

Stock Code 2314

Microelectronics Technology Inc. 2019 Annual Report (Translation)

Notice to readers

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

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Annual Reports are accessible from the following website :

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

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V. Inquiry of overseas stock price

Not applicable

VI. Official website of the Company: www.mtigroup.com

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Consolidated financial statements and report of independent accountants
December 31, 2019 and 2018

Appendix 2

Parent company only financial statements and report of independent accountants
December 31, 2019 and 2018

I. Annual Letter to Shareholders

Dear Shareholders, Ladies and Gentlemen,

First of all, I would very much like to thank the shareholders for their ongoing support and concern for MTI. 2019 was clouded by global economic uncertainty, the US-China trade dispute, which significantly hampered the willingness of enterprises in investment. Global economic growth rate was the worst since the financial crisis in 2008. Despite these unfavorable economic factors, MTI has been persistent in strengthening its research and development capacity and product technology, consulting with customers for moving up the price to absorb the cost of tariff and returned to Taiwan for manufacturing with cost control. The consolidated revenue of MTI in 2019 amounted to NT\$5,800,000,000 with gross margin at 16%. Consolidated earnings in the year amounted to NT\$1,680,000 with earnings per share of NT\$0.01.

Keeping Abreast of the Trends

Here comes 2020. Affected by COVID-19, countries all over the world have pursued different levels of quarantine in the affected cities. The majority of human population stayed home under quarantine that they tended to spend more time in watching TV. Yet, the higher demand for streaming services has affected the growth of the LNB business for satellite TV of MTI. Nevertheless, the high-end satellite TV product developed by MTI has successfully penetrated into the markets of North America and Europe. As such, MTI emerged as main supplier among the top few service providers of paid satellite TV and is in pursuit of the newly-emerged markets.

MTI is the first professional maker of Ka band broadband satellite TV transceiver of the world to support customers in Europe and America for its high capacity and high coverage rate of satellite transmission in the new generation. MTI has launched the high-speed broadband satellite and aviation internet access devices for airlines in Europe and America in mass production and will continue to develop HTS Satellite receivers and key modules to further the growth of the VSAT business.

Quest for Growth

In the advent of 5G, the substantial increase in transmission rate and significant reduction of lagging allows for even higher quality Internet application. The demand for high-density hardware installation provides business opportunities that are better than its predecessor products. The combination of 5G and satellite is recognized as the best solution for coverage of mobile communication. LEO satellite allows for low cost, low signal transmission loss and transmission delay that market leaders tend to invest in this area, which is promising for the future. MTI has

long been a player in the area of satellites and has spared no efforts in the development of the technologies and customers for the end-user devices of LEO satellites and worked in cooperation with market leaders. MTI has passed the field tests, too. In the future, MTI will continue the research and development of technologies and capital spending to keep track of this essential business opportunity.

The R&D team of MTI in USA and Denmark has in its possession the new generation V-RAN/5G NR wireless connection Internet technology and can develop products for base stations complying with the 3GPP and O-RAN specifications. In 2019, MTI joined the OpenRAN Alliance as a member and participated in the Evenstar RRU Program launched by the Telecom Infra Project (TIP) led by giant firms like Facebook, Mavenir, and Vodafone. The objective is to provide 4G and 5G network RU equipment for telecom operators under the OpenRAN ecological system. The new generation of RU supports the O-RAN Alliance decomposed framework and allows telecom operators to upgrade their installations and reduce costs. MTI has already worked in conjunction with a number of customers in the development of the Interoperability Test for the time being. Further to the continued thriving of the BTO business opportunity of 4G/5G, the R&D team of MTI also seeks to develop 5G Internet products to meet the needs of international telecom operators, which will help to boost the operations of MTI for its further growth.

Creation of Advantage

Ceaseless input in technology remains the ongoing and persistent corporate philosophy and core competence of MTI. In 2019, MTI has acquired several invention patents in the USA, including the new technologies applicable to satellite LNB and RF transmitter. In addition, MTI will also devote further effort in the end-user device technologies of LEO satellites, which have been subsidized and recognized by the Ministry of Economic Affairs under its “Taiwan Industry Innovation Platform Program.”

In responding to the increase in tariff cost under the US-China trade war, MTI has relocated some of its production lines from Mainland China to Taiwan and also invested in production line automation and digital transformation to upgrade production efficiency, reduce production costs and provide the customers with products of higher quality.

The Corporate Governance Evaluation results of 2019 indicated that MTI was rated among the top 6%~20% of all TWSE listed companies. This is the recognition of MTI in its effort of protecting the rights and privileges of its shareholders and stakeholders to improve operating efficiency and perform corporate social responsibility in its entirety.

Prospect

COVID-19 broke out at the beginning of 2020, which eventually spread all over the world. It was coupled with the US-China trade war triggered since 2018. The global economic situation has become highly uncertain in the short run such that the operating environment for the industries will be harsh. MTI will continue its cautious and professional attitude in concentrating at its core operations with the improvement of production efficiency and research and development capacity, at the same time to get hold of the business opportunities of the O-RAN wireless connection network and LEO satellite and get ready to respond to the unpredictable environment and challenges with a view to maximizing value for its shareholders.

May I wish you all good health and good luck

Allen Yen, Chairman & CEO

Eugene Wu, General Manager

II. Company Profile

(I). Date of establishment

(i) Date of establishment: March 31, 1983

(ii) Scope of business

The Company is a professional manufacturer of microwave and satellite communication equipment. Headquartered at Hsinchu Science Park in Taiwan, the Company has production facilities in Hsinchu of Taiwan and Wuxi in Mainland China. The Company also has R&D centers in California of USA and Denmark, and service locations all over Europe and other places of the world. Ever since its establishment, the Company uses its core microwave technology to engage in joint ventures with major international communication firms in digital microwave, mobile communication stations module, broadband wireless transmission and satellite communication equipment, and is able to provide engineering pilot run samples in real-time that could quickly proceed to mass production. The Company could provide flexible and reliable product design, manufacturing and sale service to the diversity of needs of the customers.

Scope of business:

(1) The research, development, design, production, manufacturing and sale of the following products:

- Personal communication equipment components, sub-systems and systems.
- Electronic parts and components for wireless microwave communication system and electronic system equipment.

(2) Production, domestic and export sale

- Microwave and low-frequency IC and the substrate and capacitors used in IC.
- High frequency microwave, mm wave, and optoelectronic communication electronic parts and components.
- Microwave, mm wave and optoelectronic local system and system products.
- Local systems made from outsourced and self-manufactured microwave and optoelectronic parts and components and related products.

(3) Production, domestic and export sale of satellite simulcast TV materials and systems.

(4) Design and customization of the aforementioned products to the order of the customers.

(5) Provide the aforementioned products and the inspection, maintenance, processing, installation and necessary assistance and services for related business.

(6) Export and import trade of related products

(II). Company history

time	Milestone
1983	<ul style="list-style-type: none">➤ Microelectronics Technology Inc. was officially established and located at Hsinchu Science Park. It is the first professional microwave and satellite communication company of Taiwan.➤ Dr. Denny Ko was the Chairman and Mr. Patrick Wang was the first President of the Company.
1984	<ul style="list-style-type: none">➤ Allied with Stratex of the USA in joint venture for the development of point-to-point land surface microwave communication product series.
1985	<ul style="list-style-type: none">➤ Hewlett Packard (now Agilent) of the USA invested in MCI and became the largest shareholder
1986	<ul style="list-style-type: none">➤ Mr. Patrick Wang is appointed the Chairman of MTI. Dr. Chi Hsieh was appointed the 2nd term of President of MTI.
1987	<ul style="list-style-type: none">➤ Successful development of satellite radio simulcast products to Ku frequency and entered the market of Europe.➤ Participation in international telecommunication liberalization work and the successful launch of ground microwave communication products into the market of Europe.
1988	<ul style="list-style-type: none">➤ Completion of Phase I Plant. The Company relocated to this address since then.
1989	<ul style="list-style-type: none">➤ MTI established its technical support center in North America in response to the business growth in the region.
1990	<ul style="list-style-type: none">➤ Approved by then Securities and Futures Commission for listing Category I Stock for trading at TWSE (Stock Code 2314).
1991	<ul style="list-style-type: none">➤ MTI's Inmarsat gains world recognition during a Gulf War live satellite broadcast by CNN's Peter Arnett➤ Joint venture with AT&T for the development of point-to-point microwave system and with HNS for the development of small satellite VSAT.
1992	<ul style="list-style-type: none">➤ The founding of Sasson Capital for speeding up the expansion of the MTI Group.
1993	<ul style="list-style-type: none">➤ Successful transfer of broadband microwave system product technology to build up system engineering capacity.
1994	<ul style="list-style-type: none">➤ Initial offering of GDR➤ Accreditation with the ISO-9001 international quality system
1996	<ul style="list-style-type: none">➤ Successful entrance to the 2G mobile communication through the ODM/OEM mode of services and emerged as the major supplier of the major communication equipment firms in North America.
1997	<ul style="list-style-type: none">➤ MTI underwent strategic adjustment and organization reengineering in response to the rapid changes in market.
1998	<ul style="list-style-type: none">➤ Successful sale of 1 million sets of Satellite TV equipment.
1999	<ul style="list-style-type: none">➤ Accreditation with the ISO-14001 international environmental management system.
2000	<ul style="list-style-type: none">➤ Sale value surpassed US\$100 million.➤ MTI established the "LEE & MTI Center" for advanced network research at National Chiao Tung University in Hsinchu, Taiwan.

time	Milestone
2001	<ul style="list-style-type: none"> ➤ MTI established Jupiter Technology (Wuxi) Co., Ltd. in Wuxi, China, for the manufacturing of related products. ➤ Accreditation with the TL-9000 communication electronics quality system standard. ➤ Engagement in a joint venture with NEC of Japan in the development of low-noise signal amplifier for stepping into the 3G market.
2002	<ul style="list-style-type: none"> ➤ Entered into a strategic alliance agreement with Stratex that made MPI the sole contractor of its manufacturing business. ➤ Founding of Jupiter Technology in Wuxi, China, for the manufacturing of communication related products.
2003	<ul style="list-style-type: none"> ➤ Formation of strategic alliance with UT Starcom for joint development of wireless broadband and 3G products. ➤ Successful entrance to the simulcast satellite TV market of North America as a major supplier of provide low noise block downconverter (LNB) to the satellite TV broadcasters. °
2004	<ul style="list-style-type: none"> ➤ Entered into a strategic alliance agreement with UT Starcom thereby MPI was outsourced as the manufacturer of the frequency amplifiers noise reducer of the “PHS phone” stations and wireless LAN products.
2005	<ul style="list-style-type: none"> ➤ Mr. Allen Yen is appointed President and COO of MTI ➤ Launched into mass production of the Ka-band Transceivers for VSAT ground satellite stations.
2006	<ul style="list-style-type: none"> ➤ Entered into a joint venture agreement with SR Telecom of USA on the development of Wimax broadband microwave products. ➤ MTI achieves 100K Ka-band VSAT Transceiver ODU delivery milestone; accounts for over 95% of total market share for all Ka-band VSAT Transceivers
2007	<ul style="list-style-type: none"> ➤ Successful development of the new generation RFID reader with the application of Intel chip. ➤ MTI RFID Reader won the 2007 Innovation Product Award of Hsinchu Science Park ➤ MTI and Harris Stratex Networks entered into multi-year manufacture and supply agreement for TRuepoint RF Modules
2008	<ul style="list-style-type: none"> ➤ The RFID EPC Gen 2 Reader of MPI won the 2008 Taiwan Excellence Award. This is the first time that an Asian product won the Gen2 label of EPCglobal. ➤ MTI receives the “16th Outstanding Enterprise Innovation Award” from Ministry of Economic Affairs due it its outstanding performance in corporate management and innovation in technology. ➤ The DODECA LNBF of MTI won the 2008 Innovation Product Award. This is the only LNB of the world that could be shared by 12 users at the same time for the time being. ➤ MTI received the 2008 Science Park Carbon Reduction Award from Hsinchu Science Park for its pursuit of energy saving and carbon reduction policy.

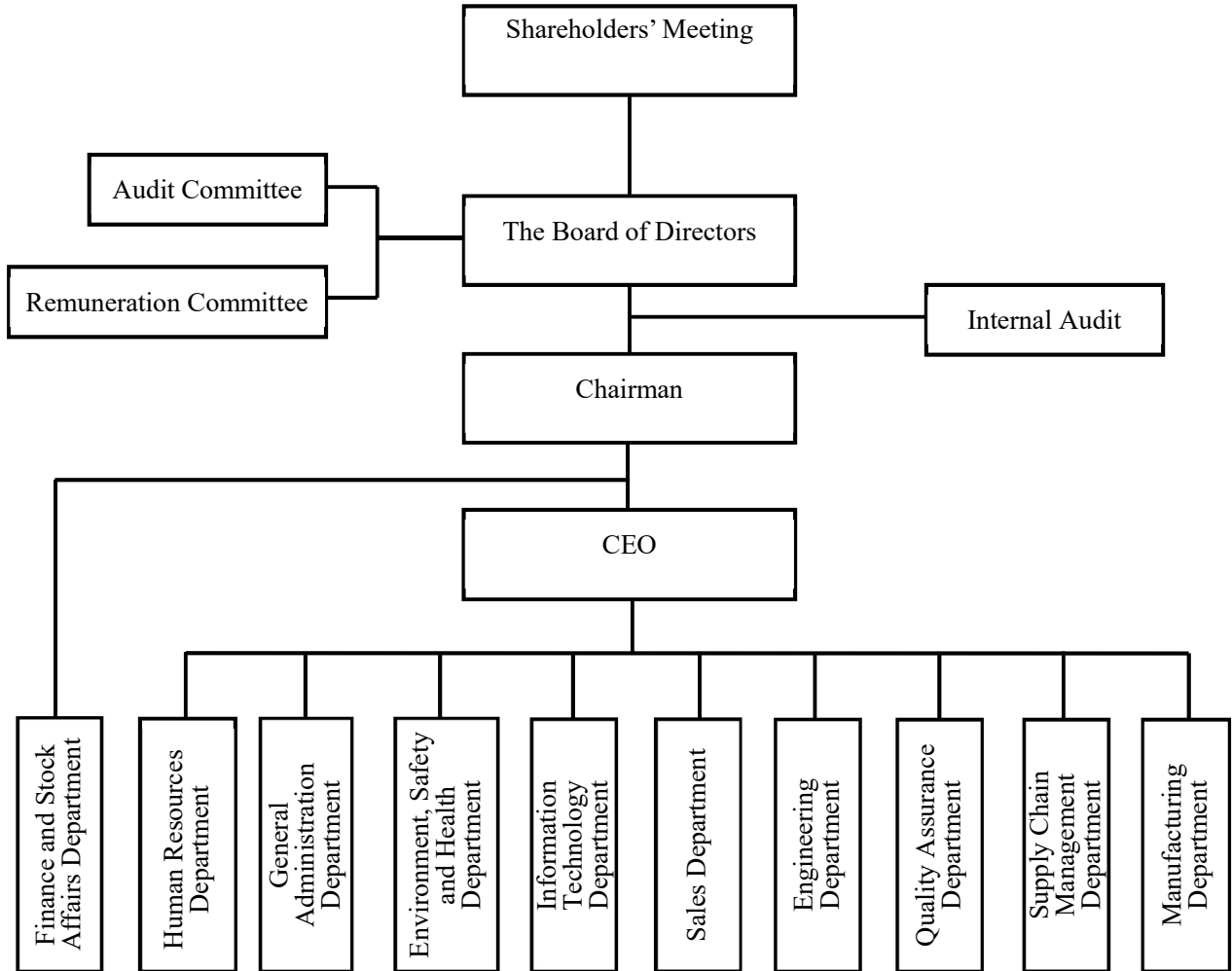
time	Milestone
2009	<ul style="list-style-type: none"> ➤ The DODECA LNBF of MPI won the 2009 Taiwan Excellence Award. ➤ ODIN's SMART Container Powered by MTI Technology won the prestigious "BEST IN SHOW" Award at RFID Journal Live! 2009 ➤ The WiMAX MIMO Remote Radio Head (RRH) of MTI won the 2009 Innovation Product Award ➤ MTI acquired TeleASIC Communications Inc. at California, USA, to acquire the Remote Radio Head (RRH) product line with all tangible and intangible assets and the R&D team. This team is well seasoned in the R&D of wireless communication products and will be an input to the development of 3G/LTE products and international competitive power.
2010	<ul style="list-style-type: none"> ➤ MTI's 3G/LTE Remote Radio Head and WiMAX Outdoor CPE Won the 18th Taiwan Excellence Award in 2010. ➤ The Point to Point Microwave IP Radio of MPI won the 2010 Innovation Product Award. ➤ MPI won the "R&D Accomplishment Award" from Hsinchu Science Park for the first time for its achievement of the first Ka satellite radio, the leading microwave Transceiver/DOU of the world, the first UHF RFID Reader accredited with EPC Gen2 in Asia, and the world-class professional design/manufacturing of LNB and RFID. ➤ MTI announced the entering into an agreement with RadioComp Aps of Denmark (hereinafter referred to as RadioComp) for the acquisition of its equity shares and intellectual property rights. MTI acquired the Danish company, RadioComp, through an overseas subsidiary as a wholly-owned subsidiary. RadioComp is a leader in the R&D of the software for wireless communication and could help to booster the capacity of MTI in software R&D. This core technology could be applied to the development of the 4G LTE technology for speeding up the development of current product line.
2011	<ul style="list-style-type: none"> ➤ MTI Ku-band VSAT Transceiver won the 2011 Innovation Product Award ➤ MTI won the 1st "Taiwan Green Classic Award" of Ministry of Economic Affairs.
2012	<ul style="list-style-type: none"> ➤ MTI announced the signing of a NTD 1,800 million private placement investment agreement and strategic cooperation agreement with Hyield Venture Capital Co., Ltd. and CyberTAN Technology Inc.
2013	<ul style="list-style-type: none"> ➤ MTI UHF RFID MINI ME(TM) Reader won the Prestigious "2013 Taiwan Excellence Award" of the Bureau of International Trade, Ministry of Economic Affairs. ➤ MTI All Outdoor IP Radio won the 2013 Innovation Product Award of Hsinchu Science Park ➤ MTI announced decapitalization amounting to NT\$1,439,077 thousand for offsetting carryforward loss. ➤ Retirement of Chairman Patrick Wang. Dr. Chi Hsieh is appointed Chairman of MTI

time	Milestone
2014	<ul style="list-style-type: none"> ➤ Construction of Jupiter Technology (Wuxi) Co., Ltd. was completed. ➤ MTI Indoor Radio Head of LTE Base Station won the 2014 Innovation Product Award of Hsinchu Science Park
2015	<ul style="list-style-type: none"> ➤ MTI Satellite DTH Broadband Digital-SWM LNB won the 2015 Innovation Product Award ➤ Disposal of the idle plant at Hsinchu to CyberTAN Technology Inc. for the efficient use of assets.
2016	<ul style="list-style-type: none"> ➤ MTI announced decapitalization amounting to NT\$2,003,226 thousand for offsetting carryforward loss. ➤ MTI raised additional capital by offering 13,000 thousand new shares and offered the 2nd issue of domestic secured convertible bonds of 4,000 lots for the retirement of short-term loans and fostering of financial structure. The amount of NT\$674,200 thousand have been raised.
2017	<ul style="list-style-type: none"> ➤ MTI ranked among the top 6% ~ 20% in the “3rd Corporate Governance Evaluation” by Taiwan Stock Exchange Corporation for the first time. ➤ The 6-42GHz Next Generation Ultra High Throughput Advanced Microwave Radio won the Innovative Product Award of Hsinchu Science Park.
2018	<ul style="list-style-type: none"> ➤ The satellite Broadband Outdoor Unit for VSAT of MTI won the Innovative Product Award.
2019	<ul style="list-style-type: none"> ➤ Mr. Allen Yen was appointed the Chairman and CEO of MTI. Mr. Eugene Wu was appointed President of MTI.
2020	<ul style="list-style-type: none"> ➤ MTI proceeded to the “LEO Satellite Communication End User RF Front-End Solution Development Project” funded by the Ministry of Economic Affairs under the “Taiwan Industry Innovation Platform Program” .

III. Corporate Governance Report

(I). Organization System

(i) Organizational Chart



(II) Job functions of the Departments

Department	Job function
Internal Audit	➤ Audit of the internal rules and regulations and internal control system of the Company with recommendations for corrective action.
Manufacturing Department	<ul style="list-style-type: none"> ➤ Coordinate with the R&D Engineering to administer R&D resources for the assurance of product development and launch for mass production as scheduled. ➤ Adopt effective production process through the improvement and design of products for reducing cost and assurance of product quality.
Supply Chain Management Department	➤ Coordinate the transportation of materials and products, integrate the commonality of raw materials and control the sources of materials through proper planning for achieving the production capacity objective.
Quality Assurance Department	➤ Establish the rules and regulations governing quality management operation of the Company and upgrade product quality of the Company, create a positive international quality image for the assurance of best quality for the customers.
Engineering Department	➤ Research and development new products, new production processes and new technologies in line with the product development strategy of the Company and the needs of the customers in market, develop new products in the best quality, best performance, and most efficient cost, pioneer the specifications in the industry through its leadership position in technology and easy for mass production, selling and for better profit.
Sales Department	➤ Design, development and market the products of the Company with increase of market share and upgrade brand image every year.
Information Technology Department	➤ Collection, arrangement, storage, and transmission of information with the use of information technology for generating reliable, effective, and integrated high-quality information for the users or for the management as reference or basis for business analysis and corporate management decision-making.
Environment, Safety and Health Department	➤ Establish and enforce management rules and regulations governing the environment, safety and health, fire safety and radioactive safety at workplace, implement the safety and health management system, environmental protection, and green projects.
General Administration Department	➤ Perform administrative duties, plant power supply, air-conditioning, water supply, maintenance and service, facility planning and utilization management.
Human Resources Department	➤ Plan, establish and maintain human resources recruitment, training, remuneration and benefit systems.
Finance and Stock Affairs Department	<ul style="list-style-type: none"> ➤ Plan, establish, and maintain financial and accounting and related duties. ➤ Responsible for maintaining investor relation, administering corporate governance and related matters and share transfer and registration.

(II).Profiles of the Directors, President, Vice Presidents, Assistant Vice Presidents, function heads and branch heads.

(I) Directors

1. Director Profiles

2020.04.20

Title	Nationality or place of registration	Name	Sex	Date of elected	Tenure	Date of initial term of office	Quantity of shareholding at the time of elected to office		Quantity of shareholding at present		Shareholding by spouse and children who are minors		Shareholding in the name of a third party		Major experience (education)	Also holding other positions in the Company or in other companies.	Spouse or kindred within the 2 nd tier of other executives, directors or supervisors.		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	CyberTAN Technology Inc.		2019.06.19	3 years	2013.06.14	60,924,995	26.72%	60,924,995	26.72%	0	0%	0	0%			—	—	—
	R.O.C	Representative: Allen Yen	Male	2019.06.19	3 years	2007.06.11	476,746	0.21%	476,746	0.21%	4,626	0%	0	0%	EMBA, National Chiao Tung University Bachelor, Dept of Electrical Engineering, National Taiwan University President of MTI Product Engineer, RCA Taiwan Limited	Note 1	—	—	—
Director	R.O.C	CyberTAN Technology Inc.		2019.06.19	3 years	2013.06.14	60,924,995	26.72%	60,924,995	26.72%	0	0%	0	0%			—	—	—
	R.O.C	Representative: Kuoliang Ho	Male	2019.06.25	3 years	2019.06.25	0	0.00%	0	0.00%	0	0%	0	0%	Master Degree in Communication Engineering, National Chiao Tung University Senior Director, Hon Hai Precision Industry Co., Ltd	Note 2	—	—	—
Director	R.O.C	CyberTAN Technology Inc.		2019.06.19	3 years	2013.06.14	60,924,995	26.72%	60,924,995	26.72%	0	0%	0	0%			—	—	—

Title	Nationality or place of registration	Name	Sex	Date of elected	Tenure	Date of initial term of office	Quantity of shareholding at the time of elected to office		Quantity of shareholding at present		Shareholding by spouse and children who are minors		Shareholding in the name of a third party		Major experience (education)	Also holding other positions in the Company or in other companies.	Spouse or kindred within the 2 nd tier to other executives, directors or supervisors.		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
	R.O.C	Representative : Roger Wu	Male	2019.06.19	3 years	2013.08.14	0	0.00%	0	0.00%	0	0%	0	0%	· Master Degree in Information Management, Lawrence University, USA · Vice President, Communication and Network Solution Business Group, Hon Hai Precision Industry Co., Ltd. · Vice President in R&D, Ambit Microsystems	Note 3	—	—	—
Director	R.O.C	Chi Hsieh	Male	2019.06.19	3 years	1986.09.12	3,123,279	1.37%	3,123,279	1.37%	1,950	0%	0	0%	· PhD, Electrical Engineering, University of Santa Clara, USA · Chairman of MTI · Director, Microwave Circuit Dept, Harris Farinon Corporation, USA	Note 4	—	—	—
Independent Director	USA	Mary Shio Chan	Female	2019.06.19	3 years	2012.11.27	0	0.00%	0	0.00%	0	0%	0	0%	· MS, Fu Foundation School of Engineering and Applied Science, Columbia University · SVP/GM, Dell Inc. · President, Alcatel-Lucent · Vice President, General Motors	Note 5	—	—	—

Title	Nationality or place of registration	Name	Sex	Date of elected	Tenure	Date of initial term of office	Quantity of shareholding at the time of elected to office		Quantity of shareholding at present		Shareholding by spouse and children who are minors		Shareholding in the name of a third party		Major experience (education)	Also holding other positions in the Company or in other companies.	Spouse or kindred within the 2 nd tier to other executives, directors or supervisors.		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	R.O.C	C. L. Liu	Male	2019.06.19	3 years	2016.06.14	0	0.00%	0	0.00%	0	0%	0	0%	·PhD. In Electrical Engineering, MIT · Assistant, Associate Professor, Electrical Engineering Department, MIT ·Asst Vice President, University of Illinois at Urbana-Champaign ·President, National Tsing Hua University	Note 6	—	—	—
Independent Director	R.O.C	Yun Lin	Female	2019.06.19	3 years	2016.06.14	0	0.00%	0	0.00%	0	0%	0	0%	·PhD. in Economics, University of Illinois at Urbana-Champaign ·Director of Finance Department and Graduate School of Finance, National Taiwan University · Director, Securities and Futures Investors Protection Center ·IPO Committee member, Taipei Exchange	Note 7	—	—	—

- Note 1 : Other positions in the Company and other companies held by Mr. Allen Yen: Chairman and CEO of MTI, Director of Jupiter Technology (Wuxi) Co., Ltd., Chairman of MTI Laboratory Inc., Chairman of RadioComp ApS, Director of Welltop Technology Co., Ltd., Director of MTI Network Inc., Director of Jupiter Network Inc.
- Note 2 : Other positions in the Company and other companies held by Mr. Kuoliang Ho: Senior Director of Hon Hai Precision Industry Co., Ltd., Director of CyberTAN Technology Inc., Director of Taiwan Intelligent Fiber Optic Network Co.,Ltd., Director of BoniO Inc., Director of Omniguider Inc., Director of Nuwa Robotics Corp., Director of FG Innovation Company Ltd., Director of PCCW International OTT (Cayman Islands) Holdings Ltd., Chairman of Fu Hua Ke Precision Industry (Shenzhen) Co., Ltd., Director of Vossic Technology Co., Ltd., Representative of Ambit Microsystems Inc.
- Note 3: Other positions in the Company and other companies held by Mr. Roger Wu: Director and President of CyberTAN Technology Inc., Chairman of Hon Yao Fu Technology Company Limited, Chairman of Fu Hong Kang Technology (Shenzhen) Co., Ltd., Chairman of Chongqing Hongdaofu Technology Co.,Ltd., Director of Ta Tang Investment Co., Ltd., Chairman of CyberTAN (B.V.I.) Investment Corp., Chairman of CyberTAN Technology (Hong Kong) Limited, Director of Chun Yang Venture Capital Co., Ltd., Director of Chun Neng Management Consulting Co., Ltd.
- Note 4 : Other positions in the Company and other companies held by Dr. Chi Hsieh: Chief International Marketing Officer of MTI, Director of Sasson Capital, Director of Jupiter Technology (Wuxi) Co., Ltd., Chairman of Jupiter Network Corp., Chairman of Welltop Technology Co., Ltd., Independent Director and Convener of Audit Committee and Remuneration Committee of Innolux Corporation, Director of Advanced Wireless Semiconductor Company, Chairman of Kopin Taiwan Corporation, Director of Kopin Corp., Director of Bright Led Electronics Corp., Director of Henan Bright Crystal Company Limited, Independent Director and Convener of Audit Committee and Remuneration Committee of AcBel Polytech Inc., Director of Taiwan Cement Corporation, Director of Bright Crystal Company Limited, Director of TCM limited, Director of Taicom Capital Limited.
- Note 5 : Other positions in the Company and other companies held by Ms. Mary Shio Chan: Director of SBA Communications Corp., Independent Director of Dialog Semiconductor PLC, Director of WiTricity Corp., Partner of VectoIQ LLC, Independent Director of Magna International Inc.
- Note 6 : Other positions in the Company and other companies held by Dr. C. L. Liu: Chairman of TrendForce Corp., Director of UMC, Independent Director and member of Remuneration Committee of Far Eastone, Independent Director of Powerchip Technology Corporation, Director of Macronix International, Director of UBI Pharma Inc., Independent Director of Accton Technology Corporation.
- Note 7 : Other positions in the Company and other companies held by Dr. Yun Lin: Member of Remuneration Committee of MTI, Adjunct Professor of the Dept of Finance, National Taiwan University, Director of Hua Nan Bank, Supervisor of Eslite Spectrum Corporation, Independent Director and member of the Remuneration Committee of Uni-President Group.

2. Dominant shareholders of the institutional shareholders

2020.04.20

Name of Institutional Director	Dominant shareholders of the Institutional Director	Proportion of shareholding
CyberTAN Technology Inc.	Hyield Venture Capital Co., Ltd.	3.05%
	Foxconn Technology Co., Ltd.	3.05%
	Hongyuan International Investment Co., Ltd.	3.05%
	Liyi International Investment Co., Ltd.	3.05%

3. Dominant shareholders of the above institutional shareholders

2020.04.20

Name of institutional shareholder	Dominant Shareholders of the Institutional Shareholders	Proportion of shareholding
Hyield Venture Capital Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	97.95%
	Bao Shin International Investment Co., Ltd.	2.05%
Foxconn Technology Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	9.88%
	Bao Shin International Investment Co., Ltd.	8.92%
	Hyield Venture Capital Co., Ltd.	6.01%
Hongyuan International Investment Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	100%
Liyi International Investment Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	100%

4. Professional qualification and status of independence of the Directors

Name	Do they have more than 5 years of work experience and met the professional qualifications specified below?			Conform to the status of independence (Note).												Number of public companies that the Director also holds the position as independent director	
	Condition	In the capacity of a tutor or above in a public or private school of higher education in the disciplines of commerce, law, finance, accounting, or any other areas of specialization required for the business operation of the Company.	A professional or technician who has passed the national examination for professionals like court judge, prosecutor, lawyer, certified public accountant, or any other expertise required for the business operation of the Company with the issuance of a certificate of completion.	Work experience in commerce, law, finance, accounting, or a specialization required by the business operation of the Company.	1	2	3	4	5	6	7	8	9	10	11		12
CyberTAN Technology Inc. Representative: Allen Yen			✓				✓	✓	✓	✓			✓	✓	✓	✓	None
CyberTAN Technology Inc. Representative : Roger Wu			✓				✓	✓		✓	✓			✓	✓	✓	None
CyberTAN Technology Inc. Representative: Kuoliang Ho			✓				✓	✓		✓	✓			✓	✓	✓	None
Chi Hsieh			✓					✓	✓	✓	✓	✓	✓	✓	✓	✓	2 firms
Mary Shio Chan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
C. L. Liu	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3 firms
Yun Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1 firm

Note: If the Directors and Supervisors met the following conditions in the period of 2 years prior to the assumption of office and within the term of office, put a “✓” in the appropriate box representing the specific condition.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a Director or a Supervisor of an affiliate of the Company (except for an Independent Director of the Company or the parent company, subsidiaries which seat was established in accordance of this law or applicable laws of relevant host countries).
- (3) Not holding 1% or more of the outstanding shares issued by the Company by the person and its spouse, and children who are minors, or in the name of a third party, or, a shareholder among the top 10 shareholders and who is a natural person.
- (4) Not a spouse, kindred within the 2nd tier under the Civil Code, or kindred by sanguinity within the 3rd tier under the Civil Code as mentioned in the preceding 3 paragraphs.
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company’s board based on Article 27 of the

Company Law.

- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company (except for an Independent Director of the Company or the parent company, subsidiaries which seat was established in accordance of this law or applicable laws of relevant host countries).
- (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent) (except for an Independent Director of the Company or the parent company, subsidiaries which seat was established in accordance of this law or applicable laws of relevant host countries).
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company.
- (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NTD500,000".
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Law.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(II) Key Managers

1 Information on the President, Vice Presidents, Assistant Vice Presidents, and Function and Branch Head

Title	Nationality	Name	Sex	Date of Elected	Quantity of Shareholding		Shares Held by Spouse and/or Children who are Minors		Shareholding in the name of a third party		Major experience (education)
					Shares	%	Shares	%	Shares	%	
Chairman and CEO	R.O.C.	Allen Yen	Male	2019.06.19	476,746	0.21%	4,626	0.00%	0	0.00%	<ul style="list-style-type: none"> EMBA, National Chiao Tung University BS, Dept of Electrical Engineering, National Taiwan University President of MTI Product Engineer, RCA Taiwan Limited
President	R.O.C.	Eugene Wu	Male	2019.07.03	108,563	0.05%	46,408	0.02%	0	0.00%	<ul style="list-style-type: none"> M.S. Electrical Engineering, University of Pittsburgh, USA Vice President of Sales, MTI
Vice President and CFO	R.O.C.	Hualin Chi	Female	2010.06.18	37,953	0.02%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> MBA, University of Florida, USA BS, Dept of Business Administration, National Cheng Chi University. Asst VP of Finance, MTI.
Vice President, Strategic Business Development	R.O.C.	Dunga Wu	Male	2019.07.03	46,696	0.02%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> M.S. Transportation Engineering and Management, National Chiao Tung University VP, Manufacturing and SCM, MTI.
Vice President of Engineering	R.O.C.	Hunter Huang	Male	2007.06.11	62,276	0.03%	217	0.00%	0	0.00%	<ul style="list-style-type: none"> B.S. Electrical Engineering, Feng Chia University Asst VP of Engineering, MTI.
Vice President of Manufacturing	R.O.C.	Edward Chien	Male	2019.07.03	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> B.S. Dept of Industrial Engineering, Tunghai University Asst Vice President of Manufacturing, MTI Section Manager in Engineering, G-Link Technology Corp.

Title	Nationality	Name	Sex	Date of Elected	Quantity of Shareholding		Shares Held by Spouse and/or Children who are Minors		Shareholding in the name of a third party		Major experience (education)	Positions in Other Companies at Present	Spouse or Kindred Within the 2nd Tier Under the Civil Code who is a Manager		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Asst VP of Engineering	R.O.C.	Chia-Yu Chou	Male	2003.09.01	0	0.00%	0	0.00%	0	0.00%	• B.S. Electrical Engineering, National Taiwan University • Engineering Manager of MTI	None	—	—	—
Asst VP of Engineering	R.O.C.	Jui-Yun Chen	Male	2007.06.11	4,556	0.00%	0	0.00%	0	0.00%	• M.S. in Electrical Engineering, University of South California, USA • Engineering Manager of MTI	None	—	—	—
Asst VP of Engineering	R.O.C.	Kuo-Tien Chang	Male	2010.06.18	0	0.00%	0	0.00%	0	0.00%	• B.S., Electrical Engineering, National Central University • Engineering Manager of MTI	None	—	—	—
Asst VP of Manufacture	R.O.C.	Yi-Shan Chang	Male	2007.06.11	1,885	0.00%	0	0.00%	0	0.00%	• M.S. in Electrical Engineering, National Sun Yat-Sen University • Engineering Manager of MTI	Vice President, Engineering Department, Jupiter Technology (Wuxi) Co., Ltd.	—	—	—
Asst VP of Sales	R.O.C.	Wan-Ping Su	Female	2020.03.17	589	0.00%	0	0.00%	0	0.00%	• M.S. in Industrial Engineering, State University of New York at Buffalo, USA • Sales Manager of MTI	None	—	—	—
Asst VP of SCM	R.O.C.	Yu-Cheng Liu	Male	2020.03.17	5,012	0.00%	5,000	0.00%	0	0.00%	• PhD in Industrial Engineering and Management, National Chiao Tung University • SCM Manager of MTI	None	—	—	—
Asst VP of HR	R.O.C.	Zih-Ying Chen	Female	2020.03.17	0	0.00%	0	0.00%	0	0.00%	• PhD in Finance, National Taiwan University of Science and Technology • Project Manager of MTI • Executive Assistant to the CFO of MTI	None	—	—	—
Chief Accounting Officer	R.O.C.	Pi-Hua Chuang	Female	2018.11.12	0	0.00%	0	0.00%	0	0.00%	• EMBA, Swiss Business School • Asst VP, PwC Taiwan	None	—	—	—

Note: Mr. Allen Yen, Chairman & CEO of MTI, has been the Vice President and then President of the sale function of the Company, and is full-seasoned for the job. His capacity as the CEO of MTI will certainly be an input to business development of the Company. MTI has established the positions of Independent Directors and other functional committees as required by law. More than half of the members of the Board are not employees or managers of MTI for the reinforcement of the independence of the Board.

(III) Remuneration to the Directors, President and Vice Presidents

1. Remuneration to the Directors (including Independent Directors)

2019.12.31

Unit: NT\$ Thousands

Title	Name	Director Fee								The sum of A + B + C + D in proportion to net income(%)		Remuneration in the capacity as employees								The sum of A + B + C + D + E + F + G in proportion to net income(%)	Remuneration from investee companies other than the subsidiaries	
		Remuneration (A)		Pension and severance payment (B)		Director fee (C)		Professional subsidy (D)				Salaries, bonus, and special allowance(E)		Pension and severance payment (F) (Note 1)		Remuneration to employees (G)						
		From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	From MTI		All companies included in the financial statements				From MTI	All companies included in the financial statements
Chairman	Allen Yen (Note 2)	0	0	0	0	0	0	0	0	0	0	5,040	5,040	158	158	0	0	0	0	309%	309%	None
Director	Chi Hsieh	190	190	0	0	0	0	0	0	11%	11%	5,763	5,763	161	161	0	0	0	0	363%	363%	None
Director	Roger Wu (Note 2)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Teddy Chen (Note 2,3)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Philip Wang (Note 2,4)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Kuoliang Ho (Note 2,5)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Independent Director	Mary Shio Chan	641	641	0	0	0	0	0	0	38%	38%	0	0	0	0	0	0	0	0	38%	38%	None
Independent Director	C. L. Liu	467	467	0	0	0	0	0	0	28%	28%	0	0	0	0	0	0	0	0	28%	28%	None
Independent Director	Yun Lin	467	467	0	0	0	0	0	0	28%	28%	0	0	0	0	0	0	0	0	28%	28%	None

1) The remuneration to the Independent Directors of MTI commensurate with their education level and experience. Independent Directors attend the session of the Board as observers and also act as members of the functional committee. The remuneration to them is fair.

2) Other than disclosure in the above table, Directors remunerations earned by providing services (e.g. providing consulting services as a non-employee): None.

Note 1: The pension for retirement covers the old and new systems of retirement. Note 2: Representative of CyberTAN Technology Inc

Note 3: Teddy Chen resigned, effective June 19, 2019

Note 4: Philip Wang term of office: June 19, 2019 to June 25, 2019

Note 5: Kuoliang Ho took office, effective June 25, 2019

2. Remuneration to the President and the Vice Presidents.

2019.12.31
Unit: NT\$ Thousands

Title	Name	Salary (A)		Pension and severance payment (B) (Note 1)		Bonus and special allowance (C)		Amount of remuneration as an employee (D)				The sum of A+B+C+D in proportion to net income(%)		Remuneration from investee companies other than the subsidiaries
		From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	From MTI		All companies included in the financial statements		From MTI	All companies included in the financial statements	
								Cash	Stocks	Cash	Stocks			
CEO	Allen Yen	16,674	18,733	1,027	1,027	2,493	2,493	0	0	0	0	1199%	1321%	None
President	Eugene Wu													
Vice President and CFO	Hualin Chi													
Vice President, Strategic Business Development	Dunga Wu													
Vice President of Engineering	Hunter Huang													
Vice President of Manufacturing	Edward Chien													

Note 1: The pension for retirement covers the old and new systems of retirement.

Note 2: The Company did not issue any ESO and restricted stock in 2019.

3. Bracket of remuneration along the payment scale to the President and Vice Presidents

2019.12.31

Brackets of remuneration along the payment scale to the President and each Vice President	Names of the President and the Vice Presidents	
	The Company	All companies included in the financial statements
Less than NT\$1,000,000	-	-
NT\$1,000,000~NT\$2,000,000	-	-
NT\$2,000,000~NT\$3,500,000	Dunga Wu, Hunter Huang, Hualin Chi, Eugene Wu, Edward Chien	Dunga Wu, Hunter Huang, Hualin Chi, Eugene Wu
NT\$3,500,000~NT\$5,000,000		Edward Chien
NT\$5,000,000~NT\$10,000,000	Allen Yen	Allen Yen
NT\$10,000,000~NT\$15,000,000	-	-
NT\$15,000,000~NT\$30,000,000	-	-
NT\$30,000,000~NT\$50,000,000	-	-
NT\$50,000,000~NT\$100,000,000	-	-
More than NT\$100,000,000	-	-
Total	6 persons	6 persons

4. Names of managers with remuneration as employees and the payment

2019.12.31

Unit: NT\$ Thousands

Title	Name	Amount of stock dividend	Amount of cash dividend	Total	Ratio to net income (%)
Chairman and CEO	Allen Yen	0	0	0	0%
President	Eugene Wu				
Vice President	Hualin Chi				
Vice President	Dunga Wu				
Vice President	Hunter Huang				
Vice President	Edward Chien				
Asst Vice President	Chia-Yu Chou				
Asst Vice President	Yi-Shan Chang				
Asst Vice President	Jui-Yun Chen				
Asst Vice President	Kuo-Tien Chang				
Chief Accounting Officer	Pi-Hua Chuang				

(IV) Compare the total amount of payment to the directors, president and vice presidents from the Company and all the companies included in the consolidated financial statements as remuneration in the last 2 years and the proportion to net income, and explain the policy of remuneration, standards and combination, procedure for determination of the remuneration, and association with operation performance and the risk in the future

1. Analysis of the total remuneration in proportion to net income

title	Total remuneration in proportion to net income in 2019 (%)		Total remuneration in proportion to net income in 2018 (%)	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Director				
President and Vice Presidents	1778%	1656%	53.9%	57.0%

In 2019 and 2018, the Company and all the companies included in the consolidated financial statements effected payment of NT\$29,942 thousand and NT\$29,704 thousand to the aforementioned directors, president and vice presidents as remuneration, respectively. The payment method was the same as was before.

