Stock Code:2404

UNITED INTEGRATED SERVICES CO., LTD.
AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: **5F., No.3, Ln.7, Baogao Rd., Xindian Dist., New Taipei City 231, Taiwan (ROC)**

Telephone: **(02)2917-4060**

Table of contents

Representation Letter

The entities that are required to be included in the combined financial statements of United Integrated Services Co., Ltd. as of and for the year ended December 31, 2018 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 International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, United Integrated Services Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: United Integrated Services Co., Ltd.

Chairman: Chao-Shui, Chen

Date: March 25, 2019

Independent Auditors' Report

To the Board of Directors of United Integrated Services Co., Ltd.:

Opinion

We have audited the consolidated financial statements of United Integrated Services Co., Ltd. and its Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of December 31, 2018 and 2017 and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audit and the other auditors' report (please refer to other matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in 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 of our opinion.

Other Matter

Other companies included in investments accounted for using equity method of the Group, which like Ablerex Electronics Co., Ltd., Wholetech System Hitech Limited and JG Environmental Technology Co., Ltd. The financial statements have not been audited by us but by other auditors. Therefore, the amounts of the financial statements about Ablerex Electronics Co., Ltd., Wholetech System Hitech Limited and JG Environmental Technology Co., Ltd. are based on the other auditors' report. As of December 31, 2018 and 2017, the Group recognized the amount of investment in the equity method of Ablerex Electronics Co., Ltd., Wholetech System Hitech Limited and JG Environmental Technology Co., Ltd., accounted for 3.64% and 4.53% of total assets, respectively.

For the years ended December 31, 2018 and 2017, share of profit of associates accounted for using equity method accounted for 2.10% and 3.45% of income before tax, respectively.

Some directors of United Integrated Services Co., Ltd. are judged by the Taiwan High Court, who were involved in the violation of the Securities Exchange Act. For circumstances of these cases, please refer to note12 (b) of the consolidated financial statements.

United Integrated Services Co., Ltd. has prepared individual financial statements for the years of 2018 and 2017, and we have issued an unqualified opinion with other matter section thereon.

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, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditors' report were as follows:

1. Revenue recognition

   For the accounting policies related to revenue recognition, please refer to Note 4 (p) Revenue recognition; Revenue recognition of accounting estimates and assumptions of uncertainty, please refer to Note 5 (b) Income recognition; For the description of revenue recognition, please refer to Note 6 (v) Revenue.

   Description of Key Audit Matters:

   Construction contract revenue of the Group is recognized by the degree of completion of the contract. The degree of completion is based on the contract costs incurred as of the financial statements date which represents the percentage of the estimated total contract cost. Because construction contract accounting treatment involves high level of estimation and judgment, revenue recognition has been identified as a key audit matter in our audit.

   We performed our audit procedures by:

   Our principal audit procedures include the effectiveness test of internal control execution related to the timing and correctness of revenue recognition. Select samples of new construction contract during the reporting period of the Group, and review the contracts and related documents; we obtained the annual project revenue statistics of the Group, and calculated the validity of the recognition amount of the project revenue.

2. Accounts receivable impairment assessment

   For the accounting policies of the impairment assessment of accounts receivable, please refer to Note 4 (g) Financial instruments; for the accounting estimates and assumptions of the uncertainly, please refer to Note 5(a) Impairment assessment of accounts receivable; For the description of the impairment assessment of accounts receivable, please refer to Note6(d) Receivable and net accounts receivable.

   Description of Key Audit Matters:

   The Group recognized expected credit loss in accordance to the Group's policy of allowance for bad debts, and established its estimation based on its client's credit risk, historical experiences of credit loss, and the rational expectation of future economic status. Since the accounting treatment of expected credit losses involves high level of estimation and judgment, the assessment of impairment of accounts receivable has been identified as a key audit matter in our audit.

   We performed our audit procedures by:

   Our principal audit procedures include (i) understanding the accounting policies of notes receivable, accounts receivable, and their impairment assessment; (ii) implementing sampling procedures to examine accuracy of accounts receivable aging report; (iii) analyzing the changes of aging of accounts receivable in each period; (iv) performing random examination of the historical collection records; (v) examining subsequent events to evaluate the reasonableness of the Group's recognition of allowance for impairment losses.

3. Financial instruments assessment

   For the accounting policies related to the assessment of financial instruments, please refer to Note 4 (g) Financial Instruments; Financial instruments of accounting estimates and assumptions uncertainty, please refer to Note 5 (c) Financial assets impairment; For the description of the financial instruments assessment, please refer to Note 6 (z) Financial value and level information.

   Description of Key Audit Matters:

   The valuation for accounting treatment of financial instruments of the Group, which involves the exercise of professional judgments on valuation techniques and important parameters. Therefore, the valuation of financial instruments has been identified as a key audit matter in our audit.

   We performed our audit procedures by:

   Our principal audit procedures included (i) performing an assessment over the investment cycle of its initial recognition and disclosures on financial statements, which involved in internal control procedures for fair value measurement performed by the management (ii) Appointed our valuation specialists to assess the reasonableness of valuation techniques and to test the key parameters of financial assets without active market prices, wherein valuation models were used to ensure that the applied valuation techniques were in accordance with IFRS 13 "Fair Value Measurement".

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The 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 IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as the 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, the 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 the 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 members of the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 the auditing standards generally accepted in the Republic of China 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 auditing standards generally accepted in the Republic of China, 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 the management.

4. Conclude on the appropriateness of the 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 auditors' 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 auditors' 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 and 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 year ended December.31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors’ report are Jung-Lin, Lee and Tzu-Hui, Lee.

KPMG

Taipei, Taiwan (Republic of China)
March 25, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note6(a))	$ 7,029,298	34	7,995,750	48
1110	Financial assets at fair value through profit or loss－current (note6(b), (z))	149,575	1	42,323	-
1125	Available-for-sale financial assets-current (note6(c),(z))	-	-	100,350	1
1140	Contract assets-current (note6(v))	2,176,124	10	-	-
1150	Notes receivable, net (note6(d))	581,743	3	296,972	2
1170	Accounts receivable, net (note6(d))	3,822,249	18	1,410,567	8
1190	Accounts receivable of construction contracts (note6(e))	-	-	1,695,309	10
1221	Current tax assets	14,485	-	9,599	-
130X	Inventories (note6(f))	39,233	-	34,957	-
1410	Prepayments (note6(g))	1,453,776	7	621,816	4
1470	Other current assets (note6(n),7and 8)	2,058,412	10	1,642,271	10
	Total current assets	17,324,895	83	13,849,914	83
	Non-current assets:				
1543	Financial assets carried at cost－non-current (note6(j))	-	-	1,018,462	6
1510	Financial assets at fair value through profit or loss－non-current (note6(h), (z))	7,879	-	-	-
1517	Financial assets at fair value through other comprehensive income－non-current (note6(i), (z))	1,636,961	8	-	-
1550	Investments accounted for under equity method (note6(k))	756,814	4	752,728	5
1600	Property, plant and equipment (note6(l))	806,633	4	736,116	4
1780	Intangible assets (note6(m))	1,341	-	1,809	-
1840	Deferred income tax assets (note6(s))	84,696	-	92,852	1
1900	Other non-current assets (note6(n) and 8)	191,384	1	173,690	1
	Total non-current assets	3,485,708	17	2,775,657	17
	Total assets	**$ 20,810,603**	**100**	**16,625,571**	**100**

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2130	Contract liabilities (note6(v))	6,943,358	33	-	-
2150	Notes payable (note6(z))	241,795	1	46,861	-
2160	Notes payable-related parties (note6(z) and 7)	38,960	-	-	-
2170	Accounts payable (note6(z))	4,100,557	20	2,252,559	15
2180	Accounts payable－related parties (note6(z) and 7)	84,831	-	50,399	-
2190	Accounts payable of construction contracts (note6(e))	-	-	6,557,290	39
2220	Other payables-related parties (note7)	125,964	1	147,587	1
2230	Current income tax liabilities	444,470	2	60,380	-
2250	Provision liabilities-current (note6(p))	13,354	-	3,205	-
2300	Other current liabilities	868,349	4	496,819	3
	Total current liabilities	12,861,638	61	9,615,100	58
	Non-Current liabilities:				
2550	Provision liabilities－non-current (note6(r))	334,415	2	309,270	2
2570	Deferred income tax liabilities (note6(s))	118,983	1	89,318	1
2645	Guarantee deposit received (note6(z))	8,802	-	4,523	-
	Total non-current liabilities	462,200	3	403,111	3
	Total liabilities	13,323,838	64	10,018,211	61
	Equity attributable to shareholders of the company:				
3100	Common stock	1,905,867	9	2,382,334	14
3200	Capital surplus	374,156	2	611,987	4
	Retained earnings:				
3310	Legal reserve	1,515,740	7	1,394,285	8
3320	Special reserve	112,888	1	133,666	1
3350	Unappropriated earnings	2,780,424	13	1,992,541	12
		4,409,052	21	3,520,492	21
3400	Other equity	565,261	3	(112,888)	(1)
	Total equity attributable to shareholders of the parent company	7,254,336	35	6,401,925	38
36XX	Non-controlling interests	232,429	1	205,435	1
	Total equity	7,486,765	36	6,607,360	39
	Total liabilities and equity	**$ 20,810,603**	**100**	**16,625,571**	**100**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2018		2017	
		Amount	%	Amount	%
	Operating Revenues (note(v), (w) and 7):				
4520	Construction revenue (note6(v))	17,898,319	99	12,247,176	98
4600	Service and design revenue	229,615	1	278,742	2
	Operating revenue, net	18,127,934	100	12,525,918	100
	Operating costs (note6(f), (m), (r), (x), 7 and 12):				
5520	Construction cost	14,786,885	82	10,131,450	81
5600	Service and design cost	157,608	1	159,954	1
	Total operating costs	14,944,493	83	10,291,404	82
	Gross profit from operations	3,183,441	17	2,234,514	18
	Operating expenses (note6(m), (p), (q), (r), (x) and 12):				
6100	Selling expenses	32,382	-	26,704	-
6200	General and administrative expenses	695,937	4	555,339	4
6300	Research and development expenses	36,070	-	42,120	-
6450	Expected credit impairment losses	46,952	-	-	-
	Total operating expenses	811,341	4	624,163	4
	Net operating income	2,372,100	13	1,610,351	14
	Non-operating income and expenses:				
7010	Other income (note6(y))	389,382	2	319,528	3
7020	Other gains and losses (note6(y))	72,258	-	(339,021)	(3)
7100	Interest income	146,014	1	100,240	1
7510	Interest expense (note6(y) and 7)	(6,368)	-	(6,572)	-
7370	Share of profit of associations and joint ventures accounted for using equity method (note6(k))	63,636	-	61,056	-
	Total non-operating income and expenses	664,922	3	135,231	1
	Profit from continuing operations before tax	3,037,022	16	1,745,582	15
7950	**Less: Income tax (note6(s))**	762,853	4	403,818	3
	Net Profit	2,274,169	12	1,341,764	12
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(21,830)	-	(29,593)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income(note6(i))	(954,501)	(5)	-	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(133)	-	(510)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	9,567	-	5,031	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(966,897)	(5)	(25,072)	-
8360	**Other components of other comprehensive income that will be reclassified to profit or loss**				
8361	Exchange differences on translation(note6(t))	(39,178)	-	(18,227)	-
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets(note6(t))	-	-	34,780	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	-	-	1,127	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6,397	-	3,098	-
	Components of other comprehensive income that will be reclassified to profit or loss	(32,781)	-	20,778	-
8300	**Other comprehensive income, net**	(999,678)	(5)	(4,294)	-
	Total comprehensive income	$ 1,274,491	7	1,337,470	12
	Profit attributable to:				
8610	Profit attributable to owners of parent (note6(u))	$ 2,147,566	11	1,214,548	11
8620	Profit attributable to non-controlling interests	126,603	1	127,216	1
		$ 2,274,169	12	1,341,764	12
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ 1,155,079	6	1,210,254	11
8720	Comprehensive income, attributable to non-controlling interests	119,412	1	127,216	1
		$ 1,274,491	7	1,337,470	12
9750	**Basic earnings per share (note6(u))**	$	9.42		5.10
9850	**Diluted earnings per share (note6(u))**	$	9.27		5.00

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		Equity attributable to owners of parent													
		Share capital		Retained earnings				Total other equity interest							
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury stock	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2017	A1	$ 2,382,334	610,422	1,239,086	63,220	2,458,110	3,760,416	(23,896)	-	(109,770)	(133,666)	(594)	6,618,912	16,170	6,635,082
Net income for the year	D1	-	-	-	-	1,214,548	1,214,548	-	-	-	-	-	1,214,548	127,216	1,341,764
Other comprehensive income (losses) for the year	D3	-	-	-	-	(25,072)	(25,072)	(14,002)	-	34,780	20,778	-	(4,294)	-	(4,294)
Total comprehensive income (losses) for the period	D5	-	-	-	-	1,189,476	1,189,476	(14,002)	-	34,780	20,778	-	1,210,254	127,216	1,337,470
Appropriation and distribution of retained earnings:															
Legal reserve	B1	-	-	155,199	-	(155,199)	-	-	-	-	-	-	-	-	-
Special reserve	B3	-	-	-	70,446	(70,446)	-	-	-	-	-	-	-	-	-
Cash dividends	B5	-	-	-	-	(1,429,400)	(1,429,400)	-	-	-	-	-	(1,429,400)	-	(1,429,400)
Other changes in capital surplus:															
Changes in equity of associates and joint ventures	C7														
accounted for using equity method		-	294	-	-	-	-	-	-	-	-	-	294	-	294
Other changes in capital surplus	C17	-	268	-	-	-	-	-	-	-	-	-	268	-	268
Disposal of company's stock by subsidiaries	L7														
recognized as treasury stock transactions		-	1,003	-	-	-	-	-	-	-	-	594	1,597	-	1,597
Changes in non-controlling interests	O1	-	-	-	-	-	-	-	-	-	-	-	-	62,049	62,049
Balance at December 31, 2017	Z1	2,382,334	611,987	1,394,285	133,666	1,992,541	3,520,492	(37,898)	-	(74,990)	(112,888)	-	6,401,925	205,435	6,607,360
Effects of retrospective application	A3	-	-	-	-	(55,443)	(55,443)	-	1,583,250	74,990	1,658,240	-	1,602,797	-	1,602,797
Equity at beginning of period after adjustments	A5	2,382,334	611,987	1,394,285	133,666	1,937,098	3,465,049	(37,898)	1,583,250	-	1,545,352	-	8,004,722	205,435	8,210,157
Net income for the year	D1	-	-	-	-	2,147,566	2,147,566	-	-	-	-	-	2,147,566	126,603	2,274,169
Other comprehensive income (losses) for the year	D3	-	-	-	-	(12,396)	(12,396)	(25,590)	(954,501)	-	(980,091)	-	(992,487)	(7,191)	(999,678)
Total comprehensive income (losses) for the period	D5	-	-	-	-	2,135,170	2,135,170	(25,590)	(954,501)	-	(980,091)	-	1,155,079	119,412	1,274,491
Appropriation and distribution of retained earnings:															
Legal reserve	B1	-	-	121,455	-	(121,455)	-	-	-	-	-	-	-	-	-
Special reserve	B3	-	-	-	(20,778)	20,778	-	-	-	-	-	-	-	-	-
Cash dividends	B5	-	(238,233)	-	-	(1,191,167)	(1,191,167)	-	-	-	-	-	(1,429,400)	-	(1,429,400)
Other changes in capital surplus:															
Changes in equity of associates and joint ventures	C7														
accounted for using equity method		-	402	-	-	-	-	-	-	-	-	-	402	-	402
Capital reduction	E3	(476,467)	-	-	-	-	-	-	-	-	-	-	(476,467)	-	(476,467)
Changes in non-controlling interests	O1	-	-	-	-	-	-	-	-	-	-	-	-	(92,418)	(92,418)
Balance at December 31, 2018	Z1	$ 1,905,867	374,156	1,515,740	112,888	2,780,424	4,409,052	(63,488)	628,749	-	565,261	-	7,254,336	232,429	7,486,765

