

**UNITED INTEGRATED SERVICES CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018**

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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.

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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, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with 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 24, 2020



安侯建業聯合會計師事務所

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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 balance sheets as of December 31, 2019 and 2018 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

Some board members of United Integrated Services Co., Ltd. were sentenced of violating the Securities Exchange Act by the Taiwan High Court. For circumstances of these cases, please refer to Note 12 (b) of the consolidated financial statements. Our opinion is not modified in respect of this matter.

Other Matter

We did not audit the financial statements of certain investee companies under the equity method and Note 13 (b) "Information on investees of the consolidated financial statements". Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investee companies, is based solely on the reports of other auditors. The investments in the investee companies constituted 3.63% and 3.64% of the consolidated total assets, as of December 31, 2019 and 2018, respectively. For the years then ended, the recognized shares of profit of associates accounted for using the equity method of these investee companies constituted 1.26% and 2.10% of the consolidated total profit before tax, respectively.

United Integrated Services Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion with the Emphasis of Matter or Other Matter paragraph.

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 (o) "Revenue recognition"; for uncertainty of accounting estimates and assumption for revenue recognition, please refer to Note 5 (b) "Revenue recognition"; for information of revenue recognition, please refer to Note 6 (v) "Revenue from contracts with customers" to the consolidated financial statements.

Description of Key Audit Matter:

The Group recognizes construction contract revenue by percentage of completion method. The percentage of completion is based on the contract costs incurred as of the financial statements reporting date, representing the percentage of the estimated total contract costs. Because construction contract accounting involves a high level of estimation and judgment, revenue recognition has been identified as one of the key audit matters for our audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included testing the effectiveness of the internal control related to the timing and precision of revenue recognition. Through sampling and reviewing new construction contracts throughout the Group's reporting period, we obtained annual project revenue statistics and validated the correctness of revenue recognized on the projects.

2. Accounts receivable impairment assessment

For the accounting policies related to the impairment assessment of accounts receivable, please refer to Note 4 (g) "Financial instruments"; for uncertainty of accounting estimates and assumption for the impairment assessment of accounts receivable, please refer to Note 5 (a) "Impairment assessment of accounts receivable"; for information of the impairment assessment of accounts receivable, please refer to Note 6 (c) "Notes and accounts receivable" to the consolidated financial statements.

Description of Key Audit Matter:

The Group recognized expected credit loss in accordance with the Group's policy of allowance for accounts receivable, and established its estimation based on its clients' credit risk, historical experiences of credit loss, and rational expectation of future economic conditions. Since the accounting of expected credit loss of accounts receivable involves a high level of estimation and judgment, the impairment assessment of accounts receivable has been identified as one of the key audit matters for our audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included: (i) understanding the accounting policies of the impairment assessment of notes and trade receivables; (ii) implementing sampling procedures to examine the accuracy of accounts receivable aging report; (iii) analyzing the changes of the aging of accounts receivable in each period; (iv) examining historical collection records; (v) examining subsequent collection status to evaluate the reasonableness of the Group's recognition of allowance for impairment loss.

3. Financial instruments assessment

For the accounting policies related to the assessment of financial instruments, please refer to Note 4 (g) "Financial Instruments"; for uncertainty of accounting estimates and judgments for fair value of financial instruments, please refer to Note 5 (c) "Fair value of financial instruments"; for information of the fair value of financial instruments, please refer to Note 6 (y) "Fair value hierarchy information" to the consolidated financial statements.

Description of Key Audit Matter:

The accounting of the assessment of financial instruments involves a high level of estimation and judgment. Therefore, the assessment of financial instruments has been identified as one of the key audit matters for our audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included: (i) testing the investment cycle and related financial reporting procedures, involving measurements and the internal control of financial reporting disclosures. (ii) assessing the reasonableness of valuation techniques of the financial assets measured at fair value without active market prices, including testing valuation models and inspecting the significant unobservable inputs 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

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 with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, 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 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 current period 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 24, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and 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' audit 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' audit 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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollar)