2. Note to the policy of remuneration

According to the Articles of Incorporation of the Company, the Board shall determine the appropriation of no more than 1% of the earnings of the Company as remuneration to the Directors depending on the profit status of the year with the operation result and their contribution to the performance of the Company taken into consideration: including the routine review of the management performance of the management team, assessment of the existing and potential risks, the advocacy of corporate governance, and protection of the rights of the shareholders in deciding the amount of remuneration. Routine review of the status of operation and applicable laws for determining the remuneration to the Directors subject to the review of the Remuneration Committee and the Board for final approval to keep a proper balance between the sustainability and risk control of the Company.

Appropriation of no more than 7% of the earnings as remuneration to the employees depending on the profit status of the year. The remuneration to the President and Vice Presidents will be determined on the basis of the operation performance of the year.

(III). The pursuit of corporate governance

(I) The function of the Board

1. The convention of the Board

The Board convened for 8 times in 2019 (A) and the attendance of the Directors is shown below:

title	Name	Actual attendances (B)	Attended by proxy	Actual attendance rate (%) (B/A)	Remark
Chairman	CyberTAN Technology Inc. Representative: Allen Yen	8	0	100	Got re-elected on June 19, 2019
Director	CyberTAN Technology Inc. Representative: Roger Wu	7	1	88	Got re-elected on June 19, 2019
Director	CyberTAN Technology Inc. Representative : Teddy Chen	2	1	67	Resigned, effective June 19, 2019
Director	CyberTAN Technology Inc. Representative: Philip Wang	0	1	0	Term of office: June 19, 2019 to June 25, 2019
Director	CyberTAN Technology Inc. Representative: Kuoliang Ho	4	0	100	Took office on June 25, 2019
Director	Chi Hsieh	7	1	88	Got re-elected on June 19, 2019
Independent Director	Mary Shio Chan	7	1	88	Got re-elected on June 19, 2019
Independent Director	C. L. Liu	5	3	63	Got re-elected on June 19, 2019
Independent Director	Yun Lin	7	1	88	Got re-elected on June 19, 2019

The attendance of the Independent Directors in the sessions of the Board in 2019 is shown below:

Name	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th
Mary Shio Chan	○	○	○	○	○	☆	○	○
C. L. Liu	○	○	☆	☆	☆	○	○	○
Yun Lin	☆	○	○	○	○	○	○	○

○:Attend in person; ☆:Attend by proxy; *:absence

2. The conduct of evaluation of the Board

Frequency of Evaluation	Evaluation Period	Scope of evaluation	Method of evaluation	Content of evaluation
Self-Evaluation conducted once annually	2019/01/01 to 2019/10/15	Evaluation of the performance of the Board, members of the Board, and	Self-Evaluation of the Board, Self-Evaluation	The summary of the content of different aspects of evaluation is shown below: 1 Evaluation of Board performance: Level of participation in the operation of the Company, qualify of decision-making

		members of the functional committees.	of the Directors, Self-Evaluation of the members of functional committees.	<p>by the Board, the organization and structure of the Board, the election and continuing education of the Directors, and internal control.</p> <p>2 Evaluation of Director performance: The grip of company objective and mission, realization of the responsibilities of Directors, level of participation in the operation of the Company, cultivation of internal relations and communications, professional standing and continuing education of the Directors, and internal control.</p> <p>3 Evaluation of functional committee members performance: The level of participation in the operation of the Company, realization of the responsibilities of the functional committee, quality of decision-making of the functional committee, the organization and appointment of the members, and internal control.</p>
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3. Additional information on the sessions of the Board

(1) If any of the following occurs to the operations of the Board, specify the date, the session, the content of the motion, the opinions of the Independent Directors, and the response of the Company to the opinions of the Independent Directors:

A. The particulars exhibited in Article 14-3 of the Securities and Exchange Act:
Not applicable, MTI has established the Audit Committee.

B. Further to the aforementioned matters, any adverse opinion or qualified opinion of the independent directors against the resolutions of the Board: None.

(2) Recusal of the directors from motions involved their private interest:

Pursuant to Paragraph 2 in Article 206 of the Company Act, Directors recused from the discussion and voting of motion related to their remuneration. The other Directors in session passed the motion with common consent.

(3) The objective of the Board in fortifying its function in the recent and present year (such as the establishment of the Auditing Committee, and enhancement of transparency) and assessment of the attainment:

The Company has established the Remuneration Committee and Audit Committee for fostering the function of the Board.

(II) The function of the Audit Committee:

1. The convention of the Audit Committee

The Audit Committee has convened for 4 times in 2019 (A). Main issues for review in the meetings are specified as follows:

- (1) Amendment of the “Procedures for Handling Acquisition and Disposal of Assets”.
- (2) Amendment of the “Regulation for Making of Endorsement and Guarantees”.
- (3) Evaluation of the the internal control system for assurance of effectiveness.
- (4) The status of derivative transactions.
- (5) Evaluation of the status of independence of the CPAs and remuneration.
- (6) The appointment and dismissal of the Chief Internal Auditor.
- (7) Review of the financial statements and accounting policy.
- (8) Law and compliance.

The Committee members’s attendance status in 2019 is shown in the following table.

title	Name	Actual attendance (B)	Attended by proxy	Actual attendance rate (%) (B/A)	Remark
Independent Director	Yun Lin	4	0	100	None
Independent Director	Mary Shio Chan	3	1	75	None
Independent Director	C. L. Liu	3	1	75	None

2. Additional information on the Audit Committee

- (1) If any of the following applies to the operation of the Auditing Committee, specify the date of the meeting and the session of the Board, the content of the motion, the resolutions of the Auditing Committee, and the response of the Company to the opinions of the Auditing Committee.

A. The particulars exhibited in Article 14-5 of the Securities and Exchange Act: resolutions made by all Independent directors with common consent.

Date Session	Major resolutions
2019.03.19 The 11 th session of the 1 st Audit Committee	<ol style="list-style-type: none"> 1. 2018 Business Report and Financial Reports of the Company 2. Proposal for the distribution of 2018 earnings 3. Amendment of the Procedures for Handling Acquisition and Disposal of Assets 4. Assessment of the effectiveness of the internal control system and the statement of 2018 internal control 5. Independence evaluation and 2019 remuneration of the CPAs
2019.05.07 The 12 th session of the 1 st Audit Committee	<ol style="list-style-type: none"> 1. 2019 Q1 MTI financial reports 2. Amendment of the Regulations for Making of Endorsement and Guarantees

Date Session	Major resolutions
2019.08.13 The 1 st session of the 2 nd Audit Committee	1. 2019 Q2 MTI financial reports 2. Appointment of the chief internal auditor
2019.11.07 The 2 nd session of the 2 nd Audit Committee	1. 2019 Q3 MTI financial reports 2. 2020 annual internal audit plan

B. Further to the aforementioned matters, motions rejected by the Auditing Committee but passed by the Board with the consent of more than 2/3 of the directors: Not applicable.

(2) The recusal of the Independent Directors from motions involving the interest of the Independent Directors: Not applicable.

(3) The communication between the Independent Directors and the Chief Internal Auditor and the CPAs:

The Independent directors met with the Chief Internal Auditor and the CPAs in the sessions of the Audit Committee quarterly.

A. The Chief Internal Auditor compiles the audit reports monthly for the review of each independent director, and attend the quarterly session of the Audit Committee as an observer to communicate with issues pertinent to the audit plan and status of corrective action, and exchanges views on the result of the internal audits. Communication between the Chief Internal Auditor and the Independent Directors is positive.

B. The CPAs attend the session of the Audit Committee in the review of the quarterly financial statements, and explain the process of financial auditing, the scope of audit and legal update, and engaged in thorough discussion with the Independent Directors. Communication between the CPAs and the Independent Directors is positive.

Issues for communication between the Independent Directors and the Chief Internal Auditors and the CPAs:

A. The communication between the Independent Directors and the Chief Internal Auditors and the CPAs, and the summary of the result: the independent directors have no objections against the following issues and passed the motions after review or approval with report to the Board.

Date Session	Communication focus
2019.03.19 The 11 th session of the 1 st Audit Committee	1. The pursuit of the audit plan from November 2018 to March 2019, and the corrective action taken in response to the audit findings 2. Declaration of Internal Control System in 2018
2019.05.07 The 12 th session of the 1 st Audit Committee	1. The pursuit of the audit plan from March to April, 2019, and the corrective action taken in response to the audit findings
2019.08.13 The 1 st session of the 2 nd Audit Committee	1. The pursuit of the audit plan from May to July, 2019, and the corrective action taken in response to the audit findings
2019.11.07 The 2 nd session of the 2 nd Audit Committee	1. The pursuit of the Audit Plan from August to November, 2019, and the corrective action taken in response to the audit findings 2. 2020 Annual Audit Plan.

B. The communication between the Independent Directors and the CPAs, and the summary of the result: the independent directors have no objections against the following issues and passed the motions after review or approval with report to the Board.

Date Session	Communication focus
2019.03.19 The 11 th session of the 1 st Audit Committee	1. Audit report on 2018 MTI financial reports 2. Communication of key audit matters 3. Other materiality in accounting and audit
2019.05.07 The 12 th session of the 1 st Audit Committee	1. Audit report on 2019 Q1 MTI financial reports 2. Communication of key audit matters
2019.08.13 The 1 st session of the 2 nd Audit Committee	1. Audit report on 2019 Q2 MTI financial reports 2. Communication of key audit matters
2019.11.07 The 2 nd session of the 2 nd Audit Committee	1. Audit report on 2019 Q3 MTI financial reports 2. Communication of key audit matters

(III) The pursuit of corporate governance and the variations with the Corporate Governance Best Practice Principles for TWSE/TPEX-listed Companies, and the reason:

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
I. Has the Company instituted its own corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and made disclosure?	V		The Board of the Company resolved to establish the Corporate Governance Best Practice Principles, the framework and related policies, and has disclosed the detail at the official website of the Company.	Nil
II. The Equity Structure and Shareholders Equity of the Company (I) Has the Company established its internal operation procedure for responding to the suggestions, queries, disputes, and legal actions of the shareholders in accordance with the procedure?	V		Proceed in accordance with the “Procedure for the Processing of Inside Information in Material Aspects” and the “Corporate Governance Best Practice Principles.” The Company has a viable system of spokesperson and window for investor relation available for solving related problems. In the event of a dispute, the Company has designated legal affairs personnel to respond to the suggestions or disputes of the shareholders.	Nil
(II) Has the Company kept the list of the dominant shareholders that exercise de facto	V		The Company keeps abreast of the latest state of affairs of the Directors, Managers, and shareholders	Nil

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
control of the Company and the parties that exercise ultimate control of these dominant shareholders under control?			who holds more than 5% shares with routine disclosure under law.	
(III) Has the Company established and exercised risk control and firewall mechanisms with its affiliates?	V		The management of the financial and business relation between the Company and its affiliates was performed in accordance with the rules and regulations of the Company and of the subsidiaries. Respective subsidiaries have conducted internal audits in accordance with relevant internal control operation.	Nil
(IV) Has the Company instituted internal rules and regulations prohibiting insiders from using undisclosed information in the market for the trading of securities?	V		For the establishment of the management system for the prevention of insider trade, the Company has passed the amendment to the “Procedure for the Processing of Inside Information in Material Aspects) in the 19th session of the 14th Board on 2016.03.18.	Nil
III. The Organization and Function of the Board (I) Has the Board developed its policies in diversity relevant to the composition of the members and has it properly pursued these policies?	V		The 7 Directors of the Board of the Company have been elected and appointed through a cautious procedure. The diversity of their backgrounds (including industry, finance and accounting, marketing or technology), professional competence and experience, has been taken into consideration.	Nil

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
			<p>All the 7 members of the Board are well-experienced in corporate management and operation, with international market view and capacity in leadership and decision-making. Directors Dr. Chi Hsieh, Roger Wu, Allen Yen, Kuoliang Ho, Mary Shio Chan and C.L. Liu are experienced in relevant industries. Yun Lin is particularly good at accounting and financial analysis. Mary Shio Chan and Yun Lin are female Directors (29% of the total). There are 3 Independent Directors in the Board (43% of the total) of whom 2 has 3~5 years of service seniority and 1 has 6~8 years of service seniority. The Company aims at establishing at least 4 seats of Independent Directors and at least 2 of them will not have tenure of longer than 9 years. This objective is expected to achieve in the 17th and 18th term of the Board.</p>	
(II) Has the Company voluntarily established other functional committees further to the establishment of a remuneration committee and auditing committee?		V	<p>The Company has established the Remuneration Committee and the Audit Committee. The Company will establish different functional committees as required for the operation in the future.</p>	Nil

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
(III) Has the Company established the rules and regulations and the methods for the evaluation of Board performance, and has it conducted performance evaluations at regular intervals each year?	V		<p>The Board of the Company resolved to establish the “Regulations Governing the Evaluation of Board Performance” on 2019.03.19 thereby the performance of the Board will be subject to evaluation once annually. An external evaluation will also be conducted by an external professional and independent institutions or a team of scholars and experts once every 3 years. The evaluation result will be presented to the Remuneration Committee and the Board for reporting by the end of the 1st quarter of the next year.</p> <p>The Company has reported on the evaluation result of Board Performance in 2019 in the session of the Board held on 2019/12/19. According to the statistics compiled from the questionnaires responded by the Board, Directors, and members of the functional committees, the scoring falls within the range of 4.84~4.92 (5 for strongly agree, 4 for agree). The performance evaluation result indicated “Outstanding”.</p>	Nil

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
(IV) Has the Company assessed the independence status of the CPAs at regular intervals?	V		<p>The Audit Committee and the Board conduct a review of the CPAs once annually as required for assurance of their independence. Evaluation standards: There is no other financial interest and business relation between the CPAs and the Company except the service charge from financial and tax auditing and certification. The families of the CPAs shall also duly observe the requirement of independence. No penalty or demerit point has been given by the Financial Supervisory Commission. The rotation of the CPAs has also been made in conformity to related requirements.</p> <p>The evaluation result was presented to the Audit Committee and the Board on 2019.03.19 and 2020.03.17, respectively. As evaluated, Mr. Yu-Kuan Lin and Tian-Yi Lee, CPAs of PwC Taiwan, meet the standards of independence of the Company and eligible of acting as the external auditors for the Company.</p>	Nil

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
IV. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	V		<p>The Finance and Stock Affairs Department is responsible for administering corporate governance under the supervision of the Corporate Governance Office of the Company. The primary function includes: handling matters related to the convention of the Board's and the Shareholders' Meeting, keeping the minutes of Board meetings and Shareholders' Meetings on record, assistance to the Directors in assuming office and continuing education, providing materials and information that the Directors needed in performing their duties, assistance to the Directors in legal affairs and compliance, holding institutional shareholders conference and colloquium, making business registration and registration for changes and legal affairs and compliance as required by law.</p> <p>The Corporate Governance Officer of MTI for the time being is the CFO, Ms. Hualin Chi. She also acts as the secretary of the Board who is charged with the duties of supervising the pursuit of corporate governance. Ms. Chi was appointed by the Board on 2019/03/19, and has completed 18 hours of continuing education by 2020/01/07.</p>	Nil

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
V. Has the Company established channels for the communications with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), and the section for the shareholders on the official website of the Company to respond to all concerns of the stakeholders on corporate social responsibility?	V		The Company has set up a section for the stakeholders at its official website at to provide related information and methods of contact for relevant departments so that the stakeholders can make inquiry and express their opinions. This helps the Company to understand the needs of the stakeholders and could respond to their needs and handle the concerned issues of stakeholders properly.	Nil
VI. Has the Company appointed a professional share registration and investors service agent for handling matters pertaining to the Shareholders' Meeting?	V		The Company has appointed a professional stock affairs agent, the "Stock Affairs Department of Taishin International Bank" for handling share transfer the investor services.	Nil
VII. Disclosure of Information (I) Has the Company installed a website for the disclosure of information on financial position and operation, as well as corporate governance?	V		The Company has installed its official website in Chinese and English at for the disclosure of the financial and business information, and the pursuit of corporate governance of the Company from time to time.	Nil

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
(II) Has the Company adopted other means for disclosure (such as the installation of a website in the English language, appointment of designated persons for the collection and disclosure of information on the Company, the implementation of a spokesman system, and videotaping institutional investor conferences)?	V		As always, the Company spares no effort in the timely disclosure and transparency of information. Related measures are: installation of an official website in Chinese and English with routine updates, designated personnel have been appointed to collect and disclose related information on the Company, a perfect system of spokespersons and a window for handling investor relations, holding institutional investors conference and colloquium from time to time for the better protection of the right of the investors.	Nil
(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?		V	The Company has announced and declared its annual report within 3 months after the end of the fiscal year, and has announced and declared the quarterly reports in Q1, Q2, and Q3 within 45 days after the end of each quarter in the fiscal year, and the monthly business report by the 10th day of the next month	The Company has announced and declared financial reporting and business report in accordance with Article 36 of the Securities and Exchange Act.
VIII. Is there any other essential information that would help us to understand the pursuit of corporate governance (including but not	V		➤ Employee rights and employee concerns: 1. No discrimination against race, social class, nationality, religion, physical impairment,	Nil

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, the continuing education of the directors and supervisors, the pursuit of a risk management policy and standard of risk assessment, the pursuit of a customer policy, and professional liability insurance coverage for the directors and supervisors)?			<p>gender, sexual preference, union members, political affiliation or age in the selection and employment of personnel.</p> <p>2. Prohibition of employing forced labor and minors.</p> <p>3. Establishment of an overall remuneration policy and framework under applicable laws governing labor force to attract, motivate, reward and keep good people.</p> <p>4. Through channels for communication were provided for the employees in expression of constructive opinions and protection of their employment right, and provide them a work environment free of sexual harassment with proper preventive measures, corrective action, and punishment for the offenders.</p> <p>➤ Investor relation: The Company values investor relations and has established a viable spokesperson system and window for handling investor relation. In addition, the Company also holds institutional investors conference and colloquium from time to time for the timely disclosure and transparency of information for the</p>	

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
			<p>protection of the right of the investors.</p> <ul style="list-style-type: none"> ➤ Supplier relation: The Company has a strict system for the evaluation of suppliers. Once a supplier relation is established, the Company seeks to maintain such relation in the long run in a stable development for the assurance of smooth production and sale. ➤ Maintaining stakeholder rights: The Company seeks to maintain positive cooperative relation with the stakeholders for the protection of the rights through reliable and effective communications. ➤ Continuing education of the Directors of the Company: for further information, visit MOPS. ➤ Risk management policy and the pursuit of the standard for risk measurement: The Company takes preventive measures to manage risk. In addition to a viable internal control system, the Company examines the effectiveness of the system through internal control. The Company has taken related insurances like property insurance, product transportation and liability insurance, account receivable insurance, and 	

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
			<p>employee loyalty insurance to avoid risks.</p> <ul style="list-style-type: none"> ➤ The pursuit of customer policy: Under the policy of customer first, the Company provides customization, design and development, and mass production services for the customers. The Company has been accredited with the ISO9001, ISO14001, OHSAS 18001, and TL9000 management systems for assurance of the highest standard in product design, manufacturing, and production process to the full satisfaction of the customers. ➤ The professional liability insurance for the Directors of the Company: The Company has taken professional liability insurance for the protection of the directors. For further information, visit the MOPS. ➤ The Company established “Procedure for the Processing of Inside Information in Material Aspects” to prevent inappropriate information leakage and ensure the consistency and accuracy published information. This procedure can be find at the Company’s website. 	
IX. Corrective action taken in response to the result of the Corporate Governance Evaluation conducted by the Corporate Governance Center of				

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
<p>Taiwan Stock Exchange Corporation, and the priority of action on issues pending for corrective action: The Company has made improvement in the 6th Corporate Governance Evaluation by moving upward to the top 6%~20% mainly because the Company has introduced the English version of shareholders meeting handbook, annual report, and financial statements for disclosure. MTI also seeks to upgrade the functions of the Board by completing the performance evaluation of the Board and the functional committees. The priorities in 2020 will be the strengthening of internal education and training to nurture the idea of the importance of corporate governance among all of the Company.</p>				

(IV) The function of the Remuneration Committee:

1. Profiles of the members of the Remuneration Committee

Identity	Condition	Do they have more than 5 years of work experience and met the professional qualifications specified below?			Conform to the status of independence (Note)										Number of public companies that the Independent Director also holds the position as independent director in.	Remark		
		In the capacity of a tutor or above in a public or private school of higher education in the disciplines of commerce, law, finance, accounting, or any other areas of specialization required for the business operation of the Company.	A professional or technician who has passed the national examination for professionals like court judge, prosecutor, lawyer, certified public accountant, or any other expertise required for the business operation of the Company with the issuance of a certificate of completion.	Work experience in commerce, law, finance, accounting, or a specialization required by the business operation of the Company.	1	2	3	4	5	6	7	8	9	10				
	Name																	
Independent Director	C. L. Liu	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent Director	Yun Lin	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Others	Chi-Yuan Chang	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Note: If the members met the following conditions in the period of 2 years prior to the assumption of office and within the term of office, put a “✓” in the appropriate box representing the specific condition.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a Director or a Supervisor of an affiliate of the Company (except for an Independent Director of the Company or the parent company, subsidiaries which seat was established in accordance of this law or applicable laws of relevant host countries).
- (3) Not holding 1% or more of the outstanding shares issued by the Company by the person and its spouse, and children who are minors, or in the name of a third party, or, a shareholder among the top 10 shareholders and who is a natural person.
- (4) Not a spouse, kindred within the 2nd tier under the Civil Code, or kindred by sanguinity within the 3rd tier under the Civil Code as mentioned in the preceding 3 paragraphs.
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company’s board based on Article 27 of the Company Law.
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company (except for an Independent Director of the Company or the parent company, subsidiaries which seat was established in accordance of this law or applicable laws of relevant host countries).
- (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company’s chairman or CEO (or equivalent) (except for an Independent Director of the Company or the parent company, subsidiaries which seat was established in accordance of this law or applicable laws of relevant host countries).
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company.
- (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an “audit service” or a “non-audit service which total compensation within the

recent two years exceeds NTD500,000”.

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

2. Information on the function of the Remuneration Committee

The Remuneration Committee of the Company is consisted of 3 members. Tenure of the members for the 4th Remuneration Committee: 2019.07.03 to 2022.06.18. The Remuneration Committee has convened three times (A) in the most recent year with the attendance of the members specified below:

Title	Name	Actual attendances (B)	Attended by proxy	Actual attendance rate (%) (B/A)	Remark
Convener	C. L. Liu	3	0	100	-
Member	Yun Lin	3	0	100	-
Member	Chi-Yuan Chang	2	1	67	-

Additional information:

I. If the Board declines to accept or revise the recommendations of the Remuneration Committee, specify the meeting date, the session, the content of the motion, the resolutions of the Board, and the response of the Company to the opinions of the Remuneration Committee: Not applicable.

II. If a specific member of the Remuneration Committee has adverse or qualified opinions on the resolutions of the Remuneration Committee on record or in written declaration, specify the meeting date, the session, the content of the motion, the opinions of all members, and the response to the opinions of the members: Not applicable.

3. Motions for discussion by the Remuneration Committee and resolutions: The following has been reviewed or approved by the members with no objection, and reported to the Board for final approval.

Date Session	Major resolutions
2019.03.19 The 9 th Session of the 3 rd Remuneration Committee	1. Recommendation for the remunerations to the Directors and managers in 2018.
2019.08.13 The 1 st Session of the 4 th Remuneration Committee	1. Establishment of the 4 th Remuneration Committee 2. Recommendation for the remuneration to the Directors and managers in 2019 H2.
2019.12.19 The 2 nd Session of the 4 th Remuneration Committee	1. Evaluation of the performance of the Board in 2019. 2. Recommendation for the remuneration and salaries to the managers in 2020.

(V) The performance of corporate social responsibility:

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
I. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	V		The Company has conducted risk assessment on environmental, social, and corporate governance issues pertinent to the operation of the Company, and published the Corporate Social Responsibility Report.	Nil
II. Has the Company established a designated full-time (or part-time) body or position for the advocacy of corporate social responsibility administered by the senior management at the empowerment of the Board and reporting to the Board regularly?	V		The Company compiles the Corporate Social Responsibility Report annually for reporting to the stakeholders (including the customers, employees, suppliers, participation in social charity and environmental protection) on the operations, environmental protection, corporate social responsibility and other non-financial strategy and events. The content was posted at the official website of the Company and MOPS. For vitalizing the management of corporate social responsibility, the ESH Department of the Company is the designated (part-time) body for the advocacy of corporate social responsibility, and is responsible for the proposal of the corporate social responsibility policy, system, or action plans, and reports to the Board the performance once annually.	Nil
III. Environmental Topic				
(I) Has the Company established an appropriate environmental management system relevant with the specific nature of its industry?	V		The Company was accredited with the ISO 14001 standard by a third-party accreditor in 1999 and has conducted internal and external audits annually.	Nil
(II) Has the Company made efforts in the efficient use of all resources, and used renewable materials to mitigate the impact on the environment?	V		The Company demands the R&D personnel to start the evaluation from the engineering design stage for assurance of friendly to the environment, including the carbon footprint, recycling rate, the use of hazardous substances in sequential analysis.	Nil

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
(III) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	V		In dealing with the potential risk and opportunities deriving from climate change on the enterprise at present and in the future, MTI has conducted evaluation on measures for energy (water) saving, and compiled statistics on the volume of greenhouse gas emission.	Nil
(IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	V		<p>Energy savings and carbon reduction strategy:</p> <ol style="list-style-type: none"> 1. Assurance of power shut off at idle zones to reduce waste of electrical energy. 2. Flexible adjustment of the air-conditioning and the number of ice machine for functioning and loading in line with seasonal changes and the environmental conditions. <p>Water consumption objective: the average monthly total consumption of water was 3,455 units, which is lower than the target level of 3,858 units.</p> <p>Water saving strategy:</p> <ol style="list-style-type: none"> 1. Collection of rainwater for irrigation. 2. Efficient use of water (including household use and industrial use) 3. Fitting of water saving devices to the taps. <p>Energy saving record: the average monthly power consumption was 508,417Kwh, which is lower than the target level by 539,235 Kwh. The energy saving strategy is shown below:</p> <p>Waste reduction strategy:</p> <ol style="list-style-type: none"> 1. The lighting of the underground parking lot is controlled by sensor switch. 2. The lighting of the whole plant with LED tubes. 	Nil

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
IV. Social Topic (I) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		<p>MTI duly observes the principles of several international conventions of human rights such as the “Universal Declaration of Human Rights”, “The United Nations Global Compact”, “The OECD Declaration and Decisions on International Investment and Multinational Enterprises”, and the “UN Guiding Principles on Business and Human Rights” to institute the policy for the protection of human rights such as freedom of association, collective bargaining right, concern for the social vulnerable groups, prohibition of child labor, elimination of forced labor of any form, and elimination of discrimination against employment so that there is no discrimination against gender, race, social class, age, marital status and family condition in the human resources policy. Related declarations and action plans are inscribed in the Corporate Social Responsibility Report. In addition, MTI also receive the training provided by the Ministry of Labor on the SDGs of the United Nations, and spares no effort to cultivate amicable labor-management relation and a proper balance between work and family. The substantive measures taken include:</p> <ul style="list-style-type: none"> • Arrangement of safe and healthy work environment • Elimination of unlawful discrimination and assurance of equal opportunity of employment • Prohibition of child labor 	Nil

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
			<ul style="list-style-type: none"> • Prohibition of forced labor • Development of a favorable environment for communication and liberal mode of management. • Assistance to employees in keeping physical and mental health and maintaining balance between work and living. • Review and evaluation of related systems and actions at regular intervals. • Arrangement of education and training pertinent to respect of human rights and occupational safety. 	
(II) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	V		MTI provides a wide array of benefits for the employees, including the subsidy of tourist travelling every year, subsidy in matrimonial, bereavement and maternity occasions, payment for hospitalization due to injury or illness, a variety of social activities, gifts for the Mid-Autumn Festival and Dragon Boat Festival, Labor Day celebration and citation of outstanding employees, and employee canteen. There is also an emergency aid program and subsidy in severe disasters.	Nil
(III) Has the Company provided a safe and healthy work environment for the employees, and related education on occupational safety and health for the employees at regular intervals?	V		The Company was accredited with the ISO 14001 and OHSAS 18001/TOSHMS environmental safety and health management system, and has provided health examination and organized seminars on occupational safety and health for the employees annually.	Nil

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
(IV) Has the company provided effective training in career planning for the employees?	V		According to the rules and regulations of the Company governing education and training, all employees have mapped out their training blueprint by nature of their assigned duties, including orientation, professional qualification training, management and general training, quality and environmental safety training.	Nil
(V) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' rights and consumer appeal procedures?	V		This item of evaluation is not applicable, as MTI is not a manufacturer of end products.	Nil
(VI) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?	V		In the procurement procedure, MTI demands all suppliers to duly observe related rules and regulations governing environmental protection and occupational safety and health of the Company, and conduct audits on environmental protection and occupational safety and health at regular intervals of the year for assurance of compliance with the rules and regulations governing environmental protection and occupational safety and health of the Company. There is no defects found in the audits of environmental protection and occupational safety and health of the Company which may violate applicable laws.	Nil

Items for Evaluation	The Pursuit			Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	Summary Description	
V. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquire 3 rd certification party verification or statement of assurance?		V	MTI follows the instructions of GRI in compiling its Corporate Social Responsibility Report for disclosure of non-financial information. This report is posted at the official website of the Company and also the MOPS website for the viewing of the public. The CSR Report has not be accredited by a third party for validation or guarantee.	MTI has not been accredited by a third party for validation or guarantee of its CSR Report.
VI. Whether the Company has instituted the corporate social responsibility best practice principles in accordance with the “Corporate Social Responsibility Best Practice Principles for the TWSE Listed and TPEX Listed Companies,” specify the implementation of these principles and the variation with the Corporate Social Responsibility Best Practice Principles for the TWSE/TPEX-listed Companies: The Company has established the Corporate Social Responsibility Best Practice Principles. There is no significant difference between the Corporate Social Responsibility Best Practice Principles of the Company and the practice of corporate social responsibility.				
VII. Is there any other essential information that helps to understand the performance of corporate social responsibility: Further information is accessible from the official website of the Company				

(VI) The Practice of Ethical Corporate Management:

Items for Evaluation	The Pursuit			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	Summary Description	
<p>I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures</p> <p>(I) Does the Company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p>	V		<p>Integrity” has always been a vital part of the corporate culture of MTI, which is also a critical part of its core value. As always, MTI lives up with high moral standard and requests all employees to follow the policy of integrity in all activities. MTI has instituted the “Corporate Governance Best Practice Principles”, “Ethical Corporate Management Best Practice Principles”, “Ethic Code of Conduct”, and the “Ethical Corporate Management Procedure and Code of Conduct” for demonstrating its intent of assuming corporate social responsibility and the code of corporate ethics. MTI demands all employees, including the members of subsidiaries to observe and preserve high moral standard, reputation of the Company and abide applicable legal rules as essential responsibilities.</p>	Nil
<p>(II) Whether the Company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities</p>	V		<p>For a better understanding of ethical practices among the employees from time to time, MTI has instituted separate rules and regulations governing anti-corruption, anti-harassment/discrimination, environmental protection,</p>	Nil

Items for Evaluation	The Pursuit			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	Summary Description	
with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?			<p>compilation of financial statements/internal control, insider trade, protection of intellectual property rights, protection of confidential information, protection of personal information, and keeping and destruction of documents. Further to posting related internal rules and regulations at the intranet of the Company for the viewing of the employees at any time, MTI also promote the persistence of the Company of such core value through training, poster, and a wide array of channels. MTI elaborates its ethical corporate management policy and the commitment of the realization of its corporate policy by the Board and the management through annual report, corporate website, and the CSR Report.</p>	
(III) Whether the Company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaints procedures, and periodically reviews and revises such policies?	V		<p>For assurance of strong demand for compliance with applicable laws in the conduct, the procedure for reporting illegal acts and response procedure are explicitly stated in related rules and regulations. MTI also provides the system for complaint of any unethical practices to impose strict punishment and take legal action timely against any unethical practices in operation. In addition, MTI demands all employees to read related laws and internal code thoroughly</p>	Nil

Items for Evaluation	The Pursuit			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	Summary Description	
			and make the right business and moral judgment. This demand extends to the subsidiaries of MTI that the same standard is applied in compliance and legal matters. The internal audit function of MTI plays a critical role in matters pertaining to compliance with applicable laws and the ethic code of conduct. This functional unit conducts audits in accordance with the annual audit plans approved by the Board, and report to the Board and the management the audit findings and subsequent corrective action plans for the best result of audits.	
<p>II. Implementation of Ethical Corporate Management</p> <p>(I) Has the Company assessed the record of the counterparties in business integrity, and has it specified the clause of ethical practices in business transactions in the contracts binding the Company and the counterparties?</p>	V		<p>The clause of business ethics has been inscribed in all contracts binding the Company and the suppliers. It is explicitly stated that suppliers should engage in business activities fairly, with transparency, integrity and lawfully. There shall be no bribery or offering of commission for private interest, and no damage to the interest or image of the Company. An undertaking of integrity and confidentiality has been signed for declaration annually. The internal auditors will examine on a selective basis for assurance of no bribery.</p>	Nil

Items for Evaluation	The Pursuit			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	Summary Description	
(II) Whether the Company has set up a unit which is dedicated to promoting the Company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?	V		<p>The Company expects and takes action for assist customers, suppliers, and other business partners to understand and recognize the moral standard and culture of MTI in business.</p> <p>For the proper pursuit of ethical corporate governance, the HR Department of the Company is responsible for the amendment, interpretation, inquiry service and notification of the content of related operation procedures and code of conduct, and will conduct inspection and follow up with the development in accordance with the "Ethical Corporate Management Procedure and Code of Conduct." A status report on the operation of the year will be presented to the Board in March of the next year. In addition, the Auditing Committee of MTI has instituted the procedures for the supervision of accounting, internal audits, and financial reporting for assurance of viable internal control procedure and reliability</p>	Nil
(III) Has the Company made policies for the prevention of the conflict of interest, and provided the channels for expressions, and has it properly implemented this system?	V		The Company posted the "Corporate Governance Best Practice Principles," "Ethical Corporate Management Best Practice Principles" and the "Ethical Code of Conduct" at its official website, and educated the employees of ethical corporate management procedure and code of conduct at regular	Nil

Items for Evaluation	The Pursuit			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	Summary Description	
(IV) To implement relevant policies on ethical conducts, has the Company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?	V		<p>intervals. Proceed in conformity to the requirements of the “Ethic Code of Conduct” and “Ethical Corporate Management Best Practice Principles.” In case of the conflict of interest in the course of business conduct, employees should report to the supervisor or recuse from the transaction to avoid the conflict of interest. The principle of recusal is in effect at the Board on motions entailing a conflict of interest. Accordingly, the Directors concerned will recuse from the discussion and voting of the motion.</p> <p>The Company established its accounting system in accordance with the Securities and Exchange Act, Company Act, Business Entities Accounting Act, Criteria for the Compilation of Financial Statements by Public Companies, and the IFRS, IAS, IFRIC and SIC recognized by Financial Supervisory Commission with reference to the reality of business operation of the Company. The Company also retains CPAs to audit the financial statements. The Company established its internal control system in accordance with applicable legal rules including the “Regulations Governing the Establishment of Internal Systems by Public Companies” and acts accordingly. The audit function of the Board also examines the accounting system and the internal control system for</p>	Nil

Items for Evaluation	The Pursuit			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	Summary Description	
(V) Has the Company provided internal and external trainings on topics of ethical corporate management at regular intervals?	V		assurance of compliance, and report to the Board of the findings. Law and compliance education constituted a vital part of the training of the Company. Through the routine education and training on legal topics, the employees could understand the latest regulatory environment and applicable laws and be more determined of their promise to ethical corporate management. As for the suppliers or contractors, the Company will invite them to take part in the education of the ethic code of conduct of the Company for assurance of their compliance. The Company held internal and external training (including the compliance with applicable laws governing ethical corporate management, the management of occupational safety environment, accounting system, internal control and the risk of information security) with the participation of 535 by head count for a total of 1,605 person/hours in 2019.	Nil.
III. The Function of the Reporting System of the Company (I) Has the Company established substantive systems for reporting and rewards for facilitating the reporting of unethical practices, and appointed designated persons for dealing	V		The Company has established an independent mail box and hotline for reporting of unethical practices. MTI encourages whistle blowing on unethical practices or illicit behaviors by insiders and outsiders. If the employees realize suspected	Nil

Items for Evaluation	The Pursuit			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	Summary Description	
with the persons being reported?			unethical practices, report to the supervisors, head of human resources or report through the established channels of filing complaints.	
(II) Has the Company established standard operation procedures for investigation of reports on unethical practices and related mechanisms for confidentiality of the procedures?	V		The Company has established independent mail box and hotline for reporting of unethical practices and misconduct at the official website and intranet of the Company for both the insiders and the outsiders. The Company takes caution in protecting the identity of the whistle blower, the content of complaint and subsequent investigation in strict confidence, and has explicitly stated in relevant rules and regulations. There is no formal complaints on violation of ethical corporate management ever filed through the mechanisms that led to investigation, action, and settlement so far.	Nil
(III) Has the Company established related measures for the protection of the informants from undue treatment?	V		The personnel responsible for handling reports on unethical practices and misconduct shall declare in writing of keeping the identity of the informants and the content of the complaints in confidence. Any kind of reprisal is strictly prohibited. The Company will do the best to to protect the whistle blower, and this has been stated explicitly in the internal regulations.	Nil

Items for Evaluation	The Pursuit			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	Summary Description	
<p>IV. Intensification of Disclosure</p> <p>Has the Company disclosed the content of its ethical corporate management best practice principles on its official website and MOPS, and the results of implementation?</p>	V		The Company has established an official website in Chinese and English for the disclosure of information, including overview, basic data and financial information, of the Company in real-time and in transparency. Disclosure will also be made at MOPS at regular intervals.	Nil
<p>V. If the Company has established the ethical corporate management best practice principles in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE Listed and TPEX Listed Companies,” specify the state of implementation and the variation with the “Ethical Corporate Management Best Practice Principles for TWSE Listed and TPEX Listed Companies:”</p> <p>The Company has established the “Ethical Corporate Management Best Practice Principles” and the “Ethic Code of Conduct” and the practice of which is no different from the “Ethical Corporate Management Best Practice Principles for TWSE Listed and TPEX Listed Companies.”</p>				
<p>VI. Any other essential information that helps to understand the implementation of ethical corporate management of the Company:</p> <p>The Company discloses information in materiality in real-time to the public and holds institutional investors conference from time to time. This is the manifestation of the sense of responsibility of the Company to the investors and the shareholders.</p>				

(VII) The method of inquiry of the ethical corporate governance best practice principles and related rules and regulations instituted by the Company:
The ethical corporate governance best practice principles and related rules and regulations instituted by the Company were disclosed at the official website of the Company as well as MOPS.

(VIII) The Implementation of the Internal Control System:

1. Declaration of Internal Control

Microelectronics Technology Inc.
Declaration of Internal Control System

Date: 2020.03.17

MTI has conducted internal audit in accordance with its Internal Control System covering the period from January 1 to December 31, 2019, and hereby declares as follows:

- I. The company acknowledges and understands that, the establishment, enforcement and preservation of internal control system is the responsibility of the Board and the managers and that the company has already established such system. The purpose it to reasonably ensure the effect and efficiency of operation (including profitability, performance and security of assets), the reliability of financial reporting and the compliance with relevant legal rules.
- II. There is limitation inherent to the internal control system, no matter how perfect the design. As such, effective internal control system may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls system. The internal control system of the company features the self-monitoring mechanism. Once identified, any shortcoming will be corrected immediately.
- III. The company judges the effectiveness of the internal control system in design and enforcement in accordance with the “Criteria for the Establishment of Internal Control System of Public Offering Companies” (hereinafter referred to as “the Criteria”). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control system. There are five components of effective internal control as specified in the Criteria with which the procedure for effective internal control are composed by five elements, namely, 1. Control environment, 2. Risk Evaluation, 3. Control Operation, 4. Information and Communication, and 5. Monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the “Criteria” for detail.
- IV. The company has adopted the aforementioned internal control system for internal audit on the effectiveness of the design and enforcement of the internal control system.
- V. Based on the aforementioned audit findings, the company holds that it has reasonably preserved the achievement of the aforementioned goals of internal control (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant legal rules, and that the design and enforcement of internal control are effective, as of December 31 2019.
- VI. This statement of declaration shall form an integral part of the annual report and prospectus on the company and will be announced. If there is any fraud, concealment and unlawful practice discovered in the content of the aforementioned information, the company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.
- VII. This statement of declaration has been approved by the Board on March 17 2020, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the concent of this Statement.

Microelectronics Technology Inc.

Chairman: Allen Yen

President: Eugene Wu

Remark: The format prescribed in Article 24 of the “Criteria for the Establishment of Internal Control System of Public Offering Companies” is applicable to the declaration of the effectiveness of the design and implementation of the internal control system – declaration of compliance with applicable laws after the annual self-assessment of the internal control system conducted by the Company.

2. The Company did not retain CPAs to review the internal control system that no Review Report of the CPAs is available.

(IX) The penalty to the Company and its insiders under law, the punishment of the insiders in violation of the internal control system by the Company in the most recent year to the date this report was printed, the major shortcomings and state of corrective action: Not applicable.