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
AAAA	**Cash flows from (used in) operating activities:**		
A10000	**Profit before tax**	$ 3,037,022	1,745,582
A20000	**Adjustments:**		
A20010	**Adjustments to reconcile profit (loss):**		
A20100	Depreciation expense	27,408	25,258
A20200	Amortization expense	3,708	5,604
A20300	Expected credit loss for bad debt expense (reversal of provision)	46,952	(17,746)
A20400	Net loss (gain) on financial assets or liabilities at fair value through profit or loss	15,206	(24,489)
A20900	Interest expense	6,368	6,572
A21200	Interest income	(146,014)	(100,240)
A21300	Dividend income	(356,400)	(257,432)
A22300	Share of profit of associates and joint ventures accounted for using equity method	(63,636)	(61,056)
A22500	Loss (gain) on disposal of property, plant and equipment	(1)	27
A23100	Gain on disposal of investments	-	(13,656)
A23500	Impairment loss on financial assets	-	3,300
A20010	**Total adjustments to reconcile profit (loss)**	(466,409)	(433,858)
A30000	**Changes in operating assets and liabilities:**		
A31000	**Changes in operating assets:**		
A31125	Increase in contract assets	(480,815)	-
A31130	Decrease(increase) in notes receivable	(284,771)	463,996
A31150	Decrease(increase) in accounts receivable	(2,458,634)	2,307,972
A31160	Decrease in accounts receivable due from related parties	-	144
A31170	Increase in construction contracts receivable	-	(322,888)
A31200	Increase in inventories	(4,276)	(3,483)
A31230	Decrease(increase) in prepayments	(831,960)	312,820
A31240	Increase in other current assets	(3,110)	(191,150)
A31000	**Subtotal of changes in operating assets**	(4,063,566)	2,567,411
A32000	**Changes in operating liabilities:**		
A32125	Increase in Contract liabilities	386,068	-
A32130	Increase (decrease) in notes payable	194,934	(111,524)
A32140	Increase (decrease) in notes payable to related parties	38,960	(40,246)
A32150	Increase (decrease) in accounts payable	1,847,998	(710,609)
A32160	Increase (decrease) in accounts payable to related parties	34,432	(43,614)
A32170	Increase in construction contracts receivable	-	762,191
A32190	Decrease in other payable to related parties	(21,623)	-
A32200	Increase (decrease) in provisions	10,149	(4,731)
A32230	Increase (decrease) in other current liabilities	371,530	(157,709)
A32240	Increase in net defined benefit liability	3,314	2,354
A32000	**Subtotal of changes in operating liabilities**	2,865,762	(303,888)
A30000	**Subtotal of changes in operating assets and liabilities**	(1,197,804)	2,263,523
A20000	**Total adjustments**	(1,664,213)	1,829,665
A33000	Cash inflow (outflow) generated from operations	1,372,809	3,575,247
A33100	Interest received	135,539	93,992
A33300	Interest paid	-	(291)
A33500	Income taxes refund (paid)	(329,869)	(495,276)
AAAA	**Net cash flows from (used in) operating activities**	1,178,479	3,173,672
BBBB	**Cash flows from (used in) investing activities:**		
B00100	Acquisition of financial assets designated at fair value through profit or loss	(826)	-
B00200	Proceeds from disposal of financial assets designated at fair value through profit or loss	1,806	67,358
B00300	Acquisition of available-for-sale financial assets	-	(1,310)
B01400	Proceeds from capital reduction of financial assets at cost	-	5,132
B01800	Acquisition of investments accounted for using equity method	(10,382)	(2,579)
B02700	Acquisition of property, plant and equipment	(9,564)	(6,527)
B02800	Proceeds from disposal of property, plant and equipment	2,603	-
B03800	Increase (decrease) in refundable deposits	(104,253)	2,686
B04100	Increase in other receivables	6,345	-
B04500	Acquisition of intangible assets	-	(718)
B06500	Increase in other financial assets	(87,094)	(775,555)
B06800	Decrease in other non-current assets	-	4,990
B07200	Decrease in prepayments for business facilities	2,176	7,123
B07600	Dividends received	80,903	325,310
BBBB	**Net cash flows from (used in) investing activities**	(118,286)	(374,090)
CCCC	**Cash flows from (used in) financing activities:**		
C03100	Increase in guarantee deposits received	4,279	(1,534)
C04500	Cash dividends paid	(1,429,400)	(1,429,400)
C04700	Capital reduction payments to shareholders	(476,467)	-
C05000	Proceeds from sale of treasury shares	-	1,597
C05800	Change in non-controlling interests	(92,418)	62,049
CCCC	**Net cash flows from (used in) financing activities**	(1,994,006)	(1,367,288)
DDDD	**Effect of exchange rate changes on cash and cash equivalents**	(32,639)	(8,399)
EEEE	**Net increase (decrease) in cash and cash equivalents**	(966,452)	1,423,895
E00100	**Cash and cash equivalents at beginning of period**	7,995,750	6,571,855
E00200	**Cash and cash equivalents at end of period**	**$ 7,029,298**	**7,995,750**

See accompanying notes to consolidated financial statements.

(1) Company history

United Integrated Services Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Ministry of Economic Affairs, R.O.C on September 13, 1982, named as United Technology And Engineering Co., Ltd.. The Company changed its organization to shares of common stock , and was named as United Linkfast Co., Ltd. on March 14, 1990. On October 30, 1990, the Company merged with Linkfast System Co., Ltd. The continuing company was United Linkfast Co., Ltd., and renamed as United Integrated Services Co., Ltd. on May 29, 2002. The registered address of the Company is 6F., No.297 Sec.6 , Roosevelt Rd., Wenshan Dist., Taipei City, Taiwan(R.O.C). On July 29, 2003, the Company merged with TAI-QUN Technology Co., Ltd. by cash consideration method. The continuing company is United Integrated Services Co., Ltd..

The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in: (1) Contracting various running water projects, instrument control projects, refrigerating and air-conditioning projects, installation of clean rooms and the manufacture and transaction related to it. (2) Traffic surveillance & control system engineering building, computer control monitoring system of factory, monitoring system of engineering environment, the design and installation of toll collection engineering system and the transaction related to it. (3) Various electrical and mechanical engineering contracts for transmission and distribution of electric power. (4) The design, installation, maintenance and the trading of related equipment of various computerized automatic monitoring engineering system.(5) Contracting of various computer and communication system integration projects and the manufacturing and trading of related software and hardware. (6) Installation and design of the controlling equipment in computer room. (7) Technical advisory services for the planning and design of projects. (8) Import of restrained telecom radio frequency equipment.

Han-Tai Investment Co., Ltd. (Han-Tai Investment), incorporated on the basis of "Company Act" endorsed by the Ministry of Economic Affairs(R.O.C.) on March 26, 1998, was primarily engaged in investment in domestic and foreign technology industries, and domestic general manufacturing industries. Han-Tai Investment's the board of directors had resolved to dissolve on November, 2017.

United Integrated Services (British Virgin Islands) Ltd. (UIS BVI), a company established in the third place in accordance with the relevant laws of the Republic of China, was established in accordance with the British Virgin Islands International Business Law on October 31, 2001. The main business is investing in Su Yuan (Shanghai) Trading Ltd. and Suzhou Han Tai System Integrated Ltd., and trading various engineering equipment and installation engineering. On August, 2012, UIS BVI invested in Beijing Han He Tang Medical Instrument Ltd. and engaged in businesses like distribution and agency for medical devices.

On September 18, 1993, Jiangxi United Integrated Services Ltd. was incorporated as a company limited by shares under Ministry of Commerce of the People's Republic of China and Jiangxi Provincial Administration of Industry and Commerce, and the main business is pipeline equipment installation.

On January 25, 2011, Singapore United System Integrated Services Ltd. was incorporated as a company limited by shares under Singapore Accounting & Corporate Regulatory Authority, and the main business is constructing clean room.

(Continued)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017, the composition of the consolidated financial statements include the Company and its subsidiaries (the Group), and the interest of the Group in the associates. Please refer to note 4 (c) for the main operating items of the Group.

(2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements were presented to the board of directors and authorized for issued afterward on March 25, 2019.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it needs not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Providing services

The Group provides services and designs related to the projects. In the past, if the services under a single arrangement were provided in different reporting periods, then the consideration was allocated on a relative fair value basis to different services, while services revenue was recognized using the stage-of-completion method. Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions.

2) Construction contracts

Contract revenue is recognized to the extent that it is will probable that the contract result in revenue and can be measured reliably, including the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments. When a claim or variation is recognized, the measure of contract progress or contract price is revised, and the cumulative contract position is reassessed at each reporting date. Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

3) Impacts on financial statements

The following table summarizes the impacts of adopting IFRS15 on the Group's consolidated financial statements:

	December 31, 2018			January 1, 2018		
Impacted line items on the consolidated balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Accounts receivable-construction contracts	$ 2,176,124	(2,176,124)	-	1,695,309	(1,695,309)	-
Current contract assets	-	2,176,124	2,176,124	-	1,695,309	1,695,309
Impact on assets		-			-	
Accounts payable-construction contracts	$ 6,933,498	(6,933,498)	-	6,557,290	(6,557,290)	-
Other liabilities	9,860	(9,860)	-	69,046	(69,046)	-
Current contract liabilities	-	6,943,358	6,943,358	-	6,626,336	6,626,336
Impact on liabilities		$ -			-	

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 "Financial Instruments Disclosures" that are applied to disclosures for year 2018.The above amendments generally do not apply to comparative information.

The significant changes of accounting policies are as follows:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(g).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

(Continued)

– The determination of the business model within which a financial asset is held.

– The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

– The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018. (The original measurement categories and the carrying amount of financial liabilities did not change.)

	IAS 39		IFRS 9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and equivalents	Loans and receivables	7,995,750	Amortized cost	7,995,750
Equity instruments	Fair value through profit or loss	42,323	Fair value through profit or loss	42,323
	Available-for-sale (note 1)	100,350	Fair value through profit or loss	121,722
	Financial assets at cost(note2)	10,250	Fair value through profit or loss	9,595
	Financial assets at cost(note3)	1,008,212	Fair value through other comprehensive income	2,591,462
Trade and other receivables	Loans and receivables	1,707,539	Amortized cost	1,707,539
Other financial assets	Loans and receivables	1,464,001	Amortized cost	1,464,001

Note 1: Under IAS39, the Group classified the investment of the equity instruments as available-for-sale financial asset. The Group assessed their business model and followed the rules of IFRS 9, classifying the investment to FVTPL at the date of initial application. Therefore, the Group recognized an increase of $21,372 thousand in those assets, an increase of $74,990 thousand in other equity interest, and a decrease of $$53,618 thousand in retained earnings were recognized on January 1, 2018.

Note 2:Under IAS39, the Group classified the investment of the equity instruments as financial asset measured at cost. The Group assessed their business model and followed the rules of IFRS 9, classifying the investment to FVTPL at the date of initial application. Therefore, the Group recognized a decrease of $655 thousand in those assets, and a decrease of $655 thousand in retained earnings on January 1, 2018.

Note 3: The equity instrument stands for the strategic investment that the Group intends to hold it for a long period of time. The Group classified the investment to FVOCI at the date of initial application. Consequently, the Group recognized an increase of $1,583,250 thousand in those assets, and an increase of $1,583,250 thousand in retained earnings on January 1, 2018

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

	2017.12.31	2018.1.1	2018.1.1	2018.1.1

(Continued)

	IAS 39 Carrying Amount	Reclassifications	Remeasurements	IFRS 9 Carrying Amount	Retained earnings effect	Other equity effect
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	$ 42,323	-	-		-	-
Beginning balance of available-for-sale (including measured at cost) (IAS 39)	110,600	(110,600)	-		-	-
Additions – equity instruments:						
From available for sale	-	100,350	21,372		(53,618)	74,990
From financial assets measured at cost	-	10,250	(655)		(655)	-
Total	$ 152,923	-	20,717	173,640	(54,273)	74,990
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 1,008,212	(1,008,212)	-		-	-
Addition – equity instruments:						
From financial assets measured at cost	-	1,008,212	1,583,250		-	1,583,250
Total	$ 1,008,212	-	1,583,250	2,591,462	-	1,583,250

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	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
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

(Continued)

1) Determining whether an arrangement contains a lease

The Group has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group will use these practical expedients after assessment as follows:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the

(Continued)

new assets and liabilities for its operating leases of offices, warehouses, and factory facilities. It is estimated that the above difference may increase the right to use assets and lease liabilities of January 1, 2019 by $28,498 and $28,498, respectively, and the retained earning will be reduced by $229. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant. And for the contract of the intermediate lessor of the sub-leasing transaction for the Group , no adjustments are required after evaluation.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

Those which may be relevant to The Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 22, 2018	Amendments to IFRS 3 “Definition of a Business”	The IASB has issued narrow-scope amendments to IFRS 3 to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the IASB has provided supplementary guidance.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the presented periods in the consolidated financial statements.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the Regulations) and the IFRSs endorsed by the FSC.

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis, unless, otherwise stated:

1) Fair value through profit or loss financial assets

2) Fair value through other comprehensive profit or loss, financial assets as measured by fair value (available-for-sale).

3) The net liability of the defined benefit asset is measured by the fair value of plan assets less the present value of the defined benefit obligation and the effect of the ceiling.

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan dollars, which is Company's functional currency. The assets and liabilities of foreign operations are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Group. The Company controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions and balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The comprehensive income from subsidiaries is allocated to the Company and its non-controlling interests, even if the non-controlling interests have a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over its subsidiaries are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the parent.

(ii) List of the subsidiaries included in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2018	Shareholding December 31, 2017	Description
The Company	United Integrated Services BVI	Investment Business	100%	100%	Subsidiary of the Company
The Company	Jiangxi United Integrated Services Ltd.	Electromechanical business and pipeline engineering business	75%	75%	Subsidiary of the Company
The Company	Singapore United Integrated Services Ltd.	Clean room construction	100%	100%	Subsidiary of the Company
United Integrated Services BVI	Su Yuan (Shanghai) Trading Ltd.	Selling semiconductors, clean rooms and electromechanical equipment	100%	100%	Subsidiary of United Integrated Services BVI
United Integrated Services BVI	Suzhou Han Tai System Integrated Ltd	Construction hardware materials production and sales	100%	100%	Subsidiary of United Integrated Services BVI
United Integrated Services BVI	Beijing Han He Tang Medical Instrument Ltd.	Distribution agency for medical equipment,	100%	100%	Subsidiary of United Integrated Services BVI

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are remeasured to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from remeasurement are recognized in profit or loss, except for the difference resulting from available for sale equity investment which is

(Continued)

recognized in other comprehensive income arising from the remeasurement.

(ii) Foreign operation

The assets and liabilities of foreign operating, including goodwill and fair value adjustments arising from the acquisition, are translated to the Group's functional currency in New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations, are translated to the Group's functional currency at the average rates. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation adjustments in equity.

When disposing of a foreign operating agency for loss of control, joint control or significant influence. The cumulative exchange difference associated with the foreign operating agency is fully reclassified as profit or loss. When some of the subsidiaries contain subsidiaries of foreign operating agencies, the relevant cumulative exchange difference is re-owned to non-controlling interests proportionally. When partial disposal of investments involving affiliates or joint ventures of foreign operating agencies, the relevant cumulative exchange differences are reclassified to profit and loss on a pro-rata basis.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation, and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Classification of current and non-current assets and liabilities

(i) An entity shall classify an asset as current when:

1) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

2) It holds the asset primarily for the purpose of trading;

3) It expects to realize the asset within twelve months after the reporting period; or

4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

(ii) An entity shall classify a liability as current when:

1) It expects to settle the liability in its normal operating cycle;

2) It holds the liability primarily for the purpose of trading;

3) The liability is due to be settled within twelve months after the reporting period even if refinancing or a revised repayment plan is arranged between the reporting date and the issuance date of the financial statements; or

4) It does not have an unconditional right to defer settlement of the liability for at least

(Continued)

twelve months after the reporting period. 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.