| | December 31, 2019 | | December 31, 2018 | | | December 31, 2019 | | December 31, 2018 | | |
|---|----------------------|------------|-------------------|------------|--------------------------------------|---|----------------------|-------------------|-------------------|------------|
| | Amount | % | Amount | % | | Amount | % | Amount | % | |
| Assets | | | | | Liabilities and Equity | | | | | |
| Current assets: | | | | | Current liabilities: | | | | | |
| 1100 Cash and cash equivalents (note6(a)) | \$ 6,391,222 | 28 | 7,029,298 | 34 | 2130 | \$ 6,515,385 | 28 | 6,943,358 | 33 | |
| 1110 Current financial assets measured at fair value through profit or loss (note6(b)(y)) | 214,179 | 1 | 149,575 | 1 | 2150 | 14,439 | - | 241,795 | 1 | |
| 1140 Current contract assets (note6(v)) | 1,680,082 | 7 | 2,176,124 | 10 | 2160 | - | - | 38,960 | - | |
| 1150 Notes receivable, net (note6(c)) | 117,359 | 1 | 581,743 | 3 | 2170 | 5,520,443 | 24 | 4,100,557 | 20 | |
| 1170 Accounts receivables, net (note6(c)(v)) | 4,786,032 | 21 | 3,822,249 | 18 | 2180 | 99,754 | - | 84,831 | - | |
| 1221 Current tax assets | 14,485 | - | 14,485 | - | 2220 | 160,183 | 1 | 153,885 | 1 | |
| 130X Inventories (note6(d)) | 37,697 | - | 39,233 | - | 2230 | 551,331 | 3 | 444,470 | 2 | |
| 1410 Prepayments (note6(e)) | 1,192,905 | 5 | 1,453,776 | 7 | 2250 | 16,743 | - | 13,354 | - | |
| 1470 Other current assets (note6(l) and 8) | 4,720,264 | 20 | 2,058,412 | 10 | 2280 | 18,390 | - | - | - | |
| Total current assets | <u>19,154,225</u> | <u>83</u> | <u>17,324,895</u> | <u>83</u> | 2300 | <u>1,041,584</u> | <u>5</u> | <u>840,428</u> | <u>4</u> | |
| Non-current assets: | | | | | Total current liabilities | <u>13,938,252</u> | <u>61</u> | <u>12,861,638</u> | <u>61</u> | |
| 1510 Non-current financial assets measured at fair value through profit or loss (note6(f)(y)) | 6,347 | - | 7,879 | - | Non-Current liabilities: | | | | | |
| 1517 Non-current financial assets measured at fair value through other comprehensive income (note6(g)(y)) | 2,051,779 | 9 | 1,636,961 | 8 | 2550 | 288,952 | 2 | 334,415 | 2 | |
| 1550 Investments accounted for using equity method (note6(h)) | 837,973 | 4 | 756,814 | 4 | 2580 | 102,607 | - | 118,983 | 1 | |
| 1600 Property, plant and equipment (note6(i)) | 778,132 | 3 | 806,633 | 4 | 2645 | 10,141 | - | - | - | |
| 1755 Right-of-use assets (note6(j)) | 59,443 | - | - | - | | 7,571 | - | 8,802 | - | |
| 1780 Intangible assets (note6(k)) | 2,705 | - | 1,341 | - | Total non-current liabilities | <u>409,271</u> | <u>2</u> | <u>462,200</u> | <u>3</u> | |
| 1840 Deferred tax assets (note6(s)) | 156,384 | 1 | 84,696 | - | 31XX | Total liabilities | <u>14,347,523</u> | <u>63</u> | <u>13,323,838</u> | <u>64</u> |
| 1900 Other non-current assets (note6(l) and 8) | 38,348 | - | 191,384 | 1 | 3100 | Equity attributable to owners of parent (note6(g)(r)(s)(t)): | | | | |
| Total non-current assets | <u>3,931,111</u> | <u>17</u> | <u>3,485,708</u> | <u>17</u> | 3200 | Common stock | <u>1,905,867</u> | <u>8</u> | <u>1,905,867</u> | <u>9</u> |
| | | | | | | Capital surplus | <u>373,561</u> | <u>2</u> | <u>374,156</u> | <u>2</u> |
| | | | | | | Retained earnings: | | | | |
| | | | | | 3310 | Legal reserve | 1,730,497 | 6 | 1,515,740 | 7 |
| | | | | | 3320 | Special reserve | - | - | 112,888 | 1 |
| | | | | | 3350 | Unappropriated earnings | 3,625,577 | 16 | 2,780,424 | 13 |
| | | | | | | | <u>5,356,074</u> | <u>22</u> | <u>4,409,052</u> | <u>21</u> |
| | | | | | 3400 | Other equity | 931,964 | 4 | 565,261 | 3 |
| | | | | | | Total equity attributable to owners of parent | <u>8,567,466</u> | <u>36</u> | <u>7,254,336</u> | <u>35</u> |
| | | | | | 36XX | Non-controlling interests | 170,347 | 1 | 232,429 | 1 |
| | | | | | | Total equity | <u>8,737,813</u> | <u>37</u> | <u>7,486,765</u> | <u>36</u> |
| Total assets | <u>\$ 23,085,336</u> | <u>100</u> | <u>20,810,603</u> | <u>100</u> | | Total liabilities and equity | <u>\$ 23,085,336</u> | <u>100</u> | <u>20,810,603</u> | <u>100</u> |