(X) Major resolutions of the Board and the Shareholders Meeting in the most recent year to the day this report was printed:

1. Resolutions of the Board:

Date Session	Major resolutions
2019.01.22 The 19 th session of the 15 th Board	<ol style="list-style-type: none"> 1. 2019 business plan and budget 2. 2019 capital expenditure budget
2019.03.19 The 20 th session of the 15 th Board	<ol style="list-style-type: none"> 1. Matters related to 2019 annual shareholder's meeting 2. Proposal of the 2018 remuneration to employees and the Directors 3. 2018 business report and financial reports 4. Proposal for the distribution of 2018 earnings 5. Re-election of new Directors 6. Nomination of the Directors 7. Suspension of non-competition restrictions on the Directors and their representatives 8. Amendment of the Articles of Incorporation 9. Amendment of the Procedures for Handling Acquisition and Disposal of Assets 10. Amendment of the Corporate Governance Best Practice Principles 11. Appointment of the Sr. managers 12. Amendment of the Board Meeting Procedure and Rules 13. Approval of the Procedures for Performance Evaluation of Board of Directors Meeting 14. Assessment of the effectiveness of the internal control system and the statement of 2018 internal control 15. Independence evaluation and 2019 remuneration of the certified public accountant 16. Renewal of bank facilities
2019.05.07 The 21 st session of the 15 th Board	<ol style="list-style-type: none"> 1. 2019 Q1 financial reports 2. Amendment of the Regulations for Making of Endorsement and Guarantees 3. Renewal of bank facilities
2019.06.19 The 1 st session of the 16 th Board	<ol style="list-style-type: none"> 1. Election of the new Chairman
2019.07.03 The 2 nd session of the 16 th Board	<ol style="list-style-type: none"> 1. Change of Sr. managers and subsidiary's board members 2. Appointment of the 4th term Remuneration Committee members

Date Session	Major resolutions
2019.08.13 The 3 rd session of the 16 th Board	<ol style="list-style-type: none"> 1. 2019 Q2 financial reports 2. 2019 remuneration for the Directors and Sr. Managers 3. Appointment of chief internal auditor 4. Renewal of bank credit facilities
2019.11.07 The 4 th session of the 16 th Board	<ol style="list-style-type: none"> 1. 2019 Q3 financial reports 2. 2020 annual internal audit plan 3. Increase of bank credit facilities
2019.12.19 The 5 th session of the 16 th Board	<ol style="list-style-type: none"> 1. 2020 business plan and budget 2. 2020 capital expenditure budget 3. 2020 remuneration for the Directors and Managers 4. Renewal of bank credit facilities
2020.03.17 The 6 th session of the 16 th Board	<ol style="list-style-type: none"> 1. The date and subjects to be reported on in the 2020 Annual Shareholders' Meeting 2. The proposed resolutions to be voted on in the 2020 Annual Shareholders' Meeting 3. Proposal of the 2019 remuneration to employees and the Directors 4. 2019 business report and financial statements 5. 2019 disposition of net earnings 6. Suspension of non-competition restrictions on the Directors and their representatives 7. Amendment of the Procedures for Handling Acquisition and Disposal of Assets 8. Amendment of the Board Meeting Procedure and Rules 9. Assessment of the effectiveness of the internal control system and the statement of 2019 internal control 10. Independence evaluation and 2020 remuneration of the certified public accountant 11. Increase of bank credit facilities 12. Change of Sr. Managers 13. Approval of an independent director by-election 14. Approval of revised "the proposed resolutions to be voted on in the 2020 Annual Shareholders' Meeting"
2020.05.06 The 7 th session of the 16 th Board	<ol style="list-style-type: none"> 1. 2020 Q1 financial reports 2. Nomination of an independent director 3. Renewal of bank credit facilities 4. 2020 remuneration proposal for Sr. Managers 5. Amendment of the Audit Committee Charter 6. Amendment of the Corporate Social Responsibility Best Practice Principles 7. Amendment of the Ethical Corporate Management Best Practice Principles 8. Amendment to the Procedures for Ethical Management and Guidelines for Conduct

2. Resolutions of the 2019 Shareholders Meeting and follow-up with the resolutions:

Time: 2019.06.19

Major resolutions:

Motion (I): 2018 Business Report and Financial Statements for acknowledgement.
(Proposed by the Board of Directors)

Action status: the motion was approved by the participating shareholders.

Motion (II): 2018 disposition of net earnings for acknowledgement. (Proposed by the Board of Directors)

Action status: The ex-dividend date was set on 2019.07.15. Cash dividend amounting to NT\$45,605,664 (NT\$0.2/share) was released on 2019.08.14.

Motion (III) : Amendment of the Articles of Incorporation for resolution. (Proposed by the Board of Directors)

Action status: the motion was approved by the participating shareholders. Revised Articles of Incorporation was posted at the official website of the Company.

Motion (IX): The amendment of the Procedures for Handling Acquisition and Disposal of Assets for resolution. (Proposed by the Board of Directors)

Action status: the motion was approved by the participating shareholders. Revised Procedures for Handling Acquisition and Disposal of Assets was posted at the official website of the Company.

Motion (X): The amendment of Regulations for Making of Endorsement and Guarantees for resolution. (Proposed by the Board of Directors)

Action status: the motion was approved by the participating shareholders. Revised Regulations for Making of Endorsement and Guarantees was posted at the official website of the Company.

Motion (XI): Elect new directors of the Company. (Proposed by the Board of Directors)

Action status: List of Directors elected: Chi Hsieh, Representatives of CyberTan Technology Inc.: Allen Yen, Roger Wu, and Philip Wang. List of Independent Directors Elected: Mary Shio Chan, C. L. Liu, and Yun Lin.

CyberTan Technology Inc. has appointed a new representative, Mr. Kuoliang Ho (Mr. Philip Wang relieved from office) on 2019/06/25. This change has been approved by and registered at the Hsinchu Science Park Bureau, Ministry of Science and Technology on 2019/07/09 and posted at the official website of the Company.

Motion (XII): Suspension of the non-competition restriction on the director and their representatives. (Proposed by the Board of Directors)

Action status: the motion was approved by the participating shareholders.

(XI) Adverse opinions of the Directors or Supervisors on major resolutions of the Board on record or in written declaration in the most recent year to the day this report was printed: Not applicable.

(XII) Resignation/dismissal of the Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Corporate Governance Officer or R&D Manager of the Company in the most recent year to the day this report was printed:

2019.12.31

Title	Name	On-board date	Resignation date	Reason
Chairman	Chi Hsieh	2013/6/14	2019/6/19	Expiration of the term of office
Vice chairman	Teddy Chen	2013/6/14	2019/6/19	Expiration of the term of office
President	Allen Yen	2005/7/1	2019/7/3	Promoted to Chairman
Vice president of Sales	Eugene Wu	2015/6/1	2019/7/3	Promoted to President

(IV).Information on Payment for the CPAs:

Name of CPA office	Name of CPA	Examination Period	Remark
PwC Taiwan	Yu-Kuan Lin	2019.01.01~2019.12.31	-
	Tian-Yi Lee	2019.01.01~2019.12.31	

Unit : NT\$ Thousands

Amount difference		billing items	Audit fee	Non-audit fee	Total
1	Less than NT\$2,000 thousand			V(Note)	V
2	NT\$2,000 thousand~NT\$4,000 thousand				
3	NT\$4,000 thousand~NT\$6,000 thousand		V		V
4	NT\$6,000 thousand~NT\$8,000 thousand				
5	NT\$8,000 thousand~NT\$10,000 thousand				
6	More than NT\$10,000 thousand				

Note: Non-audit fee of NT\$100 thousand was the fee for key-in, copy, binding, and postage, etc.

(I) The payment of the non-audit fee to the CPAs retained for certification, the CPA firm, and its subsidiaries exceeds 1/4 of the auditing fee: Not applicable

(II) Replacement of CPA Office and the service charge was less than the previous year: Not applicable.

(III) The audit fee decreased by more than 10% from the previous year: Not applicable.

(V).Information on replacement of CPAs: Not applicable.

(VI).The Chairman, President, and managers charged with accounting or financial functions of the Company have been working with the service CPA firm or its affiliates in the recent year: Not applicable

(VII).The transfer of equity shares or change in the pledge of shares under lien by the Directors, Managers, and shareholders holding more than 10% of the shares issued by the Company in the most recent year to the date this report was printed: Not applicable

(I) Changes in shareholding of the Directors, Managers, and the dominant shareholders:

Title	Name	2019		2020.04.20	
		Change in Quantity of Shareholding	Change in Pledge of Shares by Quantity	Change in Quantity of Shareholding	Change in Pledge of Shares by Quantity
Director and major shareholder	CyberTAN Technology Inc.	0	0	0	0
Representative of Institutional Director Chairman and CEO	Allen Yen	0	0	0	0
Representative of Institutional Director	Roger Wu	0	0	0	0
Representative of Institutional Director	Teddy Chen (Date of relief from office: 2019/06/19)	0	0	Not Applicable	Not Applicable
Representative of Institutional Director	Phlip Wang (Date of relief from office: 2019/06/25)	0	0	Not Applicable	Not Applicable
Representative of Institutional Director	Kuoliang Ho	0	0	0	0
Director	Chi Hsieh	0	0	0	0
Independent Director	Mary Shio Chan	0	0	0	0
Independent Director	C. L. Liu	0	0	0	0
Independent Director	Yun Lin	0	0	0	0
President	Eugene Wu	0	0	0	0
Vice President and CFO	Hualin Chi	0	0	0	0
Vice President	Hunter Huang	0	0	0	0
Vice President	Dunga Wu	(20,000)	0	0	0
Vice President	Edward Chien	0	0	0	0
Asst Vice President	Chia-Yu Chou	0	0	0	0
Asst Vice President	Yi-Shan Chang	(9,000)	0	0	0
Asst Vice President	Jui-Yun Chen	0	0	0	0
Asst Vice President	Kuo-Tien Chang	0	0	0	0
Asst Vice President	Wan-Ping Su	0	0	0	0
Asst Vice President	Yu-Cheng Liu	0	0	0	0

Asst Vice President	Zih-Ying Chen	0	0	0	0
Asst Vice President	Shi-Ming Hsieh (Date of relief from office: 2019/06/24)	0	0	Not Applicable	Not Applicable
Chief Accounting Officer	Pi-Hua Chuang	0	0	0	0

(II) The transferee of share transfer is a related party: Note applicable.

(III) The counterparty of lien is a related party: Not applicable.

(VIII). Information on the top 10 shareholders by quantity of shareholding that are related parties, spouses, or kindred within the 2nd tier under the Civil Code to one another:

NAME	SHAREHOLDING BY THE PERSON		SHARES HELD BY SPOUSE AND/OR CHILDREN WHO ARE MINORS		TOTAL SHAREHOLDING IN THE NAME OF A THIRD PARTY		THE TITLES OR NAMES AND RELATIONS OF THE TOP 10 SHAREHOLDERS WHO ARE RELATED PARTIES OR SPOUSES, OR KINDRED WITHIN THE 2ND TIER UNDER THE CIVIL CODE TO ONE ANOTHER.		REMARK
	Shares	%	Shares	%	Shares	%	Title (or name)	Relation	
CyberTAN Technology Inc.	60,924,995	26.72%	0	0.00%	0	0.00%	Hyield Venture Capital Co., Ltd.	The Chairman of CyberTAN Technology is the legal representative of Hyield Venture Capital	-
Hyield Venture Capital Co., Ltd.	7,615,528	3.34%	0	0.00%	0	0.00%	CyberTAN Technology Inc.	The Chairman of CyberTAN Technology is the legal representative of Hyield Venture Capital	-
TransGlobe Life Insurance Inc.	3,865,000	1.69%	0	0.00%	0	0.00%	None	-	-
Chi Hsieh	3,123,279	1.37%	1,950	0.00%	0	0.00%	None	-	-
Cheng-Feng Chen	1,455,654	0.64%	0	0.00%	0	0.00%	None	-	-
JP Morgan Chase Bank N.A. Taipei Branch in Custody for J.P. Morgan Securities Inc Investment Account	1,428,438	0.63%	0	0.00%	0	0.00%	None	-	-
Jen-Chieh Luo	1,020,588	0.45%	0	0.00%	0	0.00%	None	-	-
Patrick Wang	977,160	0.43%	0	0.00%	0	0.00%	None	-	-
Feng-Yi Tai	769,558	0.34%	0	0.00%	0	0.00%	None	-	-
Chia-Jen Hsu	725,000	0.32%	0	0.00%	0	0.00%	None	-	-

(IX). The total quantity of shares of particular re-investment company held by the enterprises under the direct or indirect control of the Company, the directors and managers of the Company

Apr 20 2020
Unit: Share/%

Re- investment Company (Note)	Investment of the Company		Investment of the business under the direct or indirect control of the Directors and Managers		Overall investment	
	Quantity of shares	%	Quantity of shares	%	Quantity of shares	%
Sasson Capital	3,920	100.00%	0	0.00%	3,920	100.00%

Note: Re-investment of the Company accounted for under the equity method

IV. State of offering

(I). Capital and shares

(i) Sources of capital stock

2020.04.20

Unit: NT\$ Thousands/1,000 shares

YY MM	Offering price (Face value)	Authorized capital		Paid-in capital		Remark		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of equity capital (NT\$1,000)	Investment by assets other than cash	Others
2018.1	10	700,000	7,000,000	228,028	2,280,283	Convertible bonds 33,161	None	Hsinchu Science Park Administration 2018.1.3 Shang- Zi No. 1061002905

(ii) Types of shares issued

2020.04.20

Unit: share

Type of shares	Authorized capital			Remark
	Outstanding shares	Unissued shares	Total	
Common shares	228,028,320	471,971,680	700,000,000	-

(iii) Information on inclusive declaration system: Not applicable.

(iv) Shareholder Structure:

2020.04.20

Shareholder Structure: Quantity	Government Agencies	Financial Institutions	Other Institutional Shareholders	Individuals	Foreign Institutional Shareholders and Individuals	Total
Number of Persons	1	12	140	49,013	63	49,229
Quantity of shares held	3	5,060,098	70,214,912	149,602,919	3,150,388	228,028,320
Proportion of shareholding	0.00%	2.22%	30.79%	65.61%	1.38%	100.00%

(v) Dispersion of Shareholdings:

2020.04.20

NT\$10/share in face value

Shareholdings Along the Scale of Share Quantity	Number of Shareholders	Quantity of shares held	Proportion of shareholding
1 to 999	27,663	5,635,700	2.47%
1,000 to 5,000	16,592	36,180,834	15.87%
5,001 to 10,000	2,693	21,680,784	9.51%
10,001 to 15,000	719	9,264,773	4.06%
15,001 to 20,000	515	9,619,893	4.22%
20,001 to 30,000	395	10,096,422	4.43%
30,001 to 40,000	200	7,222,532	3.17%
40,001 to 50,000	120	5,665,928	2.48%
50,001 to 100,000	185	13,716,013	6.02%
100,001 to 200,000	99	13,776,375	6.04%
200,001 to 400,000	29	8,178,325	3.59%
400,001 to 600,000	5	2,465,108	1.08%
600,001 to 800,000	6	4,114,991	1.80%
800,001 to 1,000,000	1	977,160	0.43%
More than 1,000,001	7	79,433,482	34.83%
Total	49,229	228,028,320	100.00%

(vi) List of Dominant Shareholders:

2020.04.20

Names of Dominant Shareholders	Quantity of shares held	Proportion of shareholding
CyberTAN Technology Inc.	60,924,995	26.72%
Hyield Venture Capital Co., Ltd.	7,615,528	3.34%
TransGlobe Life Insurance Inc.	3,865,000	1.69%
Chi Hsieh	3,123,279	1.37%
Cheng-Feng Chen	1,455,654	0.64%
JP Morgan Chase Bank N.A. Taipei Branch in Custody for J.P. Morgan Securities Inc Investment Account	1,428,438	0.63%
Jen-Chieh Luo	1,020,588	0.45%
Patrick Wang	977,160	0.43%
Feng-Yi Tai	769,558	0.34%
Chia-Jen Hsu	725,000	0.32%

(vii) Market value, net value, earnings and dividends per share in the last 2 years and related information.

Item		Year	2018	2019	2020.04.30 (Note 9)
		Market price per share (Note 1)	Highest		33.9	31.05	25.2
Lowest			15.15	19.35	11.95
Average			24.52	23.77	20.05
Net value per share (Note 2)	Cum-dividend		12.10	11.65	11.40
	Ex-dividend		11.90	- (Note8)	-
Earnings per share (Note 3)	Weighted average quantity of shares		228,028	228,028	228,028
	Cum-dividends earnings per share		0.23	0.01 (Note 8)	-0.07
	Ex-dividends earnings per share		-	-	-
Dividends per share	cash dividend		0.20	0 (Note 8)	-
	Stock dividends	Capitalization of retained earnings into new shares for distribution	-	-	
		Capitalization of additional paid-in capital into new shares for distribution	-	-	
	Accumulated undistributed dividends (Note 4)		-	-	-
	Analysis of ROI	Price/Earnings ratio (Note 5)		106.61	2,377 (Note 8)
Price/Profit ratio (Note 6)		122.6	- (Note 8)	-	
Cash dividends yield rate (Note 7)		0.82%	- (Note 8)	-	

Note 1: Specify the highest and lowest market price of each common share in relevant years, and calculate the average market price of the relevant year with reference to the trading value and volume.

Note 2: Fill in the information on the basis of the quantity of outstanding shares on the last day of the year, and the resolution of the Shareholders Meeting for distribution of the year.

Note 3: If stock dividends were paid with a retroactive adjustment, state the earnings per share before and after adjustment.

Note 4: If the issuance of equity securities allowed for the accumulation of undistributed dividends of the year to the year with earnings as a condition for offering, disclose the undistributed dividends accumulated to current period.

Note 5: P/E Ratio = The average closing price per share of the year/earnings per share.

Note 6: P/P Ratio = The average closing price per share of the year/cash dividends per share.

Note 7: Cash Dividends Yield = Cash dividend per share/the average closing price per share of the year

Note 8: Pending on the decision of the Shareholders' Meeting.

Note 9: The net value and earnings per share is the based on the information presented in the audited consolidated financial statements of 2019 Q1.

(VIII) Dividends Policy and the Implementation of the Policy:

1. Dividend Policy as Stated in the Articles of Incorporation:

The Company is now at the stage of stable growth in operation. In consideration of the macroeconomic environment and the specific nature of the industry, the capital needs and long-term financial planning of the Company for sustainable development and stable development, and the assessment of the capital expenditure and requirement of the future, the Company could appropriate at least 30% of its earnings as dividend for the shareholders. If the accumulated earnings available for distribution falls below 5% of the paid-in capital, no dividend will be paid. Cash dividends will be paid first, among other forms of shareholders' dividends. The percentage of cash dividends will range from 30-100% of the total dividends of the year for payment. The remainder could be paid by stock dividends. The Board shall propose the plan for the distribution of earnings and present to the Shareholders' Meeting for final approval.

2. The payment of dividend proposed to current session of the Shareholders' Meeting:

According to Article 25-1 of the Articles of Incorporation of MTI, if the accumulated distributable earnings falls below 5% of the paid-in capital, no dividend will be paid. In the proposal for distribution of earnings in 2019, the Board resolved not to pay dividend in the session dated 2020.03.17 pending on the recognition of the Shareholders Meeting.

(IX) The influence of issuance of bonus shares discussed in current session of the Shareholders' Meeting on the operation performance and earnings per share of the Company:

Not applicable. No issuance of bonus shares is proposed to current session of the Shareholders' Meeting

(X) Remuneration to the Employees and Directors:

1. Information on the remuneration to the employees and directors as Stated in the Articles of Incorporation

If the Company made a profit in the year, appropriate at least 7% as remuneration to the employees, which will be paid in cash or by stock as determined by the Board. The targets of payment include employees of subsidiaries meeting the designated conditions. The Company will, depending on the profit position of the year, determine to appropriate no more than 1% of the earnings as remuneration to the directors in the care of the Board.

The proposal for the remuneration to the employees and the directors shall be reported to the Shareholders Meeting. The Company shall appropriate for covering carryforward loss, if applicable, and appropriate for the remuneration to the employees and Directors in the aforementioned percentages.

2. Information on the proposal of the Board on remuneration to the employees and the Directors.

(1) The Board resolved to remunerate employees and directors in cash in the session dated 2020.03.17 amounting to NT\$128,158 and NT\$0, respectively. Difference from the amount stated in book in 2019: No difference from the remuneration to the employees in cash. The remuneration to the Directors was NT\$18,308 less than the amount stated in book due to difference in accounting estimation, and will be recognized as income/loss in 2020.

(2) The amount of remuneration to the employees by stock in proportion to the net income presented in the separate financial statements in current period and to the total remuneration to the employees: Not applicable.

3. The actual amount of remuneration to the employees and the Directors and the difference

from the stated amount of remuneration to the employees and the directors in the previous year, the reason for the difference and response: the Board resolved to remunerate the employees and the directors amounting to NT\$4,619,197 and NT\$658,000, respectively, in the session on 2019.03.19. There was no difference from the actual amount of remuneration to the employees. The amount of remuneration to the directors was NT\$1,818 less than the stated amount in book due to difference from accounting estimation, and was recognized as income/loss in 2019.

(XI) The repurchase of shares by the Company: Nil.

(II). The offering of corporate bonds: Nil.

(III).The offering of preferred shares: Nil.

(IV).The issuance of overseas depository receipts: Nil.

(V).The issuance of ESO: Nil.

(VI).The issuance of restricted stocks: Nil.

(VII).Merger and acquisition, or acceptance of shares from assignment of other issuers: Nil.

(VIII).Fund utilization plan: Nil.

V. Business Overview

(I). Business Contents

(i) Main business Contents and their business distribution

(The financial figures herein are excerpted from the Company's financial statement which are audited and certified by the accountants)

Our main business contents in 2019 are divided into two categories: Satellite Communication Products and Telecommunication Products. The Satellite Communication Products consist of the satellite TV receiving equipment and commercial private satellite communication system; while the Telecommunication Products consist of the cell site equipment and digital microwave communication products. In 2019, the satellite communication system and its devices approximately account for 73% of the combined sales amounts, while telecommunication system and its devices approximately account for 27%

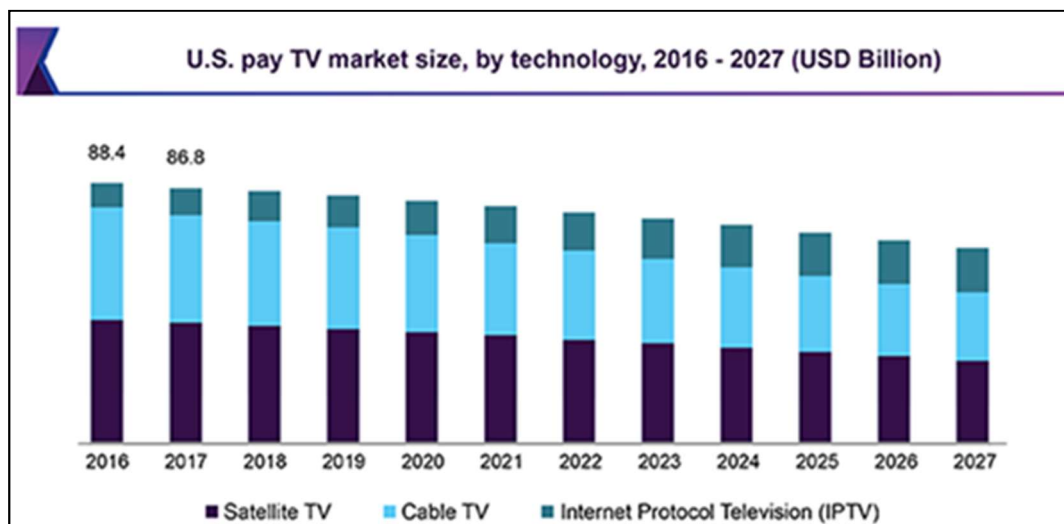
(ii) Industry overview and its future development as well as trends

The industry overview and its future development as well as trends are reviewed for the satellite communication system as well as its devices, and the telecommunication system as well as its devices:

Satellite communication system and its devices

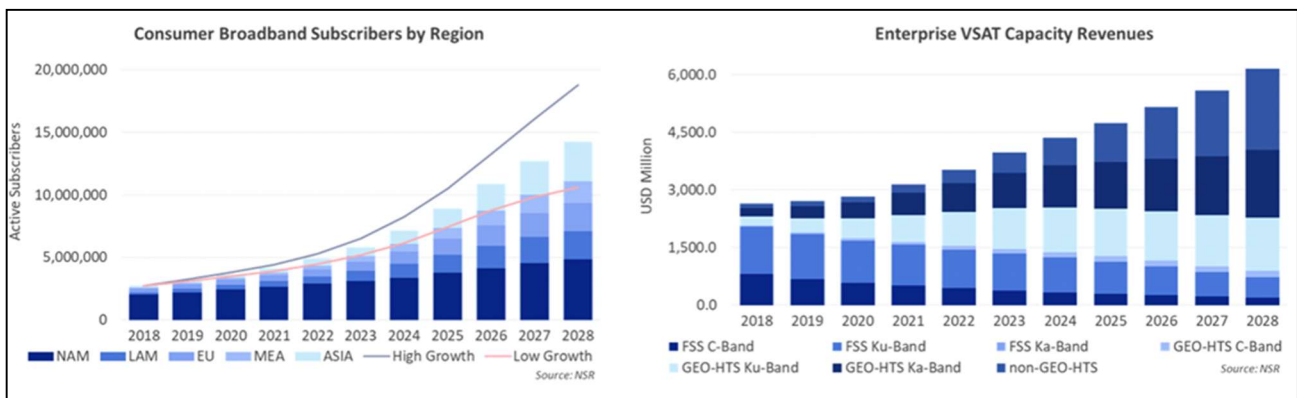
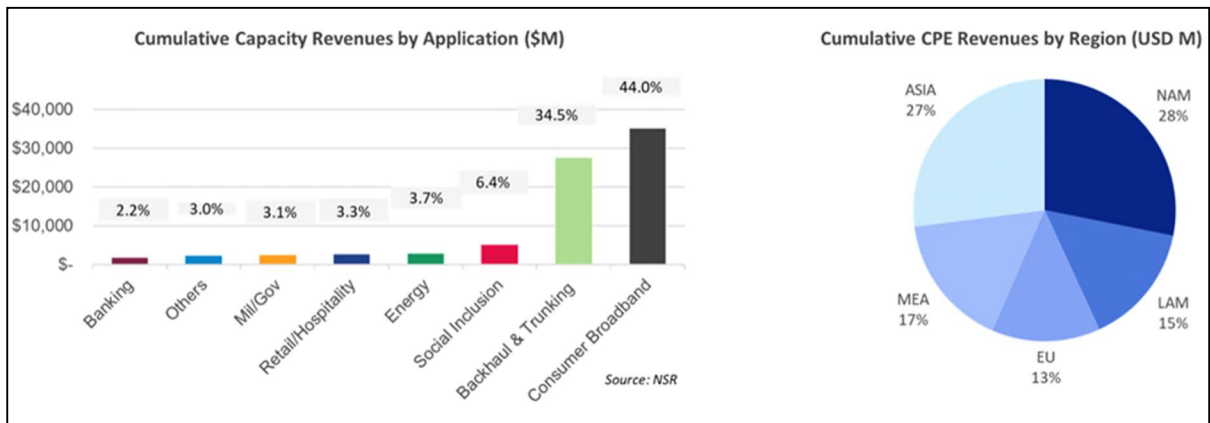
The global satellite TV market is roughly divided into America, Europe, Asia Pacific, Middle East, and Africa. Among them, America is the most mature market with the highest HD rate. Nearly 60 % of global HDTV channels serves America; Europe is a traditional market with a HD rate lower than America's and its broadband satellite market is still growing and getting mature; Asia Pacific is a thriving and emerging market. In recent years, it has gradually become the largest market in the world. Additionally, Latin America has likewise been gradually growing.

As the global demands for high-definition televisions (HDTV) and HD shows are on the rise, and the regional and multilingual channels are rapidly increasing the Direct Broadcasting Satellite (DBS) operators are providing thousands of TV channels and abundant broadcasting channels. This, undoubtedly, will boost the demand for satellite transponders and satellite TV receivers. The satellite bandwidth will be sufficiently used for wider coverage and lower external interference. Afterwards, the traditional cable TV, IPTV and satellite TV will dominate the market, respectively.



Source: Grand View Research, 2019

The Very Small Aperture Terminal (VSAT) is mainly used to provide the broadband satellite services, such as the high-speed two-way voice, digital communications, and Internet, to the subscribers in the remote areas for which cable modems and DSL are unavailable. In response to the unprecedented demands for high data rate transmission business and broad-band multimedia applications, the HTS (High Throughput Satellite) system has been invented. For the satellite communication system, the C/Ku bands (each with 500 MHz bandwidth) were commonly utilized at the early stage. Nowadays, the high-frequency Ka band (2.5 GHz bandwidth) or even Q/V bands (each with 10 GHz bandwidth) are used, which drives the rapid development of the broadband satellite communications. As the broadband communication satellite system and space network technologies develop, the satellite communications have gradually entered the era of the Internet, with the advent of satellite Internet access. Currently, several airlines have provided the "in-flight Internet access" service. In the 5G era, LEO satellite communication will complement with the 5G base stations, which covers high mountain, desert, ocean and other areas that could not be penetrated by 5G base stations into the scope of communication. For this reason, the newly emerged satellite service providers, such as Space X, and Telesat, have started to launch satellite to provide worldwide satellite communication service aiming at the realization of worldwide Internet. MTI is actively engaged in joint ventures with LEO satellite service providers recently to develop communication equipments for small size ground satellite stations.

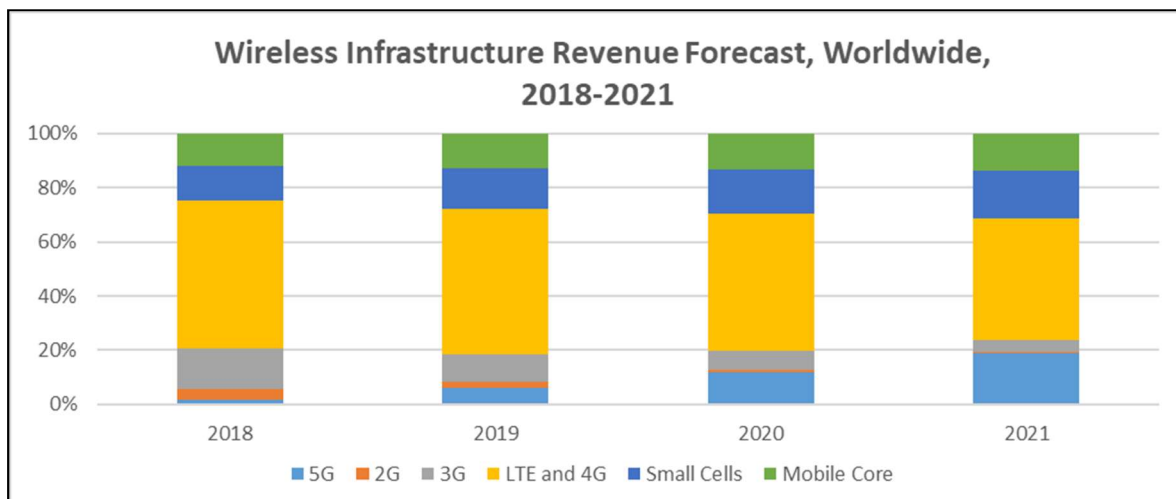


Source: NSR, 2019

Telecommunication Products

Integrate innovative applications of 5G communication technologies of eMBB, URLLC, and mMTC, such as wireless Internet consumer grade applications of 4K/8K high resolution video, AR/VR, and industry grade applications of industrial manufacturing, remote medical service, unmanned driving, smart homes, and smart cities for the ceaseless launch of the demand for the development of 5G network. According to a report on the outlook of the 5G market released by Global Mobile Suppliers Association (GSA) in January 2020, there are 61 service providers in 34 countries which have provided 5G commercial service network and almost 8% of LTE service providers are laying out 5G network. As of the end of 2019, there were 348 service providers in 119 countries pronounced their intent of investment in 5G network. In 2020, there will be 170 service providers realizing commercial use of 5G that makes principal countries and regions covered by 5G network. By then, there will be some 170 million users of 5G network. The statistical data of GSA also indicated that there are still 141 service providers preparing to build and launch 4G commercial network worldwide since 2020, and there will be 64 service providers making huge investment for the construction of VoLTE network, 37 service providers making huge investment for the construction of LTE-A (LTE-Advanced) network. The construction of 4G base stations in Mainland China is about to come to an end. It is estimated that the number in 2020 will be less than

that in 2019. However, investment in 4G in overseas market is expected to remain stable.



Source: Gartner, Aug 2019

The company has developed Remote Radio Head, including FDD and TDD. They support 4G/4.5G with flexible software/hardware framework. Vast amount of R&D resource were inputted since 2019 and developed products that comply with 3GPP and O-RAN regulation. The Interoperability Test with customers has begun.

The point-to-point microwave radio equipment are used for backhauling between mobile cell sites. They have several advantages, such as the small size, low power and easy installation. With the “relay station,” the transmission distance will become further with higher stability and confidentiality. Most developed countries have developed the mobile cell network using this piece of equipment. For the backhaul of the 4G/LTE network infrastructure, in recent years, the mature technologies, such as the high-speed packet access, have driven the industry to move toward End-to-End Ethernet to meet the demand for the mobile broadband network by smart terminals.

(iii) Linkage of industry upstream, midstream, and downstream

Upstream	Midstream (where the company is located)	Downstream
Suppliers of parts and components	Manufacturers of equipment	System integrators Telecoms or satellite service providers
Semiconductors, transistors, resistors, capacitors, printed circuit boards, transformers, filters, mechanical components, antennas	Companies specializing in R&D, manufacturing, assembly, etc.	System integrators Mobile communication/telecoms service providers Satellite TV service providers

(iv) Technological research and development

1. Based on the core RF technology, the Company continues to develop the most niche products in the wireless communication market.
2. In recent years, Microelectronics Technology has been investing in researching, developing and manufacturing of the low earth orbit satellite communication system to enter the next-generation 5G communication field for the future high-speed wireless transmission and communication market. The Company's technological R&D and investment focus on the core technologies such as the RF (radio frequency) and DSP (digital signal processing). To meet the growth of our businesses, the Company develops the following three product lines:

- End user equipment of LEO
 - To finish LEO transceiver / antenna module and establish key tech.
 - The mass production transceiver and trial production of phased array antenna and monopole antenna
- Standardization of 5G satellite
 - Established special task force to research the integration of satellite and ground network.
- Virtualization of wireless protocol
 - Calibrate with rising vRAN/ORAN solution provider to support the infrastructure construction of 4G/5G RRH/RRU operators.
- 5G wireless infrastructure market
 - Completed LTE (5G ready) B3/B20/B7 2x20W RRH development and field test. The mass production has begun
 - Completed 2x40W B5/B28 LTE (5G ready) and n71 5G NR RRH development and field test. The mass production has begun.

3. Key R&D plans in 2019:

- Developed LTE Open RAN RRH
- Established the system test capability of frequency Band I&V
- Established Base Band O-RAN Processing development capability
- GEO related projects
 - ODU of Ka-band satellite user terminal and implemented mass production
 - ODU of Ka-band satellite air bourn user terminal and implemented mass production
- LEO related projects
 - Small batch production of 3W Ku-band Transceiver.
 - Started Beamforming array antenna small batch production.

4. Patents related to newly developed technologies in 2019:

Item	Name of Application Case	Applied Country	Type	Certificate No.	Approval Date
1.	Waveguide transition structure for receiving satellite signals	USA	Invention	US 10193227	2019/01/29
2.	Method for configuring a communication system	USA	Invention	US 10256926	2019/04/09
3.	Waveguide apparatus comprised of first and second waveguide members configured to be	USA	Invention	US 10290914	2019/05/14

	attached to each other at diagonally opposite corners				
4.	Circuit board and communication device with side coupler	USA	Invention	US 10320048	2019/06/11

5. The R&D plan of main products in 2020 are described below:

(1) Focus on 5G NR RU new tech R&D and RU product mix, including

- O-RAN eCPRI protocol
- Synchronization by IEEE & SyncE
- DSP Back End and Front End IP
- Single band and multi-band of RU new product mix

(2) GEO related projects

- Gateway ODU of new generation Ka-band consumer satellite system
- UT ODU of new generation Ka-band consumer satellite system

(3) LEO related projects

- Research on Ku-band transceiver and system test of LEO UT
- Develop Phased Array Antenna Fast Measurement Technique
- Started LED UT JDM projects and LEO UT project to start trail production.
- Subsidized by MOEA regarding LEO projects

(4) Estimated 2020 R&D expenditure: It is estimated that the R&D expenditure invested in 2020 approximately accounts for 8%-9% of the revenue

6. The R&D expenditure

(1) Stand-alone information

Unit: NT\$ Thousands

Year	2018	2019	2020 Q1
R&D expenditure	609,657	480,676	79,179
% of revenue	8%	10%	12%

(2) Consolidated information

Unit: NT\$ Thousands

Year	2018	2019	2020 Q1
R&D expenditure	617,422	507,214	88,935
% of revenue	8%	9%	10%

Note: the figures of R&D is the net amount after deducting Non recurring engineering (NRE) revenue. If the NRE is excluded, the R&D expenditure is similar to previous year.

(v) Long and short-term business plans

1. Short-term business plan

- To strengthen the relationship with the existing customers. By closely cooperating with our customers, the Company provides customized products and services with higher value. With the win-win relationship, it provides more cost-effective products to improve customer's competitiveness and increase its market share.
- To work with large system operators in each region of distribution to enhance the network of channels to provide timely services for customers and grasp business opportunities.
- To increase the contribution of the high value-added products to the total turnover, and take advantage of the Company's leading product development and technology capabilities to establish a marketing network to support key customers, improve the management of the supply chain, and shorten the delivery period.
- Continue to cultivate outstanding R&D talents, stay technological competitiveness, and rapidly launch new competitive products.
- To gather more information about the upstream and downstream of the industry to quickly respond to market demands and create niche products.

2. Long-term business plan:

- To achieve the goal of becoming the world-class supplier of professional RF communication equipment, continue to expand our customer base, and explore the market.
- To establish a long-term partnership with the suppliers of key components and good subcontractors to create a win-win strategy.
- To forge alliances with the vendors of key technologies in the industry for technical cooperation, improvement of R&D strength, and building of a market-oriented and responsive R&D team.

(II). Market and sales overview

(1) Market analysis

1. Services and sales of main products

The Company has rich experience in professional ODM/OEM experience while our sales model is mainly ODM/OEM. For many years, we have been committed to forging alliances with global renowned communications companies and leading system vendors to provide rapid and flexible design and manufacturing services, and sell our products to every corner of the world through the global sale channel of system vendors.

2. Market supply and demand for products in 2019

Unit: NT\$ Thousands

Region of distribution	MTI Alone sales	Proportion	Consolidated sales	Proportion
America	3,154,269	64%	3,223,647	56%
Europe	401,410	8%	401,410	7%
Asia and others	1,366,626	28%	2,173,823	37%
Total	4,922,305	100%	5,798,880	100%

Satellite communication system and its devices

As the demand for Video on Demand (VOD), Personal Video Recorder (PVR), and interactive TV, the high-end Multi-output LNB has become the mainstream in the market when combined with the high-end set-top box (STB). Over recent years, in addition to the investment in high end Multi-Output and Multi-Satellite products for the LNB lineup, we have designed more digital products to replace their analog counterparts to become of the main suppliers of LTB for the global top satellite Pay-TV operators. For the product lineup, our high-end products are mainly sold in the US market while mid-end and low-end products are mainly sold in the European and Latin American markets. The low-end LNB are mainly available in Asia, especially in India.

For Broadband Satellite products, the core product is Ka-band broadband VSAT Transceiver. Currently, Microelectronics Technology is the first professional manufacturer of the Ka-band VAST transceivers, and continue to invest in R&D of new products. In addition to the high-speed satellite Internet access, the applications include the in-flight broadband access during high-speed moving, which are offered to the main operators in North American broadband satellite market.

Telecommunication system and its devices

The cell site equipment mainly includes the Remote Radio Head, RRH. The continuous expansion of the mobile network by telecom carriers and the investment in 4G / LTE mobile broadband infrastructure are fueling its demand. To face the challenge 4G /LTE waves bring, our product lineup has been gradually expanded since last year or earlier, including the RRH with different 4G and TE bands to meet the requirements of the LTE mobile network provisioning. In addition, the microwave communication products in the backhaul network which is boosting demand for the 4G/LTE cell sites. The All Outdoor Microwave Radio (AOR) designed and manufactured by the Company has an all outdoor design by integrating the outdoor unit with the indoor unit and Ethernet interface because of the fact that the density of cell sites is saturated, new cell sites are miniaturized, and the cell sites tend to be located in densely populated area. It is a low-cost and high-performance solution suitable for mobile

service providers. In addition, the Company actively works with several parties to launch Small Cell Backhaul solutions to meet the requirements of the global 4G/LTE wireless network construction, and continue the JDM projects of existing customers to develop the next generation 5G RRU/RRH products.

3. Competitive niche

- With its solid and outstanding RF design capability, the Company continue to focus on the product development of satellite communication system, cell sites, and microwave transmission equipment. By working with international companies, we develop the most niche products in the wireless communication market, help customers optimize their products, and enhance our market leadership.
- We have more-than-thirty-year experience in professional ODM/OEM/JDM. We are capable of providing engineering samples in real time and perform mass production. We can also provide flexible and trustworthy production services based on customer needs, which are well recognized by international companies.
- Through manufacturing consolidation and cost control, we can maintain competitive production costs, improve the operation performance, and profitability.
- The Company has been granted several management system certificates, such as ISO9001, ISO14001, OHSAS 18001, and TL9000, to ensure the design and manufacture processes meet the highest standards, include the comprehensive design, optimized manufacturing processes, complete quality feedback and control system. We are committed to providing the product and services with the highest quality.

4. Positive and negative factors for future development

◆ Positive factors

- Wireless communication trend
 - The output value of the global wireless communications is increasingly growing with the growth of the global mobile phones and Internet which drive the demands for wireless transmission.
 - The global 5G RRU/RRH wireless communication market is expanding actively.
 - The Virtual Radio Access Network (vRAN) and hybrid network allow operators to reduce the network deployment costs and improve flexibility.
 - The digital satellite TV and broadband satellite market needs to be tapped.
 - The trend of Low Earth Orbit (LEO) satellite communications is clearly developing.
 - The broadband technology becomes the mainstream. For the wireless broadband technology, the Company has started development of future-proof broadband technology in addition to its immense strength in satellite broadband technology over years.
- Large European and US companies seek outsourcing

- Considering the production cost and professional division of labor of, large European and US companies have gradually outsourced their products which will create huge potential opportunities for Microelectronics Technology’s ODM/OEM products.
 - The Company’s 35-year ODM/OEM capability of RF products are well-received by many large international companies in the industry.
 - The outsourcing trend created by large communication companies will continue and require OEM to provide more extensive services from design, assembly to warranty. This trend enables Microelectronics Technology to take advantage of its outstanding engineering and logistics management.
- Invested by CyberTAN and Foxconn Technology Group
- Since September 2012, CyberTAN and Foxconn Technology Group have jointly invested in the Company, and become the largest shareholders. It is expected that with the technical expertise and advantages of three companies, in terms of technological R&D, production manufacturing, and customer marketing, the Company can grasp enormous business opportunities which will be created by the new generation 4G/LTE communication technology and satellite communication demand.
- ◆ Negative factors
- Affected by COVID-19 broke out at the beginning of 2020, the global economic situation has become highly uncertain.
 - the US-China trade war triggered since 2018 and is still heating up.
 - Satellite TV market is shrinking with the surge in the popularity of OTT streaming media services.
 - In the global market, as the international telecom companies have performed the integration of the technology, services and products, it is more difficult to establish a relationship with the marketing channel which may affect the benefits of new products.

When facing the development opportunities of the industry in the future, with our strength, in addition to actively control cost, explore the market, and enhance R&D, all of our staff will “perform continuous improvement and pursue the highest quality” to seize business opportunities in the market. It is believed that collective efforts can overcome various difficulties and create a better tomorrow.