An entity shall classify all other liabilities as non current.

(iii) Other

The Group is mainly engaged in the planning, designation and construction contracting of various projects. Its business cycle is about three to five years. Due to assets and liabilities related to the engineering business, are based on operating cycle as the standard for dividing current or non-current.

(f) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalent refers to short term investments with high liquidity that are subject to insignificant risk of changes in their fair value, and can be cashed into fixed amount of money. The definition of time deposit within 3 months is similar to that of cash equivalent; however, the purpose of holding time deposit is for short term cash commitment rather than investment.

(g) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual rights or obligations of the instruments.

(i) Financial assets (applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost reduced by impairment losses using the effective interest method. Interest income, foreign exchange gains and losses, and impairment loss are recognized as profit or loss. Any gain or loss on derecognition is recognized as profit or loss.

(Continued)

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI, accounts receivable and contract assets.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due, or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (applicable before January 1, 2018)

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, financial assets carried at cost, available-for-sale financial assets, and receivables.

1) Fair value through profit or loss (FVTPL)

Financial asset and derivative instruments, excluding designated and effective hedging instrument, are classified as held for trading if acquired principally for the purpose of selling or repurchasing in the short term. Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes measured at fair value are recognized in profit or loss. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Financial assets are measured at fair value upon initial recognition. The fair value of shares of companies listed in Taiwan refers to the closing price of the reporting period. Open-end Funds, whose fair value refers to the net value of the fund assets on the report date.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available for sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, dividend income, and foreign currency differences on available for sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expense. The purchase disposal of financial assets are recognized using trade date accounting.

3) Financial assets carried at cost

Equity commodity investments whose fair value cannot be reliably measured, measured at the cost of the original recognition. If there is objective evidence of impairment, the impairment loss is recognized, and the impairment loss is not reversed. Stock dividends are only noted as an increase in the number of investment shares, and are not classified as investment income. Cost of sale is calculated by weighted average method.

4) Notes receivable and accounts receivable, other receivables

Notes receivable and accounts receivable are claims arising from the sale of goods or services, other receivables are arising from non-operating activities. At initial recognition, the costs of the financial assets are valued at their fair value plus the direct acquisition costs, and are subsequently measured at their amortized cost minus impairment loss using the effective interest method.

5) Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

The objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. If objective evidence of an impairment exists, an impairment loss should be recognized. An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Collateral and proceeds from insurance should also be considered when determining the estimated future cash flows. Losses are recognized in profit or loss and are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. However, the reversing amount cannot exceed the amortized balance of the assets assuming no impairment was recognized in prior periods.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries are recognized in profit or loss. Recovery and loss on doubtful debts of account receivables are included in operating expense; others are included in non-operating income and expense.

6) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivables and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity－unrealized gains or losses from available for sale financial assets is recognized in profit or loss, and included in non-operating income and expense.

The Group separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in non operating income and expense. A cumulative gain or loss that had been recognized in other comprehensive income is

(Continued)

allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(iii) Financial liabilities and equity instruments

1) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is recorded under non operating income and expenses.

2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non operating income and expense.

3) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write down amount, and such reversal is treated as a reduction of cost of goods sold.

(i) Construction contract (applicable before January 1, 2018)

If the results of the construction contract can be reliably estimated, the income and costs are recognized separately on the balance sheet date with reference to the degree of completion of the

(Continued)

contractual activities, and the degree of completion is measured by the ratio of the contract costs incurred to date to the estimated total contract costs. Except where the degree of completion is not representative. In the event of a change in contract work, a claim and a bonus, it will be included in the contract income only if the amount can be reliably measured and is likely to be received.

If the total contract cost is likely to exceed the total contract revenue, all expected losses are immediately recognized as expenses.

Construction contracts in progress are presented as the amount due from customers for contract work in the balance sheets for all contracts in which costs incurred plus recognized profits exceed progress billings and recognized losses. If progress billings exceed costs incurred plus recognized profits exceed recognized losses, then the difference is presented as amount due to customers for contract work in the balance sheets. The amount of money received before the relevant work is carried out is included in other current liabilities. The amount of project billing, which the customer has not paid, is included in construction contracts receivable.

(j) Investment affiliate

Affiliated companies are the Group that has a significant impact on their financial and operating policies, but not enough to have ability to control them. When the Group holds 20% to 50% of the voting rights of the investee company, assumes it has significant influence.

Under the equity method, the original acquisition is measured at cost. Investment costs include the cost of the transaction. The carrying amount of the investment-related company includes the goodwill recognized at the original investment subtract any accumulated impairment loss.

The consolidated financial report includes from the date of significant influence to the date of loss of significant influence. After adjusting for consistency with the Group’s accounting policies, the Group recognizes the amount of profit or loss and other comprehensive gains and losses of each of the investment-related enterprises in proportion to equity.

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group’s interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses equals or exceeds its interest in the affiliated enterprise, the Group will stop recognizing those losses. And only within the scope of legal obligation, constructive obligation, or payments made on behalf of the investee company, recognizes the additional losses and related liabilities.

(k) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, and any borrowing cost that is eligible for capitalization.

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 shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non operating income and expense.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount,and it shall be allocated on a systematic basis over its useful life. Items of property and equipment with the same useful life may be grouped in determing the depreciation charge. The remainder of the items may by depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Buildings	3~55 years
Machinery equipment	3~12 years
Plant equipment	50 years
Transportation equipment	5~6 years
Office equipment	3~8 years
Lease improvement	5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as a change in an accounting estimate.

(l) Leases

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present of the minimum lease payments. Subsequent minimum lease payments are attributable to finance cost and the reduction of the outstanding liabilities, and the finance cost is allocated to each period during the lease term using a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in the Group's statement of financial position. Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognized as an integral of the total lease expense over the term of the lease. Any benefit provided by the lessor for the purpose of reaching the agreement is accounted for as a

(Continued)

reduction of lease expense on a straight line basis.

(m) Intangible assets

Intangible assets except goodwill acquired by the Group are measured at cost less accumulated amortization and cumulative impairment. Subsequent expenditures can be capitalized only when they can increase the future economic benefits of the relevant specific assets, and all other expenses are recognized in profit or loss when incurred. Amortization is the amortizable amount after the asset cost is deducted from the residual value. From the availability, the intangible assets of the Group are the cost of obtaining computer software, amortization based on estimated straight-line method for three to five years. The amortization charge for each period shall be recognized in profit or loss.

Review the residual value of intangible assets, amortization period and amortization method at least annually at the end of the financial year. If there is a change, it is regarded as a change in accounting estimates.

(n) Impairment of non-financial assets

The carrying amounts of the The Group ‘s non-financial assets, other than assets arising from construction contracts, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Assets, excluding goodwill, accumulated impairment losses recognized in previous years, will be revolved if they do not exist or decrease thereafter. Increase the book value of the assets to the recoverable amount, except that the assets are not deducted from the impairment losses, and the depreciation or amortization should be deducted.

The recoverable amount is the fair value of individual assets or cash-generating units less the cost of sales and its value in use. If the recoverable amount of an individual asset or a cash-generating unit is less than the carrying amount, the book value adjustment of the individual asset or cash-generating unit is reduced to the recoverable amount and recognize the impairment loss. The impairment loss is immediately recognized in the current profit and loss.

The Group reassesses at each reporting date whether there is any indication that the impairment loss recognized by non-financial assets other than goodwill in previous years may no longer exist or decrease. If there is any change in the estimate used to determine the recoverable amount, then the derogation loss is lost. To increase the carrying amount of individual assets or cash-generating units to their recoverable amount, only if the individual asset or cash-generating unit in the previous year does not recognize the impairment loss and deduct the carrying amount after depreciation or amortization should be included.

(o) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an ouflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the monetary market time value of money and the risks specific to the liability.The unwinding of the discount is recognized as interest cost.

The Group shall provide one-thousandth of the total contract amount for the completed project within one year of the period-end settlement for the project warranty reserve. When the actual expenditure occurs, the provision is reversed, and if there is a deficiency, it is listed as the annual expense.

When the Group anticipates that the inevitable cost of performing a contractual obligation exceeds the expected economic benefit from the contract, the Group will recognize the liability provision for the onerous contract. The liability provision is measured at the lower of the present value of the estimated cost of terminating the contract and the estimated net cost of continuing the contract, and all impairment losses of assets related to the contract are recognized before the recognition of the liability provision for the onerous contract.

(p) Revenue from contracts with customers

(i) Revenue from contracts with customers (applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group’s main types of revenue are explained below.

1) Sale of goods

The Group recognizes revenue 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, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Consulting Services

The Group is engaged in providing construction consulting and design services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognized based on the actual service provided at the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on surveys of work performed.

3) Construction contracts

The Group enters into contracts to build constructions. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of the construction costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule. For some variable considerations, accumulated experience is used to estimate the amount of variable

(Continued)

consideration, using the expected value method. For other variable considerations, the Group estimates the amount of variable consideration using the most likely amount. Considering the progress of a public construction is highly susceptible to factors outside the Group's control and, therefore, completion bonus is usually constrained, the Group recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For constructions, the Group offers a standard warranty to provide assurance that they comply with agreed-upon specifications and has recognized warranty provisions for this obligation.

(q) Contract costs (applicable from January 1, 2018)

(i) Incremental costs of obtaining a contract

The Group recognizes the incremental costs of obtaining a contract with a customeras an asset, if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred, if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(ii) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

・The costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

- The costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

- The costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations(or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date (market yields of high quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings.

(iii) Short term employee benefits

(Continued)

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(s) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset should be recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(t) Earnings per share

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Group. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Group divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Group, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it

(Continued)

may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group) and each operating segment consists of standalone financial information. Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

The Group has less than 20% of the voting or potential voting rights of Wholetech System Hitech Limited and JG Environmental Technology Co., Ltd.. However, the Group has determined that it has significant influence because it has representation on the Board of Directors of Wholetech System Hitech Limited and JG Environmental Technology Co., Ltd..

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) The loss allowance of trade receivable

The Group has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to Note 6 (d).

(b) Income recognition

The Group is based on the completion of the construction contract, and the contracted revenue is recognized over time, and the degree of completion is measured by the proportion of contract costs incurred to date and the estimated total contract cost. The Group considers the nature of each project, the estimated construction period, the project, the construction process, the construction method and the estimated amount of the contract to be estimated. Any change in the basis of the above estimates may result in a significant adjustment to the estimated amount.

(c) Fair value of financial instruments

The fair value of financial instruments in non-active markets or without open market quotes is determined by the evaluation model or counterparty quotation. When using the evaluation model to determine fair value, all models use only observable data as input values without artificial adjustment. The observable input value is based on the principle of long-term stable market-used parameters. Avoid differences in cross-period financial reporting due to changes in data sources, and the model must be repeatedly adjusted and verified to ensure that the output is sufficient to properly reflect the value of the asset.

(Continued)

Detailed information on the main assumptions used in determining the fair value of the financial instruments ,for a detailed sensitivity analysis of these assumptions, please refer to Note 6 (z).

(d) Measurement of Defined benefit obligation

Defined benefit costs and net defined benefit liabilities (assets) under defined benefit pension plans are calculated using the Projected Unit Credit Method. The Group determine the appropriate actuarial assumptions, and comprise the discount rate and future salary increase rate. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability. Please refer to Note6 (r) for the material actuarial assumptions and sensitivity analysis of actuarial.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and petty cash	$ 17,236	15,197
Demand deposits	2,505,776	3,099,460
Time deposits	4,506,286	4,881,093
Cash and cash equivalents per statements of cash flow	**$ 7,029,298**	**7,995,750**

Please refer to note 6(z) for the disclosure of the sensitivity analysis and interest rate risk of the financial assets and financial liabilities of the Group.

(b) Financial assets measured at fair value through profit or loss－current

	December 31, 2018	December 31, 2017
Financial asset measured at fair value through profit or loss:		
Stock listed on markets	$ 117,896	117,896
Stocks unlisted on domestic markets	175,345	-
Valuation adjustment	(143,666)	(75,573)
Total	**$ 149,575**	**42,323**

(c) Available-for-sale financial assets－current

	December 31, 2017
Stock affairs by public	$ 175,345
Valuation adjustment	(74,995)
Total	**$ 100,350**

Statements of changes in loss of valuation adjustment：

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2017
Beginning balance	$ (109,775)
Changes in current period	34,780
Total	$ (74,995)

(i) As of December 31, 2017, the financial assets at fair value through other comprehensive income of the Group had not pledged as collateral for long-term borrowings.

(ii) These investments above were classified as financial assets at fair value through other comprehensive income on December 31, 2017.

(d) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable-unrelated parties	$ 581,743	296,972
Accounts receivable-unrelated parties	4,057,027	1,659,707
Less: allowance for impairment	234,778	249,140
Total	$ 4,403,992	1,707,539

The Group holds part of the accounts receivable by the business model of collecting contractual cash flows. Therefore, the accounts receivable are measured at amortized cost starting from January 1, 2018.

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The expected credit losses of the note receivables and trade receivables for the year ended December 31, 2018 was as followed:

	Gross carrying amount	Weighted-average expected credit loss rate	Lifetime expected credit loss
Not overdue	$ 3,789,402		-
Overdue 0~60 days	435,105	1%	4,351
Overdue 61~120 days	111,642	1%	1,116
Overdue 121~365 days	74,051	1%	741
Overdue one year past due	228,570	100%	228,570
	$ 4,638,770		234,778

As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

		December 31, 2017
Not overdue	$	1,503,137
Overdue 0~60 days		3,783
Overdue 61~120 days		16,431
Overdue 121~365 days		162,940
Overdue one year past due		270,388
	$	1,956,679

The movement in the allowance for impairment with respect to notes and accounts receivable during the year was as follows:

			2017	
		2018	Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	$	249,140	171,085	97,891
Adjustment on initial application of IFRS 9		-		
Balance on January 1, 2018 per IFRS 9		249,140		
Impairment loss reversed		33,226	-	(17,746)
Write off		(43,700)	-	-
Effect of changes in exchange rates		(3,888)	(1,927)	(163)
Balance on December 31, 2018 and 2017	$	234,778	169,158	79,982

The Group provides for the above-mentioned allowance for bad debts based on the industry characteristics of historical payment behavior and the credit rating of customers who have extensive analysis of the subject matter.

The Group has not provided the notes and accounts receivable as collateral or provided as collateral.

(e) Construction Contracts

Construction revenue recognized in profit or loss for the year ended December 31, 2017 was as follows:

		2017
Construction revenue recognized in current profit or loss	$	12,247,176

		December 31, 2017
Accumulated costs incurred (including contract costs that relate to future activity of the contract)	$	44,707,794
Add:Accumulated profit recognized arising from the construction		4,621,102
Accumulated costs and profit recognized (less, losses recognized)		49,328,896
less:Progress billings		54,190,877
	$	(4,861,981)

(Continued)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Amount due from customers for contract work – presented as an asset	$	1,695,309
Amount due to customers for contract work – presented as a liability		6,557,290
	$	(4,861,981)
Accumulating advance received(Payment received before work)		15,731

For the amount of contract balance on December 31, 2018 and revenue recognized for the year ended December 31, 2018, please see Note6(v).

