Investee in Mainland China Company Name	Main operations	Paid-in Capital	Investment method	Aggregated from the beginning of the current period Accumulated remitted from Taiwan Investment Amount	Outward remittance or collection Investment Amount		Aggregated amount of current period Accumulated remitted from Taiwan Investment Amount	Investee (Loss) gain for the current period	Shareholding Percentage of the Company's Direct or Indirect Investment	Current recognition Investment gain (loss)	Investment at end of period Carrying Amount	Up to the end of the year Remitted back Investment income
					Export	Recovery						
Nanjing Asiatek Inc.	Research, development, sales of software and hardware products, and provision of its installation, addition and technical consulting.	US$3,000,000 NT$92,145	The Company obtained the 100% equity interest in the third region, namely Hong Kong Innovation (Hong Kong) Limited (the "Hong Kong Innovation)" (the "Hong Kong Innovation") (the "Hong Kong Innovation"), and indirectly obtained the 100% equity interest in South Asia Technology Limited (paid-up capital reaches USD 2,600,000), which is engaged in the business of the region of the PRC, and is then re-invested in the Mainland China region of the Company. Note 1 (2)	HK$5,000,000 and US$400,000 NTD 31,891 Note 3	-	-	HK$5,000,000 and US$400 thousand NTD 31,891 Note 3	RMB13,454 NTD 61,864	100%	RMB13,454 NTD 61,864 Note 2(2) B	RMB 33,097 NTD 148,073	-
Shenzhen xiangxing Technology Co., Ltd.	Sales of machinery and accessories and moulds.	US$1,500,000 NTD 46,073	Re-investment from the sub-subsidiary of Nanjing Asiatek Inc. Note 1 (3)	-	-	-	-	RMB11,488 NTD 52,821	20%	RMB 2,298 NTD 10,564 Note 4	RMB6,848 NTD 30,625	-
Ennoconn (Foshan) Investment Co., Ltd.	Professional investment	US$9,800,000 NTD 294,599	Re-investment through the third-region subsidiary, Hong Kong Innovation Note 1 (2)	US$9,500,000 NTD 285,855 Note 3	US$300 thousand NTD 8,744	-	US$9,800,000 NTD 294,599 Note 3	RMB 319 NTD 1,457	100%	RMB 319 NTD 1,457 Note 2(2) B	RMB 66,769 NTD 298,715	-
Beijing Caswell Ltd.	Production of electronic monitoring products and online communication products.	US$3,800,000 NTD 115,995	Re-investment through CASWELL INTERNATIONAL INVESTMENT CO., LTD. in the third region Note 1 (1)	US$3,116,000 NTD 95,116 Note 3	-	-	US$3,116 thousand New Taiwan Dollar 95,116 Note 3	RMB 5,363 NTD 24,637	28.03%	RMB1,503 NTD 6,905 Note 2(2) A	RMB10,103 NTD 44,817	-
HighAim Technology Inc.	Design and development and production of various models, servers and communication devices.	USD10,000,000 NT$307,150	Through the third regional company, second-tier subsidiary EnnoMech Precision (Shenzheng) Co., Ltd. invested in HighAim Technology Inc. and indirectly obtained the equity of its subsidiaries. Note 1 (2)	US$10,843,000 NTD 330,423 Note 3	-	-	US$10,843,000 NTD 330,423 Note 3	RMB 8,477 NTD 36,509	66.05%	RMB 5,599 NTD 24,110 Note 2(2) B	RMB 67,947 NTD 304,084	-
EnnoMech Precision (Shenzheng) Co., Ltd.	Machinery components	US$1,530,000 NTD 46,994	Re-investment in the third region, DOMINATE UNITED ENTERPRISE LTD. Note 1 (2)	US$1,530,000 NTD 46,994 Note 3	-	-	US$1,530,000 NTD 46,994 Note 3	RMB 494 NTD 2,334	100%	RMB 494 NTD 2,334 Note 2(2) B	RMB10,745 NTD 48,089	-
Goldtek Technology Co., Ltd. (Shenzhen)	Research, design and sales of electronic products, communication devices and accessories, and after-sales services for the above products.	US$1,000,000	Re-investment throughKeenest Electronic Corp. in the third region. Note 1 (2)	US$1,000,000 NTD 30,715 Note 3	-	-	US$1,000,000 NTD 30,715 Note 3	RMB (69) NTD (3,215)	56.74%	RMB (392) NTD (1,824) Note 2(2) B	RMB 2,823 NTD 11,497	-
Rirong (Shenzhen) Co., Ltd.	Stamping/assembly	RMB10,309 NTD 46,102	Indirectly acquired the equity interests of its subsidiaries through the investment in Hong Kong Ri Rong Industry Co., Ltd. in the third region Note 1 (3)	-	-	-	-	RMB1,161 NTD 5,292	22.87%	RMB 89 NTD 403 Note 2(2) A	RMB 3,382 NTD 15,125	-
Tairuon (Shenzhen) Co., Ltd.	Zinc/Aluminum Alloy Pressure Casting	RMB 4,095 NTD 18,313	Indirectly acquired the equity interests of its subsidiaries through the investment in Hong Kong Ri Rong Industry Co., Ltd. in the third region Note 1 (3)	-	-	-	-	RMB16,293 NTD 74,234	11.43%	RMB 621 NTD 2,829 Note 2(2) A	RMB16,897 NTD 75,564	-
Shengrong Plastic Co., Ltd. (Shenzhen)	Manufacturing and sales of plastic and hardware	RMB 3,600 NTD 16,099	Indirectly acquired the equity interests of its subsidiaries through the investment in Hong Kong Ri Rong Industry Co., Ltd. in the third region Note 1 (3)	-	-	-	-	RMB (108) NTD (491)	12.58%	Renminbi (9) NTD (41) Note 2(2) A	RMB1,981 NTD 8,861	-
Thecus Technology Co., Ltd. (Nanjing)	Sales of network storage devices and maintenance services	US$510,000 NTD 15,665	Re-investment through the third region, Thecus Technology Corp. Note 1 (1)	US$510,000 NTD 15,665 Note 3	-	US$510,000 NTD 15,665	-	RMB- NTD-	-	RMB- New Taiwan Dollars- Note 2(2) A	RMB- New Taiwan Dollars-	- (Note 5)
Ennoconn (Suzhou) Technology Co., Ltd.	Research and development, production and sales of industrial computers	US$30,000,000 NTD 909,016	Re-investment through the third-region subsidiary, Hong Kong Innovation Note 1 (2)	US$2,000,000 NTD 60,490 Note 3	USD 28,000,000 NTD 848,526	-	US$30,000,000 NTD 909,016 Note 3	RMB (2,267) NTD (11,233)	100%	RMB (2,267) NTD (11,233) Note 2(2) B	RMB201,871 NTD 903,143	-
Ennoconn (Kunshan) Technology Co., Ltd.	Smart technology development and sales of hardware	US$- NTD-	Re-investment through a second-tier subsidiary, Ennoconn (Suzhou) Technology Co., Ltd., in a third region Note 1 (3)	US$- NTD-	-	-	US$- NTD-	RMB (16) NTD (61)	100%	RMB (16) NTD (61) Note 2(2) B	RMB (16) NTD (80)	-