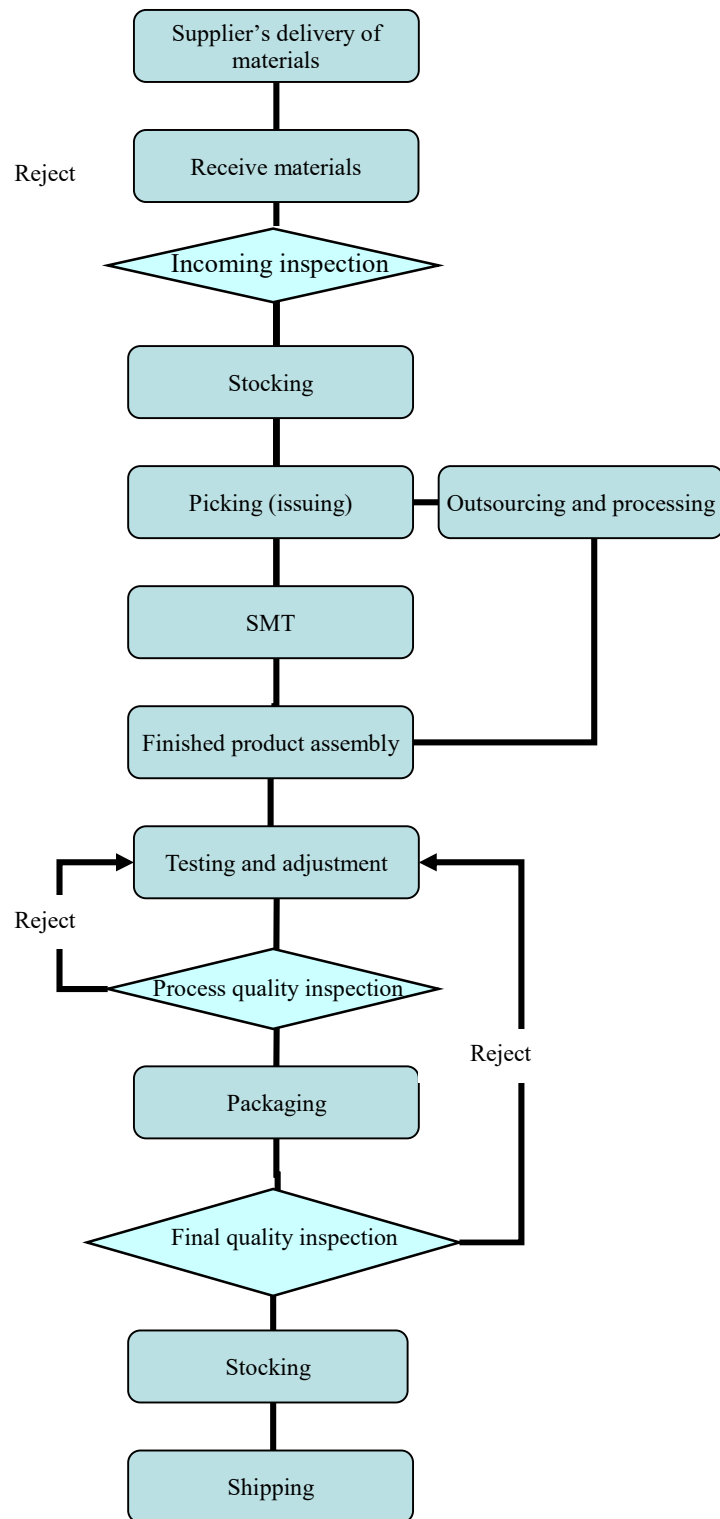
(2) Main product applications and production processes:

1. Main applications of our two key products:

Product items		Main applications
Satellite communication system and its devices	Low-Noise Block Downconverter (LNB)	<ul style="list-style-type: none"> - Direct Broadcasting Satellite (DBS). DBS broadcasts TV shows directly with high-power Ku-band satellites. Users can receive satellite TV programs with a small antenna of approximately 45 cm width.
	Very Small Aperture Terminal (VSAT)	<ul style="list-style-type: none"> ➤ The traditional commercial small satellite communication system uses satellite networks to provide immediate transmission of sound, data and images. The main applications include: <ul style="list-style-type: none"> - Private networks, such as bank account inquiries and transaction records, factory inventory management, and hotel reservations, etc. - Telephones in rural areas, such as developing countries with large geographical areas, scattered populations in rural areas, or countries dotted with islands such as Indonesia and the Philippines. - Distance education and telemedicine. - Video conferencing. - Disaster recovery. ➤ In recent years, broadband satellites have been used to provide services such as multimedia and high-speed Internet. Applications include: <ul style="list-style-type: none"> - SME (Small and Medium Enterprises) and household Internet access. - High-speed broadband Internet access for large enterprises or public hotspots.
Telecommunication system and its devices	Digital Microwave Radio	<ul style="list-style-type: none"> - Cellular Network Back-haul. - Alternatives to “Last Mile Access.” - Private Networks. - Telephony in Developing Countries. - Disaster Recovery.
	Radio Frequency Identification (RFID)	<ul style="list-style-type: none"> ➤ The Company's RFID products are mainly UHF (850MHz-930 MHz), which can provide a longer reading range and higher reading speed. ➤ RFID has a wide variety of applications including: <ul style="list-style-type: none"> - Identification and tracking of valuables. - Transportation and supply chain tracking. - Animal identification and tracking. - Object management for industries such as healthcare.

Product items		Main applications
	4G/LTE Remote Radio Head)	- For the “Remote Radio Head” (RRH), the radio unit (power amplifier and filter) is independent from the traditional cell site and can be placed anywhere to form a main cell site and network with several radio units (RRH). It can be used in areas with high traffic intensity, such as shopping centers, airports, as well as subway stations and to improve areas where underground parking lots, tunnels which signals are difficult to reach This can improve the quality of indoor broadband transmission.

2. The production process of the Company's products is as follows:



(3) Supply of key materials

The Company's materials are high-frequency thin film Microwave Integrated Circuit (MIC), transistor, Monolithic Microwave Integrated Circuit (MMIC), Application Specific Integrated Circuit (ASIC), Radio Frequency Integrated Circuit (RFIC), diode and casing. The Company designs and manufactures the thin film Microwave Integrated Circuit (MIC) through special manufacturing processes. We also have the ability to design and develop the MMIC, RFIC and ASIC. Since the Company has maintained good cooperative relations with the aforementioned suppliers for many years, it can control the supply status; the casing is manufactured by domestic manufacturers in accordance with the specifications; for GaAs field effect transistors (GaAs FET) and diodes, it chooses domestic and foreign manufacturers with stable supply and good quality. The Company has always maintained good cooperative relations with domestic and foreign suppliers, and adopted strategic procurement methods for important components to achieve the stability and autonomy of the supply; for the quality management of the incoming materials, the quality inspection is performed in accordance with the TL-9000 policy to meet international standards.

Based on supplier's technology, quality, service, delivery period and cost, the Company makes an overall assessment to select good suppliers for long-term cooperation. The Company develop the supplier management guidelines based on the above principles:

- The Company regularly visits the factory by senior personnel at least every six months, share the market and price information with suppliers, and cooperates with manufacturers to make the company and customers more competitive in the market.
- In the initial stage of product design, the Company asks suppliers to participate in development of parts, so that they can meet the cost target of parts and their manufacturability will meet its needs.
- The Company provides a score and improvement report on the overall performance for major suppliers monthly so that they have a better understanding of their performance.
- Every year the suppliers with good performance are publicly recognized in to encourage manufacturers to coexist.
- For the EU RoHS (Restriction of Hazardous Substances Directive) in 2006, the Company has launched a green environmental protection plan, and each supplier has performed an improvement plan, and cooperate with Microelectronics Technology to introduce it.

(4) The suppliers and customers whose total purchases and total sales are more than 10% in one year of the last two years, and their purchase and sales amount as well as ratio

➤ Supplier data

Amount Unit: NT\$ Thousands

2018				2019				Q1 2020			
Name	Amount	Ratio of annual net purchase	Relationship with the issuer	Name	Amount	Ratio of annual net purchase	Relationship with the issuer	Name	Amount	Ratio of annual net purchase as of the previous quarter of the year	Relationship with the issuer
Vendor S	464,742	7%	None	Vendor A	279,809	7%	None	Vendor N	48,765	8%	None
Vendor Q	419,111	7%	None	Vendor S	237,414	6%	None	Vendor M	40,912	6%	None
Others	5,551,865	86%	-	Others	3,292,546	87%	-	Others	553,931	86%	-
Net purchase	6,435,718	100%	-	Net purchase	3,809,769	100%	-	Net purchase	643,608	100%	-

Difference between two years (1) In 2019, the increase in purchases of Vendor A's materials is due to the increase of Customer-supplied material. (2) In 2019, the decrease in purchases from Vendor S and Vendor Q is due to the decrease in sales of products which use their materials.

➤ Customer data

Amount Unit: NT\$ Thousands

2018				2019				Q1 2020			
Name	Amount	Ratio of annual net sales	Relationship with the issuer	Name	Amount	Ratio of annual net sales	Relationship with the issuer	Name	Amount	Ratio of annual net sales as of the previous quarter of the year	Relationship with the issuer
Customer I	2,427,167	30%	None	Customer G	1,115,949	19%	None	Customer A	232,930	26%	None
Customer G	1,699,991	21%	None	Customer A	1,087,284	19%	None	Customer Q	94,680	10%	None
Customer P	1,036,494	13%	None	Customer P	764,006	13%	None	Customer R	90,351	10%	None
Customer A	967,097	12%	None	Customer I	756,906	13%	None	Customer G	81,351	9%	None
Others	1,838,406	24%	-	Others	2,074,735	36%	-	Others	404,109	45%	-
Net sales	7,969,155	100%	-	Net sales	5,798,880	100%	-	Net sales	903,421	100%	-

Comparisons between two years: The decrease in sales to Customer I in 2019 when compared to those in 2018 is due to less demand from this customer.

(5) Production over the Last Two Years

Unit: Piece (set)
Value: NT\$ Thousands

Year Production value Product type	2018			2019		
	Production capacity	Yield	Output value	Production capacity	Yield	Output value
Satellite communication and Telecommunication system and devices	17,256,528	13,457,111	6,833,855	17,940,179	11,713,895	4,340,859
Total	17,256,528	13,457,111	6,833,855	17,940,179	11,713,895	4,340,859

(6) Sales over Last Two Years

Unit: Piece (set)
Value: NT\$ Thousands

Year Quantity & Value Product type	2018				2019			
	Domestic Sales		Export		Domestic Sales		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Satellite communication/ Telecommunication system and its devices	158,260	58,038	12,323,354	7,911,117	3,541	41,401	14,278,533	5,757,479
Total	Quantity: 12,481,614 Value: 7,969,155				Quantity: 14,282,074 Value: 5,798,880			

(III). Number of employees over the last two years as of the published date, average seniority, average age and distribution of education level

Number of employees over the last two years as of the Apr 30 2020, average seniority, average age, and distribution of education level

Year		2018	2019	Apr 30 2020
Number of employees	Production	621	609	599
	Engineering	298	268	256
	Sales	36	35	35
	Administration	72	81	81
	Total	1,027	993	971
Average age		35.02	36.25	36.63
Average seniority		8.15	7.99	8.09
Distribution of education level	Doctorate degree	1.17%	1.21%	1.20%
	Master's degree	15.19%	14.40%	14.50%
	Bachelor's degree	37.20%	40.28%	41.60%
	High school graduate	46.45%	44.11%	42.60%

(IV). Environmental expenditure information

The annual expenses related to work safety in 2019 are based on the requirements of environmental and occupational health and safety policies. The Company continues to promote environmental protection and occupational safety and health. The main completed tasks are as follows

1. Continuous waste sorting and clean-up management: Strict control of the general and hazardous waste storage, and clean-up process. Select good waste clean-up companies, verify the legal clean-up channel, and do recycling properly. The waste clean-up proposal and on-line application should be submitted for the storage, clean-up and output of wastes in accordance with the laws and regulations.
2. Regular inspection of the air pollution, waste (sewage) water, waste and working environment: Commission qualified inspection agencies every year to perform inspection to ensure that the pollutant discharge, waste disposal and working environment of the Company can meet the regulatory requirements.
3. Promotion of the ISO-14001, OHSAS-18001 and TOSHMS management systems, implementation of the autonomous management system, and maintenance of employees' safety and health: On January 3, 2019, the Company passed the annual certification by the Certification Body (BSI) to ensure that the management system functions properly and the certificate effectiveness is maintained.
4. Enhanced promotion of the safety and health concepts: In addition to the newly-recruited/on-job EHS training based on the annual education and training program, the new GHS system is promoted among employees and the emergency response team performs the evacuation drills.
5. In 2019, MTI has accomplished the revision of the Dumps Cleanup Plan, Earthquake and Emergency Response Plan, Health Improvement Advocacy Plan, Protection of Radiation from Ionizing Radiative Equipment Plan, Waterproof Work at the boundary of Phase I/III on Top Floor Project, Energy Efficiency in Lighting Program – replacement of LED fixtures, in order to realize clean production through improvement of production process and operation environment and continued upgrading of safety and health performance in the environment.
6. Continuous implementation of zero-disaster working hour activities: Continue to promote safety and health activities, and the concept of hazard prevention. As of December, 2019, the Company's accumulated zero-disaster working hours reach 7,917,211.
7. Promotion of green product solutions: In addition to the establishment of the ISO14001 environmental management system, Microelectronics Technology has established a "Green Product (GP) Management System" in response to RoHS requirements to meet customer and international environmental law and regulations, and requires suppliers to announce the compliance with REACH and conduct inventory.
8. Each environmental and energy saving indicator in 2019:

2019	Average water usage per month	Average electricity usage per month	Waste recovery rate
Performance	3,455 kWh/month	508,417 kWh/month	57%
Goal	3,858 kWh/month	539,235 kWh/month	50%
Status	Achieved	Achieved	Achieved

9. CO2 emissions over last year and performance of emission reduction

Year	CO2 emissions	CO2 emission reduction
2019	5,683 Eq (tons)/year	1,340 Eq (tons)/year
2018	7,023 Eq (tons)/year	113 Eq (tons)/year

10. Compliance with laws and regulations: The Company complies with the requirements of the safety and health / fire / radiation control law and regulations, without any violations, or is never fined by related authorities.

(V).Labor relations

1. Harmonious labor relations - shared concern and mutual growth

The communication industry involves a wide range of technologies and rapid technological development. It requires a long-term cultivation of talents. The Company has been committed to industrial upgrading and accelerated integration over the years. In the field of microwave and satellite communications, it has cultivated many professionals to lay a foundation for domestic related fields. As a result of cultivation over many years, we have created a dynamic and innovative working environment and excellent team:

- With excellent staff quality, the employees actively pursue excellence and challenge themselves; As the distribution of education level shows, the employees of the Manufacturing Department at least have a high school diploma or above. To know the education level of our talents is also helpful for correct operation of the manufacturing processes. The marketing, research and sales personnel mostly have a bachelor degree or above. This will greatly benefit the company's consistent technology leadership and R&D innovation.
- In the organization of training, an open learning space is available with flexible functions of the target team, flexible use of human resources and organizational management, the use of advanced equipment and equipment, in continuous pursuit of excellence and teamwork. We continuously invest in research and development. In the vertical integration process, through systematic planning of education and training required for various duties, on-the-job training, and caring and respecting employees, while emphasizing professionalism and teamwork, we have cultivated a considerable number of outstanding talents to meet the rapidly changing technical challenges and fierce competitiveness in the future. Those have laid a solid foundation.
- In the pursuit of quality, through the certification and education training of ISO-9001, ISO-14001, OHSAS18001 and TL9000, each employee has been asked to respect the quality and system specifications. In terms of cost, technology, engineering services and sales, they are committed to "continuous improvement, in the pursuit of the highest quality" to achieve and exceed the international standards.
- In terms of technical strength, the Company's R&D personnel account for about 30% of all employees so that the Company is a task-oriented project organization, improving technical

standards and satisfying employees' sense of accomplishment, and cultivating professionals with different fields through vertical integration experience over many years. It has enhanced the strength of domestic microwave and satellite communications, and has also created a number of system integration technologies, which have considerable potential for meeting the rapid development of future business.

2. Employee Behavior and Ethics

By caring for and respecting the employees, the internal documents prepared by Microelectronics Technology serve as the basis of the behavior and ethics to convey that the employee should have a cautious and loyal working attitude, and maintain Microelectronics Technology's assets, interests, and image. Their contents are:

- Non-compete clause: The employee may not engage in, be employed by or participate in any business that directly or indirectly competes with Microelectronics Technology Inc. or its affiliates without permission.
- Prevention of conflict of interest: The employee may deal with official duties with an objective attitude and should avoid situations in which individuals have potential conflicts of interest with the Company.
- Avoid opportunities for self-dealing : employees must not handle private business on behalf of Microelectronics Technology, or use authority to take advantage of personal interests.
- Responsibility for protecting the Company's business secrets: Except for the information authorized or required by laws and regulations for disclosure, the information of Microelectronics Technology or the customer should be kept confidential.
- Respect the intellectual property rights of the Company and others: Comply with the with the provisions of the Copyright Act and related regulations of intellectual property rights
- Fair Trade: Microelectronics Technology's customers, suppliers, competitors and employees should be treated in a fair and objective manner.
- Protect and properly use company assets: The employees are responsible for protecting the assets of Microelectronics Technology and ensuring that it can be used effectively and legally in business matters.

3. Education and training and development

Microelectronics Technology's education and training system is based on organizational strategy, departmental goals, personal performance development and personal functions. It plans the implementation direction of the education and training, and provides a learning blueprint for a working environment for continuous learning and development.

Its development system for education and training includes the following five items:

- Training about product applications: Expertise or skills training related to product and product applications.
- Training of professional functions: In addition to products and product applications, training about other technical or business-related professional knowledge and skills includes various working procedures, processes, instrument and facilities management and environmental

management.

- Quality management training: Improve quality related knowledge and skills training
- Management training: To improve management-related knowledge and skills,
- General education and training: Related to the Company's values, various rules and regulations, or necessary training used to enhance the common knowledge, ability, labor safety and environmental management, and environmental management.

In addition to providing employees with a sound education and training program and environment, Microelectronics Technology also emphasizes the development of employees' career. The diverse resources are provided for on-the-job training, work authorization, task assignment, project participation, mentor system, job rotation and external training opportunities, and talent training management, combined with performance management system to stimulate employees' potential and achieve organizational performance improvement for the personal growth.

4. Existing important labor agreements and their implementation

- Employee benefits:
The Company's Employee Welfare Committee was established on December 11, 1984 and approved by the Hsinchu Science Park Bureau on December 23, 1984. Since its establishment, each business unit has performed according to the regulations and has good performance.
 - Retirement system:
 - (1) The Company's Supervisory Committee of Business Entities' Labor Retirement Reserve was established on December 11, 1985 and approved by Hsinchu Science Park Bureau on December 23, 1985. Since the establishment of the committee, it has been paid monthly according to the total salary ratio, and the standard and method of application for pension payment are handled in accordance with the provisions of the Labor Law. Since July 1, 2005, the company has been based on the "Labor Pension Statutes". The Ordinance has a retirement scheme that is determined to be applicable to employees of this nationality. The Company selects the part of the labor pension system stipulated in the " Labor Pension Statutes " for employees. It pays 5% of the salary to the individual accounts of the employees of the Bureau of Labor Insurance every month. The payment of the employee's pension is based on the individual pension of the employee. The amount of the special account and the accumulated income will be collected by monthly pension or one pension.
 - (2) Subsidiary Jupiter Technology (Wuxi) Co., Ltd. in Mainland China has appropriated 19% of the total salaries of the local employees as pension fund every month in the period of January to June, 2019 in conformity to the law of the People's Republic of China governing the retirement and pension system. In the period of July to December, 2019, 16% of the total salaries will be appropriated as pension fund. The retirement of local employees will be managed and coordinated by the government.
 - (3) Our subsidiary, MTI Laboratory Inc., does not need to pay pension fees in accordance with local laws and regulations; RadioComp ApS provides a salary fee of 0.8% of the total salary as pension in accordance with local laws and regulations.
 - Other important agreements: None.
5. Losses due to the labor dispute over last three years: None

(XI). Important contracts

The date of the annual report, the date of publication, the date of publication and the most recent annual supply and sales contract, technical cooperation contract, engineering contract, long-term loan contract and other important contracts that affect shareholders' equity, the main content, the restrictions and the date of commencement of the contract:

Contract property	Interested parties	Contract date	Main content	Restrictions
Factory rental	CyberTAN Technology, Inc.	2015.7.01 ~ 2020.6.30	The Company rents an area of 13,745.454 square meters for factories.	None
Land access	Wuxi Land and Resources	2008.9.29 ~ 2058.9.28	Jupiter Technology has acquired the land access for Research and Development Park of Taihu International Technology Park, Wuxi, with an area of 15,249.6 square meters.	None

VI. Financial Position

(I). Condensed Balance Sheets and Comprehensive Income Statements covering the period from 2015.01.01 to 2019.12.31

1. Condensed Consolidated Balance Sheet - IFRS

Unit: NT\$ Thousands

Item	Year	Financial information of the period from 2015.01.01 to 2019.12.31 (Note 1)					Financial information of current period to 2020.03.31 (Note 2)
		2015	2016	2017	2018	2019	
Current assets		4,139,663	3,804,010	4,282,998	4,383,047	3,245,272	3,153,209
Property, plant and equipment (Note 3)		657,375	570,611	547,887	540,951	495,226	517,211
Intangible assets		317,452	307,186	303,073	301,060	302,120	300,775
Other assets		748,076	638,309	616,264	693,130	981,606	933,908
Total assets		5,862,566	5,320,116	5,750,222	5,918,188	5,024,224	4,905,103
Current liabilities	Cum-dividend	3,543,228	2,318,506	2,673,156	2,833,598	1,778,982	1,477,436
	Ex-dividend	3,543,228	2,318,506	2,673,156	2,833,598	Note 4	Note 4
Non-current liabilities		309,051	674,286	306,920	325,033	589,787	828,383
Total liabilities	Cum-dividend	3,852,279	2,992,792	2,980,076	3,158,631	2,368,769	2,305,819
	Ex-dividend	3,852,279	2,992,792	2,980,076	3,158,631	Note 4	Note 4
Shareholders equity attributable to the parent company		2,010,182	2,327,267	2,770,090	2,759,557	2,655,455	2,599,284
Capital stock		4,006,452	2,133,226	2,280,283	2,280,283	2,280,283	2,280,283
Additional paid-in capital		565,804	161,372	402,937	402,937	402,937	402,937
Retained earnings	Cum-dividend	(2,647,431)	53,721	170,316	269,763	220,811	203,763
	Ex-dividend	(2,647,431)	53,721	170,316	269,763	Note 4	Note 4
Other equity		85,357	(21,052)	(83,446)	(193,426)	(248,576)	(287,699)
Treasury shares		-	-	-	-	-	-
Uncontrolled equity		105	57	56	-	-	-
Total equity	Cum-dividend	2,010,287	2,327,324	2,770,146	2,759,557	2,655,455	2,599,284
	Ex-dividend	2,010,287	2,327,324	2,770,146	2,759,557	Note 4	Note 4

Note 1: The Financial information in the period of 2015.01.01 to 2019.12.31 was based on the audited financial statements of the Company.

Note 2: The financial information covering 2020 Q1 was based on the audit financial statements of the Company.

Note 3: No asset re-evaluation has been conducted in the aforementioned periods.

Note 4: The proposal for the distribution of earnings in 2019 is pending the final approval of the Shareholders' Meeting and is not presented here.

2. Condensed Consolidated Comprehensive Income Statement- IFRS

Unit: NT\$ Thousands

Item	Year	Financial information of the period from 2015.01.01 to 2019.12.31 (Note 1)					Financial information of current period to 2020.03.31 (Note 2)
		2015	2016	2017	2018	2019	
Revenue		6,322,854	7,597,056	7,550,804	7,969,155	5,798,880	903,421
Gross profit		872,200	1,265,495	1,157,736	1,066,361	952,277	150,953
Operating income		(106,974)	212,655	187,846	55,192	12,781	(9,170)
Non-operating income and expense		182,735	11,981	11,894	26,478	(2,256)	(6,153)
Earnings before taxation		75,761	224,636	199,740	81,670	10,525	(15,323)
Net income of continuing operations in current period		40,900	164,228	160,595	52,109	1,684	(17,048)
Loss from discontinued operations		-	-	-	-	-	-
Net income (loss) in current period		40,900	164,228	160,595	52,109	1,684	(17,048)
Other comprehensive incomes in current period (Net income)		3,616	(138,564)	(80,796)	(17,092)	(60,180)	(39,123)
Total comprehensive income in current period		44,516	25,664	79,799	35,017	(58,496)	(56,171)
Net income attributable to the shareholders of parent company		40,904	164,269	160,595	52,109	1,684	(17,048)
Net income attributable to uncontrolled equity		(4)	(41)	-	-	-	-
Total comprehensive income attributable to the shareholders of parent company		44,522	25,712	79,800	35,073	(58,496)	(56,171)
Total comprehensive income attributable to uncontrolled equity		(6)	(48)	(1)	(56)	-	-
Earnings per share		0.20	0.81	0.73	0.23	0.01	(0.07)

Note 1: The Financial information in the period of 2015.01.01 to 2019.12.31 was based on the audited financial statements of the Company.

Note 2: The financial information covering 2020 Q1 was based on the audit financial statements of the Company.

3. Condensed Stand-alone Balance Sheet - IFRS

Unit: NT\$ Thousands

Year		Financial information of the period from 2015.01.01 to 2019.12.31				
		2015	2016	2017	2018	2019
Item						
Current assets		2,735,710	2,713,685	2,709,570	2,850,464	2,200,703
Property, plant and equipment (Note 2)		61,728	49,721	46,630	80,754	93,334
Intangible assets		160,934	160,591	164,753	157,552	163,085
Other assets		2,271,176	2,000,205	1,975,431	2,039,497	2,219,892
Total assets		5,229,548	4,924,202	4,896,384	5,128,267	4,677,014
Current liabilities	Cum-dividend	2,912,207	1,926,015	1,830,090	2,047,787	1,513,458
	Ex-dividend	2,912,207	1,926,015	1,830,090	2,047,787	Note 3
Non-current liabilities		307,159	670,920	296,204	320,923	508,101
Total liabilities	Cum-dividend	3,219,366	2,596,935	2,126,294	2,368,710	2,021,559
	Ex-dividend	3,219,366	2,596,935	2,126,294	2,368,710	Note 3
Shareholders equity attributable to the parent company		2,010,182	2,327,267	2,770,090	2,759,557	2,655,455
Capital stock		4,006,452	2,133,226	2,280,283	2,280,283	2,280,283
Additional paid-in capital		565,804	161,372	402,937	402,937	402,937
Retained earnings	Cum-dividend	(2,647,431)	53,721	170,316	269,763	220,811
	Ex-dividend	(2,647,431)	53,721	170,316	269,763	Note 3
Other equity		85,357	(21,052)	(83,446)	(193,426)	(248,576)
Treasury shares		-	-	-	-	-
Uncontrolled equity		-	-	-	-	-
Total equity	Cum-dividend	2,010,182	2,327,267	2,770,090	2,759,557	2,655,455
	Ex-dividend	2,010,182	2,327,267	2,770,090	2,759,557	Note 3

Note 1: The Financial information in the period of 2015.01.01 to 2019.12.31 was based on the audited financial statements of the Company.

Note 2: No asset reevaluation has been conducted in the aforementioned periods.

Note 3: The proposal for the distribution of earnings in 2019 is pending on the final approval of the Shareholders' Meeting and is not presented here.

4. Condensed Separate Comprehensive Income Statement - IFRS

Unit: NT\$ Thousands

Item \ Year	Financial information of the period from 2015.01.01 to 2019.12.31				
	2015	2016	2017	2018	2019
Revenue	6,077,383	6,737,797	6,560,807	7,124,093	4,922,305
Gross profit	696,843	953,902	997,775	878,625	777,893
Operating income	(171,627)	34,194	127,625	(46,907)	(48,095)
Non-operating income and expense	216,423	133,285	41,719	107,616	49,779
Earnings before taxation	44,796	167,479	169,344	60,709	1,684
Net income of continuing operations in current period	40,904	164,269	160,595	52,109	1,684
Loss from discontinued operations	-	-	-	-	-
Net income (loss) in current period	40,904	164,269	160,595	52,109	1,684
Other comprehensive incomes in current period (Net income)	3,618	(138,556)	(80,795)	(17,036)	(60,180)
Total comprehensive income in current period	44,522	25,713	79,800	35,073	(58,496)
Net income attributable to the shareholders of parent company	40,904	164,269	160,595	52,109	1,684
Net income attributable to uncontrolled equity	-	-	-	-	-
Total comprehensive income attributable to the shareholders of parent company	44,522	25,713	79,800	35,073	(58,496)
Total comprehensive income attributable to uncontrolled equity	-	-	-	-	-
Earnings per share	0.20	0.81	0.73	0.23	0.01

Note: The Financial information in the period of 2015.01.01 to 2019.12.31 was based on the audited financial statements of the Company.

5. Names of the external auditors in the period of 2015.01.01 to 2019.12.31 and audit opinion

Audit year	Name of CPA office	Name of CPA	Audit Opinion
2015	PwC Taiwan	Fang-Yu Wen, Yin-Fei Liu	Modified unqualified opinion (Note 1)
2016	PwC Taiwan	Fang-Yu Wen, Yu-Kuan Lin	Unqualified opinion
2017	PwC Taiwan	Yu-Kuan Lin, Tien-Yi Lee	Unqualified opinion
2018	PwC Taiwan	Yu-Kuan Lin, Tien-Yi Lee	Unqualified opinion
2019	PwC Taiwan	Yu-Kuan Lin, Tien-Yi Lee	Unqualified opinion

Note 1: The Company adopted the IFRS 19 2013 Edition approved by Financial Supervisory Commission in 2015 and came into effect in the same year. Accordingly, the Company adjusted its accounting policy in retrospect of the change and the items presented in the financial statements of the previous periods.

(II).Financial Analysis in the period from 2015.01.01 to 2019.12.31

1. Consolidated financial analysis - IFRS

Items of analysis		Financial Analysis in the period from 2015.01.01 to 2019.12.31 (Note 1)					Financial information of current period to 2020.03.31 (Note 2)
		2015	2016	2017	2018	2019	
Financial Structure (%)	Liabilities to assets ratio	65.71	56.25	51.83	53.37	47.15	47.01
	Long-term capital to property, plant and equipment ratio	352.82	526.03	561.62	570.22	655.31	662.72
Ability to re-pay debts %	Current ratio	116.83	164.07	160.22	154.68	182.42	213.42
	Quick ratio	73.99	115.21	107.79	105.28	131.53	145.7
	Debt service coverage ratio	2.77	10.57	23.59	5.59	1.92	(4.09)
Operating ability	Receivables turnover (time)	5.44	5.47	5.04	4.82	4.08	3.53
	Average days of collection	67	67	72	76	89	103
	Inventory turnover (time)	3.4	4.84	5.00	4.71	3.88	2.82
	Payables turnover (time)	3.35	3.68	4.38	4.02	3.20	3.76
	Average days of sale	107	76	73	77	94	129
	Property, plant and equipment turnover (time)	7.43	12.37	13.5	14.64	11.19	7.14
	Total assets turnover (time)	1.05	1.36	1.36	1.37	1.06	0.73
Profitability	Return on assets (%)	1.05	3.24	3.08	1.09	0.10	(1.07)
	Return on equity (%)	2.06	7.57	6.3	1.88	0.06	(2.60)
	EBT to paid-in capital ratio (%)	1.89	10.53	8.76	3.58	0.46	(2.69)
	Net income ratio (%)	0.65	2.16	2.13	0.65	0.03	(1.89)
	Earnings per share (NTD)	0.2	0.81	0.73	0.23	0.01	(0.07)
Cash flows	Cash flow ratio (%)	2.39	11.54	(Note 4)	9.04	12.32	(Note 4)
	Cash flow adequacy ratio (%)	15.14	75.04	48.09	56.83	87.73	83.89
	Cash re-investment ratio (%)	2.55	6.59	(3.33)	6.15	5.86	(4.42)
Leverage:	Operating leverage	(Note 3)	4.55	4.92	14.7	48.79	(Note 3)
	Financial leverage	0.72	1.12	1.07	1.48	(1.28)	0.71
<p>Explain the changes in the financial ratios in the last 2 years and the reasons for the changes:</p> <ol style="list-style-type: none"> 1. The ability to re-pay debts: The ability to re-pay debts was better with effective control on collection and payments. The debt service coverage ratio was lower than in 2018 due to the decline of EBT. 2. Operating ability: Collection days was longer due to product mix. All other ratios were lower than in 2018 due to decline in sales. 3. Profitability: All ratios were lower than in 2018 because of decrease of net income. 4. Cash flows: Ratios improved with net operating cash inflow in 2019. 5. Leverage: the leverage was affected by operating income. 2019 operating income was less than it of 2018. 							

Note 1: The financial information in the period from 2015.01.01 to 2019.12.31 was audited.

Note 2: The financial information covering 2020 Q1 was audited.

Note 3: No calculation as operating income minus interest expense was negative.

Note 4: Not applicable when operating cash outflow was reported.

The equations for calculation are shown below:

1. Financial Structure

(1) Liabilities to assets ratio = Total liabilities/total assets

(2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities)/net property, plant and equipment

2. Ability to repay debts

(1) Current ratio = current assets/current liabilities

(2) Quick ratio = (current assets – inventory – prepayment)/ current liabilities

(3) Debt service coverage ratio = EBIT/interest expense in current period

3. Utility

(1) Receivables (including account receivables and note receivables from business operation) turnover = net sale/balance of average receivables in each period (including account receivables and note receivables from business operation).

(2) Average days of collection = 365/ account receivable turnover

(3) Inventory turnover = cost of sale/ average inventory

(4) Payables (including account payables and note payables from business operation) turnover = net sale/balance of average payables in each period (including account payables and note payables from business operation)

(5) Average days of sale = 365/inventory turnover

(6) Property, plant, and equipment turnover = net sale / average net property, plant, and equipment

(7) Total asset turnover = net sale/ average total assets

4. Profitability

(1) Return on assets = [net income + interest expense x (1-tax rate)] / average total assets

(2) Return on equity = net income / average total equity

(3) Net income ratio = net income/net sale

(4) Earnings per share = (income attributable to parent company – preferred share dividend) / weighted average outstanding shares

5. Cash flows

(1) Cash flow ratio = cash flow from operation /current liabilities

(2) Net cash flow adequacy ratio = net cash flows from operation in the last 5 years / (capital expenditures + inventory increment + cash dividends) of the last 5 years

(3) Cash re-investment ratio = (net cash flows from operation – cash dividend) / (gross property, plant, and equipment + other non-current assets + working capital)

6. Leverage:

(1) Operating leverage = (net sales – variable operating costs and expense) operating income

(2) Financial leverage = operating income / (operating income – interest expense)

2. Stand-Alone Financial Analysis - IFRS

Year Items of analysis		Financial Analysis in the period from 2015.01.01 to 2019.12.31 (Note 1)				
		2015	2016	2017	2018	2019
Financial Structure (%)	Liabilities to assets ratio	61.56	52.74	43.43	46.19	43.22
	Long-term capital to property, plant and equipment ratio	3,754.12	6,030.02	6,575.8	3,814.65	3,389.5
Ability to re-pay debts%	Current ratio	93.94	140.9	148.06	139.2	145.41
	Quick ratio	60	108.2	120.91	102.15	105.42
	Debt service coverage ratio	2.4	10.25	38.57	4.82	1.56
Operating ability	Receivables turnover (time)	5.87	5.34	4.89	5.04	4.27
	Average days of collection	62	69	74	72	86
	Inventory turnover (time)	4.93	7.12	9.26	8.85	5.59
	Payables turnover (time)	4.71	4.19	5.00	6.83	4.39
	Average days of sale	74	52	39	41	65
	Property, plant and equipment turnover (time)	25.24	120.91	136.19	111.85	56.55
	Total assets turnover (time)	1.14	1.33	1.34	1.42	1.00
Profitability	Return on assets (%)	1.28	3.57	3.42	1.32	0.39
	Return on equity (%)	2.06	7.57	6.30	1.88	0.06
	EBT to paid-in capital ratio (%)	1.12	7.85	7.43	2.66	0.07
	Net income ratio (%)	0.67	2.44	2.45	0.73	0.03
	Earnings per share (NTD)	0.1	0.81	0.73	0.23	0.01
Cash flows	Cash flow ratio (%)	(Note 3)	30.24	(Note 3)	6.98	15.23
	Cash flow adequacy ratio (%)	(Note 2)	578.9	464.18	168.36	189.34
	Cash re-investment ratio (%)	(7.45)	17.28	(12.95)	2.94	6.00
Leverage	Operating leverage (Note 4)	(Note 4)	144.45	36.09	(Note 4)	(Note 4)
	Financial leverage	0.85	2.05	1.06	0.74	0.74

Explain the changes in the financial ratios in the last 2 years and the reasons for the changes:

1. The ability to re-pay debts: The ability to re-pay debts was better with effective control on collection and payments. The debt service coverage ratio was lower than in 2018 due to the decline of EBT.
2. Operating ability: Collection days was longer due to product mix. All other ratios were lower than in 2018 due to decline in sales.
3. Profitability: All ratios were lower than in 2018 because of decrease of net income.
4. Cash flows: Ratios improved with net operating cash inflow in 2019.

Note 1: The financial information in the period from 2015.01.01 to 2019.12.31 was audited.

Note 2: No calculation as operating cash outflow was reported.

Note 3: Not applicable when there was operating cash outflow.

Note 4 : Not applicable when operating loss was reported.

The equations for calculation are shown below:

1. Financial Structure

- (1) Liabilities to assets ratio = Total liabilities/total assets
- (2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities)/net property, plant and equipment

2. Ability to repay debts

- (1) Current ratio = current assets/current liabilities
- (2) Quick ratio = (current assets – inventory – pre-payment)/ current liabilities
- (3) Debt service coverage ratio = EBIT/interest expense in current period

3. Utility

- (1) Receivables turnover = net sale/balance of average receivables in each period.
- (2) Average days of collection = 365/ account receivable turnover
- (3) Inventory turnover = cost of sale/ average inventory
- (4) Payables turnover = net sale/balance of average payables in each period.
- (5) Average days of sale = 365/inventory turnover
- (6) Fixed assets turnover = net sale /net fixed assets
- (7) Total asset turnover = net sale/ average total assets

4. Profitability

- (1) Return on assets = [net income + interest expense x (1-tax rate)] / average total assets
- (2) Return on equity = net income / average total equity
- (3) Net income ratio = net income/net sale
- (4) Earnings per share = (Net income – preferred share dividend) / weighted average outstanding shares

5. Cash flows

- (1) Cash flow ratio = cash flow from operation /current liabilities
- (2) Net cash flow adequacy ratio = net cash flows from operation in the last 5 years / (capital expenditures + inventory increment + cash dividend) of the last 5 years
- (3) Cash reinvestment ratio = (net cash flows from operation – cash dividend) / (gross fixed assets + other non-current assets + working capital)

6. Leverage:

- (1) Operating leverage = (net sales – variable operating cost and expense) operating income (Note 6)
- (2) Financial leverage = operating income / (operating income – interest expense)

(III).The Review Report of the Audit Committee on the financial statements of the most recent year.

The Board of Directors compiled the 2019 Business Report, Financial Statements, and Proposal for the Distribution of Earnings. The aforementioned financial statements were audited by Yu-Kuan Lin and Tien-Yi Lee, CPAs from PwC Taiwan with the issuance of an Auditors' Report. We have reviewed the aforementioned Business Report, Financial Statements and the Proposal for the Distribution of Earnings, which were prepared in conformity to applicable rules and regulations. We hereby present this report to the Shareholders' Meeting of Microelectronics Technology Inc. for your reference pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

2020 Annual Shareholders' Meeting

Microelectronics Technology Inc.

Convener of Audit Committee: Yun Lin

March 17 2020

(IV).The audited Consolidated Financial Statements of the most recent year

Please refer to Appendix 1.

(V).The audited Parent Company Only Financial Statements of the most recent year

Please refer to Appendix 2.

(VI).If the Company and its subsidiaries encountered insolvency in the most recent year to the day this report was printed, specify the influence on the financial position of the Company: Not applicable.

VII. The review and analysis of financial position and performance, and assessment of related risks

(I). Financial Position

Unit: NT\$ Thousands

Item \ Year	2018	2019	Difference	
			Change in amount	Change in ratio %
Current assets	4,383,047	3,245,272	(1,137,775)	(26)%
Property, plant and equipment	540,951	495,226	(45,725)	(8.5)%
Intangible assets	301,060	302,120	1,060	0.4%
Other assets	693,130	981,606	288,476	41.6%
Total assets	5,918,188	5,024,224	(893,964)	(15.1)%
Current liabilities	2,833,598	1,778,982	(1,054,616)	(37.2)%
Non-current liabilities	325,033	589,787	264,754	81.5%
Total liabilities	3,158,631	2,368,769	(789,862)	(25)%
Shareholders equity attributable to the parent company	2,759,557	2,655,455	(104,102)	(3.8)%
Capital stock	2,280,283	2,280,283	-	-
Additional paid-in capital	402,937	402,937	-	-
Retained earnings	269,763	220,811	(48,952)	(18.1)%
Other equity	(193,426)	(248,576)	(55,150)	28.5%
Treasury shares	-	-	-	-
Uncontrolled equity	-	-	-	-
Total shareholders' equity	2,759,557	2,655,455	(104,102)	(3.8)%
<p>Note to the difference:</p> <ol style="list-style-type: none"> 1. Decrease in current assets: Due to decreases of account receivables and inventories as a result of revenue decline. 2. Increase in other assets: this was a result of evaluation of Right-of-Use Assets under IFRS 16 Leases. 3. Decrease in current liabilities: Due to decreases of account payables as a result of less materials. 4. Increase in non-current liabilities: this was a result of evaluation of Lease Liabilities –Non Current under IFRS 16 Leases. 5. Decrease in other equity: this was a result of exchange differences on translation of foreign financial statements and evaluation loss of financial assets. <p>Note: the above financial information was audited by CPAs under IFRS.</p>				

(II).Financial performance

Unit: NT\$ Thousands

Item \ Year	2018	2019	Change in amount	Change in ratio %
Revenue	7,969,155	5,798,880	(2,170,275)	(27.2)%
Cost of goods sold	6,902,794	4,846,603	(2,056,191)	(29.8)%
Gross profit	1,066,361	952,277	(114,084)	(10.7)%
Operating expense	1,011,169	939,496	(71,673)	(7.1)%
Operating income (loss)	55,192	12,781	(42,411)	(76.8)%
Non-operating income and (expense)	26,478	(2,256)	(28,734)	(108.5)%
Earnings (loss) before tax	81,670	10,525	(71,145)	(87.1)%
Income tax expense (benefit)	29,561	8,841	(20,720)	(70.1)%
Net income (loss)	52,109	1,684	(50,425)	(96.8)%

Note to the changes in the ratios:

1. Decrease in revenue, cost of goods sold, and operating income: mainly because of lower demand from customers.
2. Decrease in non-operating income: due to exchange loss and less gain on disposal of equipments.
3. Decrease of income tax expense: the result of the decrease in earnings before tax in the period.