(f) Inventories

	December 31, 2018			
		Cost	Allowance for Impairment	Carrying Amount
Raw materials	$	41,422	(12,046)	29,376
Work in progress		21,272	(19,032)	2,240
Finished goods		19,280	(11,663)	7,617
Merchandise		6,532	(6,532)	-
Total	$	88,506	(49,273)	39,233

	December 31, 2017			
		Cost	Allowance for Impairment	Carrying Amount
Raw materials	$	57,469	(21,893)	35,576
Work in progress		20,356	(18,830)	1,526
Finished goods		9,972	(12,117)	(2,145)
Merchandise		1,685	(1,685)	-
Total	$	89,482	(54,525)	34,957

As of 2018 and 2017, as the inventory is reduced to the net realizable value, the gain from price recovery of inventory (inventory valuation losses) is recognized as $5,252 and $4,158, respectively, and has been recognized as the increase or decrease in the cost of goods sold.

As of December 31, 2018 and 2017, the Group's inventories were not provided as pledged assets.

(g) Prepayments

		December 31, 2018	December 31, 2017
Domestic purchase of materials	$	109,840	45,374
Foreign purchase of materials		1,158,065	555,195
Prepaid project		135,638	12,290
Prepaid insurance		20,009	1,653
Others		30,224	7,304
Total	$	1,453,776	621,816

(h) Financial assets measured at fair value through profit or loss－non-current

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2018	December 31, 2017
Financial assets measured at fair value through profit or loss:		
Unlisted company stock	$ 36,300	-
Valuation adjustments	(28,421)	-
Total	$ 7,879	-

(i) Financial assets measured at fair value through other comprehensive income

	December 31, 2018
Equity instruments measured at fair value through other comprehensive income	
Unlisted stocks (overseas)	$ 1,008,212
Valuation adjustment	628,749
Total	$ 1,636,961

(i) The Group held equity instrument investment, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income. These investments were classified as inancial assets at cost－non-current on December 31, 2017. These equity instrument investments have been announced in September, 2018 to merge the company with a dividend of $341,871.

(ii) Financial assets measured at fair value through other comprehensive income in 2018- Valuation adjustment changes are as follows:

	2018
Beginning balance	$ -
Effect of retrospective application	1,583,250
Add: Recognition for current period	(954,501)
Total	$ 628,749

(j) Financial assets carried at cost－non-current

	December 31, 2017
Stock investment－	
Jiangxi Construction Engineering Group Co.,Ltd.	$ 1,008,212
Taiwan Electronic Data Processing Co..	6,600
WK Technology Fund	3,650
Total	$ 1,018,462

The Group has received a dividend of $248,943 from Jiangxi Construction Engineering Group Co., Ltd. in July 2017.

The shareholders meeting of WK Technology Fund decided to reduce the capital repayment in July

(Continued)

2017. The capital reduction ratio is 50%. The legal procedures have been completed and the shares have been returned to the Group.

Hannspree Inc. (Cayman) shareholders' meeting decided to go through the liquidation process in November 2017, so the Group will deduct its own account and estimate the relevant recoverable amount of $23,510 (accounting for other current assets), and the amount was recovered on October 15, 2018.

The above unlisted (cabinet) stock investment held by the Group was measured at cost reducted impairment loss on December 31, 2017. Because the range of reasonable fair value estimates is significant and the probability of various estimates cannot be reasonably assessed, the management of the Group believes that its fair value cannot be reliably measured. These assets are classified as financial assets at fair value through other comprehensive gains and losses or at fair value through profit or loss at December 31, 2018. After the assesment, the Group did not propose impairment losses in 2017. The Group is estimated using the net equity of the company as the recoverable amount at the time of the impairment test.

(k) Investments accounted for using equity method

(i) The details of the significant associates are as follows:

Name of associates	Existing relationship with the Group	The main operating place / register country	Proportion of equity and voting right December 31, 2018	December 31, 2017
Ablerex electronics co., Ltd.	Selling of Manufacturing of UPS	Taiwan	33.30%	33.30%

For those listed companies that are significant to the consolidated company, the fair value is as follows:

	December 31, 2018	December 31, 2017
Ablerex electronics co., Ltd.	$ 1,485,000	1,737,000

A summary of the financial information of the significant associates were as follows:

Summary of financial information of

	December 31, 2018	December 31, 2017
Current assets	$ 1,763,345	1,778,637
Non-current assets	947,340	970,679
Current liabilities	(1,078,347)	(1,080,486)
Non-current liabilities	(103,598)	(98,184)
Net assets	$ 1,528,740	1,570,646
Net assets attributed to non-controlling interest	$ 11,097	9,554
Net assets attributed to investee	$ 1,517,643	1,561,092

	2018	2017

(Continued)

Revenue	$ 2,530,613	2,395,346
Net income of continued operations	$ 74,916	80,539
Other comprehensive income (loss)	(4,323)	(16,387)
Total comprehensive income (loss)	$ 70,593	64,152
Total comprehensive income attributed to non-controlling interest	$ 1,543	923
Total comprehensive income attributed to investee	$ 69,050	63,229

	2018	2017
Beginning equity of the associate attributable to the Group	$ 521,571	543,026
Current total comprehensive income of the associate attributable to the Group	22,996	20,926
Increase shareholding in the current period	-	2,579
Dividends received from affiliated companies in the current period	(37,466)	(44,960)
The share of the net assets of the affiliated companies at the end of the period	507,101	521,571
Add:Goodwill	116	116
Ending balance of the equity of the associate attributable to the Group	$ 507,217	521,687

(ii) Not significant associates

Summary of respectively not significant associates recognized under the equity method were as follows:

	December 31, 2018	December 31, 2017
Balance of not significant associate's equity	$ 249,597	231,041

	2018	2017
Attributable to the Group:		
Income from continued operation	$ 39,272	33,924
Other comprehensive income	(1,246)	(725)
Total comprehensive income	$ 38,026	33,199

As of 2018 and 2017 in the preparation of the financial report, the investee company evaluated by the equity method is evaluated according to the equity method based on the financial report of the investee company audited by other accountants. As of 2018 and 2017, the investment interests recognized by the equity method were $63,636 and $60,142.

(iii) Guarantee

The Group did not pledge its Investment using the equity method.

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(l) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company were as follows:

		Land	Buildings	Machinery	Plant equipment	Transportation Equipment	Office equipment	Leashelod Improvements	Total
Cost and revaluation:									
Balance at January 1, 2018	$	398,537	284,770	118,488	156,400	11,378	69,560	2,076	1,041,209
Additions		-	93,676	-	85	4,400	5,079	-	103,240
Disposals		-	-	(14,265)	-	(976)	(2,987)	-	(18,228)
Effect of changes in exchange rates		-	(4,604)	(92)	-	(122)	(268)	-	(5,086)
Balance at December 31, 2018	$	398,537	373,842	104,131	156,485	14,680	71,384	2,076	1,121,135
Balance at January 1, 2017	$	398,537	286,806	119,216	156,300	8,619	67,226	2,076	1,038,780
Additions		-	479	248	100	2,816	2,884	-	6,527
Disposals		-	-	(678)	-	-	(418)	-	(1,096)
Effect of changes in exchange rates		-	(2,515)	(298)	-	(57)	(132)	-	(3,002)
Balance at December 31, 2017	$	398,537	284,770	118,488	156,400	11,378	69,560	2,076	1,041,209
Depreciation and impairment loss:									
Balance at January 1, 2018	$	1,160	95,330	103,957	35,064	8,137	59,977	1,468	305,093
Depreciation		-	13,581	4,265	4,222	1,587	3,446	307	27,408
Disposal		-	(932)	(11,967)	-	-	(2,783)	-	(15,682)
Effect of changes in exchange rates		-	(1,472)	(520)	-	(114)	(211)	-	(2,317)
Balance at December 31, 2018	$	1,160	106,507	95,735	39,286	9,610	60,429	1,775	314,502
Balance at January 1, 2017	$	1,160	86,306	98,215	30,776	6,766	57,496	1,053	281,772
Depreciation		-	9,538	6,706	4,288	1,396	2,915	415	25,258
Disposal		-	-	(678)	-	-	(378)	-	(1,056)
Effect of changes in exchange rates		-	(514)	(286)	-	(25)	(56)	-	(881)
Balance at December 31, 2017	$	1,160	95,330	103,957	35,064	8,137	59,977	1,468	305,093
Carrying value:									
December 31, 2018	$	397,377	267,335	8,396	117,199	5,070	10,955	301	806,633
January 1, 2017	$	397,377	200,500	21,001	125,524	1,853	9,730	1,023	757,008
December 31, 2017	$	397,377	189,440	14,531	121,336	3,241	9,583	608	736,116

(m) Intangible assets

The cost and amortization of the intangible assets of the Group were as follows:

		Computer software
Costs:		
Balance at January 1, 2018	$	8,504
Balance at December 31, 2018	$	8,504
Balance at January 1, 2017	$	7,786
Additions		718
Balance at December 31, 2017	$	8,504
Amortization:		
Balance at January 1, 2018	$	6,695
Amortization		468
Balance at December 31, 2018	$	7,163
Balance at January 1, 2017	$	6,008
Amortization		687
Balance at December 31, 2017	$	6,695
Carrying value:		

(Continued)

December 31, 2018	$	1,341
January 1, 2017	$	1,778
December 31, 2017	$	1,809

For the year ended December 31, 2018 and 2017, the amortization expenses amounted to $468 and $687, respectively, were reported as operating expenses and operating costs in the consolidated statements of comprehensive income.

(n) Other current assets and non-current assets

(i) Details of other current assets of the Group are as follows:

		December 31, 2018	December 31, 2017
Other financial assets	$	1,392,071	1,314,736
Construction refundable deposits		8,779	24,059
Liquidation receivable of subsidiary		-	86,000
Offset against business tax payable of subsidiary		-	-
Dividend receivable		307,684	-
Temporary payments		39,028	-
Other		310,850	217,476
Total	$	2,058,412	1,642,271

The other financial assets are time deposit certificates with maturity of three to twelve months. For the years ended December 31, 2018 and 2017, the balances were $1,390,371 thousand and $980,676 thousand respectively. And the restricted deposits were $1,700 and $334,060 respectively.

(ii) Details of other non-current assets of the Group are as follows:

		December 31, 2018	December 31, 2017
Other Financial Assets	$	29,076	19,317
Refundable deposits		124,142	19,889
Prepayments For Business Facilities		481	96,332
Long-term prepaid expenses		33,287	34,838
Other		4,398	3,314
Total	$	191,384	173,690

Other financial assets are mainly deposit certificates with a maturity of more than 12 months.

(o) Short-term debt

The details of the short-term loans of the Group are as follows:

December 31,	December 31,

(Continued)

		2018	2017
Loan interest rate interval (%)		-	
Unused short-term loan amount	$	4,061,884	3,135,664

(p) Provisions

		Warranty
Balance at January 1, 2018	$	3,205
Increase in provisions		12,173
Provisions used during the year		(2,024)
Balance at December 31, 2018	$	13,354
Balance at January 1, 2017	$	7,936
Increase in provisions		5,313
Provisions used during the year		(10,044)
Balance at December 31, 2017	$	3,205

The Group shall provide one-thousandth of the total contract amount for the completed project within one year of the period-end settlement for the project warranty preparation. When the actual occurrence occurs, the preparation is reversed. And if there is a deficiency, it is listed as the annual payment.

(q) Operating leases

Lessee

Non-cancellable rental payables of operating leases were as follows:

		December 31, 2018	December 31, 2017
Less than 1 year	$	7,898	5,092
1 to 5 years		31,433	280
	$	39,331	5,372

The Company leases offices and warehouse under operating leases. The leases typically run for a period of 1 to 3 years, with an option to renew the lease.

For the years ended December 31, 2018 and 2017, lease expenses were $11,350 and $13,967, respectively.

(r) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

		December 31, 2018	December 31, 2017
The present value of the defined benefit obligations	$	(431,883)	(414,292)

(Continued)

Fair value of plan assets	97,468	105,022
The net defined benefit liability	$ (334,415)	(309,270)

The details of the employee benefit liabilities of the Group are as follows:

	December 31, 2018	December 31, 2017
Short-term compensated absence liabilities (Accounts payable and other current liabilities)	$ 19,789	18,100

The Group established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labors. Minimum annual distributions of the funds by the Bureau shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to $97,467 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit plan obligation

The movements in present value of the Group’s defined benefit plan obligation for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Defined benefit obligation at 1 January	$ 414,292	379,233
Current service costs and interest	8,116	8,406
Remeasurements of the net defined benefit liability (asset)		
－Return on plan assets (excluding amounts included in net interest expense)	24,592	29,008
Benefits paid by the plan	(15,117)	(2,355)
Defined benefit obligation at 31 December	$ 431,883	414,292

3) Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017

(Continued)

Fair value of plan assets, January 1	$	105,022	101,910
Interest revenue		1,423	1,591
Remeasurements of the net defined benefit liability (asset)			
－Return on plan assets (excluding amounts included in net interest expense)		2,761	(585)
Contributions made		3,379	3,643
Benefits paid by the plan		(15,117)	(1,537)
Fair value of plan assets, December 31	$	97,468	105,022

4) Expenses recognized in profit or loss

		2018	2017
Current service cost	$	2,504	2,488
Net interest on the defined benefit liability (asset)		4,189	4,327
	$	**6,693**	**6,815**

5) Remeasurement in the net defined benefit liability recognized in other comprehensive income

the Group's remeasurement in the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Cumulative amount, January 1	$	130,394	100,801
Recognized during the period		21,830	29,593
Cumulative amount, December 31	**$**	**152,224**	**130,394**

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions at the reporting dates:

	2018	2017
Discount rate	0.97%	1.35%
Future salary increases rate	2.00%	2.50%

The Group expects to make contributions of $5,547 to the defined benefit plans in the next year starting from the reporting date of 2018.

The weighted average duration of the defined benefit obligation is 12.00 years.

7) Sensitivity analysis

As of December 31, 2018 and 2017, the present value of defined benefit obligation impact was as follow:

The impact of defined benefit

		obligation	
		Increase	Decrease
December 31, 2018			
Discount rate (0.50%)	$	(20,068)	21,528
Future salary increase rate (0.25%)		10,304	(10,002)
December 31, 2017			
Discount rate (0.50%)		(19,624)	21,073
Future salary increase rate (0.50%)		10,073	(9,772)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

The method and assumptions used on current sensitivity analysis are the same as those of the prior year.

(ii) Defined contribution plans

The Company has made monthly contributions equal to 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Group’s pension costs under the defined contribution plan were $27,665 and $31,114 for the years 2018 and 2017, respectively. Payments were made to the Bureau of Labor Insurance.

(iii) The Group reported expense for the years ended 2018 and 2017 were as follows:

		2018	2017
Operating expense	$	20,775	36,748
Selling expense		-	333
Administration expense		12,878	17,010
Research & Development expense		705	1,542
	$	34,358	55,633

(s) Income tax

According to the amendments to the "Income Tax Act” enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing 2018.