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollar, Except Earnings Per Share)

| | 2019 | | 2018 | |
|--|--|---------------------|-------------------|------------------|
| | Amount | % | Amount | % |
| Operating Revenues (note6(v) and 7): | | | | |
| 4520 | \$ 23,516,033 | 98 | 17,898,319 | 99 |
| 4600 | 404,600 | 2 | 229,615 | 1 |
| | <u>23,920,633</u> | <u>100</u> | <u>18,127,934</u> | <u>100</u> |
| Operating revenues, net | | | | |
| Operating costs (note6(d)(k)(p)(r)(w), 7 and 12): | | | | |
| 5520 | 19,362,693 | 81 | 14,786,885 | 82 |
| 5600 | 206,700 | 1 | 157,608 | 1 |
| | <u>19,569,393</u> | <u>82</u> | <u>14,944,493</u> | <u>83</u> |
| Total operating costs | | | | |
| Gross profit from operations | | | | |
| | <u>4,351,240</u> | <u>18</u> | <u>3,183,441</u> | <u>17</u> |
| Operating expenses (note6(c)(k)(p)(q)(r)(w),7 and 12): | | | | |
| 6100 | 33,759 | - | 32,382 | - |
| 6200 | 817,208 | 4 | 695,937 | 4 |
| 6300 | 35,100 | - | 36,070 | - |
| 6450 | 57,875 | - | 46,952 | - |
| | <u>943,942</u> | <u>4</u> | <u>811,341</u> | <u>4</u> |
| Total operating expenses | | | | |
| Net operating income | | | | |
| | <u>3,407,298</u> | <u>14</u> | <u>2,372,100</u> | <u>13</u> |
| 7010 | 187,448 | 1 | 389,382 | 2 |
| 7020 | (59,617) | - | 72,258 | - |
| 7100 | 154,532 | 1 | 146,014 | 1 |
| 7510 | (7,168) | - | (6,368) | - |
| 7370 | 46,896 | - | 63,636 | - |
| | <u>322,091</u> | <u>2</u> | <u>664,922</u> | <u>3</u> |
| Total non-operating income and expenses | | | | |
| Net income from continuing operations before tax | | | | |
| | 3,729,389 | 16 | 3,037,022 | 16 |
| 7950 | Less: Income tax expenses (note6(s)) | | 835,508 | 4 |
| | | | <u>762,853</u> | <u>4</u> |
| Net income | | | | |
| | <u>2,893,881</u> | <u>12</u> | <u>2,274,169</u> | <u>12</u> |
| 8300 | Other comprehensive income(note6(g)(r)(s)): | | | |
| 8310 | Items that may not be reclassified subsequently to profit or loss: | | | |
| 8311 | Gains (losses) on remeasurements of defined benefit plans | 47,955 | (21,830) | - |
| 8316 | Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 414,818 | (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 | (773) | (133) | - |
| 8349 | Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 9,591 | (9,567) | - |
| | | <u>452,409</u> | <u>(966,897)</u> | <u>(5)</u> |
| Items that may not be reclassified subsequently to profit or loss | | | | |
| 8360 | Items that may be reclassified subsequently to profit or loss: | | | |
| 8361 | Exchange differences on translation of foreign operation | (57,644) | (39,178) | - |
| 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 | (8,431) | - | - |
| 8399 | Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss | (9,921) | (6,397) | - |
| | | <u>(56,154)</u> | <u>(32,781)</u> | <u>-</u> |
| Items that may be reclassified subsequently to profit or loss | | | | |
| 8300 | Other comprehensive income | <u>396,255</u> | <u>(999,678)</u> | <u>(5)</u> |
| 8500 | Comprehensive income | <u>\$ 3,290,136</u> | <u>14</u> | <u>1,274,491</u> |
| Profit attributable to: | | | | |
| 8610 | Shareholders of the Company | \$ 2,815,298 | 12 | 2,147,566 |
| 8620 | Non-controlling interests | 78,583 | - | 126,603 |
| | | <u>\$ 2,893,881</u> | <u>12</u> | <u>2,274,169</u> |
| Comprehensive income attributable to: | | | | |
| 8710 | Shareholders of the Company | \$ 3,219,592 | 14 | 1,155,079 |
| 8720 | Non-controlling interests | 70,544 | - | 119,412 |
| | | <u>\$ 3,290,136</u> | <u>14</u> | <u>1,274,491</u> |
| 9750 | Basic earnings per share (note6(u)) | <u>\$ 14.77</u> | | <u>9.42</u> |
| 9850 | Diluted earnings per share (note6(u)) | <u>\$ 14.57</u> | | <u>9.27</u> |