Note: the above financial information was audited by CPAs under IFRS.

(III).Cash flows

1. Liquidity analysis of the last 2 years

Unit : %

Item \ Year	2018.12.31	2019.12.31	Change in ratio %
Cash flow ratio (%)	9.04	12.32	36.28%
Cash flow adequacy ratio (%)	56.83	87.73	54.37%
Cash re-investment ratio (%)	6.15	5.86	(4.72)%

Note to analysis of the change in the ratios:

Cash flow analysis: Cash flow improved in 2019 because of operating cash inflow.

Note: the above financial information was audited by CPAs under IFRS.

2. Analysis of cash flow in the year ahead

Unit: NT\$ Thousands

Cash balance at beginning of period (1)	Projected cash flow from operating activities in the whole period (2)	Projected cash flow from investing and financing activities in the whole period (3)	Projected cash balance (short) (1) + (2) + (3)	Remedy actions to projected cash short	
				Investment plan	Financial management plan
1,057,733	59,000	255,000	1,371,733	No cash short	

Note to the analysis of cash flow of MTI in the year ahead:

- (1) Operating activities: With projected revenue growth and improvement on operating performance, operating cash inflow is expected.
- (2) Investing and financing activities: Capital expenditures and the offsetting by increase of long-term loan- Loans for Returning Overseas Taiwanese Businesses, that caused the inflow of cash from investing and financing activities.

(IV). Major capital expenditure in the most recent year and the influence on the financial position and operation

1. Major capital expenditure and the sources of capital for MTI Group

Unit: NT\$ Thousands

Planned programs	Actual or expected sources of capital	Actual or expected date of completion	Total amount of capital requirement (2018 and 2019)	Actual expenditure of capital	
				2018	2019
Additional purchase of equipment and software	Equity capital	Purchase in respective years	237,646	128,441	109,205

2. Expected results

The capital spending on the procurement of additional plant, automation equipment, R&D and testing software and equipment could upgrade the innovation of products perpetually and also upgrade product quality and quantity, to the extent that cost could be cut down, quality and performance could be improved. These will be essential for the high-tech industry in maintaining competitive advantage.

(V). The re-investment policy of the most recent year, the main reason for profit or loss, corrective action plan and the investment plan in the year ahead.

1. Re-investment policy:
The main direct investment of the Company is Sasson Capital, which is a holding company responsible for the planning and execution of domestic and foreign investment management. Through international strategic alliance or merger and acquisition, the Company could develop more channels for international marketing and upgrade technology. In general, the strategy will focus on long-term holding and not for profit through short swing trade.
2. Main reason for profit or loss:
In 2019, the Company mainly recognized the losses from the satellite communication systems and equipment manufactured by subsidiary Jupiter Technology (Wuxi) Co., Ltd. amounting to NT\$ 1,006 thousand as return on investment.

(VI). Risks

1. The influence of changes in interest rate and exchange rate, and inflation, and information security risk on the income position of the Company and the remedy in the future:
 - (1) Interest rate: the interest rate risk of the Company is derived from financing and financial investment. The fluctuation of interest rate in Taiwan and the USA will affect the expenses incurred from interest payable, and the interest income generated from cash and cash equivalents. The treasury policy of the Company focused on the security and liquidity of cash flow and keep the receipt and payment of cash under control with close attention to the changes in interest rate in market and the proper use of different financing instruments for keeping the cost of financing at reasonable levels.
 - (2) Exchange rate: The Company has appointed designated personnel to observe the changes in the foreign exchange market daily, and adopted the quotation for sale and purchase in the same currency for natural hedge of most of the exchange risk. The position of foreign currency that cannot be offset by natural hedge will be remedied by forwards and FX swap through cautious risk assessment before engagement for mitigating the influence from exchange rate fluctuation.
 - (3) Inflation: Inflation did not significantly affect the cost of purchase for the Company. Ongoing observation of the trend is still necessary.
 - (4) Information security risk: MTI has built up a set of information environment protection mechanisms for responding to any kind of possible threats in responding the the everchanging network and virus attacks form outside so as to reduce the risks of external attacks on the information environment of the Company. Albeit the establishment of protection mechanisms, the avoidance of possible network and computer virus attack cannot be fully guaranteed. Successful network attack may cause network interruption, congestion or instability. Computer virus infection may paralyze personal computer, system server, or production apparatus and equipment. The attack from hackers from outside may cause data leak or encryption of data of the Company that cannot be used. The above situations may deprive the Company from normal operation and production. Further to the loss caused by temporary suspension of production, the discontinuation of the production line may also affect the promise to customers on delivery. Data leak may cause the drain out of vital technical documents of the Company that affects the competitive power of the Company in the long run. The divulgence of information provided by customers/suppliers may result in liability of damages to the customers/suppliers. The divulgence of information on the employees may trigger legal proceedings pertinent to the protection of personal information under applicable laws.

Further to the protective mechanisms, MTI has also established the mechanism for recovery after disaster through routine backup of vital information at alternate locations. Exercise drill will be conducted regularly for assurance of system recovery in the shortest possible time after natural disaster or sabotages. From 2019 to the day this report was printed, MTI did not discover any incident on information security that may significantly affect the business and operation of the Company.

MTI has also established a cross-function “Business Secret Management Committee” in 2017 for fostering the protection of business secrets and enhancement of the information security protective mechanisms. This committee is responsible for setting up and carrying out the mechanisms for the protection of business secrets and essential information security policies. In addition, MTI has also established the “Regulations Governing Business Secrets of MTI” as the guidelines for the pursuit of the tasks for protection. The committee convenes at least once quarterly for assessing the pursuit of the information security policies by respective functional departments and making related adjustment. The information function of the staff units are responsible for the advocacy of information security protection. This functional unit is responsible for the introduction of the mechanisms for information security and also assessment of the information security technology and risk from time to time. The findings of assessment on information security protection mechanisms will be presented to the committee meeting for discussion. The legal affairs function of the Company will assist to affirm the compliance of the information security policies and review the changes in applicable laws at regular intervals for giving recommendation for the timely adjustment of related policies. The internal audit function will conduct audit on each department from time to time for assurance of the proper pursuit of information security policies.

2. The policies for the engagement in high risk and high leverage investment, loaning of funds to a third party, endorsement/guarantee, and derivative trade, the main reason for profit or loss and the remedies in the future:

Under the Regulations Governing the Use of Funds of the Company, MTI is not allowed to use its funds for speculation and assets not for production like speculative investment in stocks or property not for official use for the proper management of financial risk. Relevant effective internal management regulations and procedures were in place for governing all other investment: including the “Procedure for the Acquisition or Disposition of Assets (including derivatives),” “Procedure for the Loaning of Funds” and “Regulations Governing Endorsement/Guarantees.” The main targets for endorsement/guarantee are the subsidiaries and usually up to the amount of net shareholders equity. As of the day this report was printed, the Company did not undertake any endorsement/guarantee. The “Procedure for Loaning of Funds” specified that the Company shall not offer loan to a third party.

3. The R&D plan in the future and projected expenditure:

The Company has attracted good people in research and development and invested in the best resources for research and development for the control of the core RF technology and integration with DSP and Software technology. These resources allowed for the differentiation of new products and providing the customers with high added value products and the best solutions to the extent that both sides are the winners. For information on R&D plan in the future, refer to V. Business Review (I) Business Overview (iv) Technological research and development of the annual report.

4. The influence of the changes in major policies of the home countries and overseas and the changes in the regulatory environment on the financial position and operation of the Company and the response:

The Company complies with the policies and laws of the home country. The treasury and legal affairs functions of the Company can keep track with related policies and applicable laws for timely adjustment of related internal systems of the Company and take appropriate measures in response to the changes for assurance of smooth business operation. The change in the regulatory environment in 2019 did not significantly affect the operation of the Company.

5. The influence of the changes in technology and industry on the financial position and operation of the Company and the response:

The Company highly treasures R&D and training of personnel and has appropriate a portion of its revenue for investment in R&D and training of personnel for assurance of an edge in innovation of technology and production process. In responding to the acute competition in market, the Company continues to fortify the function of its products, reduce the cost of production and launch the products to the needs of the customers, keep abreast of any trend in the market and align with any technological and industrial change.

6. The influence of the change in corporate image on corporate crisis management and response:

The Company highly treasures corporate governance and corporate social responsibility, and spares no effort in keeping high moral standard in business and ethical corporate management. The Company holds conference related to its operation and improve the transparency of financial information. The Company also participates in social charity voluntarily for the assurance of performing its social responsibility.

7. The expected results and possible risks of mergers and acquisitions, and the response: The Company has no plans for mergers and acquisitions to the day this report was printed.

8. The expected results and possible risks of capacity expansion, and the response: The Company will take precautions in capacity expansion and upgrade in response to the changes in market and customer needs, and procures automated production equipment.

9. The risks deriving from concentration of purchase or sales and remedies:

Purchase: The Company keeps at least 2 suppliers for the same item for the diversification of the sources of supply and has maintained positive relationships with its suppliers for assurance of the uninterrupted sources and good quality of materials supply.

Sale: The Company insists on the capacity in R&D and manufacturing. Further to keeping prolonged cooperative relationships with existing customers, the Company also seeks to cultivate new customers and broaden the sources of business. The risk of concentration in sale is not a concern.

10. The influence of voluminous transfer of share or swap of shares by the directors,

supervisors, or major shareholders holding more than 10% of the shares on the Company and the risks thereof, and the response: Not applicable to the Company to the day this report was printed.

11. The influence of the ownership on the Company, the risk thereof and the response: Not applicable to the Company to the day this report was printed.
12. Law suits or non-contentious matters: Not applicable to the Company to the day this report was printed.

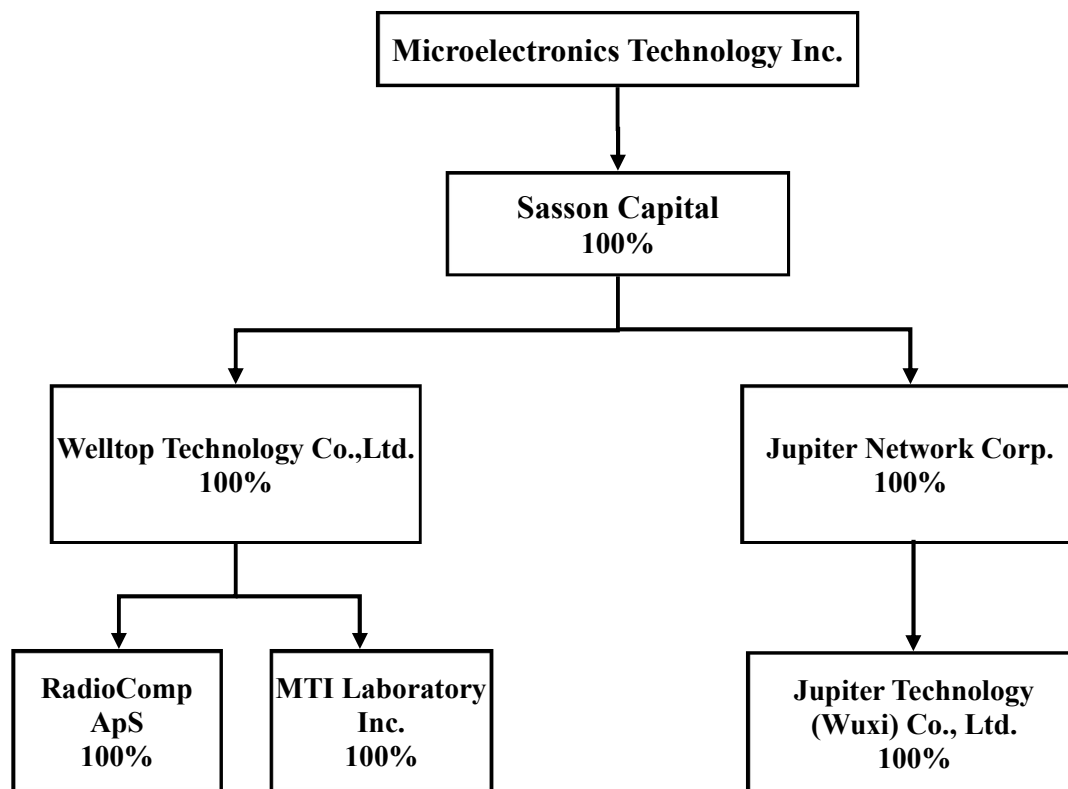
(VII).Additional information: Nil.

VIII.Special Notes

(I). Subsidiaries

1. Organizational chart

2019.12.31



2. Basic information on the affiliates

2019.12.31

Unit: NTD/USD/DKK Thousands

Enterprise name	Date of establishment	Address	Paid-in capital	Principal business or products
Microelectronics Technology Inc.	March 1983	No. 1, Innovation II Road, Hsinchu Science Park.	NT\$2,133,226	Communication industry
Sasson Capital	February 1992	Avias Fabrega & Febrega Trust Co. BVI Ltd. Wickhams Cay. Road Town, Tortola BVI	US\$39,202	Investment management
Welltop Technology Co., Ltd.	October 2000	Tropic Isle Building, P.O. Box 438, Road Twon, Tortola, BVI	US\$7,834	Investment management
Jupiter Network Corp.	January 2001	Tropic Isle Building, P.O. Box 438, Road Twon, Tortola, BVI	US\$31,072	Investment management
Jupiter Technology (Wuxi) Co., Ltd.	March 2001	No. 180-2, Linghu Blvd, Independent Research and Development Park, Taihu International Technology Park, Wuxi.	US\$31,000	Communication industry
MTI Laboratory Inc.	July 2006	201 Continental Boulevard #300, El Segundo, CA 90245	US\$1,500	Communication industry
RadioComp ApS	October 2010	Krakasvej 17, DK-3400 Hillerød, Denmark	DKK\$1,751	Communication industry

3. Same shareholders of enterprises presumed under control and in subordination to the Company: Nil.

4. The industries covered by the enterprises of the whole group:

(1) The business engaged by the affiliates of the Company are: investment management and communication.

(2) The affiliates in association with one another, their transactions, and division of labor: The Company has purchases and sales with Jupiter Technology (Wuxi) Co., Ltd., subsidiary of the Company. RadioComp and MTI Laboratory Inc. have signed the service contracts with the Company.

Profiles of the directors, supervisors and president of the affiliates

2019.12.31
Unit: share; %

Enterprise name	Title	Name or Representative	Quantity of Shareholding	
			Quantity of share	Proportion of shareholding
Microelectronics Technology Inc.	Director	Chi Hsieh	3,123,279	1.37%
		CyberTAN Technology Inc.	60,924,995	26.72%
		-Representative: Allen Yen	476,746	0.21%
		-Representative: Roger Wu	0	0%
	Independent Director	-Representative: Kuoliang Ho	0	0%
		Mary Shio Chan	0	0%
President	C. L. Liu	0	0%	
	Yun Lin	0	0%	
Sasson Capital	Director	Microelectronics Technology Inc.	3,920	100.00%
	President	-Representative: Patrick Wang -Representative: Chi Hsieh -Representative: Amy Ting Chris Wei		
Welltop Technology Co., Ltd.	Director	Sasson Capital	7,834,000	100.00%
		-Representative: Chi Hsieh -Representative : Allen Yen -Representative: Hualin Chi		
Jupiter Network Corp.	Director	Sasson Capital	31,071,800	100.00%
		-Representative: Chi Hsieh -Representative : Allen Yen -Representative: Hualin Chi		
Jupiter Technology (Wuxi) Co., Ltd.	Director	Jupiter Network Corp.	N / A	100.00%
		-Representative: Chi Hsieh -Representative : Allen Yen - Representative: Dunga Wu -Representative: Hunter Huang		
	Supervisor President	Hualin Chi Edward Chien		
MTI Laboratory Inc.	Director	Welltop Technology Co., Ltd	1,500,000	100.00%
	President	-Representative: Allen Yen -Representative: George Ling -Representative: Chris Wei Davis Kent		
RadioComp ApS	Director	Welltop Technology Co., Ltd	1,527,944	100.00%
	President	-Representative: Allen Yen -Representative: George Ling -Representative: Chris Wei Henrik Repsdorph		

5. Business Highlights of the Affiliates

2019.12.31

Unit: NT\$ Thousands

Enterprise name	Paid-in capital	Total assets	Total liabilities	Net worth	Revenue	Operating income	Net income (After tax)
Sasson Capital	US\$39,202,000	1,629,228	0	1,629,228	0	(65)	10,992
Welltop Technology Co., Ltd	US\$7,834,000	317,459	0	317,459	0	0	9,231
Jupiter Network Corp.	US\$31,071,800	978,520	0	978,520	0	0	(1,006)
Jupiter Technology (Wuxi) Co., Ltd.	US\$31,000,000	2,030,754	1,052,268	978,486	3,684,219	4,399	(1,006)
MTI Laboratory Inc.	US\$1,500,000	228,884	106,684	122,200	245,257	10,977	6,337
RadioComp ApS	DKK \$ 1,750,912	57,621	13,351	44,270	76,076	3,541	2,521

6. Consolidated financial statements of the affiliates: refer to VI. Financial Position-(IV) the Audited Consolidated Financial Statements of the most recent year.

7. Representation Letter:

Microelectronics Technology Inc.
Representation Letter

The entities that are required to be included in the combined financial statements of the Company for year 2019 (from January 1, 2019 to December 31, 2019), under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company does not prepare a separate set of combined financial statements.

Microelectronics Technology Inc.

Representative: Allen Yen

March 17 2020

- (II). Offering of securities through private placement: Nil.**
- (III). The holding or disposal of Company shares by subsidiaries: Nil.**
- (IV). Other additional information: Nil.**
- (V). Incidents that significantly affected the shareholders equity or stock price of the Company as prescribed in Subparagraph 2, Paragraph 2 in Article 36 of the Securities and Exchange Act in the most recent year to the day this report was printed: Nil.**

Appendix 1

**MICROELECTRONICS TECHNOLOGY,
INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2019 AND 2018**

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

**MICROELECTRONICS TECHNOLOGY,
INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2019 AND 2018**

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

MICROELECTRONICS TECHNOLOGY INC.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2019, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. Additionally, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Microelectronics Technology Inc.

Representative:

March 17, 2020

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Microelectronics Technology Inc.

Opinion

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

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

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Intangible assets - assessment of goodwill impairment

Description

As of December 31, 2019, goodwill amounted to NT\$ 273,741 thousand. For information on evaluation of goodwill impairment, please refer to Note 6(10), impairment of non-financial assets. The Group estimates recoverable amount utilizing the future cash flows of goodwill's cash generating unit and appropriate discount rates in order to determine whether goodwill is impaired. The estimation of future cash flows involves various assumptions, which may have significant effects on the estimation of recoverable amount. Thus, it has been identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Interviewed with management in order to obtain an understanding of the procedures in relation to identifying cash-generating units and estimating the future cash flows. Compared the financial forecast for the year ended December 31, 2020 with the budget approved by the Board of Directors to ensure they are consistent.
2. Interviewed with management in order to obtain an understanding of development plans and schedules of the projects.
3. Assessed the key assumption that management used to estimate future cash flows, including operating revenue growth rate and gross margin, and evaluated the parameters used in determining the discount rate, including the risk-free rate of return that was used to calculate cost of equity, industry's risk coefficient and long-term market return.

Allowance for inventory valuation losses

Description

Please refer to Note 6(6) for the details of inventories. As of December 31, 2019, the balances of inventories and allowance for inventory valuation losses amounted to NT\$1,015,990 thousand and NT\$158,746 thousand, respectively. Since inventory is material to the financial statements and the determination of net realisable value of the obsolete inventory usually involves management's subjective judgement, therefore, we determined valuation of inventories that are over a certain age and individually identified as obsolete or slow-moving as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of management policies on obsolete or slow-moving inventories, and verified the reasonableness of determining the obsolescence of inventory.
2. Tested the movements of inventories, and sampled individual inventory item numbers to check whether the classification of inventory aging is correct.
3. For obsolete or slow-moving inventories, sampled individual inventory item numbers to check progress of inventory clearance and evaluated the reasonableness of determining the allowance for inventory valuation losses

Other matter – Parent company only financial reports

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting

Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Lin, Yu-Kuan

Li, Tien-Yi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2020

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

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,057,733	21	\$ 1,086,499	18
1110	Financial assets at fair value through profit or loss - current	6(2)	2,671	-	383	-
1136	Current financial assets at amortised cost	6(4)	28,235	1	48,913	1
1150	Notes receivable	6(5)	9,024	-	68,362	1
1170	Accounts receivable, net	6(5)	1,040,925	21	1,603,870	27
1180	Accounts receivable - related parties	6(5) and 7	74,209	1	41,793	1
1200	Other receivables		126,629	3	132,576	2
1210	Other receivables - related parties	7	385	-	789	-
130X	Inventories	6(6)	857,244	17	1,324,868	23
1410	Prepayments		48,217	1	74,994	1
11XX	Total current assets		<u>3,245,272</u>	<u>65</u>	<u>4,383,047</u>	<u>74</u>
Non-current assets						
1510	Financial assets at fair value through profit or loss-non-current	6(2)	5,996	-	6,143	-
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)	224,207	4	242,486	4
1600	Property, plant and equipment	6(7)	495,226	10	540,951	9
1755	Right-of-use assets	6(8)	335,400	7	-	-
1780	Intangible assets	6(9)(10)	302,120	6	301,060	5
1840	Deferred income tax assets		410,469	8	405,836	7
1900	Other non-current assets		5,534	-	38,665	1
15XX	Total non-current assets		<u>1,778,952</u>	<u>35</u>	<u>1,535,141</u>	<u>26</u>
1XXX	Total Assets		<u>\$ 5,024,224</u>	<u>100</u>	<u>\$ 5,918,188</u>	<u>100</u>

(Continued)

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current Liabilities						
2100	Short-term borrowings	6(11)(31)	\$ 396,748	8	\$ 559,660	9
2120	Financial liabilities at fair value through profit or loss - current	6(12)	273	-	95	-
2130	Current contract liabilities	6(21)	55,824	1	7,519	-
2170	Accounts payable		919,456	18	1,811,502	31
2180	Accounts payable - related parties	7	-	-	229	-
2200	Other payables	6(13)	358,092	7	411,044	7
2250	Provisions for liabilities - current	6(16)	10,935	-	32,152	1
2280	Current lease liabilities	6(31)	31,712	1	-	-
2300	Other current liabilities		5,942	-	11,397	-
21XX	Total current liabilities		<u>1,778,982</u>	<u>35</u>	<u>2,833,598</u>	<u>48</u>
Non-current liabilities						
2540	Long-term loans	6(14)(31)	125	-	-	-
2550	Provisions for liabilities - non-current	6(16)	1,665	-	5,732	-
2570	Deferred income tax liabilities		102,055	2	106,562	2
2580	Non-current lease liabilities	6(31)	279,320	6	-	-
2600	Other non-current liabilities	6(15)	206,622	4	212,739	3
25XX	Total non-current liabilities		<u>589,787</u>	<u>12</u>	<u>325,033</u>	<u>5</u>
2XXX	Total Liabilities		<u>2,368,769</u>	<u>47</u>	<u>3,158,631</u>	<u>53</u>
Equity						
Equity attributable to owners of parent						
Share capital						
3110	Common stock	6(17)	2,280,283	45	2,280,283	39
Capital Reserves						
3200	Capital surplus	6(18)	402,937	8	402,937	7
Retained Earnings						
3310	Legal reserve	6(19)	24,972	1	19,761	-
3320	Special reserve		193,426	4	83,446	1
3350	Unappropriated retained earnings		2,413	-	166,556	3
Other Equity Interest						
3400	Other equity interest		(248,576)	(5)	(193,426)	(3)
31XX	Equity attributable to owners of the parent		<u>2,655,455</u>	<u>53</u>	<u>2,759,557</u>	<u>47</u>
3XXX	Total equity		<u>2,655,455</u>	<u>53</u>	<u>2,759,557</u>	<u>47</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total Liabilities and Equity		<u>\$ 5,024,224</u>	<u>100</u>	<u>\$ 5,918,188</u>	<u>100</u>

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(21)	\$ 5,798,880	100	\$ 7,969,155	100
5000 Operating costs	6(6)	(4,846,603)	(84)	(6,902,794)	(86)
5900 Gross profit		<u>952,277</u>	<u>16</u>	<u>1,066,361</u>	<u>14</u>
Operating expenses	6(25)				
6100 Selling expenses		(303,175)	(5)	(272,904)	(3)
6200 General and administrative expenses		(129,067)	(2)	(122,788)	(2)
6300 Research and development expenses		(507,214)	(9)	(617,422)	(8)
6450 Gain on reversal of expected credit impairment		(40)	-	1,945	-
6000 Total operating expenses		<u>(939,496)</u>	<u>(16)</u>	<u>(1,011,169)</u>	<u>(13)</u>
6900 Operating profit		<u>12,781</u>	<u>-</u>	<u>55,192</u>	<u>1</u>
Non-operating income and expenses					
7010 Other income	6(22)	34,464	-	38,439	-
7020 Other gains and losses	6(23)	(13,927)	-	5,839	-
7050 Finance costs	6(24)	(22,793)	-	(17,800)	-
7000 Total non-operating income and expenses		<u>(2,256)</u>	<u>-</u>	<u>26,478</u>	<u>-</u>
7900 Profit before income tax		<u>10,525</u>	<u>-</u>	<u>81,670</u>	<u>1</u>
7950 Income tax expense	6(27)	(8,841)	-	(29,561)	(1)
8200 Profit for the year		<u>\$ 1,684</u>	<u>-</u>	<u>\$ 52,109</u>	<u>-</u>
Other comprehensive income (loss)					
Components of other comprehensive loss that will not be reclassified to profit or loss					
8311 Losses on remeasurements of defined benefit plans	6(15)	(\$ 7,925)	-	(\$ 13,957)	-
8316 Unrealised loss from financial assets measured at fair value through other comprehensive income	6(3)	(7,119)	-	(3,238)	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Currency translation differences of foreign operations		(56,420)	(1)	139	-
8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss		<u>11,284</u>	<u>-</u>	<u>(36)</u>	<u>-</u>
8300 Total other comprehensive loss for the year		<u>(\$ 60,180)</u>	<u>(1)</u>	<u>(\$ 17,092)</u>	<u>-</u>
8500 Total comprehensive (loss) income for the year		<u>(\$ 58,496)</u>	<u>(1)</u>	<u>\$ 35,017</u>	<u>-</u>
Profit attributable to:					
8610 Owners of the parent		\$ 1,684	-	\$ 52,109	-
8620 Non-controlling interest		-	-	-	-
		<u>\$ 1,684</u>	<u>-</u>	<u>\$ 52,109</u>	<u>-</u>
Comprehensive income (loss) attributable to:					
8710 Owners of the parent		(\$ 58,496)	(1)	\$ 35,073	-
8720 Non-controlling interest		-	-	(56)	-
		<u>(\$ 58,496)</u>	<u>(1)</u>	<u>\$ 35,017</u>	<u>-</u>
Earnings per share (in dollars)	6(28)				
9750 Basic		<u>\$</u>	<u>0.01</u>	<u>\$</u>	<u>0.23</u>
9850 Diluted		<u>\$</u>	<u>0.01</u>	<u>\$</u>	<u>0.23</u>

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent											
Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Retained Earnings			Other equity interest			Total	Non-controlling interest	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets			
2018											
Balance at January 1, 2018	\$ 2,280,283	\$ 402,937	\$ 5,372	\$ 21,052	\$ 143,892	(\$ 59,093)	\$ -	(\$ 24,353)	\$ 2,770,090	\$ 56	\$ 2,770,146
Effects of retrospective application	-	-	-	-	106,011	-	(130,364)	24,353	-	-	-
Balance at January 1, 2018 after adjustments	<u>2,280,283</u>	<u>402,937</u>	<u>5,372</u>	<u>21,052</u>	<u>249,903</u>	<u>(59,093)</u>	<u>(130,364)</u>	<u>-</u>	<u>2,770,090</u>	<u>56</u>	<u>2,770,146</u>
Profit for the year	-	-	-	-	52,109	-	-	-	52,109	-	52,109
Other comprehensive income (loss) for the year 6(3)	-	-	-	-	(13,957)	159	(3,238)	-	(17,036)	(56)	(17,092)
Total comprehensive income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,152</u>	<u>159</u>	<u>(3,238)</u>	<u>-</u>	<u>35,073</u>	<u>(56)</u>	<u>35,017</u>
Appropriation of 2017 earnings											
Legal reserve 6(19)	-	-	14,389	-	(14,389)	-	-	-	-	-	-
Special reserve 6(19)	-	-	-	62,394	(62,394)	-	-	-	-	-	-
Cash dividends 6(19)	-	-	-	-	(45,606)	-	-	-	(45,606)	-	(45,606)
Disposal of financial assets at fair value through other comprehensive income (loss) 6(3)	-	-	-	-	890	-	(890)	-	-	-	-
Balance at December 31, 2018	<u>\$ 2,280,283</u>	<u>\$ 402,937</u>	<u>\$ 19,761</u>	<u>\$ 83,446</u>	<u>\$ 166,556</u>	<u>(\$ 58,934)</u>	<u>(\$ 134,492)</u>	<u>\$ -</u>	<u>\$ 2,759,557</u>	<u>\$ -</u>	<u>\$ 2,759,557</u>
2019											
Balance at January 1, 2019	\$ 2,280,283	\$ 402,937	\$ 19,761	\$ 83,446	\$ 166,556	(\$ 58,934)	(\$ 134,492)	\$ -	\$ 2,759,557	\$ -	\$ 2,759,557
Profit for the year	-	-	-	-	1,684	-	-	-	1,684	-	1,684
Other comprehensive income (loss) for the year	-	-	-	-	(7,925)	(45,136)	(7,119)	-	(60,180)	-	(60,180)
Total comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,241)</u>	<u>(45,136)</u>	<u>(7,119)</u>	<u>-</u>	<u>(58,496)</u>	<u>-</u>	<u>(58,496)</u>
Appropriation of 2018 earnings											
Legal reserve 6(19)	-	-	5,211	-	(5,211)	-	-	-	-	-	-
Special reserve 6(19)	-	-	-	109,980	(109,980)	-	-	-	-	-	-
Cash dividends 6(19)	-	-	-	-	(45,606)	-	-	-	(45,606)	-	(45,606)
Disposal of financial assets at fair value through other comprehensive income (loss) 6(3)	-	-	-	-	2,895	-	(2,895)	-	-	-	-
Balance at December 31, 2019	<u>\$ 2,280,283</u>	<u>\$ 402,937</u>	<u>\$ 24,972</u>	<u>\$ 193,426</u>	<u>\$ 2,413</u>	<u>(\$ 104,070)</u>	<u>(\$ 144,506)</u>	<u>\$ -</u>	<u>\$ 2,655,455</u>	<u>\$ -</u>	<u>\$ 2,655,455</u>

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 10,525	\$ 81,670
Adjustments			
Adjustments to reconcile profit (loss)			
Loss (gain) on reversal of expected credit impairment		40	(1,945)
Depreciation	6(7)(8)(25)	108,343	66,484
Amortization (amortization for 2018 included amortization of land use right)	6(9)(25)	29,787	29,130
Net (gain) loss on financial assets at fair value through profit or loss	6(2)(23)	(2,288)	1,307
Net loss (gain) on financial liabilities at fair value through profit or loss	6(12)(23)	178	(3,734)
Interest income	6(22)	(8,439)	(8,168)
Dividend income		(342)	(556)
Interest expense	6(24)	22,793	17,800
Gain on disposal of property, plant and equipment	6(23)	(16,482)	(5,147)
Expenses recognized from prepayment for equipment		-	6,124
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		59,338	(59,082)
Accounts receivable		401,344	(84,470)
Other receivables		558	110,176
Inventories		534,127	(33,491)
Prepayments		25,821	(9,566)
Changes in operating liabilities			
Accounts payable		(875,636)	223,203
Other payables		(37,182)	37,474
Provisions for liabilities		(24,900)	(7,521)
Contract liabilities-current		48,308	4,012
Other current liabilities		(25,479)	(50,371)
Accrued pension liabilities		(14,042)	(16,779)
Cash inflow generated from operations		236,372	296,550
Interest received		8,423	8,180
Dividend received		342	556
Interest paid		(17,343)	(17,794)
Income taxes paid		(8,693)	(31,472)
Net cash flows from operating activities		<u>219,101</u>	<u>256,020</u>

(Continued)

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		\$ -	(\$ 6,143)
Acquisition of financial assets at fair value through other comprehensive income		-	(60,360)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	5,953	1,934
Proceeds from disposal of acquisition of financial assets at amortized cost		19,969	(47,814)
Acquisition of property, plant and equipment	6(30)	(41,916)	(106,414)
Proceeds from disposal of property, plant and equipment		60,932	16,823
Acquisition of intangible assets	6(9)	(34,270)	(22,027)
Increase in guarantee deposits paid		-	(2,109)
Decrease in guarantee deposits paid		4,964	648
Decrease in restricted financial assets		-	21,916
Net cash flows from (used in) investing activities		15,632	(203,546)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		2,298,841	3,308,979
Decrease in short-term borrowings		(2,462,139)	(3,299,438)
Repayment of principal portion of lease liabilities		(38,552)	-
Increase in long-term borrowings		125	-
Cash dividends paid		(45,606)	(45,606)
Net cash flows used in financing activities		(247,331)	(36,065)
Effects due to changes in exchange rate		(16,168)	12,969
Net (decrease) increase in cash and cash equivalents		(28,766)	29,378
Cash and cash equivalents at beginning of year		1,086,499	1,057,121
Cash and cash equivalents at end of year		\$ 1,057,733	\$ 1,086,499

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

MICROELECTRONICS TECHNOLOGY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANISATION

Microelectronics Technology Inc. (the “Company”) was incorporated as company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in design, manufacture and sales of terrestrial microwave, satellite and photoelectric communication system products, and related customised products.

On January 1, 2011, the Company merged with the subsidiary, Global PCS Inc.. Under the merger, the Company is the surviving company while Global PCS Inc. was the dissolved company

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 17, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, ‘Leases’

A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account

for those two types of leases differently, IFRS 16 only requires enhanced disclosures to be provided by lessors.

- B. The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (collectively referred herein as the “modified retrospective approach”). On January 1, 2019, it is expected that ‘right-of-use asset’ will be increased by \$407,956, and (shown as other non-current assets) land use right will be decreased by \$29,210, and lease liability will be increased by \$378,746
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$22,315 was recognised for the year ended December 31, 2019.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 2% to 5.2%.
- E. The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’ incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$	93,995
Less: Short-term leases	(	4,367)
Add: Adjustments as a result of a different treatment of extension options		<u>331,858</u>
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	\$	<u>421,486</u>
Incremental borrowing interest rate at the date of initial application		<u>2%~5.2%</u>
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$	<u><u>378,746</u></u>

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets and liabilities at fair value through other comprehensive income.

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2019	December 31, 2018
Microelectronics Technology, Inc.	Sasson International Holding, Inc.	Note 1	100.00	100.00
Sasson International Holding, Inc.	Welltop Technology Co., Ltd.	Note 1	100.00	100.00
Sasson International Holding, Inc.	Jupiter Network Corp. (Jupiter)	Note 1	100.00	100.00
Welltop Technology Co., Ltd.	MTI Laboratory, Inc.	Note 2	100.00	100.00
Welltop Technology Co., Ltd.	RadioComp ApS	Note 2	100.00	100.00
Jupiter Network Corp. (Jupiter)	Jupiter Technology (Wuxi) Inc.	Note 3	100.00	100.00
Sasson International Holding, Inc.	Nanjing Dongda Kuandai Communication Technology Limited Company	Note 4	-	-
Jupiter Technology (Wuxi) Inc.	Nanjing Dongda Kuandai Communication Technology Limited Company	Note 4	-	-

Note 1: Main operating activity is investments in the manufacture and trade business.

Note 2: Research, development, design, manufacture and sales of personal wireless communication device, components of subsystem and system and wireless microwave communication system and equipment of electronic system.

Note 3: Main operating activities are design of satellite and microwave communication system equipment and its components, sales of self-made products and providing related technical services.

Note 4: Main operating activities are research, development, design, manufacture and sales of WCDMA technology and base station and radio frequency subsystem. The company has been liquidated in the fourth quarter of 2018.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities presented in each balance sheet are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at

amortised cost or fair value through other comprehensive income.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.
- D. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value, the changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured

at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3 ~ 40 years
Machinery and equipment	3 ~ 10 years
Office equipment	2 ~ 6 years
Transportation equipment	5 years
Leasehold improvements	3 years

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease.

Lease payments are comprised of fixed payments.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising including the amount of the initial measurement of lease liability and any initial direct costs incurred by the lessee.

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

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

(16) Operating leases (lessee)

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

(17) Intangible assets

A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

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

C. Acquired special technologies are amortised on a straight-line basis over their estimated useful lives of 5 years.

(18) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the

circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

- B. The recoverable amount of goodwill will be assessed periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(20) Accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services.
- B. The short-term notes without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(23) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Provisions

Provision-warranties are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- ii. Remeasurements arising on the defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as other equity.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(26) Employee share-based payment

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

(27) Income tax

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

Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(28) Share capital

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

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(30) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells terrestrial microwave, satellite, and related customized products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from these sales is recognised based on the price specified in the contract. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The sales usually are made with a credit term of 30 to 90 days, which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.
- (d) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Technical services on product development

- (a) The Group provides technical services on product development. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is

determined based on the actual costs spent relative to the total expected cost. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

- (b) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

C. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense (mainly arisen from sales commissions) when incurred although the Group expects to recover those costs.

(31) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of tangible and intangible assets (including goodwill)

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(9) (10) for the information on goodwill impairment.

As of December 31, 2019, the Group's property, plant and equipment and intangible assets (including goodwill) amounted to \$495,226 and \$302,120, respectively.

B. Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

As of December 31, 2019, the Group recognised deferred tax assets amounting to \$410,469.

C. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value.

As of December 31, 2019, the carrying amount of inventories was \$857,244.

D. Calculation of net defined benefit liabilities

When calculating the present value of defined pension obligations, the Group must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

As of December 31, 2019, the carrying amount of net defined benefit liabilities was \$206,622.

E. Financial assets-fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering those companies' recent funding raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

As of December 31, 2019, the carrying amount of unlisted stocks without active market was \$224,207.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 299	\$ 245
Deposits in transit	-	36,816
Checking accounts and demand deposits	518,946	653,284
Time deposits	538,488	396,154
	<u>\$ 1,057,733</u>	<u>\$ 1,086,499</u>

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

B. Information on restricted cash is reclassified as 'Financial assets at amortised cost' is provide in Note 8.

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

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 2,671	\$ 383
Unlisted stocks	111,072	113,795
Valuation adjustments	(111,072)	(113,795)
	<u>\$ 2,671</u>	<u>\$ 383</u>

Non-current items :

Financial assets mandatorily measured at fair value through profit or loss

Convertible bonds	\$ 5,996	\$ 6,143
Valuation adjustments	-	-
	<u>\$ 5,996</u>	<u>\$ 6,143</u>

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

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ 2,288</u>	<u>(\$ 1,307)</u>

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

<u>Derivative instruments</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Contract amount</u> <u>(Notional principal)</u>	<u>Contract</u> <u>period</u>	<u>Contract amount</u> <u>(Notional principal)</u>	<u>Contract</u> <u>period</u>
Current items:				
Foreign exchange swap transactions	USD 5,000	2019.12.11~ 2020.01.15	USD 5,000	2018.12.12~ 2019.02.15
Forward foreign exchange contracts	USD 2,000	2019.12.13~ 2020.01.22		

The Group entered into foreign exchange swap contracts and forward foreign exchange contracts to sell forward contracts to hedge exchange rate risk of export proceeds. However, these forward contracts are not accounted for under hedge accounting.

C. Information on financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Non-current items :		
Equity instruments		
Emerging stocks	\$ -	\$ 3,060
Unlisted stocks	357,057	365,198
Valuation adjustments	(144,505)	(134,491)
Net exchange differences	11,655	8,719
	<u>\$ 224,207</u>	<u>\$ 242,486</u>

A. The Group has elected to classify equity instrument investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$224,207 and \$242,486 as at December 31, 2019 and 2018 respectively.

B. For the years ended December 31, 2019 and 2018, the Company sold emerging stocks with carrying amounts of \$3,058 and \$1,044, respectively, and the accumulated gain on disposal of investments amounted to \$2,895 and \$890, respectively.

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive (loss) income	<u>(\$ 7,119)</u>	<u>(\$ 3,238)</u>
Cumulative gains reclassified to retained earnings due to derecognition	<u>\$ 2,895</u>	<u>\$ 890</u>

(4) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Time deposits	\$ 28,235	\$ 48,913

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest income	\$ 816	\$ 814

B. As at December 31, 2019 and 2018, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$28,235 and \$48,913, respectively.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ 9,024	\$ 68,362
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 9,024</u>	<u>\$ 68,362</u>
Accounts receivable	\$ 1,116,387	\$ 1,646,905
Less: Allowance for uncollectible accounts	(1,253)	(1,242)
	<u>\$ 1,115,134</u>	<u>\$ 1,645,663</u>

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

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 898,114	\$ 9,024	\$ 1,490,908	\$ 68,362
Up to 90 days	145,858	-	151,387	-
91 to 180 days	20,937	-	125	-
Over 180 days	51,478	-	4,485	-
	<u>\$ 1,116,387</u>	<u>\$ 9,024</u>	<u>\$ 1,646,905</u>	<u>\$ 68,362</u>

The above ageing analysis was based on past due date, overdue receivable of \$197,447 in 2019 has been recovered after the end of December 31, 2019.

B. As of December 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$1,581,365.

C. As of December 31, 2019 and 2018, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes

receivable were \$9,024 and \$68,362, respectively. As of December 31, 2019, and 2018, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$1,115,134 and \$1,645,663, respectively.