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Investee in Mainland China Company Name	Main operations	Paid-in Capital	Investment method	Aggregated from the beginning of the current period Accumulated remitted from Taiwan Investment Amount	Outward remittance or collection Investment Amount		Aggregated amount of current period Accumulated remitted from Taiwan Investment Amount	Investee (Loss) gain for the current period	Shareholding Percentage of the Company's Direct or Indirect Investment	Current recognition Investment gain (loss)	Investment at end of period Carrying Amount	Up to the end of the year Remitted back Investment income
					Export	Recovery						
MIC-Tech (Wuxi) Co., Ltd.	Design, manufacture, installation and maintenance of semiconductor components and IC devices, electronic components, and environmental pollution prevention equipment; packaging of special equipment, refrigeration equipment assembly; barbecue furnace assembly; engagement in the above products and parts, textiles, daily necessities, chemical products, cosmetics wholesale, commission agents, import and export business; own factory lease; automated storage equipment and accessories, design, manufacture, sale and installation of automatic conveying logistics equipment and accessories, logistics deployment, computer aided engineering system development, sales and installation	NTD 783,233	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 629,658	New Taiwan Dollars-	New Taiwan Dollars-	NTD 629,658	NTD 28,697	45.21%	NTD 13,230 Note 2(2) A	NTD 16,115	-
Huayou Chemical Industry International Trade（Shanghai）Limited Company	Semiconductor production, maintenance of semiconductor equipment, testing equipment and consumables, wholesale of boilers for power generation, commission agents, import and export and other related supporting services; warehousing and distribution services mainly for chemical and boiler products; international trade, entrepot trade and trade agency between enterprises in the bonded area; business consulting services in the area	NTD 253,122	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 15,358	New Taiwan Dollars-	New Taiwan Dollars-	NTD 15,358	NTD 25,652	45.21%	NTD 11,597 Note 2(2) A	NTD 158,786	-
Fuzhou Jiwei Electronic System Engineering Co., Ltd.	Dust-free room and power system equipment, piping system equipment installation and related supporting services	NTD 9,215	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	New Taiwan Dollars	New Taiwan Dollars-	New Taiwan Dollars-	NTD 9,215	NTD 695	45.21%	NTD 314 Note 2(2) A	NTD (459)	-
Shanghai Maohua Electron Engineering Technology Limited Company	Design, installation, commissioning and technical services, piping systems and related facilities for the semiconductor manufacturing industry, equipment maintenance for the semiconductor manufacturing industry, electronics, medical equipment technical consulting, electronic products, mechanical equipment, chemical products (except hazardous materials), communications products, metal products, wholesale of manufactured products, commission agents (excluding auctions), import and export and related ancillary services.	NTD 18,429	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 18,521	New Taiwan Dollars-	New Taiwan Dollars-	NTD 18,521	NTD 2,424	39.33%	NTD 953 Note 2(2) A	NTD (5,716)	-
Shanghai Jiwei Electronic System Engineering Co., Ltd.	Mechanical and electrical installation, engineering construction general contracting, electrical engineering professional contracting, chemical petroleum equipment pipeline installation, pipeline professional contracting and post-engineering warranty services, relevant engineering and technical consulting services	NTD 541,168	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 261,692	New Taiwan Dollars-	New Taiwan Dollars-	NTD 261,692	NTD (27,348)	45.21%	NTD (12,364) Note 2(2) A	NTD 188,862	-
Wuxi Hanhua Electronic Technology Co., Ltd.	Equipment installation and maintenance of semiconductor components and crystal special equipment, electronic components special equipment, environmental pollution prevention equipment; engaged in the abovementioned product wholesale, commission agent, import and export business; industrial equipment cleaning and maintenance.	NTD 9,368	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 1,505	New Taiwan Dollars-	New Taiwan Dollars-	NTD 1,505	NTD (204)	22.15%	NTD (45) Note 2(2) A	NTD 27	-
Shanghai Chen Kao Engineering Design Co., Ltd.	Design of micro-electronic products, project design and display components project design, related technologies and management consulting services	NTD 6,143	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 6,143	New Taiwan Dollars-	New Taiwan Dollars-	NTD 6,143	NTD 2,056	45.21%	NTD 930 Note 2(2) A	NTD (266)	-