(i) Income tax expenses

The amounts of income taxes of the Group were as follows:

2018	2017

(Continued)

Current tax expense		
Current period	704,285	355,158
Adjustments of prior year's income tax	4,788	3,814
	709,073	358,972
Deferred income tax expense		
Origination and reversal of temporary differences	49,207	44,846
Adjustment of tax rates	4,573	-
Income taxes relating to continuing operations	762,853	403,818

Income taxes expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

	2018	**2017**
Items that could not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plan	$ 9,567	5,031
Items that will subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	6,397	3,098
	$ 15,964	8,129

Reconciliations of the Group's income tax expense and the profit before tax for 2018 and 2017 were as follows:

	2018	**2017**
Income before tax	$ 3,037,022	1,745,582
Income tax calculated on pretax accounting income at statutory rate	$ 607,404	296,749
Effect of tax rates in foreign jurisdiction	158,169	122,642
temporary differences	(49,207)	(44,846)
Tax- exempt income	(13,337)	(16,328)
Permanent difference	1,256	(3,069)
Deferred tax	49,207	44,846
Adjustment of tax rates	4,573	-
Income tax adjustments on prior years	4,788	3,814
Others	-	10
Total	$ 762,853	403,818

(ii) Recognized deferred tax assets and liabilities

i. Unrecognized deferred income tax assets

The Deferred income tax assets that have not been recognized by the Group are as follows:

(Continued)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018	December 31, 2017
The court adjudged to pay the payment and interest	$ 29,620	25,090
Adjustment of tax rates	(4,428)	-
	$ 25,192	25,090

ii. Recognized deferred income tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

Deferred tax liabilities:

	Unrealized exchange interest	Investing in foreign interests	cumulative translation adjustment	Total
Balance at January 1, 2018	$ -	89,295	23	89,318
Recognized in profit or loss	-	36,058	-	36,058
Recognized in other comprehensive income	-	-	(6,393)	(6,393)
Balance at December 31, 2018	$ -	125,353	(6,370)	118,983
Balance at January 1, 2017	$ -	23,529	3,121	26,650
Recognized in profit or loss	-	65,766	-	65,766
Recognized in other comprehensive income	-	-	(3,098)	(3,098)
Balance at December 31, 2017	$ -	89,295	23	89,318

Deferred tax assets:

	Defined benefit plans	Unrealized warranty	Bad debt loss limit	Inventory price loss	Other	Total
Balance at January 1, 2018	$ 29,470	2,648	10,925	9,269	40,540	92,852
Recognized in profit or loss	-	2,497	(6,513)	585	(14,292)	(17,723)
Recognized in other comprehensive income	9,567	-	-	-	-	9,567
Balance at December 31, 2018	$ 39,037	5,145	4,412	9,854	26,248	84,696
Balance at January 1, 2017	$ 24,439	3,452	8,488	9,976	20,545	66,900
Recognized in profit or loss	-	(804)	2,437	(707)	19,995	20,921
Recognized in other comprehensive income	5,031	-	-	-	-	5,031
Balance at December 31, 2017	$ 29,470	2,648	10,925	9,269	40,540	92,852

(iii) Examination and approval

The ROC income tax authorities have examined the income tax returns of the Company all year through 2016.

(t) Capital and other equity

(i) Capital stock

As of December 31, 2018 and 2017, the Company's government registered total authorized capital and issued capital stock both amounted to $3,000,000 with $10 par value per share.

On October 3, 2018, the company was approved by FSC to reduce cash capital by returning share prices (or the capital stock), the capital decreased 476,467 thousand dollars in total. The net capital was $1,905,867 and $2,382,334 thousand dollars on December 31, 2018 and 2017, respectively.

(ii) Capital surplus

The components of capital surplus were as follows:

		December 31, 2018	December 31, 2017
Consolidation premium	$	6,938	6,938
Share premium		49,987	288,220
Conversion premium of corporate bonds		215,672	215,672
Treasury share transactions		77,158	77,158
Other		24,401	23,999
	$	374,156	611,987

In accordance with the ROC Company Act , realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

(iii) Retained earnings

In accordance with the Company's articles of incorporation, in the event that the annual audit renders earnings, the Company shall pay taxes according to law and cover cumulative losses before setting aside 10% to be the legal reserve; if the legal reserve has reached the Company's paid-in capital size, however, it is allowed not to set aside further earnings. From the remainder the special reserve shall be set aside or reversed as required by law and any further remainder after that shall be brought forth in the shareholder's meeting based on the Earnings Distribution Proposal prepared by the Board of Directors along with accumulated retained earnings for a decision on assignment of dividend bonus to shareholders.

The Company's current industrial development is in the growth stage, capital requirements for increased operating income over the next few years, so adopt the residual dividend policy.The cash dividend in the surplus distribution should be at least 25 percent of the total dividend. Distribution of surplus in the preceding paragraph, which are initially proposed by the Board of Directors to the operational and capital expenditure needs,and drafted a case to submitted to the Shareholders' meeting to resolve.

1) Legal reserve

In accordance with the Company Act as amended in January 2012, that companies must retain 10% of their annual net earnings, as defined in the Act, until such retention equals the amount of issued share capital. When a company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or cash. Only the portion of legal reserve which exceeds 25% of the issued share capital may be distributed.

2) Special earnings reserve

As the Company adopted for the exemptions allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the IFRS as endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments of $42,036, which were previously recognized in shareholders' equity were reclassified to retained earnings. In accordance with Regulatory Permit No.1010012865 as issued by the FSC on April 6, 2012, a special reserve is appropriated from retained earnings for the aforementioned reclassification. In addition, during the use, disposal or reclassifications of relevant assets, this special reserve is reverted to distributable earnings proportionately. The carrying amount of special reserve amounted to $42,036 as of December 31, 2018.

A portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current period reduction of special earnings reserve resulting from the first time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Distribution of retained earnings

Among the distributable earnings for the year ended December 31, 2016 and 2017, the company distributed cash dividends of $5 and $6 per share for the year ended 2017 and 2018, respectively. The board of shareholders also distributed cash of $1 per share by additional paid-in capital. Other relevant information can be found on Market Observation Post System.

(iv) Treasury stock

1) In accordance with the the Securities Exchange Law,the number of shares bought back under the preceding paragraphs may not exceed ten percent of the total number of issued and outstanding shares of the company. The total amount of the shares bought back may not exceed the amount of retained earnings plus premium on capital stock plus realized capital reserve.

2) The shares bought back by the Company in accordance with the Securities Exchange shall not be pledged. Before transfer, the shareholder's rights shall not be enjoyed.

3) The shares of the Company sold by the Company's subsidiaries in 2018 and 2017 were 0 thousand shares and 32 thousand shares, respectively. As of the December 31, 2018 and 2017, the Company's subsidiaries hold shares of the Company of 0 thousand shares and 0 thousand shares ,respectively.

4) According to the rules of the Company’s articles, since January 1, 2002, the Company’s shares which subsidiaries hold are view as treasury shares. However, at the end of the period, the subsidiary holds the difference between the market price of the Company's stock and the book value, the Company should calculate its financial assets evaluation loss according to the shareholding ratio, and propose the special surplus reserve without the same amount. If there is a rebound in the post-evaluation, the Company will have to revolve the special surplus reserve based on the shareholding ratio. The above mentioned provision or reversal of special surplus reserve shall be treated in conjunction with the reduction of shareholders' equity of other non-custodial shares.

(v) Other equities (net for tax)

		Foreign exchange differences arising from foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Available-for-sale financial assets	Total
Balance as of January 1, 2018	$	(37,898)	-	(74,990)	(112,888)
Effects of retrospective application		-	1,583,250	74,990	1,658,240
Balance at January 1, 2018 after adjustments		(37,898)	1,583,250	-	1,545,352
Foreign exchange differences arising from foreign operations		(25,590)	-	-	(25,590)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		-	(954,501)	-	(954,501)
Balance as of December 31, 2018	**$**	**(63,488)**	**628,749**	**-**	**565,261**
Balance as of January 1, 2017	$	(23,896)	-	(109,770)	(133,666)
Foreign exchange differences arising from foreign operations		(15,129)	-	-	(15,129)
Exchange differences on translation financial statements of associates accounted for using equity method		1,127	-	-	1,127
Unrealized gains (losses) from available-for-sale financial assets		-	-	34,780	34,780
Balance as of December 31, 2017	**$**	**(37,898)**	**-**	**(74,990)**	**(112,888)**

(u) Earnings per share

The calculation of the Group’s basic earnings per share and diluted earnings per share for the years ended 2018 and 2017, was as follows:

(i) Basic earnings per share

		2018	2017
Net income attributable to common shareholders of the Company	$	2,147,566	1,214,548
Weighted-average number of common shares		228,051	238,233
Basic earnings per share (in NT dollars)	$	9.42	5.10

(Continued)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

ii) Diluted earnings per share

		2018	2017
Net income attributable to common shareholders of the Company (diluted)	$	2,147,566	1,214,548
Weighted-average number of common shares (basic)		228,051	238,233
Impact of potential common shares:			
Effect of employees' bonuses		3,544	4,765
Weighted-average number of shares outstanding (diluted)		231,595	242,998
Diluted earnings per share (in NT dollars)	$	9.27	5.00

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

		2018
Primary geographic markets：		
Taiwan	$	9,573,717
China		6,976,527
Singapore		1,577,690
	$	18,127,934
Major products/services line:：		
Construction in Progress	$	17,898,319
Service and Design		136,609
Sales		93,006
	$	18,127,934
Type of contract：		
Fixed price contract	$	18,034,928
Material-based contract		93,006
	$	18,127,934

For details on revenue for 2017, please refer to note 6(e) and (w).

(ii) Contract balances

		December 31, 2018	January 1, 2018
Accounts receivable	$	4,057,027	1,659,707
Less: allowance for impairment		234,778	249,140
Total	$	3,822,249	1,410,567
Contract assets-Construction in Progress	$	2,176,124	1,695,309
Contract liabilities-Construction in Progress	$	6,943,358	6,557,290

(Continued)

For details on notes receivable, accounts receivable, and loss allowance for impairment, please refer to note 6(d).

Please refer to Note 6(e) for the Construction in Progress contract in December 31, 2017.

The beginning balance of the contractual liabilities for the year ended December 31, 2018 was recognized as income in the amount of 13,618.

Changes in contractual assets and contractual liabilities are mainly due to differences between the time when the Group transfers goods or services to customers and fulfills the performance obligation and the time of payment by the customer. Other significant changes are as follows:

	For the three months ended December 312018	
	Contract assets	**Contract liabilities**
Degree of completion measurement	$ -	181,726
Adjustments resulting from contract modifications	1,296,833	3,693,600

(w) Revenue

The Group’s revenue for the 2017 were as follows :

	2017
Construction revenue	$ 12,247,176
Service revenue	155,482
Design revenue	123,260
	$ 12,525,918

(x) Remuneration to employees and directors

In accordance with the Articles of Incorporation, 6% to 10% of employee compensation and no more than 2% of directors and supervisors compensation should be distributed if there is profit for the period. However, if the company has accumulated losses, the earnings shall first be offset against any deficit. Employees entitled receive share or cash, include the employees of the subsidiaries meeting certain requirements.

The Company estimated its remuneration to employees amounting to $300,000 thousand and $163,000 thousand, as well as it directors' $27,000 thousand and $24,000 thousand for the years 2018 and 2017, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the remuneration to employees and directors as specified in the Company's article. The estimations are recorded under operating expenses and cost. Related information would be available at the Market Observation Post System website. The aforementioned remuneration to employees and directors are consistent to the estimated amounts disclosed in the Company's consolidated financial statements.

(y) Non-operating income and expenses

(i) Other income

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group’s other income for 2018 and 2017 were as follows:

		2018	2017
Rental income	$	12,498	18,024
Dividend income		356,400	257,432
Gain on reversal of bad debts		-	17,746
Other income－other			
Revenue from sale of scraps		10,358	11,676
Others		10,126	14,650
Other gains	$	389,382	319,528

ii) Other gains and losses

The Group’s other gains and losses for 2018 and 2017 were as follows:

		2018	2017
Loss on disposal of property, plant and equipment	$	(3,655)	(27)
Gain on disposal of investment property		7,085	13,095
Gain(loss) on disposal of foreign currency exchange		142,694	(336,208)
Loss on financial assets at fair value through profit or loss		(15,206)	24,489
Gain(loss) on reversal of impairment loss of financial assets		-	(3,300)
Other gains and losses		(58,660)	(37,070)
Other gains and losses, net	$	72,258	(339,021)

iii) Finance costs

The Group’s finance costs for the 2018 and 2017 were as follows:

		2018	2017
Others	$	(6,368)	(6,572)

(z) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amounts of financial assets and contract assets are the maximum exposure to credit risk. As of December 31, 2018 and 2017, the amounts of the maximum exposure to credit risk are $13,638,490 and $11,094,863, respectively.

The Group assesses the financial condition of its customers continuously to reduce the credit risk of accounts receivable and requires its customers to provide guarantees and collateral if it is necessary. The Group regularly evaluates the likelihood of recovery of accounts receivable and recognizes the allowance for bad debts. Therefore, the expected credit losses are in the expectation of the Group.

(Continued)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Concentration of credit risk

When the transaction of financial instruments is concentrated in a single industry or region, the ability to oblige the contract would be impacted by similar factors, thereby causing concentration of credit risk. As of December 31, 2018 and 2017, notes receivable and accounts receivables concentrated on few counter-parties are as follows:

	December 31, 2018		
Name of client	**Carrying amount**	**the maximum exposure to credit risk**	**%**
Micron Memory Taiwan Co., Ltd.	$ 1,417,420	1,417,420	32.18
Taiwan Semiconductor Manufacturing Co., Ltd.	712,645	712,645	16.18
Micron Technology Taiwan Co., Ltd.	538,738	538,738	12.23
SAKAI SIO International GuangZhou Co., Ltd.	426,339	426,339	9.68
Total	$ 3,095,142	3,095,142	70.27

	December 31, 2017		
Name of client	**Carrying amount**	**the maximum exposure to credit risk**	**%**
Systems on Silicon Manufacturing Co. Pte. Ltd (SSMC)	$ 429,816	429,816	25.17
Taiwan Semiconductor Manufacturing Co., Ltd.	342,915	342,915	20.08
China Electronics Panda Crystal Technology, co.	293,949	293,949	17.21
Shiyuan Technology Engineering Co., Ltd.	136,211	136,211	7.98
	$ 1,202,891	1,202,891	70.44

(ii) Liquidity risk

The contractual maturities of financial liabilities are as follows:

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2018							
Non-derivative financial liabilities							
Notes payable	$ 280,755	280,755	280,755	-	-	-	-
Accounts payable	4,185,388	4,185,388	2,633,557	276,087	403,075	731,874	140,795
Expense payable	68,258	68,258	57,614	6,798	2,852	823	171
Guarantee deposits received	8,802	8,802	4,045	-	533	4,224	-
	$ 4,543,203	4,543,203	2,975,971	282,885	406,460	736,921	140,966

(Continued)

December 31, 2017							
Non-derivative financial liabilities							
Notes payable	$ 46,861	46,861	46,861	-	-	-	-
Accounts payable	2,302,958	2,302,958	1,104,958	221,158	131,488	781,152	64,202
Expense payable	70,834	70,834	67,545	2,261	853	-	175
Guarantee deposits received	4,523	4,523	-	1,233	-	3,290	-
	$ 2,425,176	2,425,176	1,219,364	224,652	132,341	784,442	64,377

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Risk exposure

The Group's financial assets and financial liabilities exposed to significant currency risk were as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency	**Exchange rate (dollars)**	**TWD**	**Foreign currency**	**Exchange rate (dollars)**	**TWD**
Financial assets						
Monetary assets						
USD	$ 108,625	30.72	3,336,960	146,552	29.76	4,361,388
CNY	166,476	4.47	744,148	140,967	4.57	643,514
SGD	153	22.49	3,441	485	22.26	10,796
Finance liabilities						
Monetary assets						
USD	8,369	30.72	257,096	5,002	29.76	148,860
EUR	98	35.16	3,446	35	35.57	1,245
JPY	416	0.2808	117	416	0.2642	110
CNY	-	4.47	-	385	4.57	1,758
SGD	662	22.49	14,888	29	22.26	646

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts and other receivables, loans and borrowings, accounts payable and other payables that were denominated in foreign currencies. If the NTD against the USD, EUR, CNY and JPY had appreciated (depreciated) by 1%, the Group's net income before tax would have increased (decreased) by $30,472 and $40,364, for the years ended December 31, 2018 and 2017, respectively, with all other variable factors remaining constant. The analysis was performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. In years ended 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized abortions) amounted to $142,694 thousand and $336,208 thousand, respectively.

(Continued)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Interest rate risk analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Group's financial assets and liabilities.

If the interest rate had increased or decreased by 0.25%, the Group’s net income after tax would have increased or decreased by $8,765 thousand and $9,976 thousand for the years ended 2018 and 2017, respectively, with all other variable factors remaining constant.