D. Information relating to credit risk of accounts and notes receivable is provided in Note 12(2).

(6) Inventories

December 31, 2019			
	Cost	Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	Book value
Raw materials	\$ 647,184	(\$ 89,204)	\$ 557,980
Work in progress	213,054	(48,702)	164,352
Finished goods	155,752	(20,840)	134,912
	<u>\$ 1,015,990</u>	<u>(\$ 158,746)</u>	<u>\$ 857,244</u>
December 31, 2018			
	Cost	Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	Book value
Raw materials	\$ 742,104	(\$ 55,734)	\$ 686,370
Work in progress	319,870	(42,915)	276,955
Finished goods	414,407	(53,162)	361,245
Inventory in transit	298	-	298
	<u>\$ 1,476,679</u>	<u>(\$ 151,811)</u>	<u>\$ 1,324,868</u>

The cost of inventories recognised expense for the year:

	Years ended December 31,	
	2019	2018
Cost of goods sold	\$ 4,830,380	\$ 6,844,622
Loss on decline in market value	16,223	58,172
Recognised as selling and R&D expenses	12,322	17,818
	<u>\$ 4,858,925</u>	<u>\$ 6,920,612</u>

(7) Property, plant and equipment

The real estate, plant and equipment for self-use of the Group are as follows:

	2019						
	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Leasehold improvements</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
At January 1							
Cost	\$ 433,064	\$ 1,288,116	\$ 92,094	\$ 2,299	\$ 8,382	\$ 8,072	\$ 1,832,027
Accumulated depreciation and impairment	(67,045)	(1,140,999)	(74,846)	(2,299)	(5,887)	-	(1,291,076)
	<u>\$ 366,019</u>	<u>\$ 147,117</u>	<u>\$ 17,248</u>	<u>\$ -</u>	<u>\$ 2,495</u>	<u>\$ 8,072</u>	<u>\$ 540,951</u>
At January 1	\$ 366,019	\$ 147,117	\$ 17,248	\$ -	\$ 2,495	\$ 8,072	\$ 540,951
Additions	3,016	19,876	5,458	-	6,908	918	36,176
Reclassifications	-	30,539	9	-	-	(8,078)	22,470
Disposals	-	(16,246)	(208)	-	-	-	(16,454)
Depreciation expense	(19,047)	(39,035)	(8,926)	-	(3,459)	-	(70,467)
Net exchange differences	(13,857)	(3,359)	(232)	-	(8)	6	(17,450)
At December 31	<u>\$ 336,131</u>	<u>\$ 138,892</u>	<u>\$ 13,349</u>	<u>\$ -</u>	<u>\$ 5,936</u>	<u>\$ 918</u>	<u>\$ 495,226</u>
At December 31							
Cost	\$ 418,552	\$ 962,616	\$ 91,449	\$ 2,250	\$ 15,159	\$ 918	\$ 1,490,944
Accumulated depreciation and impairment	(82,421)	(823,724)	(78,100)	(2,250)	(9,223)	-	(995,718)
	<u>\$ 336,131</u>	<u>\$ 138,892</u>	<u>\$ 13,349</u>	<u>\$ -</u>	<u>\$ 5,936</u>	<u>\$ 918</u>	<u>\$ 495,226</u>

2018

	Buildings and structures	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
At January 1							
Cost	\$ 519,876	\$ 1,459,426	\$ 123,322	\$ 2,235	\$ 6,641	\$ 15,633	\$ 2,127,133
Accumulated depreciation and impairment	(152,326)	(1,328,962)	(90,791)	(2,235)	(4,932)	-	(1,579,246)
	<u>\$ 367,550</u>	<u>\$ 130,464</u>	<u>\$ 32,531</u>	<u>\$ -</u>	<u>\$ 1,709</u>	<u>\$ 15,633</u>	<u>\$ 547,887</u>
At January 1	\$ 367,550	\$ 130,464	\$ 32,531	\$ -	\$ 1,709	\$ 15,633	\$ 547,887
Additions	16,705	51,797	14,327	-	1,571	8,808	93,208
Reclassifications	6,148	16,600	(12,519)	-	-	(16,353)	(6,124)
Disposals	-	(15,971)	(5)	-	-	-	(15,976)
Depreciation expense	(17,907)	(30,949)	(16,823)	-	(805)	-	(66,484)
Net exchange differences	(6,477)	(4,824)	(263)	-	20	(16)	(11,560)
At December 31	<u>\$ 366,019</u>	<u>\$ 147,117</u>	<u>\$ 17,248</u>	<u>\$ -</u>	<u>\$ 2,495</u>	<u>\$ 8,072</u>	<u>\$ 540,951</u>
At December 31							
Cost	\$ 433,064	\$ 1,288,116	\$ 92,094	\$ 2,299	\$ 8,382	\$ 8,072	\$ 1,832,027
Accumulated depreciation and impairment	(67,045)	(1,140,999)	(74,846)	(2,299)	(5,887)	-	(1,291,076)
	<u>\$ 366,019</u>	<u>\$ 147,117</u>	<u>\$ 17,248</u>	<u>\$ -</u>	<u>\$ 2,495</u>	<u>\$ 8,072</u>	<u>\$ 540,951</u>

(8) Leasing arrangements – lessee

Effective 2019

A. The Group leases various assets including land, buildings, machinery and equipment. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2019</u>	<u>Year ended December 31, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land	\$ 27,344	\$ 736
Buildings	308,056	34,629
Machinery and equipment	-	2,511
	<u>\$ 335,400</u>	<u>\$ 37,876</u>

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

	<u>Year ended December 31, 2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 6,926
Expense on short-term lease contracts	22,315
Expense on leases of low-value assets	5,193

D. For the year ended December 31, 2019 , the Group’s total cash outflow for leases was \$72,986.

(9) Intangible assets

	2019			
	<u>Goodwill</u>	<u>Acquired special technology</u>	<u>Computer software</u>	<u>Total</u>
At January 1				
Cost	\$ 383,503	\$ 404,895	\$ 461,291	\$ 1,249,689
Accumulated depreciation and impairment	(106,573)	(404,895)	(437,161)	(948,629)
	<u>\$ 276,930</u>	<u>\$ -</u>	<u>\$ 24,130</u>	<u>\$ 301,060</u>
At January 1	\$ 276,930	\$ -	\$ 24,130	\$ 301,060
Additions	-	-	34,270	34,270
Amortisation charge	-	-	(29,787)	(29,787)
Net exchange differences	(3,189)	-	(234)	(3,423)
At December 31	<u>\$ 273,741</u>	<u>\$ -</u>	<u>\$ 28,379</u>	<u>\$ 302,120</u>
At December 31				
Cost	\$ 383,503	\$ 404,895	\$ 489,740	\$ 1,278,138
Accumulated amortisation and impairment	(109,762)	(404,895)	(461,361)	(976,018)
	<u>\$ 273,741</u>	<u>\$ -</u>	<u>\$ 28,379</u>	<u>\$ 302,120</u>
	2018			
	<u>Goodwill</u>	<u>Acquired special technology</u>	<u>Computer software</u>	<u>Total</u>
At January 1				
Cost	\$ 383,503	\$ 404,895	\$ 437,661	\$ 1,226,059
Accumulated depreciation and impairment	(110,717)	(404,895)	(407,374)	(922,986)
	<u>\$ 272,786</u>	<u>\$ -</u>	<u>\$ 30,287</u>	<u>\$ 303,073</u>
At January 1	\$ 272,786	\$ -	\$ 30,287	\$ 303,073
Additions	-	-	22,027	22,027
Amortisation charge	-	-	(28,383)	(28,383)
Net exchange differences	4,144	-	199	4,343
At December 31	<u>\$ 276,930</u>	<u>\$ -</u>	<u>\$ 24,130</u>	<u>\$ 301,060</u>
At December 31				
Cost	\$ 383,503	\$ 404,895	\$ 461,291	\$ 1,249,689
Accumulated amortisation and impairment	(106,573)	(404,895)	(437,161)	(948,629)
	<u>\$ 276,930</u>	<u>\$ -</u>	<u>\$ 24,130</u>	<u>\$ 301,060</u>

A. Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2019	2018
Operating costs	\$ 5,004	\$ 4,464
General and administrative expenses	668	701
Research and development expenses	24,115	23,218
	<u>\$ 29,787</u>	<u>\$ 28,383</u>

B. Impairment information about the intangible assets is provided in Note 6(10).

(10) Impairment of non-financial assets

Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are as follows:

	Years ended December 31,					
	2019			2018		
	Up to 1 year	2 ~ 5 years	Over 6 years	Up to 1 year	2 ~ 5 years	Over 6 years
Operating revenue growth rate	14%	15%	0%	9%	9%	0%
Gross margin	15%	15%	15%	14%	14%	14%
Discount rate	14.41%	14.41%	14.41%	15.71%	15.71%	15.71%

A. Operating revenue growth rate: taking into consideration the estimated operation and sales plans.

B. Gross margin: calculated based on the historical data and taking into consideration the estimated operation and sales plans.

C. Discount rate: the discount rates used were pre-tax and reflected specific risks relating to the relevant operating segments.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Borrowings for material purchase	<u>\$ 396,748</u>	2.39%~2.74%	None
<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Borrowings for material purchase	<u>\$ 559,660</u>	3.22%~3.60%	None

For the years ended December 31, 2019 and 2018, the Company recognised interest expense in profit or loss amounting to \$15,867 and \$17,800, respectively.

(12) Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	\$ 273	\$ 95
Valuation adjustments	-	-
	<u>\$ 273</u>	<u>\$ 95</u>

A. For the years ended December 31, 2019 and 2018, the Group recognised net gain on financial liabilities held for trading amounting to (\$178) and \$3,734, respectively.

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Group does not adopt hedge accounting are as follows:

Unit: In thousands

<u>Non-derivative financial liabilities for hedging</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Contract amount (Notional principal)</u>	<u>Contract period</u>	<u>Contract amount (Notional principal)</u>	<u>Contract period</u>
Current items:				
Foreign exchange swap transactions	USD 800	2019.12.11~2020.01.15	USD 2,500	2018.12.13~2019.01.17

C. The Group entered into foreign exchange swap contracts to sell forward contracts to hedge exchange rate risk of export proceeds. However, these forward contracts are not accounted for under hedge accounting.

(13) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Employee bonus payable	\$ 151,759	\$ 167,101
Payable on miscellaneous purchases	35,935	37,864
Accrued export expenses	30,750	78,861
Payables for machinery and equipment	24,037	28,881
Accrued repairs and maintenance expense	13,617	14,476
Payables for consulting service fees	10,372	7,397
Accrued commission	8,920	14,413
Others	82,702	62,051
	<u>\$ 358,092</u>	<u>\$ 411,044</u>

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Long-term bank borrowings				
Mega Bank	Borrowing period is from December 23, 2019 to December 25, 2025; interest is repayable monthly.	1.2%	None	\$ 125
Less: Current portion				-
				<u>\$ 125</u>

On December 31, 2018: None.

(15) Pensions

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 295,022	\$ 304,736
Fair value of plan assets	(88,400)	(91,997)
Net defined benefit liability	<u>\$ 206,622</u>	<u>\$ 212,739</u>

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

	<u>Present value of define benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
2019			
At January 1	(\$ 304,736)	\$ 91,997	(\$ 212,739)
Current service cost	(1,279)	-	(1,279)
Interest (expense) income	(2,743)	828	(1,915)
	<u>(308,758)</u>	<u>92,825</u>	<u>(215,933)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,440	3,440
Change in financial assumptions	(5,623)	-	(5,623)
Experience adjustments	(5,742)	-	(5,742)
	<u>(11,365)</u>	<u>3,440</u>	<u>(7,925)</u>
Pension fund contribution	-	8,899	8,899
Paid pension	25,101	(16,764)	8,337
At December 31	<u>(\$ 295,022)</u>	<u>\$ 88,400</u>	<u>(\$ 206,622)</u>
	<u>Present value of define benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
2018			
At January 1	(\$ 305,349)	\$ 89,788	(\$ 215,561)
Current service cost	(1,530)	-	(1,530)
Interest (expense) income	(3,359)	988	(2,371)
	<u>(310,238)</u>	<u>90,776</u>	<u>(219,462)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,580	2,580
Change in financial assumptions	(5,931)	-	(5,931)
Experience adjustments	(10,606)	-	(10,606)
	<u>(16,537)</u>	<u>2,580</u>	<u>(13,957)</u>
Pension fund contribution	-	3,677	3,677
Paid pension	22,039	(5,036)	17,003
At December 31	<u>(\$ 304,736)</u>	<u>\$ 91,997</u>	<u>(\$ 212,739)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or

foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2019	2018
Discount rate	0.70%	0.90%
Future salary increases	2.00%	2.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Sensitivity analysis of the effect on present value of defined benefit obligation due from the changes of main actuarial assumptions was as follows:

	Discount rate		Future salary increases	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
December 31, 2019				
Effect on present value of defined benefit	(\$ 28,024)	\$ 29,000	\$ 25,736	(\$ 25,044)
December 31, 2018				
Effect on present value of defined benefit	(\$ 29,548)	\$ 30,616	\$ 27,380	(\$ 26,612)

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

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to \$3,516.

(g) As of December 31, 2019, the weighted average duration of the retirement plan is 10 years.

- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s mainland China subsidiary, Jupiter Technology (Wuxi) Inc, has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage was 19%. Other than the monthly contributions, the Company has no further obligations
- (c) The Subsidiary, RadioComp ApS, accrued pension costs based on a certain appropriate rate of total salaries.
- (d) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018, were \$49,868 and \$57,084 respectively.

(16) Provisions

	2019	2018
Balance at January 1	\$ 37,884	\$ 45,756
Additional provisions	6,933	20,456
Used during the year	(19,212)	(27,916)
Unused amounts reversed	(11,347)	-
Exchange difference	(1,658)	(412)
Balance at December 31	<u>\$ 12,600</u>	<u>\$ 37,884</u>

Analysis of total provisions:

	December 31, 2019	December 31, 2018
Current	<u>\$ 10,935</u>	<u>\$ 32,152</u>
Non-current	<u>\$ 1,665</u>	<u>\$ 5,732</u>

The Group gives warranties on sales-related products. Provision for warranty is estimated based on historical warranty data of uninterruptible power supply and solar energy products.

(17) Share capital

As of December 31, 2018, the Company’s authorised capital was \$7,000,000, consisting of 0.7 billion shares of ordinary stock (including 50 million shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was \$2,280,283 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company’s ordinary shares outstanding are as follows:

(Unit: In thousand shares)

	2019	2018
At January 1 (At December 31)	<u>228,028</u>	<u>228,028</u>

(18) Capital surplus

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

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance. After setting aside or reversal of a special reserve in accordance with related laws, the Company shall appropriate dividends to preferred stock. The Board of Directors should present the distribution of the remaining earnings along with accumulated unappropriated earnings for the approval of the shareholders to distribute dividends to shareholders.
- B. As the Company is in the growth stage, considered entire environment and nature of industry as well as future capital needs and long-term financial plans in order to subsequent operation and stable development. Based on the Company's future budget of capital expenditure and demand of capital, the Company appropriated no less than 30% of distributable earnings to shareholders' dividends, but if the distributable earnings is lower than 5% of paid-in capital, no dividends will be distributed. Cash dividend has a first priority when distributing shareholders' dividends, and the ratio is 30~100% of current total dividends. Remaining dividend can be distributed in the form of stocks. The appropriation of retained earnings will be proposed by the Board of Directors every year, and will be approved by the shareholders.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of earnings of years 2018 and 2017 as resolved by the shareholders at their

meetings on June 19, 2019 and June 21, 2018 are as follows:

	Years ended December 31,			
	2018		2017	
	amount	Dividends per share (in dollars)	amount	Dividends per share (in dollars)
Legal reserve	\$ 5,211	\$ -	\$ 14,389	\$ -
Special reserve	109,980	-	62,394	-
Cash Dividends	45,606	0.20	45,606	0.20
	<u>\$ 160,797</u>	<u>\$ 0.20</u>	<u>\$ 122,389</u>	<u>\$ 0.20</u>

F. On March 17, 2020, the Board of Directors during their meeting had not proposed for the distribution of dividends from 2019 earnings, which is still pending for approval from the shareholders.

G. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(26).

(20) Other equity items

	2019		
	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Financial statements translation differences of foreign operations	Total
	At January 1	(\$ 134,492)	(\$ 58,934)	($ 193,426)
The Company's effect	1,477	-	1,477
Revaluation transferred to retained earnings	(2,895)	-	(2,895)
Effects of associate accounted for under equity method	(8,596)	(56,420)	(65,016)
Tax effects of associate accounted for under equity method	-	11,284	11,284
At December 31	<u>(\$ 144,506)</u>	<u>(\$ 104,070)</u>	<u>(\$ 248,576)</u>

	2018			
	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Financial statements translation differences of foreign operations	Currency translation	Total
At January 1	\$ -	(\$ 24,353)	(\$ 59,093)	(\$ 83,446)
Effects of retrospective application	(130,364)	24,353	-	(106,011)
At January 1, after adjustments	(130,364)	-	(59,093)	(189,457)
The Company's effect	(1,685)	-	-	(1,685)
Revaluation transferred to retained earnings	(890)	-	-	(890)
Effects of associate accounted for under equity method	(1,553)	-	195	(1,358)
Effects of associate accounted for under equity method	-	-	(36)	(36)
At December 31	<u>(\$ 134,492)</u>	<u>\$ -</u>	<u>(\$ 58,934)</u>	<u>(\$ 193,426)</u>

(21) Operating revenue

	Years ended December 31,	
	2019	2018
Revenue from contracts with customers	<u>\$ 5,798,880</u>	<u>\$ 7,969,155</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue in the following major product lines and geographical regions:

	Year ended December 31, 2019			
	USA	Mainland China	Other	Total
Total segment revenue	\$ 3,210,720	\$ 1,295,086	\$ 4,424,835	\$ 8,930,641
Inter-segment revenue	(882)	(50,266)	(3,080,613)	(3,131,761)
Revenue from external customer contracts	<u>\$ 3,209,838</u>	<u>\$ 1,244,820</u>	<u>\$ 1,344,222</u>	<u>\$ 5,798,880</u>

Year ended December 31, 2018

	Year ended December 31, 2018			
	USA	Mainland China	Other	Total
Total segment revenue	\$ 5,225,971	\$ 1,494,182	\$ 5,864,002	\$ 12,584,155
Inter-segment revenue	(1,290)	-	(4,613,710)	(4,615,000)
Revenue from external customer contracts	<u>\$ 5,224,681</u>	<u>\$ 1,494,182</u>	<u>\$ 1,250,292</u>	<u>\$ 7,969,155</u>

B. Contract liabilities from customers

(a) The Group has recognised the following revenue-related contract liabilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract liabilities:			
Contract liabilities-			
Products sales contracts	\$ <u>55,824</u>	\$ <u>7,519</u>	\$ <u>3,603</u>

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

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ <u>4,053</u>	\$ <u>1,839</u>

(22) Other income

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Interest income:		
Interest income from bank deposits	\$ 8,439	\$ 8,168
Dividend income	342	556
Other income, others	<u>25,683</u>	<u>29,715</u>
	<u>\$ 34,464</u>	<u>\$ 38,439</u>

(23) Other gains and losses

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Gains on disposals of property, plant and equipment	\$ 16,482	\$ 5,147
Currency exchange gains (losses)	(10,494)	171
Gains on financial assets (liabilities) at fair value through profit or loss	2,110	2,427
Gains on disposals of investments	-	-
Miscellaneous disbursements	(<u>22,025</u>)	(<u>1,906</u>)
	<u>(\$ 13,927)</u>	<u>\$ 5,839</u>

(24) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense	\$ 15,867	\$ 17,800
Interest expense of lease liability	6,926	-
	<u>\$ 22,793</u>	<u>\$ 17,800</u>

(25) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expense	\$ 900,350	\$ 961,046
Depreciation charges on property, plant and equipment	108,343	66,484
Amortisation (including amortisation on the land use right)	29,787	29,130
	<u>\$ 1,038,480</u>	<u>\$ 1,056,660</u>

(26) Employee benefit expense

	Years ended December 31,	
	2019	2018
Salary expenses	\$ 760,828	\$ 800,587
Labour and health insurance fees	54,975	55,598
Pension costs	53,062	60,985
Other personnel expenses	31,485	43,876
	<u>\$ 900,350</u>	<u>\$ 961,046</u>

A. According to the Articles of Incorporation of the Company, the ratio of distributable profit of the current year shall not be lower than 7% for employees' compensation in the form of stocks/cash, and employees must be working for the Company. The current year's earnings, if any, shall not be higher than 1% for directors' remuneration. Appropriation of employees' compensation and directors' remuneration shall be submitted to the shareholders' meeting. If the Company has accumulated deficit, earnings should be reserved to cover losses and then be appropriated to employees' compensation and directors' remuneration based on the abovementioned ratios.

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$128 and \$4,619, respectively; while directors' remuneration was accrued at \$18 and \$660, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 7% and 1% of distributable profit for the year ended December 31, 2019. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors were \$128 and \$0, and the employees' compensation will be distributed in the form of cash.

For 2018, the employees' compensation and directors' remuneration resolved by the Board of

Directors amounted to \$4,619 and \$658, respectively. The difference of \$2 between the amounts resolved by the Board of Directors and the amounts recognised in the 2018 financial statements, mainly resulting from estimation, had been adjusted in the profit or loss of 2019.

C. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 2,601	\$ 6,604
Tax of foreign source income withheld at source	4,217	6,040
Tax on undistributed surplus earnings	1,211	-
Prior year income tax overestimation	-	(1,220)
Total current tax	<u>8,029</u>	<u>11,424</u>
Deferred tax:		
Origination and reversal of temporary differences	8,034	37,336
Impact of tax losses	(7,222)	26,646
Impact of change in tax rate	-	(45,845)
Total deferred tax	<u>812</u>	<u>18,137</u>
Income tax expense	<u>\$ 8,841</u>	<u>\$ 29,561</u>

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

	Years ended December 31,	
	2019	2018
Currency translation differences	(\$ 11,284)	\$ 36

(c) The income tax charged/(credited) to equity during the year: None.

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 518	\$ 28,122
Effects from items disallowed by tax regulation	(1,242)	304
Prior year income tax overestimation	- (	1,220)
Change in assessment of realization of deferred tax assets	4,137	42,160
Tax on undistributed earnings	1,211	-
Impact of change in tax rate	- (	45,845)
Tax of foreign source income withheld at source	4,217	6,040
Income tax expense	<u>\$ 8,841</u>	<u>\$ 29,561</u>

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

	2019				At December 31
	At January 1	Recognised in profit or loss	Recognised in other comprehensive income	Net exchange differences	
Deferred tax assets:					
-Temporary differences:					
Allowance for inventory valuation losses	\$ 31,479	\$ 6,293	\$ -	(\$ 1,096)	\$ 36,676
Unrealised warranty cost of after-sale service	8,583	(5,463)	-	(95)	3,025
Unrealised pension	42,548	(1,224)	-	-	41,324
Exchange differences on foreign financial statements	-	-	5,420	-	5,420
Others	19,329	(6,283)	-	(14)	13,032
-Tax losses	303,897	7,222	-	(127)	310,992
Subtotal	<u>\$ 405,836</u>	<u>\$ 545</u>	<u>\$ 5,420</u>	<u>(\$ 1,332)</u>	<u>\$ 410,469</u>
Deferred income tax liabilities:					
Unrealised gain on long-term investments	(\$ 87,582)	(\$ 4,307)	\$ -	\$ -	(\$ 91,889)
Unrealised exchange gain	(12,049)	2,019	-	-	(10,030)
Exchange differences on foreign financial statements	(5,864)	-	5,864	-	-
Others	(1,067)	931	-	-	(136)
Subtotal	<u>(\$ 106,562)</u>	<u>(\$ 1,357)</u>	<u>\$ 5,864</u>	<u>\$ -</u>	<u>(\$ 102,055)</u>
Total	<u>\$ 299,274</u>	<u>(\$ 812)</u>	<u>\$ 11,284</u>	<u>(\$ 1,332)</u>	<u>\$ 308,414</u>

	2018				
	At January 1	Recognised in profit or loss	Recognised in other comprehensive income		At December 31
			Net exchange differences		
Deferred tax assets:					
-Temporary differences:					
Allowance for inventory valuation losses	\$ 26,963	\$ 4,605	\$ -	(\$ 89)	\$ 31,479
Unrealised warranty cost of after-sale service	9,672	(1,002)	-	(87)	8,583
Unrealised pension	36,645	5,903	-	-	42,548
Unrealised impairment loss on long-term investments	18,166	(18,202)	-	36	-
Others	24,067	(4,404)	-	(334)	19,329
-Tax losses	281,265	22,989	-	(357)	303,897
Subtotal	<u>\$ 396,778</u>	<u>\$ 9,889</u>	<u>\$ -</u>	<u>(\$ 831)</u>	<u>\$ 405,836</u>
Deferred income tax liabilities:					
Unrealised gain on long-term investments	(\$ 66,154)	(\$ 21,428)	\$ -	\$ -	(\$ 87,582)
Unrealised exchange gain	(6,518)	(5,531)	-	-	(12,049)
Exchange differences on foreign financial statements	(5,828)	-	(36)	-	(5,864)
Others	-	(1,067)	-	-	(1,067)
Subtotal	<u>(\$ 78,500)</u>	<u>(\$ 28,026)</u>	<u>(\$ 36)</u>	<u>\$ -</u>	<u>(\$ 106,562)</u>
Total	<u>\$ 318,278</u>	<u>(\$ 18,137)</u>	<u>(\$ 36)</u>	<u>(\$ 831)</u>	<u>\$ 299,274</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2019					
Year incurred	Amount filed/ Assessed	Unused amount	Unrecognised deferred tax assets		Expiry year
2011 (Microelectronics)	\$ 1,121,209	\$ 802,269	\$ 802,269		2021
2012 (Microelectronics)	1,356,066	1,356,066	1,356,066		2022
2013 (Microelectronics)	1,086,632	1,086,632	273,761		2023
2014 (Microelectronics)	407,486	407,486	-		2024
2015 (Microelectronics)	240,322	210,609	-		2025
2018 (Microelectronics)	17,211	17,211	-		2023
2019 (Microelectronics)	102,489	102,489	-		2029
		<u>\$ 3,982,762</u>	<u>\$ 2,432,096</u>		

December 31, 2018

Year incurred	Amount filed/ Assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2011 (Microelectronics)	\$ 1,121,209	\$ 838,246	\$ -	2021
2012 (Microelectronics)	1,356,066	1,356,066	765,030	2022
2013 (Microelectronics)	1,086,632	1,086,632	1,086,632	2023
2014 (Microelectronics)	407,616	407,616	407,616	2024
2015 (Microelectronics)	240,322	240,322	240,322	2025
2018 (Microelectronics)	72,164	72,164	-	2023
		<u>\$ 4,001,046</u>	<u>\$ 2,499,600</u>	

E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

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

(28) Earnings per share

	Year ended December 31, 2019		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to the parent	<u>\$ 1,684</u>	<u>228,028</u>	<u>\$ 0.01</u>
<u>Diluted earnings per share</u>			
Profit attributable to the parent	1,684	228,028	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	7	
	<u>\$ 1,684</u>	<u>228,035</u>	<u>\$ 0.01</u>

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 52,109	228,028	\$ 0.23
<u>Diluted earnings per share</u>			
Profit attributable to the parent	52,109	228,028	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	226	
	<u>\$ 52,109</u>	<u>228,254</u>	<u>\$ 0.23</u>

(29) Operating leases

The Group leases plant and production line located in Innovation Road II, Hsinchu Science Park, Hsinchu from Cybertan Technology Inc. with a term of 5 years under operating lease agreements in July 2015. These leases have terms expiring between 2018 and 2021, and all these lease agreements are renewable at the end of the lease period based on the market price. The Company recognised rental expense of \$53,982 for these leases in profit or loss for the year ended December 31, 2018. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	December 31, 2018
Not later than one year	\$ 46,306
Later than one year but not later than five years	47,689
	<u>\$ 93,995</u>

(30) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	\$ 36,176	\$ 93,208
Add: Opening balance of payable on equipment	28,881	41,860
Ending balance of prepayment for equipment	1,123	227
Less: Ending balance of payable on equipment (	24,037)	(28,881)
Opening balance of prepayment for equipment	(227)	-
Cash paid during the year	<u>\$ 41,916</u>	<u>\$ 106,414</u>

(31) Changes in liabilities from financing activities

	Payments of lease liabilities	Short-term borrowings	Long-term borrowings	Total
January 1, 2019	\$ 378,746	\$ 559,660	\$ -	\$ 938,406
Changes in cash flow from financing activities	(38,552)	(163,298)	125	(201,725)
Impact of changes in foreign exchange rate	(2,126)	386	-	(1,740)
Changes in other non-cash items	(33,962)	-	-	(33,962)
Interest expense	6,926	-	-	6,926
December 31, 2019	<u>\$ 311,032</u>	<u>\$ 396,748</u>	<u>\$ 125</u>	<u>\$ 707,905</u>

	Payments of lease liabilities	Short-term borrowings	Long-term borrowings	Total
January 1, 2019	\$ -	\$ 552,221	\$ -	\$ 552,221
Changes in cash flow from financing activities	-	9,541	-	9,541
Impact of changes in foreign exchange rate	-	(2,102)	-	(2,102)
December 31, 2019	<u>\$ -</u>	<u>\$ 559,660</u>	<u>\$ -</u>	<u>\$ 559,660</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Cybertan Technology Inc.	Entities with significant influence to the Group

(2) Significant related party transactions

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Sales of goods:		
Cybertan Technology Inc.	<u>\$ 396,054</u>	<u>\$ 402,076</u>

The sales prices are based on mutual agreement, and no similar transactions can be compared with. The credit terms are 30 days from invoice date for the related parties. For third parties, credit terms are 30~90 days from invoice date or after monthly billings.

B. Purchases

	Years ended December 31,	
	2019	2018
Purchases of goods:		
Entities with significant influence to the Group	\$ 1,828	\$ 263

C. Receivables from related parties

	Years ended December 31,	
	2019	2018
Accounts receivable:		
Entities with significant influence to the Group	\$ 74,209	\$ 41,793
Other receivables:		
Entities with significant influence to the Group	385	789
	<u>\$ 74,594</u>	<u>\$ 42,582</u>

D. Payables to related parties

	Years ended December 31,	
	2019	2018
Accounts payable:		
Entities with significant influence to the Group	\$ -	\$ 229

E. Lease transactions – lessee

(a) The Group leases buildings from Cybertan Technology Inc.. Rental contracts are typically made for periods of 10 years. Rents are paid at the end of year.

(b) Acquisition of right-of-use assets:

	Year ended December 31, 2019
Cybertan Technology Inc.	<u>\$ 219,392</u>

On 1 January 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets by \$248,243.

(c) Lease liabilities

(i) Outstanding balance:

	December 31, 2019
Cybertan Technology Inc.	<u>\$ 221,507</u>

(ii) Interest expense

	Year ended December 31, 2019
Cybertan Technology Inc.	<u>\$ 4,875</u>

(d) For the year ended December 31, 2018, rent expense to entities with significant influence to the Group amounted to \$25,856.

(e) As of December 31, 2018, prepaid rents to entities with significant influence to the Group amounted to \$1,904.

(f) As of December 31, 2019 and 2018, guarantee deposits paid (shown as ‘Other non-current assets’) to entities with significant influence to the Group both amounted to \$1,972.

(3) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	\$ 46,408	\$ 50,111
Post-employment benefits	1,905	2,201
	<u>\$ 48,313</u>	<u>\$ 52,312</u>

8. PLEDGED ASSETS

The Group’s assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2019	December 31, 2018	
Time deposits (shown as ‘Financial assets at amortised cost-current’)	\$ 537	\$ 559	Guarantee for business card

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Information on the appropriation of 2019 earnings approved by the Board of Directors is provided in Note 6(19).

(2) The Company reallocated Group resources to minimize the effects of the shortage of raw materials and supplies from Mainland China suppliers as a result of the spread of COVID-19 virus in 2020.

12. OTHERS

(1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 8,667	\$ 6,526
Financial assets at fair value through other comprehensive income	-	-
Designation of equity instrument	224,207	242,486
Available-for-sale financial assets	-	-
Financial assets at amortised cost		
Cash and cash equivalents	1,057,733	1,086,499
Financial assets at amortised cost	28,235	48,913
Notes receivable	9,024	68,362
Accounts receivable (including related party transactions)	1,115,134	1,645,663
Other receivables (including related party transactions)	127,014	133,365
Guarantee deposits paid	4,441	9,455
	<u>\$ 2,574,455</u>	<u>\$ 3,241,269</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 273	\$ 95
Financial liabilities at amortised cost		
Short-term borrowings	396,748	559,660
Accounts payable (including related party transactions)	919,456	1,811,731
Other payables	358,092	411,044
Long-term borrowings	125	-
	<u>\$ 1,674,694</u>	<u>\$ 2,782,530</u>
Lease liability	<u>\$ 311,032</u>	<u>\$ -</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2) and 6(12)).
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

- (a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group uses forward foreign exchange contracts, transacted with Company treasury.
- iii. The Group hedges foreign exchange rate by using forward exchange and cross currency swap contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and (12).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 55,834	29.98	\$ 1,673,903
RMB:NTD	44	4.30	189
EUR:NTD	1,070	33.59	35,941
USD:RMB	25,058	6.98	751,239
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 49,578	29.98	\$ 1,486,348
RMB:NTD	5,200	4.30	22,360
EUR:NTD	1,125	33.59	37,789
USD:RMB	20,623	6.98	618,278

December 31, 2018

	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 56,936	30.72	\$ 1,749,074
RMB:NTD	14,235	4.48	63,773
EUR:NTD	1,025	35.20	36,080
USD:RMB	22,786	6.86	699,986
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 48,217	30.72	\$ 1,481,226
RMB:NTD	18,921	4.48	84,766
EUR:NTD	1,183	35.20	41,642
USD:RMB	29,544	6.86	907,592

- v. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to (\$10,494) and \$171, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2019

Sensitivity analysis

<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency : functional currency)		
<u>Financial assets</u>		
<u>Monetary items</u>		
USD:NTD	1% \$ 16,739	\$ -
RMB:NTD	1% 2	
EUR:NTD	1% 359	-
USD:RMB	1% 7,512	-
<u>Financial liabilities</u>		
<u>Monetary items</u>		
USD:NTD	1% (\$ 14,863)	\$ -
RMB:NTD	1% (224)	
EUR:NTD	1% (378)	-
USD:RMB	1% (6,183)	-

Year ended December 31, 2018

Sensitivity analysis

<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>
(Foreign currency : functional currency)		
<u>Financial assets</u>		
<u>Monetary items</u>		
USD:NTD	1% \$ 17,491	\$ -
RMB:NTD	1% 638	-
EUR:NTD	1% 361	-
USD:RMB	1% 7,000	-
<u>Financial liabilities</u>		
<u>Monetary items</u>		
USD:NTD	1% (\$ 14,812)	\$ -
RMB:NTD	1% (848)	-
EUR:NTD	1% (416)	-
USD:RMB	1% (9,076)	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group's investments in equity securities comprise shares issued by the overseas and domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$60 and \$61, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$2,242 and \$2,425, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through profit or loss.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a optimised credit rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.
- iii. Impairment assessment of credit risk on financial assets at amortised cost is as follows:
 - (i) The Group adopts following assumptions under IFRS 9, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

- (iii) The Group used the forecastability to adjust historical and timely information and considered credit rating of issue banks to assess the default possibility of accounts and notes receivable.
- (iv) The Group's financial assets at amortised cost are including time deposits deposited in banks and restricted time deposits. Such banks all have optimised credit rating, no past due has occurred, and no significant changes in the entire economic environment, therefore no credit loss is expected and the impact to the financial statement is remote.
- iv. Impairment assessment of credit risk on accounts and notes receivable is as follows:
- (i) The Group classifies customers' accounts and notes receivable in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- (ii) The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts and notes receivable. As of December 31, 2019 and 2018, the provision matrix is as follows:

	<u>Not past due</u>	<u>90 days past due</u>	<u>90-180 days past due</u>	<u>Over 180 days past due</u>	<u>Total</u>
<u>December 31, 2019</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-1%	
Total book value	\$ 907,138	\$ 145,858	\$ 20,937	\$ 51,478	\$ 1,125,411
Loss allowance	\$ -	\$ -	\$ -	\$ 1,253	\$ 1,253

	<u>Not past due</u>	<u>90 days past due</u>	<u>90-180 days past due</u>	<u>Over 180 days past due</u>	<u>Total</u>
<u>December 31, 2018</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-1%	
Total book value	\$ 1,559,270	\$ 151,387	\$ 125	\$ 4,485	\$ 1,715,267
Loss allowance	\$ 3	\$ 3	\$ -	\$ 1,236	\$ 1,242

- v. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts and notes receivable are as follows:

	<u>2019</u>
At January 1	\$ 1,242
Provision for impairment loss	40
Effect of exchange rate changes	(29)
At December 31	<u>\$ 1,253</u>

	<u>2018</u>
At January 1_IAS 39	\$ 8,659
Adjustments under new standards	<u>-</u>
At January 1_IFRS 9	8,659
Reversal of impairment loss	(1,945)
Write-offs	(5,437)
Effect of exchange rate changes	<u>(35)</u>
At December 31	<u>\$ 1,242</u>

vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
- (ii) The disappearance of an active market for that financial asset because of financial difficulties;
- (iii) Default or delinquency in interest or principal repayments;
- (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of other receivables. As of December 31, 2019 and 2018, the provision matrix is as follows:

	<u>Not past due</u>	<u>90 days past due</u>	<u>90-180 days past due</u>	<u>Over 180 days past due</u>	<u>Total</u>
<u>December 31, 2019</u>					
Expected loss rate	0%	0%	0%	0%	
Total book value	\$ 126,650	\$ 364	\$ -	\$ -	\$ 127,014
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Not past due</u>	<u>90 days past due</u>	<u>90-180 days past due</u>	<u>Over 180 days past due</u>	<u>Total</u>
<u>December 31, 2018</u>					
Expected loss rate	0%	0%	0%	0%	
Total book value	\$ 133,365	\$ -	\$ -	\$ -	\$ 133,365
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Company treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate

maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
December 31, 2019						
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 397,282	\$ -	\$ -	\$ -	\$ -	\$ 397,282
Accounts payable (including related parties)	859,017	60,439	-	-	-	919,456
Other payables	358,092	-	-	-	-	358,092
Long-term borrowings	-	2	2	127	-	131
Lease liability	9,529	28,586	38,115	114,344	155,202	345,776
<u>Derivative financial liabilities</u>						
Cross currency swap contracts	\$ 273	\$ -	\$ -	\$ -	\$ -	\$ 273
December 31, 2018						
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 561,682	\$ -	\$ -	\$ -	\$ -	\$ 561,682
Accounts payable (including related parties)	1,801,725	10,006	-	-	-	1,811,731
Other payables	411,044	-	-	-	-	411,044
<u>Derivative financial liabilities</u>						
Cross currency swap contracts	\$ 95	\$ -	\$ -	\$ -	\$ -	\$ 95

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's derivative instruments and emerging stocks are included in Level 2.

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

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, financial assets at amortised cost, other financial assets, short-term borrowings, accounts payable and other payables are approximate to their fair values.

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

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Foreign exchange swap contracts	\$ -	\$ 2,671	\$ -	\$ 2,671
Convertible bonds	-	-	5,996	5,996
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	224,207	224,207
	<u>\$ -</u>	<u>\$ 2,671</u>	<u>\$ 230,203</u>	<u>\$ 232,874</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 273	\$ -	\$ 273
December 31, 2018				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Foreign exchange swap contracts	\$ -	\$ 383	\$ -	\$ 383
Convertible bonds	-	-	6,143	6,143
Financial assets at fair value through other comprehensive income				
Equity securities	-	5,352	237,134	242,486
	<u>\$ -</u>	<u>\$ 5,735</u>	<u>\$ 243,277</u>	<u>\$ 249,012</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 95	\$ -	\$ 95

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

- i. When assessing non-standard and low-complexity financial instruments, for example, interest rate swap contracts and foreign exchange swap contracts, the Group adopts

valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

- ii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	2019		
	Derivative		
	Equity securities	instruments	Total
At January 1	\$ 237,134	\$ 6,143	\$ 243,277
Gain recognised in other comprehensive income	(2,407)	-	(2,407)
Net exchange differences	(10,520)	(147)	(10,667)
At December 31	<u>\$ 224,207</u>	<u>\$ 5,996</u>	<u>\$ 230,203</u>
	2018		
	Derivative		
	Equity securities	instruments	Total
At January 1	\$ 173,820	\$ -	\$ 173,820
Gains recognised in profit or loss	-	-	-
Acquired in the year	60,360	6,143	66,503
Losses recognised in other comprehensive income	(3,336)	-	(3,336)
Net exchange differences	6,290	-	6,290
At December 31	<u>\$ 237,134</u>	<u>\$ 6,143</u>	<u>\$ 243,277</u>

F. Treasury department are in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of

information is independent, reliable and in line with other resources and represented as the exercisable price.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at <u>December 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 9,276	Market comparable companies	Discount for lack of marketability P/B ratio	30% 100%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	54,811	Discounted cash flow	Long-term pre-tax operating margin	Not applicable	The higher the long-term pre-tax operating margin, the higher the fair value
Venture capital shares	160,120	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value

	Fair value at <u>December 31, 2018</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 8,401	Market comparable companies	Discount for lack of marketability P/B ratio	30% 100%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	61,430	Discounted cash flow	Long-term pre-tax operating margin	Not applicable	The higher the long-term pre-tax operating margin, the higher the fair value
Venture capital shares	167,303	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value

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

		December 31, 2019					
				Recognised in profit or loss		Recognised in other comprehensive income	
		Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instruments	Discount for lack of marketability		±10%	\$ -	\$ -	\$ 398	(\$ 398)
	P/B ratio		±10%	-	-	928	(928)
	Profit before income tax		±1%	-	-	6,127	(6,127)
				\$ -	\$ -	\$ 7,453	(\$ 7,453)
		December 31, 2018					
				Recognised in profit or loss		Recognised in other comprehensive income	
		Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets							
Equity instruments	Discount for lack of marketability		±10%	\$ -	\$ -	\$ 360	(\$ 360)
	P/B ratio		±10%	-	-	840	(840)
	Profit before income tax		±1%	-	-	41,133	(41,133)
				\$ -	\$ -	\$ 42,333	(\$ 42,333)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period: Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative financial instruments undertaken during the reporting periods: Please refer to Note 6(2) (12).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third areas, with investee companies in the Mainland China: Please refer to table 7.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker, general manager, that are used to make strategic decisions., and the Group was identified as a single reportable segment

(2) Measurement of segment information

The Group's General Manager assesses the performance of the operating segments based on the pre-tax net income (loss).

(3) Information about segment profit or loss, assets and liabilities

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Revenue from external customers	\$ 5,798,880	\$ 7,969,155
Inter-segment revenue	\$ 3,131,761	\$ 4,615,000
Total segment revenue	\$ 8,930,641	\$ 12,584,155
Segment income	\$ 10,525	\$ 81,670
Segment assets	\$ 5,024,224	\$ 5,918,188
Segment liabilities	\$ 2,368,769	\$ 3,158,631

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

	<u>December 31, 2019</u>
Depreciation expense increased	\$ 37,876
Segment assets increased	\$ 335,400
Segment liabilities increased	\$ 311,032

(4) Reconciliation for segment income (loss)

Total measurement of segment income is consistent with the operating income recorded in the Group's financial statements, therefore, no reconciliation was needed.

(5) Information on products and services

Please refer to Note 6 (21) for the related information.