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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollar)

| | Equity attributable to owners of parent | | | | | | | | | | | Non-controlling interests | Total equity |
|--|---|-----------------|-------------------|-----------------|----------------------------------|-------------------------|---|---|--------------------|---|-----------|---------------------------|--------------|
| | Share capital | | Retained earnings | | | | Exchange differences on translation of foreign operations | Other equity | | Total equity attributable to owners of parent | | | |
| | Common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Total other equity | | | | |
| Balance at January 1, 2018 | \$ 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 | - | - | - | - | 2,147,566 | 2,147,566 | - | - | - | 2,147,566 | 126,603 | 2,274,169 | |
| Other comprehensive income | - | - | - | - | (12,396) | (12,396) | (25,590) | (954,501) | (980,091) | (992,487) | (7,191) | (999,678) | |
| Total comprehensive income | - | - | - | - | 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 | - | - | 121,455 | - | (121,455) | - | - | - | - | - | - | - | |
| Special reserve | - | - | - | (20,778) | 20,778 | - | - | - | - | - | - | - | |
| Cash dividends | - | (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 accounted for using equity method | - | 402 | - | - | - | - | - | - | - | 402 | - | 402 | |
| Capital reduction | (476,467) | - | - | - | - | - | - | - | - | (476,467) | - | (476,467) | |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | (92,418) | (92,418) | |
| Balance on December 31, 2018 | 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 | |
| Net income | - | - | - | - | 2,815,298 | 2,815,298 | - | - | - | 2,815,298 | 78,583 | 2,893,881 | |
| Other comprehensive income | - | - | - | - | 37,591 | 37,591 | (48,115) | 414,818 | 366,703 | 404,294 | (8,039) | 396,255 | |
| Total comprehensive income | - | - | - | - | 2,852,889 | 2,852,889 | (48,115) | 414,818 | 366,703 | 3,219,592 | 70,544 | 3,290,136 | |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | | | |
| Legal reserve | - | - | 214,757 | - | (214,757) | - | - | - | - | - | - | - | |
| Special reserve | - | - | - | (112,888) | 112,888 | - | - | - | - | - | - | - | |
| Cash dividends | - | - | - | - | (1,905,867) | (1,905,867) | - | - | - | (1,905,867) | - | (1,905,867) | |
| Other changes in capital surplus: | | | | | | | | | | | | | |
| Changes in equity of associates and joint ventures accounted for using equity method | - | (595) | - | - | - | - | - | - | - | (595) | - | (595) | |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | - | (132,626) | (132,626) | |
| Balance on December 31, 2019 | \$ 1,905,867 | 373,561 | 1,730,497 | - | 3,625,577 | 5,356,074 | (111,603) | 1,043,567 | 931,964 | 8,567,466 | 170,347 | 8,737,813 | |

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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollar)

| | 2019 | 2018 |
|--|---------------------|--------------------|
| Cash flows from (used in) operating activities: | | |
| Income before income tax | \$ 3,729,389 | 3,037,022 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expense | 40,948 | 27,408 |
| Amortization expense | 3,802 | 3,708 |
| Expected credit loss | 57,875 | 46,952 |
| Net (gain) loss on financial assets measured at fair value through profit or loss | (52,933) | 15,206 |
| Interest expense | 7,168 | 6,368 |
| Interest income | (154,532) | (146,014) |
| Dividend income | (93,980) | (356,400) |
| Share of profit of associates and joint ventures accounted for using equity method | (46,896) | (63,636) |
| Gain on disposal of property, plant and equipment | (2,390) | (1) |
| Total adjustments to reconcile loss | <u>(240,938)</u> | <u>(466,409)</u> |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Decrease (increase) in current contract assets | 495,923 | (480,815) |
| Decrease (increase) in notes receivable | 464,384 | (284,771) |
| Increase in accounts receivables | (1,014,631) | (2,458,634) |
| Decrease (increase) in inventories | 1,536 | (4,276) |
| Decrease (increase) in prepayments | 260,871 | (831,960) |
| Decrease (increase) in other current assets | 96,298 | (3,110) |
| Subtotal of changes in operating assets | <u>304,381</u> | <u>(4,063,566)</u> |
| Changes in operating liabilities: | | |
| (Decrease) increase in current contract liabilities | (427,973) | 386,068 |
| (Decrease) increase in notes payable | (227,356) | 194,934 |
| (Decrease) increase in notes payable—related parties | (38,960) | 38,960 |
| Increase in accounts payables | 1,419,886 | 1,847,998 |
| Increase in accounts payables—related parties | 14,923 | 34,432 |
| Decrease in other payables—related parties | - | (21,623) |
| Increase in current provisions | 3,389 | 10,149 |
| Increase in other current liabilities | 201,156 | 371,530 |
| Increase in net defined benefit liability | 2,492 | 3,314 |
| Subtotal of changes in operating liabilities | <u>947,557</u> | <u>2,865,762</u> |
| Total changes in operating assets and liabilities | <u>1,251,938</u> | <u>(1,197,804)</u> |
| Total adjustments | <u>1,011,000</u> | <u>(1,664,213)</u> |
| Cash inflow generated from operations | 4,740,389 | 1,372,809 |
| Interest received | 157,461 | 135,539 |
| Interest paid | (870) | - |
| Income taxes paid | (813,961) | (329,869) |
| Net cash flows from operating activities | <u>4,083,019</u> | <u>1,178,479</u> |
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at fair value through profit or loss | (10,139) | (826) |
| Proceeds from disposal of financial assets at fair value through profit or loss | - | 1,806 |
| Acquisition of investments accounted for using equity method | (99,449) | (10,382) |
| Acquisition of property, plant and equipment | (6,972) | (9,564) |
| Proceeds from disposal of property, plant and equipment | 4,143 | 2,603 |
| Decrease (increase) in guarantee deposits paid | 94,821 | (104,253) |
| Decrease in other receivables | - | 6,345 |
| Acquisition of intangible assets | (1,823) | - |
| Increase in other financial assets | (3,045,311) | (87,094) |
| (Increase) decrease in other non-current assets | (1,906) | 2,176 |
| Dividends received | 457,051 | 80,903 |
| Net cash flows used in investing activities | <u>(2,609,585)</u> | <u>(118,286)</u> |
| Cash flows from (used in) financing activities: | | |
| (Decrease) increase in guarantee deposits received | (1,231) | 4,279 |
| Payment of lease liabilities | (14,530) | - |
| Cash dividends paid | (1,905,867) | (1,429,400) |
| Capital reduction payments to shareholders | - | (476,467) |
| Changes in non-controlling interests | (132,626) | (92,418) |
| Net cash flows used in financing activities | <u>(2,054,254)</u> | <u>(1,994,006)</u> |
| Effect of exchange rate changes on cash and cash equivalents | (57,256) | (32,639) |
| Net decrease in cash and cash equivalents | (638,076) | (966,452) |
| Cash and cash equivalents at beginning of period | 7,029,298 | 7,995,750 |
| Cash and cash equivalents at end of period | <u>\$ 6,391,222</u> | <u>7,029,298</u> |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)