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Investee in Mainland China Company Name	Main operations	Paid-in Capital	Investment method	Aggregated from the beginning of the current period Accumulated remitted from Taiwan Investment Amount	Outward remittance or collection Investment Amount		Aggregated amount of current period Accumulated remitted from Taiwan Investment Amount	Investee (Loss) gain for the current period	Shareholding Percentage of the Company's Direct or Indirect Investment	Current recognition Investment gain (loss)	Investment at end of period Carrying Amount	Up to the end of the year Remitted back Investment income
					Export	Recovery						
Wuxi Advanced Semiconductor Technology	Special cleaning of semiconductor components and integrated circuits; parts for semiconductor devices, parts for integrated circuits and micro-components, wafer cleaning; development of semiconductor cleaning technology; assembly, installation and maintenance of refrigeration equipment; automated storage equipment and accessories, automatic design, manufacture, sales and installation of transportation logistics equipment and accessories; development, sales and installation of computer-aided engineering systems for logistics deployment; wholesale and commission agents for these abovementioned products and their parts, import and export business, etc.	NTD 70,890	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 28,356	New Taiwan Dollars-	New Taiwan Dollars-	NTD 28,356	NTD (110)	45.21%	NTD (50) Note 2(2) A	NTD 2,438	-
Nantong Jianrui Optoelectronics Technology Co., Ltd.	Development and production of special equipment for solar cell production, large-screen color projection display with optical engine, light source, projection screen, high-definition projection tube and micro-projection device module and other key components manufacturing, new electronic components manufacturing, cleaning and recycling services	NTD 153,575	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 82,931	New Taiwan Dollars-	New Taiwan Dollars-	NTD 82,931	NTD (10,154)	27.13%	NTD (2,755) Note 2(2) A	NTD 11,561	-
Shanghai Fanya Trading Co., Ltd.	Chemical products (excluding hazardous chemicals, precursor chemicals, special chemicals), semiconductors, testing equipment and consumables, solar equipment consumables, power generation boilers, machinery and accessories, wholesale, commission agents, import and export, and others related supporting business, international trade, entrepot trade, trade and trade agency between enterprises in the bonded area, trade consulting services, installation and maintenance of semiconductor equipment, automation equipment, electronic equipment and spare parts	NTD 46,073	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 46,073	New Taiwan Dollars-	New Taiwan Dollars-	NTD 46,073	NTD (7,308)	45.21%	NTD (3,304) Note 2(2) A	NTD 8,377	-
Shanghai Jimao Trading Co., Ltd.	Electronic products, food, textiles, daily necessities, cosmetics, valve switches, instrumentation, metal products, wholesale of mechanical and electrical equipment, commission agents, import and export and related ancillary services; international trade, entrepot trade, trade between bonded areas and intra-regional trade agent; commercial simple processing in bonded area; trade advisory service in bonded area	NTD 29,391	Reinvesting in the third regional company through Market Go Profits Ltd. Note 1 (2)	NTD 9,237	New Taiwan Dollars-	New Taiwan Dollars-	NTD 9,237	NTD (28,434)	14.21%	NTD (4,040) Note 2(2) A	NTD (2,099)	-