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
USA	\$ 3,209,838	\$ 98,013	\$ 5,219,864	\$ 11,526
Mainland China	1,244,820	422,014	1,494,182	483,901
Others	1,344,222	338,979	1,255,109	98,864
	<u>\$ 5,798,880</u>	<u>\$ 859,006</u>	<u>\$ 7,969,155</u>	<u>\$ 594,291</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019			Year ended December 31, 2018	
	Revenue	Segment		Revenue	Segment
E customer	\$ 1,115,949	Whole Group	F customer	\$ 2,427,167	Whole Group
B customer	1,087,284	Whole Group	E customer	1,699,991	Whole Group
F customer	756,906	Whole Group	B customer	1,036,494	Whole Group
H customer	764,006	Whole Group	H customer	967,097	Whole Group

Microelectronics Technology, Inc. and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2019				Note
				Number of shares	Book value	Ownership (%)	Fair value	
Microelectronics Technology, Inc.	Stocks - TAIWAN AEROSPACE CORPORATION	None	Financial assets at fair value through other comprehensive income	648,576	\$ 9,276	0.48	\$ 9,276	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Optical Scientific, Inc.	None	Financial assets at fair value through profit or loss	16,023	-	5.02	-	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Firetide, Inc.	None	Financial assets at fair value through profit or loss	1,333,360	-	2.24	-	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Taicom Capital Ltd.	None	Financial assets at fair value through other comprehensive income	20,000	160,120	Note	160,120	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - New Edge Signal Solutions LCC	None	Financial assets at fair value through other comprehensive income	1,355,663	54,811	12.5	54,811	
SASSON INTERNATIONAL HOLDING, INC.	Conversion of convertible bonds - Kymeta Corporation	None	Financial assets at fair value through profit or loss	-	5,996	-	5,996	

Note: Holding of 10,000 ordinary shares and 10,000 preference shares for 11.43% and 16.67% ownweship, respectively.

Microelectronics Technology, Inc. and Subsidiaries

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

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Note
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC	Indirect subsidiary of the Company	Purchases	\$ 2,269,877	60%	90 days	Not applicable	Not applicable	(\$ 289,740)	(40%)	
JUPITER TECHNOLOGY (WUXI) INC	Microelectronics Technology, Inc.	Indirect subsidiary of the Company	Sales	(2,269,877)	(62%)	90 days	Not applicable	Not applicable	289,740	33%	
Microelectronics Technology, Inc.	Cybertan Technology Inc.	Entities with significant influence to the Group	Sales	(68,127)	(1%)	30 days	Not applicable	Not applicable	6,483	1%	
JUPITER TECHNOLOGY (WUXI) INC	Cybertan Technology Inc.	Entities with significant influence to the Group	Sales	(327,837)	(6%)	30 days	Not applicable	Not applicable	67,726	6%	

Microelectronics Technology, Inc. and Subsidiaries
 Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
 Year ended December 31, 2019

Table 3

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
JUPITER TECHNOLOGY (WUXI) INC	Microelectronics Technology, Inc.	Parent company	\$ 289,740	4.87	\$ -		\$ 289,740	\$ -

Microelectronics Technology, Inc. and Subsidiaries
Significant inter-company transactions during the reporting periods
Year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC.	1	Purchases and processing overhead	\$ 2,269,877	Same as those to the third parties	39.14%
0	Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC.	1	Accounts payable	289,740	Payment term is 60 days from receipt of goods	5.77%
0	Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC.	1	Other current liabilities	27,374	Based on the mutual agreement	0.54%
0	Microelectronics Technology, Inc.	MTI Laboratory, INC.	1	Research and development expenses	136,022	Same as those to the third parties	2.35%
0	Microelectronics Technology, Inc.	MTI Laboratory, INC.	1	Other receivables	38,096	Based on the mutual agreement	0.76%
0	Microelectronics Technology, Inc.	Radiocomp ApS	1	Research and development expenses	76,063	Same as those to the third parties	1.31%
0	Microelectronics Technology, Inc.	Radiocomp ApS	1	Other receivables	29,526	Based on the mutual agreement	0.59%

Note 1: The information of transactions between the Company and the subsidiaries should be noted in "Number" column.

- (1) Number 0 represents the Company.
- (2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationship with counterparties are as follows:

- (1) The Company to the consolidated subsidiary.
- (2) The consolidated subsidiaries to the Company.
- (3) The consolidated subsidiaries to other consolidated subsidiaries.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 4: Only transaction amounts over 10 million were disclosed and if transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it was not required to be disclosed separately.

Microelectronics Technology, Inc. and Subsidiaries
Information on investees
Year ended December 31, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Note
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Microelectronics Technology, Inc.	SASSON INTERNATIONAL HOLDING, INC.	British Virgin IS.	Investment management	\$ 908,778	\$ 908,778	3,920	100	\$ 1,662,226	\$ 10,992	\$ 21,536	Note 1
SASSON INTERNATIONAL HOLDING, INC.	Welltop Technology Co.,Ltd.	British Virgin IS.	Investment management	234,863	240,621	7,834,000	100	317,459	9,231	9,231	Note 2
SASSON INTERNATIONAL HOLDING, INC.	Jupiter Network Corp.	British Virgin IS.	Investment management	931,533	954,370	31,071,800	100	978,520	(1,006)	(1,006)	Note 2
Welltop Technology Co.,Ltd.	MTI Laboratory, Inc.	U.S.A	Communications	44,970	46,073	1,500,000	100	122,200	6,337	6,337	Note 2
Welltop Technology Co.,Ltd.	Radiocomp ApS	DENMARK	Communications	140,966	144,422	1,527,944	100	174,374	2,521	2,521	Note 2

Note 1: Subsidiary of the Company.

Note 2: Indirect subsidiary of the Company.

Microelectronics Technology, Inc. and Subsidiaries
Information on investees in Mainland China
Year ended December 31, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated	Amount remitted from Taiwan		amount	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2010 (Note 3)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount	Note
				of remittance from Taiwan to Mainland China as of January 1, 2019	remitted back to Taiwan for the year ended December 31, 2019	remitted from Taiwan to Mainland China as of December 31, 2019	of investment income remitted back to Taiwan as of December 31, 2019						
JUPITER TECHNOLOGY (WUXI) INC (Note 1)	The manufactures and sales of satellite and microwave communication system and related technical and consultation services	\$ 929,380	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	\$ 929,380	\$ -	\$ -	\$ 929,380	(\$ 1,006)	100	(\$ 1,006)	\$ 978,479	\$ -	-
<u>Company name</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>				<u>December 31, 2019</u>	<u>December 31, 2019</u>	
Microelectronics Technology, Inc.	\$ 1,048,401	\$ 1,169,460	\$ 1,593,273										

Note 1: It was indirectly invested through Jupiter Network Corp.

Note 2: Investment profit or loss was recognised based on the financial statements that were audited by R.O.C. parent company's CPA.

Microelectronics Technology, Inc. and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the year ended December 31, 2019	Others (Note)
	Amount	%	Amount	%	Balance	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate		
JUPITER TECHNOLOGY (WUXI) INC	(\$ 2,269,877)	-	(\$ 10,406)	-	(\$ 289,740)	32	\$ -	-	\$ -	\$ -	-	\$ -	(\$ 23,056)

Note: It consisted of other receivables amounting to \$4,318 and other current liabilities amounting to \$27,374.

Appendix 2

MICROELECTRONICS TECHNOLOGY, INC.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2019 AND 2018

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

**MICROELECTRONICS TECHNOLOGY,
INC.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2019 AND 2018**

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Microelectronics Technology, Inc.

Opinion

We have audited the accompanying parent company only balance sheets of Microelectronics Technology, Inc. (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the parent company only Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements for the year ended December 31, 2019 are stated as follows:

Intangible assets - assessment of goodwill impairment

Description

As of December 31, 2019, goodwill amounted to NT\$ 143,637 thousand. For information on evaluation of goodwill impairment, please refer to Note 6(11), impairment of non-financial assets. The Company estimates recoverable amount utilizing the future cash flows of goodwill's cash generating unit and appropriate discount rates in order to determine whether goodwill is impaired. The estimation of future cash flows involves various assumptions, which may have significant effects on the estimation of recoverable amount. Thus, it has been identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Interviewed with management in order to obtain an understanding of the procedures in relation to identifying cash-generating units and estimating the future cash flows. Compared the financial forecast for the year ended December 31, 2020 with the budget approved by the Board of Directors to ensure they are consistent.
2. Interviewed with management in order to obtain an understanding of development plans and schedules of the projects.
3. Assessed the key assumption that management used to estimate future cash flows, including operating revenue growth rate and gross margin, and evaluated the parameters used in determining the discount rate, including the risk-free rate of return that was used to calculate cost of equity, industry's risk coefficient and long-term market return.

Allowance for inventory valuation losses

Description

Please refer to Note 6(6) for the details of inventories. As of December 31, 2019, the balances of inventories and allowance for inventory valuation losses amounted to NT\$639,960 thousand and NT\$60,208 thousand, respectively. Since inventory is material to the financial statements and the determination of net realisable value of the obsolete inventory usually involves management's subjective judgement, therefore, we determined valuation of inventories that are over a certain age and individually identified as obsolete or slow-moving as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of management policies on obsolete or slow-moving inventories, and verified the reasonableness of determining the obsolescence of inventory.
2. Tested the movements of inventories, and sampled individual inventory item numbers to check whether the classification of inventory aging is correct.
3. For obsolete or slow-moving inventories, sampled individual inventory item numbers to check progress of inventory clearance and evaluated the reasonableness of determining the allowance for inventory valuation losses

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate

the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the parent company only financial statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Yu-Kuan

Li, Tien-Yi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2020

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

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

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

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 710,701	15	\$ 629,590	12
1110	Financial assets at fair value through profit or loss - current	6(2)	2,671	-	383	-
1136	Current financial assets at amortised cost	6(4)	-	-	20,930	1
1150	Notes receivable	6(5)	9,024	-	68,362	2
1170	Accounts receivable, net	6(5)	860,915	19	1,344,046	26
1180	Accounts receivable - related parties	6(5) and 7	6,844	-	14,715	-
1200	Other receivables		702	-	3,320	-
1210	Other receivables - related parties	7	4,703	-	10,537	-
130X	Inventories	6(6)	579,752	12	712,146	14
1410	Prepayments		25,391	1	46,435	1
11XX	Total current assets		<u>2,200,703</u>	<u>47</u>	<u>2,850,464</u>	<u>56</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	9,276	-	13,753	-
1550	Investments accounted for under equity method	6(7)	1,622,226	35	1,662,473	32
1600	Property, plant and equipment	6(8)	93,334	2	80,754	2
1755	Right-of-use assets	6(9)	219,392	5	-	-
1780	Intangible assets	6(10)	163,085	3	157,552	3
1840	Deferred income tax assets	6(28)	365,989	8	357,858	7
1900	Other non-current assets		3,009	-	5,413	-
15XX	Total non-current assets		<u>2,476,311</u>	<u>53</u>	<u>2,277,803</u>	<u>44</u>
1XXX	Total assets		<u>\$ 4,677,014</u>	<u>100</u>	<u>\$ 5,128,267</u>	<u>100</u>

(Continued)

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

Liabilities and Equity		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 396,748	8	\$ 446,153	9
2120	Financial liabilities at fair value through profit or loss - current	6(13)	273	-	95	-
2130	Current contract liabilities	6(22)	55,771	1	7,519	-
2170	Accounts payable		427,940	9	438,504	9
2180	Accounts payable - related parties	7	289,741	6	641,890	13
2200	Other payables	6(14)	209,074	4	269,633	5
2220	Other payables - related parties	7	76,020	2	118,716	2
2250	Provisions for liabilities - current	6(17)	2,017	-	16,166	-
2280	Current lease liabilities	6(32)	22,708	1	-	-
2300	Other current liabilities	7	33,166	1	109,111	2
21XX	Total current liabilities		<u>1,513,458</u>	<u>32</u>	<u>2,047,787</u>	<u>40</u>
Non-current liabilities						
2540	Long-term borrowings	6(15)	125	-	-	-
2550	Provisions for liabilities - non-current	6(17)	500	-	1,622	-
2570	Deferred income tax liabilities	6(28)	102,055	2	106,562	2
2580	Non-current lease liabilities	6(32)	198,799	4	-	-
2600	Other non-current liabilities	6(16)	206,622	5	212,739	4
25XX	Total non-current liabilities		<u>508,101</u>	<u>11</u>	<u>320,923</u>	<u>6</u>
2XXX	Total Liabilities		<u>2,021,559</u>	<u>43</u>	<u>2,368,710</u>	<u>46</u>
Equity						
Share capital						
3110	Common stock	6(18)	2,280,283	49	2,280,283	45
Capital reserve						
3200	Capital surplus	6(19)	402,937	9	402,937	8
Retained earnings						
3310	Legal reserve	6(20)	24,972	-	19,761	-
3320	Special reserve		193,426	4	83,446	2
3350	Unappropriated retained earnings		2,413	-	166,556	3
Other equity interest						
3400	Other equity interest	6(21)	(248,576)	(5)	(193,426)	(4)
3XXX	Total equity		<u>2,655,455</u>	<u>57</u>	<u>2,759,557</u>	<u>54</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 4,677,014</u>	<u>100</u>	<u>\$ 5,128,267</u>	<u>100</u>

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

MICROELECTRONICS TECHNOLOGY, INC.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(22) and 7	\$ 4,922,305	100	\$ 7,124,093	100
5000	Operating costs	6(6) and 7	(4,144,412)	(84)	(6,245,468)	(88)
5900	Gross profit		<u>777,893</u>	<u>16</u>	<u>878,625</u>	<u>12</u>
	Operating expenses	6(26)(27) and 7				
6100	Selling expenses		(282,752)	(6)	(256,252)	(4)
6200	General and administrative expenses		(62,520)	(1)	(59,617)	(1)
6300	Research and development expenses		(480,676)	(10)	(609,657)	(8)
6450	Loss of expected credit impairment		(40)	-	(6)	-
6000	Total operating expenses		<u>(825,988)</u>	<u>(17)</u>	<u>(925,532)</u>	<u>(13)</u>
6900	Operating loss		<u>(48,095)</u>	<u>(1)</u>	<u>(46,907)</u>	<u>(1)</u>
	Non-operating income and expenses					
7010	Other income	6(23)	41,240	1	56,339	1
7020	Other gains and losses	6(24) and 7	4,288	-	18,329	-
7050	Finance costs	6(25)	(17,285)	-	(16,139)	-
7070	Share of profit of associates and joint ventures accounted for under equity method	6(7)				
			<u>21,536</u>	<u>-</u>	<u>49,087</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>49,779</u>	<u>1</u>	<u>107,616</u>	<u>1</u>
7900	Profit before income tax		<u>1,684</u>	<u>-</u>	<u>60,709</u>	<u>-</u>
7950	Income tax expense	6(28)	-	-	(8,600)	-
8200	Profit for the year		<u>\$ 1,684</u>	<u>-</u>	<u>\$ 52,109</u>	<u>-</u>
	Other comprehensive income (loss)					
	Components of other comprehensive loss that will not be reclassified to profit or loss					
8311	Losses on remeasurements of defined benefit plans	6(16)	(\$ 7,925)	-	(\$ 13,957)	-
8316	Unrealised loss from financial assets measured at fair value through other comprehensive income	6(3)				
			1,477	-	(1,685)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(7)	(8,596)	-	(1,553)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8380	Share of other comprehensive income of associates and joint ventures accounted for under equity method, components of other comprehensive income that will be reclassified to profit or loss	6(7)				
			(56,420)	(1)	195	-
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(28)				
			<u>11,284</u>	<u>-</u>	<u>(36)</u>	<u>-</u>
8300	Total other comprehensive loss for the year		<u>(\$ 60,180)</u>	<u>(1)</u>	<u>(\$ 17,036)</u>	<u>-</u>
8500	Total comprehensive income for the year		<u>(\$ 58,496)</u>	<u>(1)</u>	<u>\$ 35,073</u>	<u>-</u>
	Basic earnings per share					
9750	Total basic earnings per share	6(29)	<u>\$</u>	<u>0.01</u>	<u>\$</u>	<u>0.23</u>
	Diluted earnings per share					
9850	Total diluted earnings per share	6(29)	<u>\$</u>	<u>0.01</u>	<u>\$</u>	<u>0.23</u>

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

MICROELECTRONICS TECHNOLOGY, INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus, additional paid- in capital	Retained Earnings			Other equity interest			Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on available-for- sale financial assets	
<u>2018</u>										
Balance at January 1, 2018		\$ 2,280,283	\$ 402,937	\$ 5,372	\$ 21,052	\$ 143,892	(\$ 59,093)	\$ -	(\$ 24,353)	\$ 2,770,090
Effects of retrospective application	3(1)	-	-	-	-	106,011	-	(130,364)	24,353	-
Balance at January 1, 2018 after adjustments		<u>2,280,283</u>	<u>402,937</u>	<u>5,372</u>	<u>21,052</u>	<u>249,903</u>	<u>(59,093)</u>	<u>(130,364)</u>	<u>-</u>	<u>2,770,090</u>
Profit for the year		-	-	-	-	52,109	-	-	-	52,109
Other comprehensive income (loss) for the year	6(3)	-	-	-	-	(13,957)	159	(3,238)	-	(17,036)
Total comprehensive income (loss)		-	-	-	-	<u>38,152</u>	<u>159</u>	<u>(3,238)</u>	<u>-</u>	<u>35,073</u>
Appropriation of 2017 earnings										
Legal reserve		-	-	14,389	-	(14,389)	-	-	-	-
Special reserve		-	-	-	62,394	(62,394)	-	-	-	-
Cash dividends	6(20)	-	-	-	-	(45,606)	-	-	-	(45,606)
Disposal of financial assets at fair value through other comprehensive income (loss)	6(3)	-	-	-	-	890	-	(890)	-	-
Balance at December 31, 2018		<u>\$ 2,280,283</u>	<u>\$ 402,937</u>	<u>\$ 19,761</u>	<u>\$ 83,446</u>	<u>\$ 166,556</u>	<u>(\$ 58,934)</u>	<u>(\$ 134,492)</u>	<u>\$ -</u>	<u>\$ 2,759,557</u>
<u>2019</u>										
Balance at January 1, 2019		\$ 2,280,283	\$ 402,937	\$ 19,761	\$ 83,446	\$ 166,556	(\$ 58,934)	(\$ 134,492)	\$ -	\$ 2,759,557
Profit for the year		-	-	-	-	1,684	-	-	-	1,684
Other comprehensive loss for the year	6(3)	-	-	-	-	(7,925)	(45,136)	(7,119)	-	(60,180)
Total comprehensive loss		-	-	-	-	<u>(6,241)</u>	<u>(45,136)</u>	<u>(7,119)</u>	<u>-</u>	<u>(58,496)</u>
Appropriation of 2018 earnings										
Legal reserve		-	-	5,211	-	(5,211)	-	-	-	-
Special reserve		-	-	-	109,980	(109,980)	-	-	-	-
Cash dividends	6(20)	-	-	-	-	(45,606)	-	-	-	(45,606)
Disposal of financial assets at fair value through other comprehensive income (loss)	6(3)	-	-	-	-	2,895	-	(2,895)	-	-
Balance at December 31, 2019		<u>\$ 2,280,283</u>	<u>\$ 402,937</u>	<u>\$ 24,972</u>	<u>\$ 193,426</u>	<u>\$ 2,413</u>	<u>(\$ 104,070)</u>	<u>(\$ 144,506)</u>	<u>\$ -</u>	<u>\$ 2,655,455</u>

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

MICROELECTRONICS TECHNOLOGY, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,684	\$ 60,709
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on expected credit impairment		40	6
Depreciation	6(8)(26)	47,282	17,560
Amortization	6(10)(26)	15,473	14,757
Net (gain) loss on financial assets at fair value through profit or loss	6(2)(24)	(2,288)	1,307
Net loss (gain) on financial liabilities at fair value through profit or loss	6(24)	178	(3,734)
Interest income	6(23)	(3,974)	(4,083)
Dividend income	6(23)	(342)	(556)
Interest expense	6(25)	17,285	16,139
Gain on disposal of property, plant and equipment	6(24)	(7,039)	(4,889)
Share of profit of associates accounted for under the equity method	6(7)	(21,536)	(49,087)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		59,338	(59,082)
Accounts receivable		483,091	42,644
Accounts payable—related parties		7,871	(14,673)
Other payables		2,634	103,527
Other receivables - related parties		5,834	60,172
Inventories		132,394	(250,891)
Prepayments		20,817	(32,659)
Changes in operating liabilities			
Accounts payable		(10,564)	(490)
Accounts payable - related parties		(352,149)	264,509
Other payables		(64,135)	27,174
Other payables—related parties		(35,249)	28,040
Provisions for liabilities		(15,271)	(4,301)
Contract liabilities		48,252	4,012
Other current liabilities		(75,945)	(44,996)
Accrued pension liabilities		(14,042)	(16,779)
Cash inflow generated from operations		239,639	154,336
Interest received		3,958	4,146
Dividend received		342	556
Interest paid		(12,123)	(15,929)
Income taxes paid		(1,353)	(143)
Net cash flows from operating activities		<u>230,463</u>	<u>142,966</u>

(Continued)

MICROELECTRONICS TECHNOLOGY, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of acquisition of financial assets at amortized cost	6(4)	\$ 20,930	(\$ 20,930)
Acquisition of property, plant and equipment	6(31)	(39,834)	(44,404)
Proceeds from disposal of property, plant and equipment		3,819	6,675
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	5,953	1,934
Acquisition of intangible assets	6(10)	(21,006)	(7,556)
Increase in guarantee deposits paid		-	(2,109)
Decrease in guarantee deposits paid		2,810	-
Decrease in restricted financial assets		-	21,916
Net cash flows used in investing activities		(27,328)	(44,474)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		1,958,921	2,980,964
Decrease in short-term borrowings		(2,008,326)	(3,041,783)
Proceeds of from long-term borrowings		125	-
Repayments of principal portion of lease liabilities		(27,138)	-
Cash dividends paid	6(20)	(45,606)	(45,606)
Net cash flows used in financing activities		(122,024)	(106,425)
Net increase (decrease) in cash and cash equivalents		81,111	(7,933)
Cash and cash equivalents at beginning of year		629,590	637,523
Cash and cash equivalents at end of year		\$ 710,701	\$ 629,590

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

MICROELECTRONICS TECHNOLOGY, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED 2019 AND 2018

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

1. HISTORY AND ORGANISATION

Microelectronics Technology Inc. (the “Company”) was incorporated as company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in design, manufacture and sales of terrestrial microwave, satellite and photoelectric communication system products, and related customised products.

On January 1, 2011, the Company merged with the subsidiary, Global PCS Inc.. Under the merger, the Company is the surviving company while Global PCS Inc. was the dissolved company.

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

These financial statements were authorised for issuance by the Board of Directors on March 17, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, ‘Leases’

A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently, IFRS 16 only requires enhanced disclosures to be provided by lessors.

- B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Company increased ‘right-of-use asset’ by \$248,243, and increased ‘lease liability’ by \$248,243 on January 1, 2019.
- C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$9,037 was recognised in 2019.
- D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 2%.
- E. The Company recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 41,454
Add: Adjustments as a result of a different treatment of extension options	<u>234,906</u>
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	276,360
Incremental borrowing interest rate at the date of initial application	<u>2%</u>
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 248,243</u>

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

A. Except for the following items, the financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets and liabilities at fair value through other comprehensive income.

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

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

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

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the Company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities presented in each balance sheet are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

- (b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.
- D. Dividends are recognised as revenue when the right to receive payment is established, future

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

(7) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value, the changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime

expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / associates

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealised gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movement in other comprehensive income is equal to or exceeds its interest in the subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.

D. According to "Rules Governing the Preparation of Financial Statements by Securities Issuers", profit for the year and other comprehensive income for the year reported in the parent company only financial statements, shall be equal to profit for the year and other comprehensive income attributable to owners of the parent reported in the consolidated financial statements, equity reported in the parent company only financial statements shall be equal to equity attributable to owners of parent reported in the consolidated financial statements.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or

loss during the financial period in which they are incurred.

- C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Machinery and equipment	3 ~ 6 years
Office equipment	2 ~ 6 years
Transportation equipment	5 years
Leasehold improvements	3 years

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

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate, lease payments are comprised of the fixed payments.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising including the amount of the initial measurement of lease liability and any initial direct costs incurred by the lessee.

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

(16) Operating leases (lessee)

Prior to 2019

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

(17) Intangible assets

- A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.
- B. Goodwill arises in a business combination accounted for by applying the acquisition method.
- C. Acquired special technologies are amortised on a straight-line basis over their estimated useful lives of 5 years.

(18) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amount of goodwill will be assessed periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(20) Accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services.
- B. The short-term notes without bearing interest are subsequently measured at initial invoice amount

as the effect of discounting is immaterial.

(21) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(23) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Provisions

Provision-warranties are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

- ii. Remeasurements arising on the defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as other equity.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(26) Employee share-based payment

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

(27) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the

consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(28) Share capital

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

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(30) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells terrestrial microwave, satellite, and related customized products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from these sales is recognised based on the price specified in the contract. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not

occur. The estimation is subject to an assessment at each reporting date. The sales usually are made with a credit term of 30 to 90 days, which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

- (c) The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.
- (d) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Technical services on product development

- (a) The Company provides technical services on product development. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs spent relative to the total expected cost. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
- (b) The Company's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

C. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognises the incremental costs of obtaining a contract as an expense (mainly arisen from sales commissions) when incurred although the Company expects to recover those costs.

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of tangible and intangible assets (including goodwill)

The Company assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

The impairment assessment of goodwill relies on the Company's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(10) 、(11) for the information on goodwill impairment.

As of December 31, 2019, the Company's property, plant and equipment and intangible assets (including goodwill) amounted to \$93,334 and \$163,085, respectively.

B. Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

As of December 31, 2019, the Company recognised deferred tax assets amounting to \$365,989.

C. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value.

As of December 31, 2019, the carrying amount of inventories was \$579,752.

D. Calculation of net defined benefit liabilities

When calculating the present value of defined pension obligations, the Company must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

As of December 31, 2019, the carrying amount of net defined benefit liabilities was \$206,622.

E. Financial assets-fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Company that are not traded in an active market is determined considering those companies' recent funding raising activities and technical

development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 11(3) for the financial instruments fair value information.

As of December 31, 2019, the carrying amount of unlisted stocks without active market was \$9,276.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and revolving funds	\$ 234	\$ 130
Deposits in transit	-	36,816
Checking accounts and demand deposits	357,367	341,444
Time deposits	<u>353,100</u>	<u>251,200</u>
	<u>\$ 710,701</u>	<u>\$ 629,590</u>

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

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

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ 2,671</u>	<u>\$ 383</u>

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

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ 2,288</u>	<u>(\$ 1,307)</u>

B. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

	Unit: In thousands			
	December 31, 2019		December 31, 2018	
	Contract amount (Notional principal)	Contract period	Contract amount (Notional principal)	Contract period
<u>Derivative instruments</u>				
Current items:				
Foreign exchange swap transactions	USD 5,000	2019.12.11~ 2020.01.15	USD 5,000	2018.12.12~ 2019.02.15
Forward foreign exchange contracts	USD 2,000	2019.12.13~ 2020.01.22	-	-

The Company entered into foreign exchange swap contracts to sell forward contracts to hedge exchange rate risk of export proceeds. However, these forward contracts are not accounted for under hedge accounting.

C. Information on financial assets at fair value through profit or loss is provided in Note 11(2).

(3) Financial assets at fair value through other comprehensive income

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Non-current items :		
Equity instruments		
Emerging stocks	\$ -	\$ 3,060
Unlisted stocks	25,000	25,000
Valuation adjustments	(15,724)	(14,307)
	<u>\$ 9,276</u>	<u>\$ 13,753</u>

A. The Company has elected to classify equity instrument investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$9,276 and \$13,753 as at December 31, 2019 and 2018, respectively.

B. For the years ended December 31, 2019 and 2018, the Company sold emerging stocks with carrying amounts of \$3,058 and \$1,044, respectively, and the accumulated gain on disposal of investments amounted to \$2,895 and \$890, respectively.

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive (loss) income	\$ 1,477	(\$ 1,685)
Cumulative gains reclassified to retained earnings due to derecognition	\$ 2,895	\$ 890

(4) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Time deposits	\$ -	\$ 20,930

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2018</u>
Interest income	\$ 18	\$ 309

B. As at December 31, 2019 and 2018, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$0 and \$20,930, respectively.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 11(2).

(5) Notes and accounts receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ 9,024	\$ 68,362
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 9,024</u>	<u>\$ 68,362</u>
Accounts receivable	\$ 862,168	\$ 1,345,288
Accounts receivable - related party	6,844	14,715
Less: Allowance for uncollectible accounts	(1,253)	(1,242)
	<u>\$ 867,759</u>	<u>\$ 1,358,761</u>

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

	December 31, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 650,739	\$ 9,024	\$ 1,208,198	\$ 68,362
Up to 90 days	145,858	-	147,195	-
91 to 180 days	20,937	-	125	-
Over 180 days	51,478	-	4,485	-
	<u>\$ 869,012</u>	<u>\$ 9,024</u>	<u>\$ 1,360,003</u>	<u>\$ 68,362</u>

The above ageing analysis was based on past due date, overdue receivable of \$197,447 in 2019 has been recovered after the end of December 31, 2019.

B. As of December 31, 2019 and 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to \$1,396,018.

C. As of December 31, 2019 and 2018, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes receivable were \$9,024 and \$68,362, respectively. As of December 31, 2019 and 2018, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$867,759 and \$1,358,761, respectively.

D. Information relating to credit risk of accounts and notes receivable is provided in Note 11(2).

(6) Inventories

	December 31, 2019		
	Cost	Allowance for inventory	
		valuation losses	Book value
Raw materials	\$ 374,512	(\$ 29,959)	\$ 344,553
Work in progress	117,134	(12,421)	104,713
Finished goods	148,314	(17,828)	130,486
	<u>\$ 639,960</u>	<u>(\$ 60,208)</u>	<u>\$ 579,752</u>

	December 31, 2018		
	Cost	Allowance for inventory	
		valuation losses	Book value
Raw materials	\$ 363,898	(\$ 35,970)	\$ 327,928
Work in progress	147,269	(40,590)	106,679
Finished goods	330,157	(52,916)	277,241
Inventory in transit	298	-	298
	<u>\$ 841,622</u>	<u>(\$ 129,476)</u>	<u>\$ 712,146</u>

The cost of inventories recognised expense for the year:

	Years ended December 31,	
	2019	2018
Cost of goods sold	\$ 4,144,506	\$ 6,190,315
Loss on decline in market value	(94)	55,153
Recognised as selling and R&D expenses	11,888	17,720
	<u>\$ 4,156,300</u>	<u>\$ 6,263,188</u>

(7) Investments accounted for using equity method

	December 31, 2019	December 31, 2018
Subsidiary-Sasson International Holding Inc.	\$ 1,622,226	\$ 1,662,473
	2019	2018
At January 1	\$ 1,662,473	\$ 1,616,466
Share of profit or loss of investments accounted for using equity method	21,536	49,087
Unrealized gain (loss)	3,233 (	1,722)
Changes in other equity item-unrealized gain (loss) on financial assets	(8,596) (	1,553)
Currency exchange	(56,420)	195
At December 31	<u>\$ 1,622,226</u>	<u>\$ 1,662,473</u>

For information on the Company's subsidiary – Sasson International Holding Inc., please refer to Note 4 (3) in the Company's consolidated financial statements for the year ended December 31, 2019.

(8) Property, plant and equipment

	2019					
	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Leasehold improvements</u>	<u>Unfinished construction and equipment under acceptance</u>	<u>Total</u>
At January 1						
Cost	\$ 777,959	\$ 53,275	\$ 389	\$ 2,942	\$ 6,190	\$ 840,755
Accumulated depreciation and impairment	(714,719)	(43,917)	(389)	(976)	-	(760,001)
	<u>\$ 63,240</u>	<u>\$ 9,358</u>	<u>\$ -</u>	<u>\$ 1,966</u>	<u>\$ 6,190</u>	<u>\$ 80,754</u>
At January 1	\$ 63,240	\$ 9,358	\$ -	\$ 1,966	\$ 6,190	\$ 80,754
Additions	25,535	2,138	-	6,908	918	35,499
Disposals	(12)	(2)	-	-	-	(14)
Reclassifications	6,190	-	-	-	(6,190)	-
Depreciation expense	(14,675)	(4,948)	-	(3,282)	-	(22,905)
At December 31	<u>\$ 80,278</u>	<u>\$ 6,546</u>	<u>\$ -</u>	<u>\$ 5,592</u>	<u>\$ 918</u>	<u>\$ 93,334</u>
At December 31						
Cost	\$ 701,975	\$ 55,411	\$ 389	\$ 9,850	\$ 918	\$ 768,543
Accumulated depreciation and impairment	(621,697)	(48,865)	(389)	(4,258)	-	(675,209)
	<u>\$ 80,278</u>	<u>\$ 6,546</u>	<u>\$ -</u>	<u>\$ 5,592</u>	<u>\$ 918</u>	<u>\$ 93,334</u>

2018

	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
At January 1						
Cost	\$ 872,032	\$ 47,358	\$ 389	\$ 1,371	\$ -	\$ 921,150
Accumulated depreciation and impairment	(833,098)	(40,690)	(389)	(343)	-	(874,520)
	<u>\$ 38,934</u>	<u>\$ 6,668</u>	<u>\$ -</u>	<u>\$ 1,028</u>	<u>\$ -</u>	<u>\$ 46,630</u>
At January 1	\$ 38,934	\$ 6,668	\$ -	\$ 1,028	\$ -	\$ 46,630
Additions	41,993	6,294	-	1,571	6,190	56,048
Disposals	(4,364)	-	-	-	-	(4,364)
Depreciation expense	(13,323)	(3,604)	-	(633)	-	(17,560)
At December 31	<u>\$ 63,240</u>	<u>\$ 9,358</u>	<u>\$ -</u>	<u>\$ 1,966</u>	<u>\$ 6,190</u>	<u>\$ 80,754</u>
At December 31						
Cost	\$ 777,959	\$ 53,275	\$ 389	\$ 2,942	\$ 6,190	\$ 840,755
Accumulated depreciation and impairment	(714,719)	(43,917)	(389)	(976)	-	(760,001)
	<u>\$ 63,240</u>	<u>\$ 9,358</u>	<u>\$ -</u>	<u>\$ 1,966</u>	<u>\$ 6,190</u>	<u>\$ 80,754</u>

(9) Leasing arrangements – lessee

Effective 2019

A. The Company leases buildings. Rental contracts are typically made for 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2019</u>	<u>Year ended December 31, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Buildings	\$ 219,392	\$ 24,377

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

	<u>Year ended December 31, 2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 4,875
Expense on short-term lease contracts	9,037
Expense on leases of low-value assets	3,122

D. For the year ended December 31, 2019, the Company's total cash outflow for leases was \$44,172.

E. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(10) Intangible assets

	<u>2019</u>			
	<u>Goodwill</u>	<u>Acquired special technology</u>	<u>Computer software</u>	<u>Total</u>
At January 1				
Cost	\$ 143,637	\$ 404,895	\$ 329,185	\$ 877,717
Accumulated amortisation	-	(404,895)	(315,270)	(720,165)
	<u>\$ 143,637</u>	<u>\$ -</u>	<u>\$ 13,915</u>	<u>\$ 157,552</u>
At January 1	\$ 143,637	\$ -	\$ 13,915	\$ 157,552
Additions	-	-	21,006	21,006
Amortisation charge	-	-	(15,473)	(15,473)
At December 31	<u>\$ 143,637</u>	<u>\$ -</u>	<u>\$ 19,448</u>	<u>\$ 163,085</u>
At December 31				
Cost	\$ 143,637	\$ 404,895	\$ 349,674	\$ 898,206
Accumulated amortisation	-	(404,895)	(330,226)	(735,121)
	<u>\$ 143,637</u>	<u>\$ -</u>	<u>\$ 19,448</u>	<u>\$ 163,085</u>

	2018			
	Goodwill	Acquired special technology	Computer software	Total
At January 1				
Cost	\$ 143,637	\$ 404,895	\$ 321,682	\$ 870,214
Accumulated amortisation	-	(404,895)	(300,566)	(705,461)
	<u>\$ 143,637</u>	<u>\$ -</u>	<u>\$ 21,116</u>	<u>\$ 164,753</u>
At January 1	\$ 143,637	\$ -	\$ 21,116	\$ 164,753
Additions	-	-	7,556	7,556
Amortisation charge	-	-	(14,757)	(14,757)
At December 31	<u>\$ 143,637</u>	<u>\$ -</u>	<u>\$ 13,915</u>	<u>\$ 157,552</u>
At December 31				
Cost	\$ 143,637	\$ 404,895	\$ 329,185	\$ 877,717
Accumulated amortisation	-	(404,895)	(315,270)	(720,165)
	<u>\$ 143,637</u>	<u>\$ -</u>	<u>\$ 13,915</u>	<u>\$ 157,552</u>

A. Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2019	2018
Operating costs	\$ 4,531	\$ 3,837
Research and development expenses	10,942	10,920
	<u>\$ 15,473</u>	<u>\$ 14,757</u>

(11) Impairment of non-financial assets

Goodwill is allocated to the Company's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are as follows:

	Years ended December 31,					
	2019			2018		
	Up to 1 year	2 ~ 5 years	Over 6 years	Up to 1 year	2 ~ 5 years	Over 6 years
Operating revenue growth rate	14%	15%	0%	9%	9%	0%
Gross margin	15%	15%	15%	14%	14%	14%
Discount rate	14.41%	14.41%	14.41%	15.71%	15.71%	15.71%

A. Operating revenue growth rate: took into consideration the estimated operation and sales plans.

B. Gross margin: calculated based on the historical data and took into consideration the estimated operation and sales plans.

C. Discount rate: the discount rates used were pre-tax and reflected specific risks relating to the relevant operating segments.

(12) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Borrowings for material purchase	<u>\$ 396,748</u>	2.39%~2.74%	None
<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Borrowings for material purchase	<u>\$ 446,153</u>	3.22%~3.60%	None

For the years ended December 31, 2019 and 2018, the Company recognised interest expense in profit or loss amounting to \$12,410 and \$16,139, respectively.

(13) Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	\$ <u>273</u>	\$ <u>95</u>

A. For the years ended December 31, 2019 and 2018, the Company recognised net gain on financial liabilities held for trading amounting to (\$178) and \$3,734, respectively.

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Company does not adopt hedge accounting are as follows:

Unit: In thousands

<u>Non-derivative financial liabilities for hedging</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Contract amount (Notional principal)</u>	<u>Contract period</u>	<u>Contract amount (Notional principal)</u>	<u>Contract period</u>
Current items:				
Foreign exchange swap transactions	USD 800	2019.12.11~2020.01.15	USD 2,500	2018.12.13~2019.01.17

C. The Company entered into foreign exchange swap contracts to sell forward contracts to hedge exchange rate risk of export proceeds. However, these forward contracts are not accounted for under hedge accounting.

(14) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Employee bonus payable	\$ 94,489	\$ 92,973
Accrued export expenses	30,746	78,858
Payables for machinery and equipment	12,150	16,307
Accrued repairs and maintenance expense	13,565	13,689
Payables for consulting service fees	10,372	7,397
Others	47,752	60,409
	<u>\$ 209,074</u>	<u>\$ 269,633</u>

(15) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2019</u>
Long-term bank borrowings				
Mega bank	Borrowing period is from December 23, 2019 to December 25, 2025; interest is repayable monthly.	1.20%	None.	\$ 125
Less: Current portion				-
				<u>\$ 125</u>

On December 31, 2018: None.

(16) Pensions

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 295,022	\$ 304,736
Fair value of plan assets	(88,400)	(91,997)
Net defined benefit liability	<u>\$ 206,622</u>	<u>\$ 212,739</u>

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

	<u>2019</u>		
	<u>Present value of define benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
At January 1	(\$ 304,736)	\$ 91,997	(\$ 212,739)
Current service cost	(1,279)	-	(1,279)
Interest (expense) income	(2,743)	828	(1,915)
	<u>(308,758)</u>	<u>92,825</u>	<u>(215,933)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	3,440	3,440
Change in financial assumptions	(5,623)	-	(5,623)
Experience adjustments	(5,742)	-	(5,742)
	<u>(11,365)</u>	<u>3,440</u>	<u>(7,925)</u>
Pension fund contribution	-	8,899	8,899
Paid pension	25,101	(16,764)	8,337
At December 31	<u>(\$ 295,022)</u>	<u>\$ 88,400</u>	<u>(\$ 206,622)</u>

	2018		
	Present value of define benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 305,349)	\$ 89,788	(\$ 215,561)
Current service cost	(1,530)	-	(1,530)
Interest (expense) income	(3,359)	988	(2,371)
	(310,238)	90,776	(219,462)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,580	2,580
Change in financial assumptions	(5,931)	-	(5,931)
Experience adjustments	(10,606)	-	(10,606)
	(16,537)	2,580	(13,957)
Pension fund contribution	-	3,677	3,677
Paid pension	22,039	(5,036)	17,003
At December 31	(\$ 304,736)	\$ 91,997	(\$ 212,739)

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

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

	Years ended December 31,	
	2019	2018
Discount rate	0.70%	0.90%
Future salary increases	2.00%	2.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience

Mortality Table.

Sensitivity analysis of the effect on present value of defined benefit obligation due from the changes of main actuarial assumptions was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 1%</u>	<u>Decrease 1%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
December 31, 2019				
Effect on present value of defined benefit	<u>(\$ 28,024)</u>	<u>\$ 29,000</u>	<u>\$ 25,736</u>	<u>(\$ 25,044)</u>
December 31, 2018				
Effect on present value of defined benefit	<u>(\$ 29,548)</u>	<u>\$ 30,616</u>	<u>\$ 27,380</u>	<u>(\$ 26,612)</u>

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

The methods and types of assumptions used in preparing the sensitivity analysis were consistent with previous period.

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2020 amount to \$3,516.
 - (g) As of December 31, 2019, the weighted average duration of the retirement plan is 10 years.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2019 and 2018 were \$16,985 and \$17,429 respectively.

(17) Provisions

	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 17,788	\$ 22,089
Additional provisions	2,183	2,369
Used during the year	(4,106)	(6,670)
Unused amounts reversed	(13,348)	-
Balance at December 31	<u>\$ 2,517</u>	<u>\$ 17,788</u>

Analysis of total provisions:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current	\$ 2,017	\$ 16,166
Non-current	\$ 500	\$ 1,622

The Company gives warranties on sales-related products. Provision for warranty is estimated based on historical warranty data of uninterruptible power supply and solar energy products.

(18) Share capital

A. As of December 31, 2019, the Company's authorised capital was \$7,000,000, consisting of 0.7 billion shares of ordinary stock (including 50 million shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was \$2,280,283 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

(Unit: In thousand shares)

	<u>2019</u>	<u>2018</u>
At January 1 (At December 31)	<u>228,028</u>	<u>228,028</u>

B. In 2012, the Company issued convertible bonds amounting to \$1,800,000, which were converted to common stocks amounting to 130,719 thousand shares in private placement. In 2016, the Company decreased the capital, and the common stocks remained 65,359 thousand shares after decreasing the capital. On March 22, 2018 and June 21, 2018, the Board of Directors and shareholders approved to implement belatedly procedures in relation to the public issuance and applying for trading on the market, respectively. The common stocks issued under private placement amounted to 65,359 thousand shares, which was approved by the Competent Authority on August 6, 2018.

(19) Capital surplus

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

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance. After setting aside or reversal of a special reserve in accordance with related laws, the Company shall appropriate dividends to preferred stock. The Board of Directors should present the

distribution of the remaining earnings along with accumulated unappropriated earnings for the approval of the shareholders to distribute dividends to shareholders.