(v) Fair value information

1) Categories and fair value of financial instruments

To provide disclosure information, the Group classifies the measurement of fair value based on fair value hierarchy which reflects the significance of the inputs during the measurement. The Group categorizes fair value into the following levels:

a) Level 1

Level 1 inputs are quoted prices in active markets for identical financial instruments. An active market is a market in which all the following conditions exist:

i) The items traded within the market are homogeneous.

ii) Willing buyers and sellers can normally be found at any time.

iii) Prices are available to the public.

b) Level 2

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e. derived from prices).

c) Level 3

Level 3 inputs are valuation parameters which are not based on the information available in the market or the quoted price from the counter party. For example, historical volatility used in option pricing models is an unobservable input since it cannot represents the expected value of future volatility of the entire market participants.

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (available for sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Group’s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

December 31, 2018

(Continued)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Designation as financial assets at fair value through profit or loss	$ 157,454	34,631	114,944	7,879	157,454
Financial assets at fair value through other comprehensive income					
Unquoted equity instrument measured at fair value	1,636,961	-	-	1,636,961	1,636,961
Total	$ 1,794,415	34,631	114,944	1,644,840	1,794,415

	December 31, 2017				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-Derivative financial assets held for trading	$ 42,323	42,323	-	-	42,323
Available-for-sale financial assets					
Unquoted equity instrument measured at fair value	100,350	-	100,350	-	100,350
Total	$ 142,673	42,323	100,350	-	142,673

2) Transfer between Level 1 and Level 2

There were no transfer between Level 1 and Level 2 for the year ended 2018 and 2017.

3) Reconciliation of Level 3 fair values

	Fair value through profit or loss	Fair value through other comprehensive income	
	Designation as at fair value through profit or loss	Unquoted equity instruments	Total
January 1, 2018	9,595	$ 2,591,462	2,601,057
Recognized as profit or loss	(1,716)	-	(1,716)

(Continued)

Recognized as other comprehensive income	-	(954,501)	(954,501)
Ending balance (Beginning balance)	7,879	1,636,961	1,644,840
December 31, 2017	-	-	-

Total gains or losses mentioned above were recognized in other gains and losses or unrealized gains and losses from financial assets fair value through other comprehensive income.

4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

Financial assets designated as financial assets measured at fair value through profit or losses, equity investments and financial assets measured at fair value through other comprehensive income are categorized into Level 3.

The equity investments which are lack of active market and categorized into Level 3 have numerous significant unobservable inputs. The significant unobservable inputs of equity investments without active market are independent between each other. Hence, there is no correlation between each significant unobservable inputs.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial asset at fair value through profit or loss－equity investments without an active market	Comparable Company	• Price Book Ratio (January 1, 2018 was 1.28 ,and December 31, 2018 was 1.22) • Lack of market liquidity discount (January 1, 2018 and December 31, 2018 are 17.50%)	• The higher the multiplier growth rate, the higher the fair value • Lack of market liquidity. The higher the discount, the lower the fair value

Financial asset at fair value through profit or loss－equity investments without an active market	Net asset value method	• Lack of market liquidity discount (both of January 1, 2018 and December 31, 2018 were 17.5%) • controlling discount (both of January 1, 2018 and December 31, 2018 are 22.48%)	• Lack of market liquidity. • The higher the discount, the lower the fair value • The higher the controlling discount, the lower the fair value
Financial assets at fair value through other comprehensive income－equity investments without an active market	Comparable Company	• Price Book Ratio (January 1, 2018 was 1.72 and December 31, 2018 was 0.97) • Lack of market liquidity discount (January 1, 2018 was 17.50% and December 31, 2018 was 23.90%%)	• The higher the multiplier growth rate, the higher the fair value • Lack of market liquidity. The higher the discount, the lower the fair value

5) Sensitivity and reasonableness of Level 3 fair value

While under different models or using different parameters may lead to different results, fair value measurement for financial instruments is reasonable.
The following tables shows the valuation impacts changes in input parameters on Level 3 financial instruments:

			Fair Value through Profit and Loss		Fair value through other comprehensive income	
	Input	Assumptions	Favourable	Unfavourable	Favourable	Unfavourable
December 31, 2018						
Financial asset at fair value through profit or loss						
Equity investments without an active market	Liquidity discount	10%	144	(144)	-	-
Equity investments without an active market	Controlling discount	10%	82	(82)	-	-
Equity investments without an active market	Price Book Ratio	10%	505	(505)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Liquidity discount	10%	-	-	215,107	(215,107)
Equity investments without an active market	Price Book Ratio	10%	-	-	163,696	(163,696)

6) Estimated fair value of financial instruments not carried at fair value

a) Fair value information

The Group’s financial instruments that are not measured at fair value include cash and cash equivalents, note receivables, account receivables, other receivables, refundable deposits, note payables, account payables, other payables, guarantee deposits and part of other financial assets. Because their book value is reasonably approximated to fair value, the Company does not disclose their fair value.

b) Valuation techniques

The methods and assumptions that the Company used in estimating the financial instruments not measured at fair value are as follows:

Since the maturity date is close and the future receipt and reimbursement price is similar to the book value, the fair value of cash and cash equivalents, receivables, other receivables, payables and other payables are measured at book value at the reporting date.

(aa) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note 6(v) of the consolidated financial statements for the year ended December 31, 2017.

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note discloses information about the Group's exposure to the aforementioned risks, and its goals, policies, and procedures regarding the measurement and management of these risks.

(ii) Risk management framework

The Group's financial risk management policies are established to manage the exchange rate risks, interest rate risks, credit risks and liquidity risks related to operating activities. To reduce the related financial risk, the Group dedicated to identify, analyze and avoid the uncertainty of the market, hoping to reduce the potential unfavorable impact on the Group's financial performance caused by the changes of the market. The important financial activities of the Group were reviewed by the board of directors and internal control systems. The Group complies strictly with the financial procedure related to the overall financial risk management and the distinction between responsibility and accountability.

(iii) Credit risk

1)Notes receivable and accounts receivable

Credit risk is the risk that a Group company will incur financial losses due to the inability of customers or counterparties of financial instruments to perform its contractual obligations. The Group is required to conduct management and credit risk analysis for each of its new customers before the terms and conditions of the contract and delivery are set in accordance with the internal credit policy. The internal risk control system assesses the credit quality of customers by considering their financial status, past experiences and other factors. The main credit risk derives from cash and cash equivalents, derivative financial instruments, deposits in banks and in financial institutions. Furthermore, credit risk may derives from customers, including unreceived receivables and committed transaction.

2) Guarantees

According to Group’s policy, the group can only provide financial guarantees to its subsidiary. As of December 31, 2018 and 2017, the Group provided endorsement guarantee amounted to $0 and $1,187,075, respectively.

(iv) Liquidity risk

Liquidity risk is the risk that the Group cannot pay cash or deliver other financial assets to settle financial liabilities or meet its obligations.

The Group manages and maintains sufficient cash and cash equivalents to support the Group’s operations and mitigate the effects of fluctuations on cash flows. The management supervises the utilization of bank financing quotas and ensures the compliance of loan terms.

As of December 31, 2018 and 2017, the unutilized short-term line of financing of the Group were $4,061,884 and $3,135,664, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, and optimize investment returns.

1) Currency risk

The Group is a multinational institution and therefore exposes to currency risk deriving from many different currencies, mainly from USD and RMB. The relevant currency risk stems from future commercial transactions, recognized assets and liabilities, and net investments in foreign operating agencies.

2) Interest rate risk

The short-term loans of the Group are debts with floating interest rates. Therefore, changes in market interest rates will lead to changes in the interest rate of short-term loans, resulting in fluctuations of future cash flows.

3) Other market price risk

The Group invests listed equity securities and therefore exposes to equity price risk. This equity investment is not held for trading but for strategic purposes. Hence, the Group does not trade these investments frequently.The Group management controls the related risks by holding different risk portfolios.

(ab) Capital management

The Group manages its capital to ensure that the Group will be able to operate under the premises of going concerns and growth while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Group’s strategy for managing the capital structure is to lay out the plan of product development and expand the market share considering the growth and the magnitude of industry and further developing an integral plan founded on the required capacity, capital outlay, and magnitude of assets in long-term development. Ultimately, considering the risk factors such as the fluctuation of the industry cycle and the life cycle of products, the Group determines the optimal capital structure by estimating the profitability of products, operating profit ratio, and cash flow based on the competitiveness of products. The management of the Group periodically examines the capital structure and contemplates on the potential costs and risks involved while exerting different financial tools. In general, the Group implements prudent strategy of risk management.

	December 31, 2018	December 31, 2017
Total liabilities	$ 13,323,838	10,018,211
Less: cash and cash equivalents	7,029,298	7,995,750
Net debt	$ 6,294,540	2,022,461
Total equity	$ 7,486,765	6,607,360
Debt-to-capital ratio	84.08%	30.61%

(ac) Cash flows information of buying property, plant and equipment

The supplementary information of property, plant and equipment bought by the Group are as follows:

	2018	2017
Increase in property, plant and equipment	$ 9,564	6,527
Cash payments	$ 9,564	6,527

(7) Related-party transactions

(a) Names and relationship with related parties

The related parties which have transactions with the Group during the coverage period of the consolidated financial report are as follows:

Name of related party	Relationship with the Group
Wholetech System Hitech Limited	Investee evaluated under equity method
Ablerex Electronics Co., Ltd.	Investee evaluated under equity method
JG Environmental Technology Co., Ltd	Investee evaluated under equity method
UniMEMS Manufacturing Co., Ltd.	Related party
AIRREX Co., Ltd.	Related party
FU-KUO ENGINEERING CO., Ltd.	Related party

(Continued)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Huayuan Engineering Co., Ltd.	Related party
Dentsu Engineering Co., Ltd.	Related party
Hao Hao Motor Technician Office	Related party
Sheng Yang Integration Co., Ltd.	Related party
All directors, supervisors, general managers and deputy general managers	The main management of the Company

(b) Significant transactions with related parties

(i) Construction revenue

The construction revenue from related parties were as follows:

	2018	2017
Associates	-	13,609
Other related parties	29	-
	29	**13,609**

There is no significant difference between the collection terms of the Group and of the same businesses.

(ii) Construction cost

The amounts of purchase from related parties were as follows:

	2018	2017
Associates	20,157	143,029
Other related parties	173,087	19,295
	193,244	**162,324**

There is no significant difference between the terms of payment of the Group and of the same businesses.

(iii) Payable to related parties

The details of the Group's payable to related parties were as follows:

Account	Type of related parties	December 31, 2018	December 31, 2017
Accounts payable	Associates	$ 19,224	21,877
	Other related parties	65,607	28,522
Notes payable	Other related parties	38,960	-
Other payable	Other related parties－Dentsu Engineering	125,964	147,587
		$ 249,755	**197,986**

Other payables above includes contract fee disbursements, salaries and interests, etc. Please

(Continued)

refer note 12 (c) for further information.

(iv) Leases

Name of related party	Leases	term of the lease	Rent revenue 2018	Rent revenue 2017
Associate	1F., No.1、3, Ln. 7, Baogao Rd., Xindian Dist., New Taipei City 231, Taiwan (R.O.C.)	2017.06.01~ 2019.05.31	$ 4,290	4,290
	Parking Space Rental	2017.06.01~ 2019.05.31	72	108
Other related paties	No.18, Aly. 2, Ln. 261, Xinghua Rd., Shanhua Dist., Tainan City 741, Taiwan (R.O.C.)	2017.08.01~ 2019.04.30	194	-
			$ 4,556	4,398

(v) Finance costs

	2018	2017
Other related parties－Dentsu Engineering	$ 6,298	6,281

(vi) Other

1) The Group recognizes unrecoverable loss of $13,726 in September, 2018, due to the suspension of business of other related parties.

2) Due to the capital increase of affiliated companies, the Group has payment of shares amounting to $10,382 on December 31, 2018.

(c) Key management personnel compensation

The salaries and bonus for the key management personnel are as follows:

	2018	2017
Short-term employee benefits	$ 182,148	127,381
Post-employment benefits	2,183	2,041
	$ 184,331	129,422

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2018	December 31, 2017

(Continued)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Restricted assets (other current assets)	Required of engineering performance bond	$	1,700	334,060
Restricted assets (other non-current assets)	Required of engineering performance bond		619	56
		$	**2,319**	**334,116**

(9) Commitments and contingencies

(a) As of December 31, 2018 and 2017, the Group's commitments and contingencies were as follows:

(i) As of December 31, 2018 and 2017, guaranteed notes received from construction contractors for performance guarantees or maintenance guarantees amounted to $8,909,379 and $8,254,909, respectively.

(ii) As of December 31, 2018 and 2017, guaranteed notes issued to construction contractors for performance guarantees or maintenance guarantees amounted to $168,062 and $169,240, respectively.

(iii) As of December 31, 2018 and 2017, guaranteed notes issued for bank loans and letters of credits both amounted to $400,000.

(iv) As of December 31, 2018 and 2017, guaranteed letters offered by banks for contract performance guarantees amounted to $221,326 and $798,515, respectively.

(v) As of December 31, 2018 and 2017, the total contract price of contracted construction projects amounted to $77,501,240 and $63,117,295, respectively, and the contract payments received by the Group amounted to $53,853,934 and $54,190,877, respectively.

(vi) As of December 31, 2018 and 2017,the total subcontract price of subcontracted construction projects amounted to $12,746,988 and $7,485,170, respectively, and the contract payment paid by the Group amounted to $9,144,708 and $3,716,030, respectively.

(vii) As of December 31, 2018 and 2017,the outstanding letters of credits issued by the Group for purchasing equipment amounted to $212,332 and $0, respectively.

(b) Significant liability：

Among the construction contracts entered by the Group, 314 of them have not been completed. As of December 31, 2018, the following table presents the main contracts (including contracts with total prices over 100 million) of the Group:

Proprietor	Date of project	Description	Warranty service period	Restrictions	Note
Longteng Optoelectronics	2007/12/01~ 2009/12/31	Longteng Optoelectronics 110K Expansion Main System Engineering	One year	Delay penalty：one thousandth of total contract price per day	1

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2010/05/03~ 2011/12/31	TSMC F14 N65 BK CODE 103 new machines engineering	One year	Delay penalty：one thousandth of total contract price per day	2
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2011/11/28~ 2012/07/01	TSMC F12 P6 C/R PACKAGE STAGE-1	One year	Delay penalty：one thousandth of total contract price per day	1
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2012/05/14~ 2013/07/31	TSMC F6 BUMPPING engineering	One year	Delay penalty：one thousandth of total contract price per day	1
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2012/05/25~ 2013/10/31	F12 P6 CCD EXPANSION-EDC2 F12 P4 SITE	One year	Delay penalty：one thousandth of total contract price per day	1
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2012/10/01~ 2013/10/31	TSMC F14 P5 MEP PACKAGE	One year	Delay penalty：one thousandth of total contract price per day	1
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2013/01/25~ 2014/12/31	TSMC F4 HOOK UP工程 EXHAUST, CAP, FILTER	One year	Delay penalty：one thousandth of total contract price per day	1
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2013/11/20~ 2014/12/31	TSMC F14 P6 POWER HOOK UP FACTORY ADDITIONAL ENGINEERING	One year	Delay penalty：one thousandth of total contract price per day	1
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2014/01/20~ 2014/12/31	TSMC F14 OFFIC TESTING C/R AND UTILITY PACKAGE	One year	Delay penalty：one thousandth of total contract price per day	2
UNITED INTEGRATED SERVICES CO., Ltd.(Singapore)	2014/06/23~ 2014/12/31	SINGAPORE AU L4B POWER MTM PROJECT	One year	Delay penalty：one thousandth of total contract price per day	1
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2014/10/01~ 2015/12/31	TSMC F12 P7 MEP PACKAGE	One year	Delay penalty：one thousandth of total contract price per day	2
ADVANCED SEMICONDUCTOR ENGINEERING, INC. ASE	2015/02/11~ 2015/12/31	New construction of K22 plane construction factory in ASE by Kaohsiung Plant	One year	Delay penalty：one thousandth of total contract price per day	2
MICRON MEMORY TAIWAN CO., Ltd.	2015/08/03~ 2016/03/01	Micron's new construction of 25%+50%	One year	Delay penalty：one thousandth of total contract price per day	2
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2015/09/25~ 2016/07/31	TSMC BP03 MEP+CR PACKAGE	One year	Delay penalty：one thousandth of total contract price per day	2
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2015/09/20~ 2016/07/31	TSMC F15 P5 MEP PACKAGE (STAGE 1)	One year	Delay penalty：one thousandth of total contract price per day	2