(1) Company history

United Integrated Services Co., Ltd.(hereinafter referred to as the “Company”) was incorporated as a limited company under the provisions of the Ministry of Economic Affairs, R.O.C on September 13, 1982, as United Technology And Engineering Co., Ltd.. The Company reincorporated as United Linkfast Co., Ltd. on March 14, 1990. On October 30, 1990, the Company merged with Linkfast System Co., Ltd. The surviving company was United Linkfast Co., Ltd., and renamed as United Integrated Services Co., Ltd. on May 29, 2002. The registered address of the Company was 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. through the cash consideration method. The surviving company was United Integrated Services Co., Ltd..

The Company and its subsidiaries (collectively referred hereinafter as the “Group”) are primarily engaged in: (1) contracting various running water projects, instrumental control projects, refrigerating and air conditioning projects, installation of clean rooms and the related transactions and manufacturing of supplies. (2) Traffic surveillance & control system engineering building, factory computer control monitoring systems, engineering environment monitoring systems, the design and installation of engineering toll collection systems and related supply transactions. (3) Various electrical and mechanical engineering contracts for transmission and distribution of electric power. (4) The design, installation, maintenance and trading of related equipment of various computerized automatic engineering monitoring systems. (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 controlling equipment in computer rooms. (7) Technical advisory services for planning and designing of projects. (8) Importing restrained telecom radio frequency equipment.

Han Tai Investment Co., Ltd. (Han Tai Investment), was incorporated according to the "Company Act" endorsed by the Ministry of Economic Affairs (R.O.C.) on March 26, 1998. The Company was primarily engaged in investments in domestic and foreign technology industries and investments in domestic general manufacturing industries. On November 2017, Han Tai Investment's board of directors resolved to liquidate. The liquidation carried out in February 2019.

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

On September 18, 2003, Jiangxi United Integrated Services Ltd. was incorporated as a limited company under the Ministry of Commerce of the People's Republic of China and the Jiangxi Provincial Administration of Industry and Commerce. The company mostly engages in is pipeline equipment installation projects.

On January 25, 2011, Singapore United System Integrated Services Ltd. was incorporated as a limited company under the Singapore Accounting & Corporate Regulatory Authority. The company mainly

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

engages in the construction of clean rooms.

For the years ended December 31, 2019 and 2018, the composition of the consolidated financial statements includes the Company, its subsidiaries (the Group), and the affiliates of the Group in the associates. Please refer to note 4 (c) for the main operation items of the Group.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 24, 2020.

(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, 2019.

| <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective date per IASB</u> |
|---|--------------------------------|
| 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.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

- 1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4 (k).