- B. As the Company is in the growth stage, considered entire environment and nature of industry as well as future capital needs and long-term financial plans in order to subsequent operation and stable development. Based on the Company's future budget of capital expenditure and demand of capital, the Company appropriated no less than 30% of distributable earnings to shareholders' dividends, but if the distributable earnings is lower than 5% of paid-in capital, no dividends will be distributed. Cash dividend has a first priority when distributing shareholders' dividends, and the ratio is 30~100% of current total dividends. Remaining dividend can be distributed in the form of stocks. The appropriation of retained earnings will be proposed by the Board of Directors every year, and will be approved by the shareholders.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriations of earnings of years 2018 and 2017 as resolved by the shareholders at their meetings on June 19, 2019 and June 21, 2018 are as follows:

	Years ended December 31,			
	2018		2017	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 5,211	\$ -	\$ 14,389	\$ -
Special reserve	109,980	-	62,394	-
Cash dividends	45,606	0.20	45,606	0.20
	<u>\$ 160,797</u>	<u>\$ 0.20</u>	<u>\$ 122,389</u>	<u>\$ 0.20</u>

- F. On March 17, 2020, the Board of Directors during their meeting had not proposed for the distribution of dividends from 2019 earnings, which is still pending for approval from the shareholders.
- G. For the information relating to employees' compensation and directors' remuneration please refer to Note 6(27).

(21) Other equity items

	2019		
	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Financial statements translation differences of foreign operations	Total
At January 1	(\$ 134,492)	(\$ 58,934)	(\$ 193,426)
The Company's effect	1,477	-	1,477
Revaluation transferred to retained earnings	(2,895)	-	(2,895)
Effects of associate accounted for under equity method	(8,596)	(56,420)	(65,016)
Tax effects of associate accounted for under equity method	-	11,284	11,284
At December 31	(\$ 144,506)	(\$ 104,070)	(\$ 248,576)

	2018			
	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Financial statements translation differences of foreign operations	Currency translation	Total
At January 1	\$ -	(\$ 24,353)	(\$ 59,093)	(\$ 83,446)
Effects of retrospective application	(130,364)	24,353	-	(106,011)
At January 1, after adjustments	(130,364)	-	(59,093)	(189,457)
The Company's effect	(1,685)	-	-	(1,685)
Revaluation transferred to retained earnings	(890)	-	-	(890)
Effects of associate accounted for under equity method	(1,553)	-	195	(1,358)
Effects of associate accounted for under equity method	-	-	(36)	(36)
At December 31	(\$ 134,492)	\$ -	(\$ 58,934)	(\$ 193,426)

(22) Operating revenue

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue from contracts with customers	\$ 4,922,305	\$ 7,124,093

A. Disaggregation of revenue from contracts with customers

The Company derives revenue in the following major product lines and geographical regions:

	2019			
	USA	Mainland China	Other	Total
Revenue from external customer contracts	\$ 3,147,582	\$ 765,461	\$ 1,009,262	\$ 4,922,305

	2018			
	USA	Mainland China	Other	Total
Revenue from external customer contracts	\$ 5,214,929	\$ 1,043,582	\$ 865,582	\$ 7,124,093

B. Contract liabilities from customers

(a) The Company has recognised the following revenue-related contract liabilities:

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities:			
Contract liabilities-			
Products sales contracts	\$ 55,771	\$ 7,519	\$ 3,603

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

	Year ended December 31, 2019	Year ended December 31, 2018
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 4,053	\$ 1,839

(23) Other income

	Years ended December 31,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 3,974	\$ 4,083
Dividend income	342	556
Other income, others	36,924	51,700
	\$ 41,240	\$ 56,339

(24) Other gains and losses

	Years ended December 31,	
	2019	2018
Gains on disposals of property, plant and equipment	\$ 7,039	\$ 4,889
Gains on financial assets (liabilities) at fair value through profit or loss	2,110	2,427
Currency exchange gains (losses)	18,551	11,189
Other gains and losses	(23,412)	(176)
	\$ 4,288	\$ 18,329

(25) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense		
Interest expense on borrowings	\$ 12,410	\$ 16,139
Interest expense on lease liabilities	4,875	-
	<u>\$ 17,285</u>	<u>\$ 16,139</u>

(26) Expenses by nature

	Years ended December 31,	
	2019	2018
Employee benefit expense	\$ 429,575	\$ 452,615
Depreciation charges on property, plant and equipment	22,905	17,560
Depreciation charges on right-of use asset	24,377	-
Amortisation (including amortisation on the land use right)	15,473	14,757
	<u>\$ 492,330</u>	<u>\$ 484,932</u>

(27) Employee benefit expense

	Years ended December 31,	
	2019	2018
Salary expenses	\$ 365,453	\$ 382,803
Labour and health insurance fees	31,038	32,450
Pension costs	20,179	21,330
Other personnel expenses	12,905	16,032
	<u>\$ 429,575</u>	<u>\$ 452,615</u>

A. According to the Articles of Incorporation of the Company, the ratio of distributable profit of the current year shall not be lower than 7% for employees' compensation in the form of stocks/cash, and employees must be working for the Company. The current year's earnings, if any, shall not be higher than 1% for directors' remuneration. Appropriation of employees' compensation and directors' remuneration shall be submitted to the shareholders' meeting. If the Company has accumulated deficit, earnings should be reserved to cover losses and then be appropriated to employees' compensation and directors' remuneration based on the abovementioned ratios.

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$128 and \$4,619, respectively; while directors' remuneration was accrued at \$18 and \$660, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 7% and 1% of distributable profit for the year ended December 31, 2019. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors

were \$128 and \$0, respectively, and the employees' compensation will be distributed in the form of cash.

For 2018, the employees' compensation and directors' remuneration resolved by the Board of Directors amounted to \$4,619 and \$658, respectively. The difference of \$2 between the amounts resolved by the Board of Directors and the amounts recognised in the 2018 financial statements, mainly resulting from estimation, had been adjusted in the profit or loss of 2019.

C. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Tax of foreign source income withheld at source	\$ 143	\$ 143
Tax on undistributed surplus earnings	1,211	-
Total current tax	<u>1,354</u>	<u>143</u>
Deferred tax:		
Origination and reversal of temporary differences	19,481	9,258
Impact of tax losses	(20,835)	45,044
Impact of change in tax rate	-	(45,845)
Total deferred tax	<u>(1,354)</u>	<u>8,457</u>
Income tax expense	<u>\$ -</u>	<u>\$ 8,600</u>

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

	Years ended December 31,	
	2019	2018
Currency translation differences of foreign operations	(\$ 11,284)	\$ 36

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate (note)	\$ 337	\$ 12,142
Change in assessment of realization of deferred tax assets	(1,691)	42,160
Tax of foreign source income withheld at source	143	143
Tax on undistributed surplus earnings	1,211	-
Impact of change in tax rate	-	(45,845)
Income tax expense	<u>\$ -</u>	<u>\$ 8,600</u>

Note: For the years ended December 31, 2019 and 2018, the applicable tax rate was based on the parent company's applicable tax rate of 20% and 17%, respectively.

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

	2019			
	At January 1	Recognised in profit or loss	Recognised in other comprehensive income	At December 31
Deferred tax assets:				
-Temporary differences:				
Allowance for inventory valuation losses	\$ 25,895	(\$ 13,853)	\$ -	\$ 12,042
Unrealised warranty cost of after-sale service	3,558	(3,054)	-	504
Unrealised pension	42,548	(1,224)	-	41,324
Exchange differences on foreign financial statements	-	-	5,420	5,420
Others	1	7	-	8
-Tax losses	<u>285,856</u>	<u>20,835</u>	<u>-</u>	<u>306,691</u>
Subtotal	<u>\$ 357,858</u>	<u>\$ 2,711</u>	<u>\$ 5,420</u>	<u>\$ 365,989</u>
Deferred income tax liabilities:				
Unrealised gain on long-term investments	(\$ 87,582)	(\$ 4,307)	\$ -	(\$ 91,889)
Unrealised exchange gain	(12,049)	2,019	-	(10,030)
Exchange differences on foreign financial statements	(5,864)	-	5,864	-
Others	(1,067)	931	-	(136)
Subtotal	<u>(\$ 106,562)</u>	<u>(\$ 1,357)</u>	<u>\$ 5,864</u>	<u>(\$ 102,055)</u>
Total	<u>\$ 251,296</u>	<u>\$ 1,354</u>	<u>\$ 11,284</u>	<u>\$ 263,934</u>

	2018			
	At January 1	Recognised in profit or loss	Recognised in other comprehensive	
			income	At December 31
Deferred tax assets:				
-Temporary differences:				
Allowance for inventory valuation losses	\$ 16,222	\$ 9,673	\$ -	\$ 25,895
Unrealised warranty cost of after-sale service	3,755	(197)	-	3,558
Unrealised pension	36,645	5,903	-	42,548
Others	402	(401)	-	1
-Tax losses	281,265	4,591	-	285,856
Subtotal	<u>\$ 338,289</u>	<u>\$ 19,569</u>	<u>\$ -</u>	<u>\$ 357,858</u>
Deferred income tax liabilities:				
Unrealised gain on long-term investments	(\$ 66,154)	(\$ 21,428)	\$ -	(\$ 87,582)
Unrealised exchange gain	(6,518)	(5,531)	-	(12,049)
Exchange differences on foreign financial statements	(5,828)	-	(36)	(5,864)
Others	-	(1,067)	-	(1,067)
Subtotal	<u>(\$ 78,500)</u>	<u>(\$ 28,026)</u>	<u>(\$ 36)</u>	<u>(\$ 106,562)</u>
Total	<u>\$ 259,789</u>	<u>(\$ 8,457)</u>	<u>(\$ 36)</u>	<u>\$ 251,296</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2019					
Year incurred	Amount filed/ Assessed	Unused amount	Unrecognised		Expiry year
			deferred tax assets		
2011 (Microelectronics)	\$ 1,121,209	\$ 802,269	\$ 802,269		2021
2012 (Microelectronics)	1,356,066	1,356,066	1,356,066		2022
2013 (Microelectronics)	1,086,632	1,086,632	273,761		2023
2014 (Microelectronics)	407,486	407,486	-		2024
2015 (Microelectronics)	240,322	210,609	-		2025
2019 (Microelectronics)	102,489	102,489	-		2029
		<u>\$ 3,965,551</u>	<u>\$ 2,432,096</u>		

December 31, 2018					
Year incurred	Amount filed/ Assessed	Unused amount	Unrecognised		Expiry year
			deferred tax assets		
2011 (Microelectronics)	\$ 1,121,209	\$ 838,246	\$ -		2021
2012 (Microelectronics)	1,356,066	1,356,066	765,030		2022
2013 (Microelectronics)	1,086,632	1,086,632	1,086,632		2023
2014 (Microelectronics)	407,616	407,616	407,616		2024
2015 (Microelectronics)	240,322	240,322	240,322		2025
		<u>\$ 3,928,882</u>	<u>\$ 2,499,600</u>		

E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

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

(29) Earnings per share

	Year ended December 31, 2019		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 1,684	228,028	\$ 0.01
<u>Diluted earnings per share</u>			
Profit attributable to the parent	1,684	228,028	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	7	
	<u>\$ 1,684</u>	<u>228,035</u>	<u>\$ 0.01</u>

	Year ended December 31, 2018		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 52,109	228,028	\$ 0.23
<u>Diluted earnings per share</u>			
Profit attributable to the parent	52,109	228,028	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	226	
	<u>\$ 52,109</u>	<u>228,254</u>	<u>\$ 0.23</u>

(30) Operating leases

Prior to 2019

The Company leases plant and production line located in Innovation Road II, Hsinchu Science Park, Hsinchu from Cybertan Technology Inc. with a term of 5 years under operating lease agreements in July 2015. These leases have terms expiring between 2018 and 2021, and all these lease agreements are renewable at the end of the lease period based on the market price. The Company recognised rental expense of \$25,856 for these leases in profit or loss for the year ended December 31, 2018.

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

	<u>December 31, 2018</u>
Not later than one year	\$ 27,636
Later than one year but not later than five years	<u>13,818</u>
	<u>\$ 41,454</u>

(31) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Purchase of property, plant and equipment	\$ 35,499	\$ 56,048
Add: Opening balance of payable on equipment	16,307	4,436
Ending balance of prepayment for equipment	405	227
Less: Ending balance of payable on equipment (	12,150)	(16,307)
Operating balance of prepayment for equipment	<u>(227)</u>	<u>-</u>
Cash paid during the year	<u>\$ 39,834</u>	<u>\$ 44,404</u>

(32) Changes in liabilities from financing activities

	<u>Payments of</u>	<u>Short-term</u>	<u>Long-term</u>	
	<u>lease liabilities</u>	<u>borrowings</u>	<u>borrowings</u>	<u>Total</u>
January 1, 2019	\$ 248,243	\$ 446,153	\$ -	\$ 694,396
Changes in cash flow from financing activities	(27,138)	(49,405)	125	(76,418)
Changes in other non-cash items	(4,473)	-	-	(4,473)
Interest expense	<u>4,875</u>	<u>-</u>	<u>-</u>	<u>4,875</u>
December 31, 2019	<u>\$ 221,507</u>	<u>\$ 396,748</u>	<u>\$ 125</u>	<u>\$ 618,380</u>
	<u>Payments of</u>	<u>Short-term</u>	<u>Long-term</u>	
	<u>lease liabilities</u>	<u>borrowings</u>	<u>borrowings</u>	<u>Total</u>
January 1, 2018	\$ -	\$ 506,972	\$ -	\$ 506,972
Changes in cash flow from financing activities	<u>-</u>	<u>(60,819)</u>	<u>-</u>	<u>(60,819)</u>
December 31, 2018	<u>\$ -</u>	<u>\$ 446,153</u>	<u>\$ -</u>	<u>\$ 446,153</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Sasson International Holding, Inc.	The Company's directly owned subsidiary
Welltop Technology Co., Ltd.	The Company's indirectly owned subsidiary
MTI Laboratory, Inc.	The Company's indirectly owned subsidiary
RadioComp ApS	The Company's indirectly owned subsidiary
Jupiter Network Corp.	The Company's indirectly owned subsidiary
Jupiter Technology (Wuxi) Inc.	The Company's indirectly owned subsidiary
Cybertan Technology Inc.	Entities with significant influence to the Group
IQE Taiwan Corporation	Substantial related party

(2) Significant related party transactions and balances

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Sales of goods:		
Subsidiaries	\$ 882	\$ 1,290
Entities with significant influence to the Group	68,217	17,367
	<u>\$ 69,099</u>	<u>\$ 18,657</u>

Goods are sold based on the price lists in force and terms that would be available to third parties. The credit term for the related party is 30 days after invoice date, and the credit term for the general customers is 30 to 90 days after invoice date or monthly billings.

B. Purchases

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Purchases of goods:		
Jupiter Technology (Wuxi) Inc.	\$ 2,269,877	\$ 4,333,797
Entities with significant influence to the Group	1,828	263
	<u>\$ 2,271,705</u>	<u>\$ 4,334,060</u>

Goods are purchased based on the price lists in force and terms that would be available to third parties. The debt term for the related party is 30 days after invoice date, and the debt term for the general customers is 30 to 90 days after invoice date or monthly billings.

C. Receivables from related parties

	Years ended December 31,	
	2019	2018
Accounts receivable:		
Subsidiaries	\$ 361	\$ 191
Entities with significant influence to the Group	6,483	14,524
Other receivables:	6,844	14,715
Subsidiaries	4,318	9,748
Entities with significant influence to the Group	385	789
Subtotal	4,703	10,537
Total	\$ 11,547	\$ 25,252

D. Payables to related parties

	Years ended December 31,	
	2019	2018
Accounts payable:		
Jupiter Technology (Wuxi) Inc.	\$ 289,741	\$ 641,658
Entities with significant influence to the Group	-	232
	289,741	641,890
Other payables:		
MTI Laboratory, Inc.	38,096	78,297
Radiocamp Aps	29,526	40,419
Jupiter Technology (Wuxi) Inc.	8,398	-
Subtotal	76,020	118,716
Total	\$ 365,761	\$ 760,606

E. Other current liabilities:

	December 31, 2019	December 31, 2018
Jupiter Technology (Wuxi) Inc.	\$ 27,374	\$ 97,714

F. Research and development expenses:

	Year ended December 31, 2019	Year ended December 31, 2018
MTI Laboratory, Inc.	\$ 136,022	\$ 196,583
Radiocamp Aps	76,063	83,330
	\$ 212,085	\$ 279,913

F. Property transactions:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Disposal of equipment				
Subsidiaries	\$ -	\$ -	\$ 2,977	\$ 14
Purchase of equipment				
Subsidiaries	\$ 10,406	\$ -	\$ 660	\$ -

G. Lease transactions – lessee

(a) The Company leases buildings from Cybertan Technology Inc.. Rental contracts are typically made for periods of 10 years. Rents are paid at the end of year.

(b) Acquisition of right-of-use assets:

	Year ended December 31, 2019
Cybertan Technology Inc.	\$ 219,392

On January 1, 2019 (the date of initial application of IFRS 16), the Company increased right-of-use assets by \$248,243.

(c) Lease liabilities

(i) Outstanding balance:

	December 31, 2019
Cybertan Technology Inc.	\$ 221,507

(ii) Interest expense

	Year ended December 31, 2019
Cybertan Technology Inc.	\$ 4,875

H. Operating lease transactions

(a) For the year ended December 31, 2018, rent expense to entities with significant influence to the Company amounted to \$25,856.

(b) As of December 31, 2018, prepaid rents to entities with significant influence to the Company amounted to \$1,904.

(c) As of December 31, 2018, guarantee deposits paid (shown as ‘Other non-current assets’) to entities with significant influence to the Company both amounted to \$1,972.

(d) For the year ended December 31, 2018, other income to entities with significant influence to the Company amounted to \$26.

(3) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	\$ 27,535	\$ 28,586
Post-employment benefits	1,905	2,201
	\$ 29,440	\$ 30,787

8. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

9. SIGNIFICANT DISASTER LOSS

None.

10. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Information on the appropriation of 2019 earnings approved by the Board of Directors is provided in Note 6(20).

(2) The Company reallocated Group resources to minimize the effects of the shortage of raw materials and supplies from Mainland China suppliers as a result of the spread of COVID-19 virus in 2020.

11. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 2,671	\$ 383
Designation of equity instrument	9,276	13,753
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	710,701	629,590
Financial assets at amortised cost	-	20,930
Notes receivable	9,024	68,362
Accounts receivable	867,759	1,358,761
Other receivables	5,405	13,857
Guarantee deposits paid	2,604	5,413
	<u>\$ 1,607,440</u>	<u>\$ 2,111,049</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 273	\$ 95
Financial liabilities at amortised cost		
Short-term borrowings	396,748	446,153
Accounts payable	717,680	1,080,394
Other payables	285,094	388,349
	<u>125</u>	<u>-</u>
	<u>\$ 1,399,920</u>	<u>\$ 1,914,991</u>
Lease liability	<u>\$ 221,507</u>	<u>\$ -</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2) and 6(13)).
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Company companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Company uses forward foreign exchange contracts, transacted with Company treasury.
- iii. The Company hedges foreign exchange rate by using forward exchange and cross currency swap contracts. However, the Company does not adopt hedging accounting.

Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and (13).

- iv. The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2019			
	Foreign currency		
	amount	Exchange rate		Book value
	(In thousands)		(NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 55,834	29.98	\$ 1,673,903
RMB:NTD	44	4.30	189
EUR:NTD	1,070	33.59	35,941
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 49,578	29.98	\$ 1,486,348
RMB:NTD	5,200	4.30	22,360
EUR:NTD	1,125	33.59	37,789
December 31, 2018			
	Foreign currency		
	amount	Exchange rate		Book value
	(In thousands)		(NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 56,936	30.72	\$ 1,749,074
RMB:NTD	14,235	4.48	63,773
EUR:NTD	1,025	35.20	36,080
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 48,217	30.72	\$ 1,481,226
RMB:NTD	18,921	4.48	84,766
EUR:NTD	1,183	35.20	41,642

- v. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018 amounted to \$18,551 and \$11,189, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

		Year ended December 31, 2019		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	16,739	\$ -
RMB:NTD	1%		2	-
EUR:NTD	1%		359	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	14,862)	\$ -
RMB:NTD	1%	(	224)	-
EUR:NTD	1%	(	378)	-

		Year ended December 31, 2018		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	17,491	\$ -
RMB:NTD	1%		638	-
EUR:NTD	1%		361	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	14,812)	\$ -
RMB:NTD	1%	(	848)	-
EUR:NTD	1%	(	416)	-

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares issued by the overseas and domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$93 and \$138, respectively, as a result of equity investment at fair value through other comprehensive income.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Company manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a optimised credit rating are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.
- iii. Impairment assessment of credit risk on financial assets at amortised cost is as follows:
 - (a) The Company adopts following assumptions under IFRS 9, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (b) The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
 - (c) The Company used the forecastability to adjust historical and timely information and considered credit rating of issue banks to assess the default possibility of accounts and notes receivable.
 - (d) The Company's financial assets at amortised cost are including time deposits deposited in banks. Such banks all have optimised credit rating, no past due has

occurred, and no significant changes in the entire economic environment, therefore no credit loss is expected and the impact to the financial statements is remote.

iv. Impairment assessment of credit risk on accounts and notes receivable is as follows:

(a) The Company classifies customers' accounts and notes receivable in accordance with credit rating of customer. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

viii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts and notes receivable. As of December 31, 2019 and 2018, the provision matrix is as follows:

	<u>Not past due</u>	<u>90 days past due</u>	<u>90-180 days past due</u>	<u>Over 180 days past due</u>	<u>Total</u>
<u>December 31, 2019</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-1%	
Total book value	\$ 659,763	\$ 145,858	\$ 20,937	\$ 51,478	\$ 878,036
Loss allowance	\$ -	\$ 1	\$ 5	\$ 1,247	\$ 1,253

	<u>Not past due</u>	<u>90 days past due</u>	<u>90-180 days past due</u>	<u>Over 180 days past due</u>	<u>Total</u>
<u>December 31, 2018</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-1%	
Total book value	\$ 1,276,560	\$ 147,195	\$ 125	\$ 4,485	\$ 1,428,365
Loss allowance	\$ 3	\$ 3	\$ -	\$ 1,236	\$ 1,242

C. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts and notes receivable are as follows:

	<u>2019</u>
At January 1	\$ 1,242
Reversal of impairment loss	40
Effect of exchange rate changes	(29)
At December 31	<u>\$ 1,253</u>
	<u>2018</u>
At January 1_IAS 39	\$ 1,198
Adjustments under new standards	-
At January 1_IFRS 9	1,198
Reversal of impairment loss	6
Effect of exchange rate changes	38
At December 31	<u>\$ 1,242</u>

v. The Company used the forecastability to adjust historical and timely information to assess the default possibility of other receivables. As of December 31, 2019 and 2018, the provision matrix is as follows:

	<u>Not past due</u>	<u>90 days past due</u>	<u>90-180 days past due</u>	<u>Over 180 days past due</u>	<u>Total</u>
<u>December 31, 2019</u>					
Expected loss rate	0%	0%	0%	0%	
Total book value	\$ 5,041	\$ 364	\$ -	\$ -	\$ 5,405
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Not past due</u>	<u>90 days past due</u>	<u>90-180 days past due</u>	<u>Over 180 days past due</u>	<u>Total</u>
<u>December 31, 2018</u>					
Expected loss rate	0%	0%	0%	0%	
Total book value	\$ 13,857	\$ -	\$ -	\$ -	\$ 13,857
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Company treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2019	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 397,282	\$ -	\$ -	\$ -	\$ -	\$ 397,282
Accounts payable (including related party)	657,242	60,439	-	-	-	717,681
Other payables (including related party)	285,094	-	-	-	-	285,094
Long-term borrowings	-	2	2	127	-	131
Lease liabilities	6,785	20,354	27,138	81,414	108,552	244,243
<u>Derivative financial liabilities</u>						
Cross currency swap contracts	\$ 273	\$ -	\$ -	\$ -		\$ 273
December 31, 2018	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>		<u>Total</u>
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 447,274	\$ -	\$ -	\$ -	\$ -	\$ 447,274
Accounts payable (including related party)	1,070,388	10,006	-	-	-	1,080,394
Other payables (including related party)	388,349	-	-	-	-	388,349
<u>Derivative financial liabilities</u>						
Cross currency swap contracts	\$ 95	\$ -	\$ -	\$ -	\$ -	\$ 95

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's derivative instruments and emerging stocks are included in Level 2.

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

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, financial assets at amortised cost, other financial assets, short-term borrowings, accounts payable and other payables are approximate to their fair values.

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

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Foreign exchange swap contracts	\$ -	\$ 2,370	\$ -	\$ 2,370
Foreard foreign exchange contracts	-	301	-	301
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	9,276	9,276
	<u>\$ -</u>	<u>\$ 2,671</u>	<u>\$ 9,276</u>	<u>\$ 11,947</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Foreign exchange swap contracts	\$ -	\$ 273	\$ -	\$ 273

December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Foreign exchange swap contracts	\$ -	\$ 383	\$ -	\$ 383
Financial assets at fair value through other comprehensive income				
Equity securities	<u>-</u>	<u>5,352</u>	<u>8,401</u>	<u>13,753</u>
	<u>\$ -</u>	<u>\$ 5,735</u>	<u>\$ 8,401</u>	<u>\$ 14,136</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 95</u>	<u>\$ -</u>	<u>\$ 95</u>

- (b) The methods and assumptions the Company used to measure fair value are as follows:
- i. When assessing non-standard and low-complexity financial instruments, for example, interest rate swap contracts and foreign exchange swap contracts, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - ii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- D. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	2019		
	Derivative		
	Equity securities	instruments	Total
At January 1	\$ 8,401	\$ -	\$ 8,401
Losses recognised in other comprehensive income	875	-	875
At December 31	<u>\$ 9,276</u>	<u>\$ -</u>	<u>\$ 9,276</u>
	2018		
	Derivative		
	Equity securities	instruments	Total
At January 1	\$ 10,184	\$ -	\$ 10,184
Losses recognised in other comprehensive income	(1,783)	-	(1,783)
At December 31	<u>\$ 8,401</u>	<u>\$ -</u>	<u>\$ 8,401</u>

F. Professional appraisal institution and treasury department are in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 9,276	Market comparable companies	Discount for lack of marketability P/B ratio	30% 100%	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 8,401	Market comparable companies	Discount for lack of marketability P/B ratio	30% 100%	The higher the discount for lack of marketability, the lower the fair value

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

		December 31, 2019					
				Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets	Discount for lack of marketability	±10%	\$ -	\$ -	\$ 398	(\$ 398)	
Equity instruments	P/B ratio	±10%	-	-	928	(928)	
			\$ -	\$ -	\$ 1,326	(\$ 1,326)	
		December 31, 2019					
				Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets	Discount for lack of marketability	±10%	\$ -	\$ -	\$ 360	(\$ 360)	
Equity instruments	P/B ratio	±10%	-	-	840	(840)	
			\$ -	\$ -	\$ 1,200	(\$ 1,200)	

12. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- Loans to others: None.
- Provision of endorsements and guarantees to others: None.
- Holding of marketable securities at the end of the period: Please refer to table 1.
- Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative financial instruments undertaken during the reporting periods: Please refer to Note 6(2) (13).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

Significant transactions, either directly or indirectly through a third areas, with investee companies in the Mainland China: Please refer to table 7.

13. SEGMENT INFORMATION

Not applicable.

Microelectronics Technology, Inc. and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2019				Note
				Number of shares	Book value	Ownership (%)	Fair value	
Microelectronics Technology, Inc.	Stocks - TAIWAN AEROSPACE CORPORATION	None	Financial assets at fair value through other comprehensive income	648,576	\$ 9,276	0.48	\$ 9,276	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Optical Scientific, Inc.	None	Financial assets at fair value through profit or loss	16,023	-	5.02	-	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Firetide, Inc.	None	Financial assets at fair value through profit or loss	1,333,360	-	2.24	-	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Taicom Capital Ltd.	None	Financial assets at fair value through other comprehensive income	20,000	160,120	Note	160,120	
SASSON INTERNATIONAL HOLDING, INC.	Stocks - New Edge Signal Solutions LCC	None	Financial assets at fair value through other comprehensive income	1,355,663	54,811	12.5	54,811	
SASSON INTERNATIONAL HOLDING, INC.	Conversion of convertible bonds - Kymeta Corporation	None	Financial assets at fair value through profit or loss	-	5,996	-	5,996	

Note: Holding of 10,000 ordinary shares and 10,000 preference shares for 11.43% and 16.67% ownweship, respectively.

Microelectronics Technology, Inc. and Subsidiaries

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

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Note
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC	Indirect subsidiary of the Company	Purchases	\$ 2,269,877	60%	90 days	Not applicable	Not applicable	(\$ 289,740)	(40%)	
JUPITER TECHNOLOGY (WUXI) INC	Microelectronics Technology, Inc.	Indirect subsidiary of the Company	Sales	(2,269,877)	(62%)	90 days	Not applicable	Not applicable	289,740	33%	
Microelectronics Technology, Inc.	Cybertan Technology Inc.	Entities with significant influence to the Group	Sales	(68,127)	(1%)	30 days	Not applicable	Not applicable	6,483	1%	
JUPITER TECHNOLOGY (WUXI) INC	Cybertan Technology Inc.	Entities with significant influence to the Group	Sales	(327,837)	(6%)	30 days	Not applicable	Not applicable	67,726	6%	

Microelectronics Technology, Inc. and Subsidiaries
 Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
 Year ended December 31, 2019

Table 3

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
JUPITER TECHNOLOGY (WUXI) INC	Microelectronics Technology, Inc.	Parent company	\$ 289,740	4.87	\$ -		\$ 289,740	\$ -

Microelectronics Technology, Inc. and Subsidiaries
Significant inter-company transactions during the reporting periods
Year ended December 31, 2019

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC.	1	Purchases and processing overhead	\$ 2,269,877	Same as those to the third parties	39.14%
0	Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC.	1	Accounts payable	289,740	Payment term is 60 days from receipt of goods	5.77%
0	Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC.	1	Other current liabilities	27,374	Based on the mutual agreement	0.54%
0	Microelectronics Technology, Inc.	MTI Laboratory, INC.	1	Research and development expenses	136,022	Same as those to the third parties	2.35%
0	Microelectronics Technology, Inc.	MTI Laboratory, INC.	1	Other receivables	38,096	Based on the mutual agreement	0.76%
0	Microelectronics Technology, Inc.	Radiocomp ApS	1	Research and development expenses	76,063	Same as those to the third parties	1.31%
0	Microelectronics Technology, Inc.	Radiocomp ApS	1	Other receivables	29,526	Based on the mutual agreement	0.59%

Note 1: The information of transactions between the Company and the subsidiaries should be noted in "Number" column.

- (1) Number 0 represents the Company.
- (2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationship with counterparties are as follows:

- (1) The Company to the consolidated subsidiary.
- (2) The consolidated subsidiaries to the Company.
- (3) The consolidated subsidiaries to other consolidated subsidiaries.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 4: Only transaction amounts over 10 million were disclosed and if transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it was not required to be disclosed separately.

Microelectronics Technology, Inc. and Subsidiaries
Information on investees
Year ended December 31, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019	Investment income (loss) recognised by the Company for the year ended December 31, 2019	Note
				Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Microelectronics Technology, Inc.	SASSON INTERNATIONAL HOLDING, INC.	British Virgin IS.	Investment management	\$ 908,778	\$ 908,778	3,920	100	\$ 1,662,226	\$ 10,992	\$ 21,536	Note 1
SASSON INTERNATIONAL HOLDING, INC.	Welltop Technology Co.,Ltd.	British Virgin IS.	Investment management	234,863	240,621	7,834,000	100	317,459	9,231	9,231	Note 2
SASSON INTERNATIONAL HOLDING, INC.	Jupiter Network Corp.	British Virgin IS.	Investment management	931,533	954,370	31,071,800	100	978,520	(1,006)	(1,006)	Note 2
Welltop Technology Co.,Ltd.	MTI Laboratory, Inc.	U.S.A	Communications	44,970	46,073	1,500,000	100	122,200	6,337	6,337	Note 2
Welltop Technology Co.,Ltd.	Radiocomp ApS	DENMARK	Communications	140,966	144,422	1,527,944	100	174,374	2,521	2,521	Note 2

Note 1: Subsidiary of the Company.

Note 2: Indirect subsidiary of the Company.

Microelectronics Technology, Inc. and Subsidiaries
Information on investees in Mainland China
Year ended December 31, 2019

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated	Amount remitted from Taiwan		amount	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2010 (Note 3)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount	Note
				of remittance from Taiwan to Mainland China as of January 1, 2019	remitted back to Taiwan for the year ended December 31, 2019	remitted to Mainland China	remitted back to Taiwan					of remittance from Taiwan to Mainland China as of December 31, 2019	
JUPITER TECHNOLOGY (WUXI) INC (Note 1)	The manufactures and sales of satellite and microwave communication system and related technical and consultation services	\$ 929,380	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	\$ 929,380	\$ -	\$ -	\$ 929,380	(\$ 1,006)	100	(\$ 1,006)	\$ 978,479	\$ -	-
<u>Company name</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>	
Microelectronics Technology, Inc.	\$ 1,048,401	\$ 1,169,460	\$ 1,593,273										

Note 1: It was indirectly invested through Jupiter Network Corp.

Note 2: Investment profit or loss was recognised based on the financial statements that were audited by R.O.C. parent company's CPA.

Microelectronics Technology, Inc. and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the year ended December 31, 2019	Others (Note)
	Amount	%	Amount	%	Balance	%	Balance at December 31, 2018	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate		
JUPITER TECHNOLOGY (WUXI) INC	\$ 2,269,877	-	(\$ 10,406)	-	(\$ 289,740)	32	\$ -	-	\$ -	\$ -	-	\$ -	(\$ 23,056)

Note: It consisted of other receivables amounting to \$4,318 and other current liabilities amounting to \$27,374.

MICROELECTRONICS TECHNOLOGY, INC.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description		Amount
Cash on hand and revolving funds -NTD	NTD	6,800 dollars , exchange rate 29.98	\$ 30
	-USD	USD	<u>204</u>
Checking accounts-NTD			<u>8,847</u>
Demand deposits -NTD			26,756
Demand deposits -CNY	CNY	43,832 dollars , exchange rate 4.3	188
Demand deposits -EUR	EUR	1,069,822 dollars , exchange rate 33.59	35,935
Demand deposits -USD	USD	9,437,111 dollars , exchange rate 29.98	282,925
Demand deposits -GBP	GBP	56,042 dollars , exchange rate 39.36	2,206
Demand deposits -JPY	JPY	1,847,868 dollars , exchange rate 0.276	<u>510</u>
			348,520
Time deposits(Notes)			<u>353,100</u>
			<u>\$ 710,701</u>

(Note) Expiration date : 2020/1/2~2020/3/31, Rate: 0.59%~0.66%.

MICROELECTRONICS TECHNOLOGY, INC.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

<u>Customer name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Normal customers:			
Customer B		\$ 258,974	
Customer V		121,672	
Customer D		96,866	
Customer G		92,123	
Customer A		83,542	
Customer C		63,247	
Others		145,744	None of the individual customer's owing balance exceeding 5% of the ending balance of this account. Aging over one year amounted to \$1.206
		<u>-</u>	
		862,168	
Less: Bad provision		(1,253)	
		<u>860,915</u>	
Related parties:			
MTI Laboratory, Inc.		361	
CyberTAN Technology Inc.		6,483	
Total		<u>\$ 867,759</u>	

MICROELECTRONICS TECHNOLOGY, INC.
STATEMENT OF INVENTORIES
DECEMBER 31, 2019

(In Thousands of New Taiwan dollars)

Item	Amount		Note
	Cost	Net Realizable Value	
Raw material	\$ 340,508	\$ 330,808	
Work in progress	117,134	129,310	
Finished goods	104,540	133,380	
Inventory in transit	77,778	77,778	
	639,960	\$ 671,276	
Less : allowance for inventory valuation losses	(60,208)		
	\$ 579,752		

MICROELECTRONICS TECHNOLOGY, INC.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Investee	Balance at January 1, 2019		Increase	Share of profit of associates accounted for under equity	Currency translation	Balance at December 31, 2019		Net Equity	Valuation Method	Collateral	Footnote
	Percentage of ownership	Amount				Percentage of ownership	Amount				
Sasson International Holding Inc.	100.00%	\$ 1,662,473	\$ 3,233	\$ 21,536	(\$ 65,016)	100.00%	\$ 1,622,226	\$ 1,622,226	Equity Method	None	

MICROELECTRONICS TECHNOLOGY, INC.
STATEMENT OF SHORT-TERM BANK LOANS
DECEMBER 31, 2019

(In Thousands of New Taiwan dollars)

Description	Creditor	Ending Balance	Period	Range of Interest	Loan	Collateral	Note
Purchasing	The Shanghai Commercial	\$ 204,363	210 days	2.39%~2.4%	\$ 239,840	None	
Purchasing	Land Bank of Taiwan	103,526	120 days	2.68%~2.74%	300,000	None	
Purchasing	Mega Bank	88,859	90 days	2.57%~2.59%	449,700	None	
		<u>\$ 396,748</u>					

MICROELECTRONICS TECHNOLOGY, INC.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2019

(In Thousands of New Taiwan dollars)

Supplier	Amount	Note
General Supplier:		
Company N	\$ 68,019	
Company M	42,045	
Company A	41,133	
Company S	33,920	
Company C	25,308	
Company R	18,912	
Other	198,603	None of the individual supplier's balance exceeding 5% of the ending balance of this account
	<u>427,940</u>	
Related parties:		
Jupiter Technology(Wuxi)Co.,Ltd	289,741	
	<u>\$ 717,681</u>	

MICROELECTRONICS TECHNOLOGY, INC.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2019

(In Thousands of New Taiwan dollars)

Item	Amount	Note
Other payables :		
Employee benefit payable	\$ 94,489	
Export payment	30,746	
Equipment payable	12,150	
Repair payment	13,565	
Payables for consulting service fees	10,372	
Other	47,752	None of the individual item's balance exceeding 5% of the ending balance of this account
	<u>209,074</u>	
Related parties:		
Technical service payable	67,541	
Equipment payable	7,446	
Other	1,033	None of the individual item's balance exceeding 5% of the ending balance of this account
	<u>\$ 285,094</u>	

MICROELECTRONICS TECHNOLOGY, INC.
STATEMENT OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Quantity(in thousands)</u>	<u>Amount</u>	<u>Note</u>
Satelite communication product	34,722	\$ 3,740,421	
Terrestrial microwave product	161,240	1,188,353	
Total operating revenue		<u>4,928,774</u>	
Less: Sales returns		(6,464)	
Sales discount and allowance		(5)	
operating revenue, net		<u>\$ 4,922,305</u>	

MICROELECTRONICS TECHNOLOGY, INC.
STATEMENT OF COSTS OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan dollars)

Item	Amount
Raw material at January 1, 2019 (including inventory in transit)	\$ 364,196
Add : Raw material purchase	902,967
Inventory overage	2,293
Less : Scrap of raw material	(30,638)
Raw material sold	(1,110)
Raw material at December 31, 2019	(374,512)
Consumption of raw material for the year	863,196
Direct labor	40,847
Manufacturing expenses	155,019
Manufacturing costs of the year	1,059,062
Add : Work in progress at January 1, 2019	147,269
Work in progress purchase	55,652
Less : Scrap of work in progress	(21,445)
Work in process at December 31, 2019	(117,134)
Cost of finished goods	1,123,404
Add : Finished goods at January 1, 2019	330,157
Finished goods purchase	2,815,417
Transferred from expenses	5,117
Less : Scrap of finished goods	(17,048)
Transfer to expenses and others	(3,686)
Finished goods at December 31, 2019	(148,314)
Cost of goods sold	4,105,047
Reversal of provisions	(11,164)
Gain on decline in market value	(94)
Service cost	51,806
Raw material sold	1,110
Raw material overage	(2,293)
Operating cost	<u>\$ 4,144,412</u>

MICROELECTRONICS TECHNOLOGY, INC.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Indirect labor cost		\$ 64,162	
Depreciation charges		29,183	
Utilities expense		10,109	
Rent expenses		8,155	
Other expenses		43,410	None of the individual item exceeds 5% of this account
		<u>\$ 155,019</u>	

MICROELECTRONICS TECHNOLOGY, INC.
STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Selling expenses:		
Shipping expenses	\$ 175,529	
Salaries and wages	40,321	
Commission	26,381	
Others	40,521	None of the individual item exceeds 5% of this account
	<u>\$ 282,752</u>	
General and administrative expenses:		
Salaries and wages	\$ 35,787	
Services fees	11,316	
Labor and health insurance	3,100	
Stock services expenses	3,087	
Others	9,230	None of the individual item exceeds 5% of this account
	<u>\$ 62,520</u>	
Research and development expense:		
Technical supporting expenses	\$ 226,288	
Salaries and wages	192,980	
Others	61,408	None of the individual item exceeds 5% of this account
	<u>\$ 480,676</u>	

MICROELECTRONICS TECHNOLOGY, INC.
LABOR, DEPRECIATION AND AMORTISATION BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

By nature \ By function	Year ended December 31, 2019			Year ended December 31, 2018		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense						
Wages and salaries	\$ 96,364	\$ 269,089	\$ 365,453	\$ 94,088	\$ 288,715	\$ 382,803
Labor and health insurance fees	8,370	22,668	31,038	7,912	24,538	32,450
Directors' compensation	5	2,230	2,235	-	3,155	3,155
Pension costs	5,441	14,738	20,179	5,200	16,130	21,330
Others employee benefit expense	2,650	8,020	10,670	2,748	10,129	12,877
Depreciation	29,183	18,099	47,282	7,380	10,180	17,560
Amortization	4,531	10,942	15,473	3,837	10,920	14,757

Note:

A. As of December 31, 2019 and 2018, the Company had 374 and 366 employees, respectively excluding 5 and 5 directors, respectively.

B. For companies whose shares were listed on the Taiwan Stock Exchange or listed on the Taiwan Over-The-Counter Securities Exchange, following information should be disclosed:

(a) The average employee benefit expense of current year was \$1,158 thousand ((Total employee benefit expense of current year-Total directors' compensation of current year)/ (Number of employees of current year-Number of non-employee directors of current year)).

The average employee benefit expense of prior year was \$1,245 thousand ((Total employee benefit expense of prior year -Total directors' compensation of prior year)/ (Number of employees of prior year-Number of non-employee directors of prior year)).

(b) The average wages and salaries of current year was \$990 thousand (Total wages and salaries of current year/ (Number of employees of current year-Number of non-employee directors of current year)).

The average wages and salaries of prior year was \$1,060 thousand (Total wages and salaries of prior year/ (Number of employees of prior year-Number of non-employee directors of prior year)).

(c) Changes on average wages and salaries adjustment (7%) ((Average wages and salaries of current year - Average wages and salaries of prior year)/ Average wages and salaries of prior year).