(Continued)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2015/09/20~ 2016/07/31	TSMC F15 P5 MEP PCW PACKAGE	One year	Delay penalty：one thousandth of total contract price per day	2
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2015/11/01~ 2016/12/31	TSMC F15 P5 CLEAN ROOM PACAKGE	One year	Delay penalty：one thousandth of total contract price per day	2
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2016/02/20~ 2016/12/31	TSMC F15 P6 CR PACKAGE (STAGE 1)	One year	Delay penalty：one thousandth of total contract price per day	2
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2016/03/01~ 2017/03/01	TSMC F15 P6 MEP PACKAGE STAGE 1 (EQUIPMENT/LABOR/MATERIAL)	One year	Delay penalty：one thousandth of total contract price per day	2
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2016/03/01~ 2017/12/31	TSMC F15 P5 MEP PACKAGE (STAGE 1) (UPS)	One year	Delay penalty：one thousandth of total contract price per day	2
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2016/10/01~ 2018/12/31	TSMC F15 P6 CR SCAD TEM addition engineering	One year	Delay penalty：one thousandth of total contract price per day	2
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2016/11/01~ 2017/12/31	TSMC by Nanjing CHINA CLEANROOM PACKAGE EQ (STAGE 1)	One year	Delay penalty：one thousandth of total contract price per day	2
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2017/03/01~ 2018/06/30	TSMC F 12 P4 EUV MEP+CR engineering	One year	Delay penalty：one thousandth of total contract price per day	2
UNITED INTEGRATED SERVICES CO., Ltd.(Singapore)	2017/10/31~ 2018/12/31	SSMC Expansion project	One year	Delay penalty：one thousandth of total contract price per day	1
MICRON MEMORY TAIWAN CO., Ltd.	2017/11/13~ 2018/06/30	new construction of F500 Micron-TCP plant	One year	Delay penalty：one thousandth of total contract price per day	1
Systems on silicon manufacturing company Pte. Ltd.	2018/02/12~ 2018/06/30	new construction of SSMC factory - equipment procurement	One year	Delay penalty：one thousandth of total contract price per day	1
MICRON MEMORY TAIWAN CO., Ltd.	2018/02/14~ 2019/03/01	new construction of Micron F11 CUB 1B	One year	Delay penalty：one thousandth of total contract price per day	
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2018/04/13~ 2018/12/31	TSMC F15P7 C/R PROJECT A	One year	Delay penalty：one thousandth of total contract price per day	1
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2018/04/30~ 2019/02/28	TSMC F18 P1 MEP-A PACKAGE	One year	Delay penalty：one thousandth of total contract price per day	

(Continued)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2018/04/30~ 2019/02/28	TSMC F18 P1 MEP-B PACKAGE	One year	Delay penalty：one thousandth of total contract price per day	
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2018/04/30~2019/02/28	TSMC F18 P1 FIRE PACKAGE	One year	Delay penalty：one thousandth of total contract price per day	
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2018/05/03~ 2019/04/30	TSMC F18 P1 C/R	One year	Delay penalty：one thousandth of total contract price per day	
Yangtze River Storage Technology	2018/06/04~ 2018/09/30	Yangtze River Storage National Storage Base (Phase I) Industrial equipment pipeline of Import equipment	One year	Delay penalty：one thousandth of total contract price per day	1
MICRON MEMORY TAIWAN CO., Ltd.	2018/04/07~ 2018/12/31	Build up for MTB warehouse	One year	Delay penalty：one thousandth of total contract price per day	
ASE TEST, INC.	2018/07/17~ 2019/07/31	A2 E100 expansion project	One year	Delay penalty：one thousandth of total contract price per day	
ASE TEST, INC.	2018/07/01~ 2018/09/03	K22 6F TEST	One year	Delay penalty：one thousandth of total contract price per day	2
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2018/07/27~ 2018/12/31	TSMC-F18P1 EBO	One year	Delay penalty：one thousandth of total contract price per day	1
KOPIN TAIWAN CORPATION	2018/08/24~ 2019/03/31	New construction of TURN-KEY	One year	Delay penalty：one thousandth of total contract price per day	
AU Optronics Corporation	2018/12/04~ 2019/05/31	L3DIJP Project	One year	Delay penalty：one thousandth of total contract price per day	
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2018/12/15~ 2019/12/31	TSMC F18 P2 MEP-A PACKAGE	One year	Delay penalty：one thousandth of total contract price per day	
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2018/12/15~ 2019/12/31	TSMC F18 P2 MEP-B PACKAGE	One year	Delay penalty：one thousandth of total contract price per day	
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2018/12/15~ 2019/12/31	TSMC F18 P2 FIRE PACKAGE	One year	Delay penalty：one thousandth of total contract price per day	
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2018/12/15~ 2019/12/31	TSMC F18 P2 PCW PACKAGE	One year	Delay penalty：one thousandth of total contract price per day	

(Continued)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	2018/12/20~ 2019/12/31	TSMC F18 P2 C/R PACKAGE	One year	Delay penalty：one thousandth of total contract price per day	

Note 1: The contract is unable to settle for the final acceptance is not completed by the owners. Hence, the Group does not have further responsibility and penalty.

Note 2: The additional project has not been completed, but the date of projects is same as the period of main contract.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By nature	Years ended December 31 2018			Years ended December 31 2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	630,439	525,611	1,156,050	640,328	401,107	1,041,435
Labor and health insurance	24,826	28,132	52,958	33,864	25,461	59,325
Pension	35,137	20,639	55,776	36,748	18,885	55,633
Remuneration of directors	-	30,180	30,180	-	18,180	18,180
Others	24,331	8,346	32,677	19,115	6,017	25,132
Depreciation	3,085	24,323	27,408	2,616	22,642	25,258
Amortization	1,234	2,474	3,708	3,895	1,709	5,604

(b) Some of the directors of the company were convicted by the Taiwan High Court (hereinafter referred to as the "High Court") of violating the provisions of the Securities and Exchange Act. Kindly find Judgment contents which impact the Company's activities are as follows:

(i) The primary judgment contents

Director Chen, former director Wang and other involved parties were prosecuted by Taipei District Prosecutor’s Office on June 5, 2002, as illegally transferred Company’s fund more than \$1.3 billion to Dentsu Engineering Co., Ltd. (hereinafter referred to as Dentsu Corporation), Fuguo Engineering Co., Ltd., and Huayuan Engineering Co., Ltd, then transferred the fund to themselves. In accordance with the facts, proofs and explanation provided by the defendants, the primary judgment contents given by Taipei District Prosecutor’s Office on August,31, 2015 (Finance Criminal Procedure Code No. 17 Act 2013) as in: he court accepted the facts that part of the payment out of NTD 1.3 billion was paid for relevant project costs and wages incurred, and the rest was paid by Dentsu Corporation on behalf of the Company to settle urgent additional expenses, then the Company refunded the abovementioned amount. And there is no evidence to prove that the defendants committed embezzlement and breach of trust, therefore, the Court believed the defendants did not commit such crimes.However, the Court also believed that Dentsu Corporation shall be a relative party

(Continued)

of the Company, but the notes of the financial statements did not disclose the abovementioned fact that Dentsu Corporation paid expenses on behalf of the Company, therefore, the defendants were convicted guilty by the Court of providing false financial statements. Both defendants and the prosecutor disagreed with the judgment and appealed to the High Court. The appeal was rejected in High Court, due to the former Director Wang is deceased (Taiwan High Court Case of No. 2015 Gim Sun Zon Su 40). On July 25 2017, the High Court convicted the defendants not guilty of embezzlement and breach of trust, because lack of evidence, the prosecutor accepted the judgment and stopped appealing. However, regarding the defendants were convicted guilty by the High Court of providing false financial statement, two of them were in probation without appeal. Director Chen has appealed to the third instance and is still under processing by the High Court. The second instance was revoked by the High Court on July 25, 2017 (Supreme Court Civil Judgment of No. 2017 Tai-Shang-Tzu 3336).

(ii) Company Risk Response Strategy

The Company, set up by former Director Wang, always maintains its good performance and profitability amongst all in the same industries and distribute almost all of the profit to Directors. Former Director Wang had shown his loyalty to the Company without selling any shares since the Company had been listed. Director Chen has been assisting in the Company for decades without hesitation. The massive contribution to the Company given by them prolongs its profitability and stability. In accordance with the judgment of the first and second instance, the management is pleased to know the defendants had been found not guilty of embezzlement and breach of trust. The management is sorry to know about the judgment of false financial statement of the second instance. However, because the Supreme Court has cancelled the appeal of the second instance submitted by Director Chen and the management is waiting for the final judgment.

(iii) Operational Impact

The abovementioned judgment does not have any operational impact to the Company. The Company acquired support from various aspects, e.g. the staffs,buyers and suppliers. The project operation and financial status of the Company is stable and on growing.

(iv) Statement of Supplementary Civil Action to the Defendants

Securities and Futures Investors Protection Centre (hereinafter referred to as the SFIPC) filed a letter on September 27, 2013, requesting Supervisor of the Company to file lawsuit against the defendants seeking for compensation. The Company could not conclude any damages or evaluate the result of civil action before the final judgment. Supervisors of the Company decided to pursue the Civil and Criminal Litigation (hereinafter referred to as the CCL) against defendants under the strong will of the SFIPC on October 29, 2013, seeking for compensation.

The CCL was transferred to civil court after the judgment of Taipei District Court on August 31, 2015 (Taipei District Court Case of No. 2013 Gim Zon Su 17). The civil court rejected the lawsuit because the defendants had been found not guilty of embezzlement and breach of trust as per judgment given by Taipei District Court on March 01, 2016, under Taipei District Court Case of No. 2015 Gim 62. In the 10 days period of counter-appeal, Supervisor of the Company accepted the abovementioned judgment given which the defendants had been found not guilty of embezzlement and breach of trust, base on facts, proofs and relevant rules and regulations.

(Continued)

(v) The SFIPC advocated to remove the defendants' directorship on December 05, 2013.

As the abovementioned, the former Director Wang had been running the Company stably, profitably, and in good will. Except the content of the indictment, the SFIPC could not prove the defendants the incompatibility as a Director. In the interim shareholders' meeting on February 06, 2014, most of the shareholders agreed and accepted the defendants work continuously as Directors. In the annual shareholders' meeting in 2015, the defendants obtained most of the supports from shareholders. Taipei District Court declared that SFIPC lost in the lawsuit on June 18, 2015, but appealed. Due to the former Director Wang's decease, the SFIPC withdraw the appeal, and amended the lawsuit to request the dismissal of directorship of the two defendants from June 16, 2015, to June 15, 2018. Taipei District Court rejected the lawsuit that amended by the SFIPC at the beginning of February, 2016, in the second instance. The SFIPC appealed the third instance on March 28, 2016, and the Supreme Court dismissed the second instance result on September 28, 2018 (Supreme Court No. 2658 Act 2017), and revision is being processed. The lawsuit does not impact on any operation and financial status of the Company.

(vi) The SFIPC represented the investors to file a lawsuit to the Company, Directors, former Board of Directors and etc., seeking for compensation of NTD 243 million.

As abovementioned, the Company is well developed, stable and profitable on a long term basis. No false information in finance while running operational cost in accordance with per defendants stated. The final judgment result of Director Chen is still pending, the Company reserves the right to purse any legal action. The lawsuit does not impact to the normal operation of the Company.

(vii) The SFIPC requested defendants responsible for damages while illegally transferred NTD1.3 billion and seeking for compensation to the Company. The High Court convicted the defendants no guilty in breach and transferred the lawsuit to the Subordinate Court simultaneously. Subordinate Court convicted the defendants no guilty in breach and dismissed the SFIPC lawsuit on March 22, 2018.

(c) The Company was requested to make payment of $104,559 to Dentsu Corporation for project cost, and $21,405 for wages to former Director Wang from January 2001 to April 2012, in accordance with the judgment of Subordinate Court on September 2, 2014.

The Company had accrued the project cost and wages of the third quarter in 2014, into annual financial statement (recognized as construction cost and management expenses separately) as the judgment stated. The Company prepared interest estimation of $27,921 as of December 31, 2018. (Please refer to Note 7)

The Company does not process any payment of product cost, wages and interest as abovementioned as of the reporting date.

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the years ended December 31, 2018:

(i) Loans extended to other parties:

Unit: thousand dollars

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year (Note 2)	Ending balance (Note 2)	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company (Note 2)	Maximum financing limit for the lender (Note 2)
													Item	Value		
0	UNITED INTEGRATED SERVICES CO., Ltd.	UNITED INTEGRATED SERVICES CO. LTD.(SINGAP ORE)	Other receivables	Yes	122,860	122,860	-	0	2	-	Operating capital	-		-	1,450,867	2,901,734
0	UNITED INTEGRATED SERVICES CO., Ltd.	UNITED INTEGRATED SERVICES CO., Ltd.(JIANGXI)	Other receivables	Yes	180,411	172,172	150,756 (Note 4)	3%	2	-	Operating capital	-	-	-	1,450,867	2,901,734

Note 1: The maximum amount and the ending balance of the current period are the amount, not the actual amount of the movement.

Note 2: The total amount of the Company's externally handled funds and loans does not exceed 40% of the Company's net worth, and the loan for a single business fund is not more than 20% of the Company's net worth.

Note 3: The capital loan and nature are as follows:
There are business contacts for 1
The need for short-term financing is 2

Note 4: The transactions within the Group were eliminated in the consolidated financial statements.

(ii) Guarantees and endorsements for other parties:

Unit: thousand dollars

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party (Note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the Company (Note 2)										
0	UNITED INTEGRATED SERVICES CO., Ltd.		2	2,901,734	290,560	-	-	-	- %	4,352,602	Y	N	Y
0	UNITED INTEGRATED SERVICES CO., Ltd.	UNITED INTEGRATED SERVICES CO., Ltd.(JIANGXI)	2	2,901,734	540,657	-	-	-	- %	4,352,602	Y	N	Y

Note 1: The aggregate amount of endorsements/guarantees that the Company as a whole is permitted to make shall not exceed 60% of the Company's net worth, and the aggregate amount of endorsements/guarantees for any single entity shall not exceed 40% of the Company's net worth. The remaining can not exceed 10% of the Company's net worth.

Note 2: The relationship between the guarantee and the guarantor are as follows:

(1) Transactions between the companies.

(2) The Company directly or indirectly holds more than 50% voting right.

(3) When other companies directly or indirectly hold more than 50% voting rights of the Company.

(4) The Company directly or indirectly holds more than 90% voting right.

(5) A company that is mutually protected under contractual requirements based on the needs of the contractor.

(6) A company that is endorsed by all the contributing shareholders in accordance with their shareholding ratio due to joint investment relationship.

(7) Under the Consumer Protection Act, performance guarantees for pre-sale contracts for companies in the same industry.