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

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of office equipment.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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

- Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional \$61,120 thousand of right-of-use assets (including \$33,287 thousand reclassified from long-term prepaid rent) and \$27,833 thousand of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 3.10%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

| | January 1, 2019 |
|---|------------------------|
| Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements | \$ 30,642 |
| Recognition exemption for: | |
| short-term leases | (1,849) |
| | \$ 28,793 |
| Discounted using the incremental borrowing rate at January 1, 2019 | \$ 27,833 |
| Finance lease liabilities recognized as at December 31, 2018 | - |
| Lease liabilities recognized at January 1, 2019 | \$ 27,833 |

(b) The impact of IFRS issued by the 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, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

| 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 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform" | January 1, 2020 |
| Amendments to IAS 1 and IAS 8 "Definition of Material" | January 1, 2020 |

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(Continued)

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

- (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 International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective date per IASB</u> |
|--|---|
| 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 “Classification of Liabilities as Current or Non-current” | January 1, 2022 |

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

| <u>Issue Dates</u> | <u>New Standards and Amendments</u> | <u>Main amendments</u> |
|--------------------|--|---|
| September 11, 2014 | Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture” | <p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p> |

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

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(Continued)

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

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Financial assets measured at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions, are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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 interest in a subsidiary that do not result in the a loss of control are accounted for as equity transactions.

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

| Name of investor | Name of subsidiary | Principal activity | Shareholding | | Description |
|------------------|---|--|-------------------|-------------------|---------------------------|
| | | | December 31, 2019 | December 31, 2018 | |
| 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 |

(Continued)

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

| Name of investor | Name of subsidiary | Principal activity | Shareholding | | Description |
|--------------------------------|---|---|-------------------|-------------------|--|
| | | | December 31, 2019 | December 31, 2018 | |
| 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 |

All of subsidiaries included in the consolidated financial statements.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(Continued)

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

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

- (e) Classification of current and non-current assets and liabilities
- (i) An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.
- 1) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
 - 2) It is held primarily for the purpose of trading;
 - 3) It is expected to be realized within twelve months after the reporting period; or
 - 4) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- (ii) A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- 1) It is expected to be settled in the normal operating cycle;
- 2) It is held primarily for the purpose of trading;
- 3) It is due to be settled within twelve months after the reporting period; or
- 4) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

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

(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 on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in fair value. 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

(i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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.

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends 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 are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

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. 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.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend 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.

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

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other 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 debtor 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.

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

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written 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

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities

1) Financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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

(h) Inventories

The cost of inventories consists of all costs of purchase, 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) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

| | |
|--------------------------|------------|
| Buildings | 3~50 years |
| Machinery | 3~10 years |
| Plant equipment | 3~50 years |
| Transportation equipment | 3~10 years |
| Office equipment | 3~7 years |
| Leasehold improvements | 5 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(Continued)

UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
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- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
- the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

On the date the lease contract is established or when reassessing whether a contract includes a lease, the Group allocates the cost of the contract to individual lease components based on a relative individual price. However, when leasing land and buildings, the Group chooses not to differentiate non-leasing components and treats both leasing and non-leasing components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

(Continued)

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Applicable before January 1, 2019

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 value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and are not recognized in the Group's balance sheets. Payments made under operating leases (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 part of the total lease expense, over the term of the lease.

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

(l) Intangible assets

(i) Recognition and measurement

Other intangible assets, including computer software, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

| | |
|-------------------|-----------|
| Computer software | 3~5 years |
|-------------------|-----------|

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and assets arising from employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
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An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow 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 finance cost.

The Group shall provide one-thousandth of the total contract amounts 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.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(o) Revenue Recognition

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.

(i) 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.

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UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
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(ii) 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 to 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 the surveys of work performed.

(iii) Construction contracts

The Group enters into contracts to design and install constructions. Because its customer controls the asset as it is being constructed, the Group recognizes revenue over time 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. 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.

(p) Contract costs

(i) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer 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.

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

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.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid 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.

(r) Income tax

Income taxes comprise 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 are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. 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 are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
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Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(s) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). 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. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated financial statements in conformity with the Regulations and 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.

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UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
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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, JG Environmental Technology Co., Ltd. and Eco Energy Corporation. However, the Group has determined that it has significant influence because it has representation on the board of Wholetech System Hitech Limited, JG Environmental Technology Co., Ltd. and Eco Energy Corporation.

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) Impairment assessment of accounts receivable

The Group has estimated the allowance for loss on trade receivable that is based on the risk of 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 impairments and the selected inputs. For relevant assumptions and input values, please refer to Note 6 (c).

(b) Revenue recognition

The Group recognizes contract revenues based on the degree of completion on construction contracts; degree of completion is calculated with contract costs incurred to date as a percentage of estimated total contract costs. The Group considers the nature of each project, the estimated construction period, the project item, the construction process, the construction method and the estimated amount of the subcontracts when estimating total contract costs. Any changes in the estimates above may result in a significant adjustment to the estimated amount, please refer to Note 6 (v).

(c) Fair value of financial instruments

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

For detailed information on the main assumptions used in determining the fair value of the financial instruments and detailed sensitivity analysis of these assumptions, please refer to Note 6 (y).

(d) Measurement of defined benefit obligations

Defined benefit costs and net defined benefit liabilities (assets) under defined benefit pension plans are calculated using the Projected Unit Credit Method. The appropriate actuarial assumptions include the discount rate, employee turnover 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 liability. Please refer to Note 6 (r) for the material actuarial assumptions and sensitivity analysis for actuarial calculations.