Name of investee	Accumulated investment in Mainland China from Taiwan as of the end of the year	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling for investment in Mainland China in accordance with the Investment Commission of the Ministry of Economic Affairs
Ennoconn Corporation	HK$5,000,000 and US$40,146,000 NT$ 1,244,962 (Note 3)	HK$5,000,000 and US$65,746,000 NT$ 2,026,402 (Note 3)	NT$ 3,973,980
Goldtek Technology Co., Ltd.	US$1,000,000 and HK$80,100,000 NT$ 344,787 (Note 3)	US$1,000,000 and HK$80,100,000 NT$ 344,787 (Note 3)	NTD 958,607
Caswell Inc.	US$3,116,000 NT$ 95,116 (Note 3)	US$3,116,000 NT$ 95,116 (Note 3)	NT$ 1,459,072
Ennoconn International Investment Co., Ltd.	US$12,373,000 NT$ 377,686 (Note 3)	US$12,373,000 NT$ 377,686 (Note 3)	NT$ 4,618,253
Marketech International Corp.	NT$ 1,113,851 (Note 3)	NT$1,957,170 (Note 3)	NT$ 3,347,386

Note 1: Investment is classified as the following three types:

(1) Direct investment in the Mainland China.

(2) Investment in Mainland China through a third-region company (please specify the investment companies in the third area).

(3) Others.

Note 2: Investment gain and loss recognized in the current period:

(1) If the company is in preparation status and no investment loss and profit occur, it shall be noted.

(2) The three types of recognized investment loss and profit as follows shall be noted.

A. The financial statements certified by international accounting firms that has relations with accounting firms in Taiwan.

B. The financial statements are certified by CPA through the parent company in Taiwan.

C. Others.

Note 3: The exchange rate adopted is the average demand exchange rate of Bank of Taiwan on December 28, 2018.

Note 4: It is a non-significant related enterprise, and its financial report without the audit of the accountant shall not have a significant impact.

Note 5: Registration for liquidation completed in early 2018.