(iii) Securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand dollars/thousand of shares

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	stock－Nanya Technology Corporation	-	Financial assets at fair value through profit or loss - current	63	3,490	- %	3,490	0	
〃	stock－Taichung Commercial Bank Co., Ltd.	-	〃	95	973	- %	973	-	
〃	stock－Acer	-	〃	1,400	27,230	0.05 %	27,230	0.05	
〃	stock－Chunghwa Telecom Co., Ltd	-	〃	26	2,938	- %	2,938		
〃	stock－Powerchip Technology Corporation	-	〃	8,128	114,944	0.34 %	114,944		
	totals			-	149,575	- %	-		

(Continued)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

〃	stock－Taiwan Electronic Data Processing Corp.	-	Financial assets at fair value through profit or loss–non- current	2,495	5,040	9.65 %	5,040		
〃	stock－Pu-Xun Venture Capital	-	〃	723	2,839	1.67 %	2,839		
〃	stock－Aetas Technology Inc.	-	〃	91	-	0.30 %	-		
〃	stock－Zowie Technology Corporation	-	〃	15	-	0.23 %	-		
〃	stock－Glandtex Corporation	-	〃	1	-	0.05 %	-		
〃	stock－Promos Technologies Inc.	-	〃	2	-	- %	-	0.33	
	totals			-	7,879	- %	-		
〃	stock－Jiangxi Construction	-	Financial assets at fair value through other comprehensive income –non- current	Note 1	1,636,961	19.80 %	1,636,961	19.8	

Note 1: Registered with the amount of capital contribution.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Unit: thousand dollars

Name of party	Counter-party	Nature of relationship	Ending balance	Turnover rate (Note 1)	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
United Integrated Services Co., Ltd	UNITED INTEGRATED SERVICES CO., Ltd.(JIANGXI)	subsidiary	183,567	-	-	-	1,928	-

Note: The transactions within the Group were eliminated in the consolidated financial statements.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

Unit: thousand dollars

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated revenue or total assets
0	United Integrated Services Co., Ltd.	United Information Systems (BVI) Co., Ltd.	1	Accounts Receivable-Related Parties	66,904	There is no different from general transation.	0.32%
1	United Information Systems (BVI) Co., Ltd.	United Integrated Services Co., Ltd.	2	Payables to related parties	66,904	〃	0.32%
0	United Integrated Services Co., Ltd.	United Information Systems (BVI) Co., Ltd.	1	Accounts Payable-Related Parties	27,366	There is no different from general transation.	0.13%
1	United Information Systems (BVI) Co., Ltd.	United Integrated Services Co., Ltd.	2	Receivables from related parties	27,366	〃	0.13%
0	United Integrated Services Co., Ltd.	United Information Systems (BVI) Co., Ltd.	1	Long-Term Accounts Receivable-Related Parties	35,116	〃	0.17%
1	United Information Systems (BVI) Co.,	United Integrated Services Co., Ltd.	2	Long-Term Accounts payable-Related	35,116	〃	0.17%

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Ltd.			Parties			
0	United Integrated Services Co., Ltd.	United Integrated Services Co., Ltd. (JIANGXI)	1	Long-Term Accounts Receivable-Related Parties	183,567	〃	0.88%
2	United Integrated Services Co., Ltd. (JIANGXI)	United Integrated Services Co., Ltd	2	Long-Term Accounts payable-Related Parties	183,567	〃	0.88%
0	United Integrated Services Co., Ltd	United Integrated Services Co., Ltd. (JIANGXI)	1	Construction revenue	50,555	〃	0.03%
2	United Integrated Services Co., Ltd.(JIANGXI)	United Integrated Services Co., Ltd.	2	Construction cost	50,555	〃	0.03%
0	United Integrated Services Co., Ltd.	United Integrated Services Co.,Ltd. (Singapore)	1	Construction revenue	21,443	〃	0.01%
3	United Integrated Services Co.,Ltd. (Singapore)	United Integrated Services Co., Ltd.	2	Construction cost	21,443	〃	0.01%
0	United Integrated Services Co., Ltd.	United Information Systems (BVI) Co., Ltd.	1	Construction revenue	789	〃	-%
1	United Information Systems (BVI) Co., Ltd.	United Integrated Services Co., Ltd.	2	Construction cost	789	〃	-%
0	United Integrated Services Co., Ltd.	United Information Systems (BVI) Co., Ltd.	1	Sales revenue	2,588	〃	-%
1	United Information Systems (BVI) Co., Ltd.	United Integrated Services Co., Ltd.	2	cost of good sold	2,588	〃	-%
0	United Integrated Services Co., Ltd.	United Integrated Services Co., Ltd. (JIANGXI)	1	Interest revenue	4,937	〃	-%
2	United Integrated Services Co., Ltd. (JIANGXI)	United Integrated Services Co., Ltd.	2	Interest expense	4,937	〃	-%

Note 1: The numbering is as follows:

1. “0” represents the parent company
2. Subsidiaries are sequentially numbered from 1 by company

Note 2: Relation between related parties are as follows:

1. Parent company and its subsidiaries
2. Subsidiaries and its parent company
3. Subsidiaries and its subsidiaries

(b) Information on investees:

The following are the information on investees for the years ended December 31, 2018 (excluding information on investees in Mainland China):

Unit: thousand dollars/thousand of shares

Name of investor	Name of investee	Location	Main businesses and products	Original cost		Ending balance			Maximum investment amount in 2016	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	ABLEREX ELECTRONICS CO., LTD.	Taiwan	Sale and purchase of UPS	189,852	189,851	14,987	33.30%	507,217	33.30%	74,916	24,364	
〃	WHOLETECH SYSTEM HITECH LIMITED	Taiwan	Gas pipeline engineering	61,367	61,367	9,946	13.61%	199,792	13.61%	259,884	35,379	
〃	UNITED INFORMATION SYSTEMS (BVI) CO., Ltd.	BVI	Investment activities	567,643	567,643	17,698	100.00%	670,166	100.00%	29,654	29,654	Note 2
〃	UNITED INTEGRATED SERVICES CO., Ltd.(Singapore)	Singapore	Clean room system construction	34,040	34,040	-	100.00%	189,750	100.00%	24,440	24,440	Note 2
〃	UNIMEMS MANUFACTURING CO., Ltd.	Taiwan	Machinery and Equipment Manufacturing	19,000	19,000	2,095	19.49%	-	19.49%	-	-	
〃	JG NVIRONMENTAL TECHNOLOGY CO., Ltd.	Taiwan	Machinery and Equipment Manufacturing	47,874	37,491	3,488	18.92%	49,805	18.92%	21,958	3,893	
WHOLETECH SYSTEM HITECH LIMITED	WHOLETECH SYSTEM HITECH LIMITED	BVI	Investment activities	170,884	170,884	5,400	100.00%	199,036	100.00%	66,148	66,148	

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

〃	WHOLETECH SYSTEM HITECH INC.	Mauritius	Investment activities	110,559	110,559	3,500	100.00%	162,755	100.00%	18,714	14,814	
WHOLETECH SYSTEM HITECH LIMITED	WHOLETECH SYSTEM HITECH(S) PTE. Ltd.	Singapore	Construction of water, gas pipelines and sewage systems, gas production, distribution of fuel gas main systems, etc.	30,865	30,865	200	100.00%	49,987	100.00%	4,027	4,027	
WHOLETECH SYSTEM HITECH INC.	WHOLETECH GROUP INTERNATIONAL TRADING LIMITED	Mauritius	Investment activities	110,559	110,559	3,500	100.00%	162,755	100.00%	18,714	18,714	
WHOLETECH SYSTEM HITECH(S) PTE. LTD.	WHOLETECH SYSTEM HITECH（M）SDN. BHD.	Malaysia	Construction of water, gas pipelines and sewage systems, gas production, distribution of fuel gas main systems, etc.	855	855	100	100.00%	(4,970)	100.00%	(1,268)	(1,268)	
ABLEREX ELECTRONICS CO.,LTD.	Ablerex Electronics (Samoa) Corporation Limited	Samoa	Holding company	217,445	217,445	6,635	100.00%	491,877	100.00%	(46,676)	(46,924)	
〃	Joint Rewards Trading Corporation	B.V.I.	Provide management services	104	104	3	100.00%	77	100.00%	(38)	(38)	
〃	Ablerex Corporation	USA	Sales of uninterruptible power equipment and systems, solar equipment and related systems, etc.	8,303	8,303	250	100.00%	52,436	100.00%	1,850	1,851	
〃	Ablerex International Corporation Limited	Hong Kong	Sales of uninterruptible power equipment and systems, solar equipment and related systems, etc.	43	43	10	100.00%	30,350	100.00%	487	487	
〃	Ablerex Electronics (S) Pte Limited	Singapore	Sales of uninterruptible power equipment and systems, solar equipment and related systems, etc.	48,008	48,008	2,141	100.00%	84,747	100.00%	7,617	5,584	
〃	Ablerex Electronics U.K. Limited	UK	Holding company	4,674	4,674	100	100.00%	5,826	100.00%	3,362	2,716	
〃	Ablerex JP	Japan	Sales of uninterruptible power equipment and systems, solar equipment and related systems, etc.	9,253	9,253	3	100.00%	4,826	100.00%	(81)	(112)	
Ablerex Samoa	Ablerex Overseas	Hong Kong	Holding company	217,445	217,445	6,635	100.00%	496,073	100.00%	(46,642)	-	
Ablerex UK	Ablerex IT	Italia	Sales of uninterruptible power equipment and systems, solar equipment and related systems, etc.	4,674	4,674	100	100.00%	5,826	100.00%	3,362	-	
Ablerex SG	Ablerex TH	Thailand	Sales of uninterruptible power equipment and systems, solar equipment and related systems, etc.	256	256	280	70.00%	1,125	70.00%	787	-	
Ablerex USA	Ablerex LATAM	USA	Sales of uninterruptible power equipment and systems, solar equipment and related systems, etc.	15,358	-	4	100.00%	13,624	100.00%	(1,702)	-	
JG ENVIRONMENTAL TECHNOLOGY CO., Ltd.	ASIA INTELLIGENCEINVESTMENTSLIMITED	BVI	Investment activities	30,282	15,524	-	100.00%	27,748	100.00%	3,702	3,702	

Note 1: The investment benefits of the current period are recognized by the investment company.

Note 2: Reconciliated in the preparation of consolidated report.

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Unit: thousand dollars

Name of investee	Main businesse and products	Tota amount of paid-in capital	Method of investment (Note 1)	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flow		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (loss) (note 2)	Book value as of December 31, 2018	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Su Yuan Trading (Shanghai) Co., Ltd.	Semiconductor, clean room and electromechanical	NT$ 3 1,000	(2)	NT$ 34,495 USD 1,000	-	-	NT$ 34,495 USD 1,000	35,333	100.00%	100	NT$ 35,333	NT$ 257,219	-
UNITED INTEGRATED SERVICES CO., Ltd.(JIANGXI)	Electromechanical business and pipeline engineering business	NT$ 453 100,000	(1)	NT$ 338,573 RMB 100,000	-	-	NT$ 338,573 RMB 75,000	506,414	75.00%	75	NT$ 379,810	NT$ 697,287	494,990 RMB 90,112
Suzhou Hantai System Integration Co., Ltd.	Construction hardware , materials production and sales	NT$ 381 12,000	(2)	NT$ 381,660 USD 12,000	-	-	NT$ 381,660 USD 12,000	(8,359)	100.00%	100	NT$ (8,359)	NT$ 308,737	-
iangxi Construction Engineering Group Co., Ltd.	Various types of building construction	NT$ 5,113,1 1,043,500	(1)	NT$ 1,008,212 RMB 1,043,500	-	-	NT$ 1,008,212 RMB 206,000	-	19.80%	20	NT$ -	NT$ 1,636,961	NT$ 1,131,076 RMB 238,080
Beijing Hanhe Tang Medical Devices Co., Ltd.	Distribution agency for medical equipment, import and export of goods, after-sales service	NT$ 3 1,000	(2)	NT$ 30,187 USD 1,000	-	-	NT$ 30,187 USD 1,000	(1,245)	100.00%	100	NT$ (1,245)	NT$ 6,315	-

Note 1: Investment method

(1) Investing in the mainland through companies in another country

(2) Establishing a company through the investment in the third region to reinvest in the mainland.

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
United Integrated Services Co., Ltd.	1,798,283 (USD59,165)	1,825,134 (USD59,165)	4,352,602

(iii) Significant transactions with investees in Mainland China:

The details of significant transactions invested directly or indirectly in Mainland China in 2018 (the transactions were written off in the consolidated financial statements.) is provided in the description of "Related information on material transactions" and "The business relationship between the parent and the subsidiaries and significant transactions between them."

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

The Group’s reportable segments are as follows:

(i) Engineering and Integration department：It is engaged in various equipment engineering,, control of instrument engineering, clean room system construction and other services.

(ii) Maintenance and Design department： It provides various computerized automatic monitoring system , engineering design, maintenance contracting services and other businesses.

(iii) Other: Department of photoelectric and others.

(b) Information on income and loss, assets, liabilities, basis of measurement, and the reconciliation for reportable segments

The reportable segments of the Group are strategic business entities providing different product and services. Since each strategic business entities need different technology and marketing strategy, they are managed separately. Most of the business entities were acquired separately and the original management teams when acquired stay the same.

The Group does not allocate tax expenses to its reporting segments. The reportable amounts should be the same as those in the report used by the chief operating decision maker.

The operating segment accounting policies are the same as those described in note 2 "Significant Accounting Policies". The income of the operating segments is measured based on the income before tax, which also serves as the basis for performance measurement. The Group considers the sales and transfer between departments as a sales or transfer with a third person, measured at the current market price.

Information on reportable segments and reconciliation for the Group is as follows:

	2018				
	Engineering and Integration department	Maintenance and Design department	Other	Adjustments or elimination	Total
Revenue:					
Revenue from external customers	$ 17,909,648	136,609	81,677	-	18,127,934
Revenue from segments	72,787	-	13,917	(86,704)	-
Interest revenue	146,014	-	4,937	(4,937)	146,014
Total revenue	$ 18,128,449	136,609	100,531	(91,641)	18,273,948
Interest expenses	$ 11,305	-	-	(4,937)	6,368
Depreciation and amortization	$ 30,523	38	555	-	31,116
Reportable segment profit or loss	$ 2,529,598	2,983	938,345	(433,904)	3,037,022
Reportable segment assets (note)	$ -	-	-	-	-
Reportable segment liabilities (note)	$ -	-	-	-	-

	2017				
	Engineering and Integration department	Maintenance and Design department	Other	Adjustments or elimination	Total
Revenue:					

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Revenue from external customers	$ 12,247,176	176,257	102,485	-	12,525,918
Revenue from segments	417,949	-	3,643	(421,592)	-
Interest revenue	100,240	-	5,056	(5,056)	100,240
Total revenue	$ 12,765,365	176,257	111,184	(426,648)	12,626,158
Interest expenses	$ 11,628	-	-	(5,056)	6,572
Depreciation and amortization	$ 29,221	754	887	-	30,862
Reportable segment profit or loss	$ 1,679,499	39,356	505,867	(479,140)	1,745,582
Reportable segment assets (note)	$ -	-	-	-	-
Reportable segment liabilities (note)	$ -	-	-	-	-

Note: As the information on segment assets and liabilities was not provided to the chief operating decision maker, the information on segment assets and liabilities is not disclosed.

(c) Information about the products and services

Revenue from the external customers of the Group was as follows:

Products and services	2018	2017
Construction revenue	$ 17,898,319	12,247,176
Service and design revenue	136,609	175,602
Others	93,006	103,140
Total	$ 18,127,934	12,525,918

(d) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Geographical information	2018	2017
Revenue:		
Taiwan	$ 9,573,717	7,286,052
China	6,976,527	5,168,406
Singapore	1,577,690	71,460
Total	$ 18,127,934	12,525,918

Geographical information	December 31, 2018	December 31, 2017
Non-current assets:		
Taiwan	$ 564,109	575,108
China	277,819	201,025
Total	$ 841,928	776,133

Non-current assets include property, plant and equipment, intangible assets, and other assets, not including financial instruments, deferred tax assets (non - current).

(e) Information about major customers

For the years 2018 and 2017, the Group's had customers whose sales revenue constituted 10% or more of the revenue in the income statement are as follows:

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	2018		2017	
client's name	**Amount**	**%**	**Amount**	**%**
A customer	**$ 5,337,062**	**29.44**	**5,102,780**	**40.74**