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

| | December 31, 2019 | December 31, 2018 |
|--|------------------------------|------------------------------|
| Cash on hand and petty cash | \$ 15,167 | 17,236 |
| Demand deposits | 2,749,212 | 2,505,776 |
| Check deposits | 1,083 | - |
| Time deposits | <u>3,625,760</u> | <u>4,506,286</u> |
| Cash and cash equivalents in the consolidated statement of cash flow | <u>\$ 6,391,222</u> | <u>7,029,298</u> |

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

(b) Current financial assets measured at fair value through profit or loss

| | December 31, 2019 | December 31, 2018 |
|---|------------------------------|------------------------------|
| Financial assets measured at fair value through profit or loss: | | |
| Stocks listed on domestic markets | \$ 117,896 | 117,896 |
| Stocks unlisted on domestic markets | 186,989 | 175,345 |
| Valuation adjustment | <u>(90,706)</u> | <u>(143,666)</u> |
| Total | <u>\$ 214,179</u> | <u>149,575</u> |

For the years ended December 31, 2019 and 2018, the Group recognized dividend income from the above financial assets measured at fair value through profit or loss of \$5,736 thousand and \$14,529 thousand, respectively.

(c) Notes and accounts receivable, net

| | December 31, 2019 | December 31, 2018 |
|---------------------------------------|------------------------------|------------------------------|
| Notes receivable—unrelated parties | \$ 117,359 | 581,743 |
| Accounts receivable—unrelated parties | 5,056,402 | 4,057,027 |
| Less: Loss allowance | <u>270,370</u> | <u>234,778</u> |
| Total | <u>\$ 4,903,391</u> | <u>4,403,992</u> |

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UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
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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. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

| | December 31, 2019 | | |
|-----------------------------|----------------------------------|--|-------------------------------------|
| | Gross carrying amount | Weighted- average expected credit loss rate | Loss allowance provision |
| Current | \$ 4,714,204 | | - |
| 1 to 60 days past due | 6,724 | 1% | 67 |
| 61 to 120 days past due | 10,742 | 1% | 107 |
| 121 to 365 days past due | 173,631 | 1% | 1,736 |
| More than one year past due | 268,460 | 100% | 268,460 |
| | <u>\$ 5,173,761</u> | | <u>270,370</u> |

| | December 31, 2018 | | |
|-----------------------------|----------------------------------|--|-------------------------------------|
| | Gross carrying amount | Weighted- average expected credit loss rate | Loss allowance provision |
| Current | \$ 3,789,402 | | - |
| 1 to 60 days past due | 435,105 | 1% | 4,351 |
| 61 to 120 days past due | 111,642 | 1% | 1,116 |
| 121 to 365 days past due | 74,051 | 1% | 741 |
| More than one year past due | 228,570 | 100% | 228,570 |
| | <u>\$ 4,638,770</u> | | <u>234,778</u> |

The movement in the allowance for notes and accounts receivable were as follows:

| | 2019 | 2018 |
|-----------------------------------|--------------------------|-----------------------|
| Balance at January 1 | \$ 234,778 | 249,140 |
| Impairment losses recognized | 57,875 | 33,226 |
| Amounts written off | (15,256) | (43,700) |
| Foreign exchange gains / (losses) | (7,027) | (3,888) |
| Balance at December 31 | <u>\$ 270,370</u> | <u>234,778</u> |

The Group recognized the allowance for notes and accounts receivable based on the nature of the industry, historical payment behavior and the credit rating of customers.

The Group did not provide any notes and accounts receivable as collaterals.

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

(d) Inventories

| | December 31, 2019 | | |
|------------------|--------------------------|-------------------------------------|----------------------------|
| | Cost | Allowance for Impairment | Carrying Amount |
| Raw materials | \$ 44,410 | (9,899) | 34,511 |
| Work in progress | 18,439 | (16,700) | 1,739 |
| Finished goods | 12,527 | (11,080) | 1,447 |
| Merchandise | 6,805 | (6,805) | - |
| Total | \$ 82,181 | (44,484) | 37,697 |

| | 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 |

For the years ended December 31, 2019 and 2018, the reversal of write-downs of inventories amounted to \$4,789 thousand and \$5,252 thousand, respectively. The loss on disposal of inventories amounted to \$2,998 thousand in 2019. The amounts shown above were included in the cost of sales.

As of December 31, 2019 and 2018, the Group did not provide any inventories as collaterals.

(e) Prepayments

| | December 31, 2019 | December 31, 2018 |
|------------------------------------|------------------------------|------------------------------|
| Domestic purchase of materials | \$ 328,710 | 109,840 |
| Foreign purchase of materials | 682,095 | 1,158,065 |
| Prepaid project subcontractor cost | 108,034 | 135,638 |
| Prepaid insurance | 17,746 | 20,009 |
| Others | 56,320 | 30,224 |
| Total | \$ 1,192,905 | 1,453,776 |

(f) Non-current financial assets measured at fair value through profit or loss

| | December 31, 2019 | December 31, 2018 |
|---|------------------------------|------------------------------|
| Financial assets measured at fair value through profit or loss: | | |
| Stocks unlisted on domestic markets | \$ 34,795 | 36,300 |
| Valuation adjustments | (28,448) | (28,421) |
| Total | \$ 6,347 | 7,879 |

(Continued)

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

- (g) Non-current financial assets measured at fair value through other comprehensive income

| | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|--|------------------------------|------------------------------|
| Equity instruments measured at fair value through other comprehensive income | | |
| Unlisted stocks (overseas) | \$ 1,008,212 | 1,008,212 |
| Valuation adjustment | <u>1,043,567</u> | <u>628,749</u> |
| Total | <u>\$ 2,051,779</u> | <u>1,636,961</u> |

- (i) The equity instrument investment of the Group is a long-term strategic investment and is not held for trading, which has been designated as measured at fair value through other comprehensive income. In September 2019 and 2018, the equity instrument investments declared dividends amounting to \$88,244 thousand and \$341,871 thousand, respectively, and both be claimed in November 2019.
- (ii) The changes in valuation adjustment of financial assets measured at fair value through other comprehensive income in the years 2019 and 2018 were as follows:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------------|---------------------|------------------|
| Balance at January 1 | \$ 628,749 | - |
| Effects of retrospective application | - | 1,583,250 |
| Add: Recognition for current period | <u>414,818</u> | <u>(954,501)</u> |
| Balance at December 31 | <u>\$ 1,043,567</u> | <u>628,749</u> |

- (h) Investments accounted for using equity method

- (i) Affiliate which was material to the Group consisted of the followings:

| Name of Affiliate | Natur of Relationship with the Group | Main operating location/Registered Country of the Company | Proportion of shareholding and voting rights | |
|-------------------------------|---|--|--|----------------------|
| | | | December 31, 2019 | December 31, 2018 |
| Ablerex electronics co., Ltd. | Selling and Manufacturing of UPS | Taiwan | 33.30 % | 33.30 % |

The fair value of affiliate listed on the Stock Exchange (over the counter) which was material to the Group was as follows:

| | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|-------------------------------|------------------------------|------------------------------|
| Ablerex electronics co., Ltd. | \$ <u>1,507,500</u> | <u>1,485,000</u> |

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

A summary of the consolidated financial information of significant associates was as follows:

| | December 31, 2019 | December 31, 2018 |
|--|------------------------------|------------------------------|
| Current assets | \$ 1,848,379 | 1,763,345 |
| Non-current assets | 1,006,010 | 947,340 |
| Current liabilities | (1,256,452) | (1,078,347) |
| Non-current liabilities | (116,537) | (103,598) |
| Net assets | <u>\$ 1,481,400</u> | <u>1,528,740</u> |
| Net assets attributable to non-controlling interests | <u>\$ 12,643</u> | <u>11,097</u> |
| Net assets attributable to investee | <u>\$ 1,468,757</u> | <u>1,517,643</u> |
| | 2019 | 2018 |
| Operating revenue | <u>\$ 2,462,390</u> | <u>2,530,613</u> |
| Net income from continuing operations | \$ 40,623 | 74,916 |
| Other comprehensive income | (20,462) | (4,323) |
| Total comprehensive income | <u>\$ 20,161</u> | <u>70,593</u> |
| Total comprehensive income attributable to non-controlling interests | <u>\$ (238)</u> | <u>1,543</u> |
| Total comprehensive income attributable to investee | <u>\$ 20,399</u> | <u>69,050</u> |
| | 2019 | 2018 |
| Share of net assets of associate attributable to the Group as of January 1 | \$ 507,101 | 521,571 |
| Total comprehensive income attributable to the Group | 6,794 | 22,996 |
| Adjustments for using equity method | (595) | - |
| Dividends received from associate | (22,480) | (37,466) |
| Share of net assets of associate attributable to the Group as of December 31 | 490,820 | 507,101 |
| Add: Goodwill | 116 | 116 |
| Ending balance of net assets of associate attributable to the Group | <u>\$ 490,936</u> | <u>507,217</u> |

(ii) Insignificant associates

The Group's financial information for investments accounted for using the equity method that are individually insignificant were as follows:

| | December 31, 2019 | December 31, 2018 |
|--|------------------------------|------------------------------|
| Carrying amount of individually insignificant associates' equity | <u>\$ 347,037</u> | <u>249,597</u> |

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

| | 2019 | 2018 |
|-----------------------------------|------------------|---------------|
| Attributable to the Group: | | |
| Income from continuing operations | \$ 33,718 | 39,272 |
| Other comprehensive income | (2,820) | (1,246) |
| Total comprehensive income | \$ 30,898 | 38,026 |

As of 2019 and 2018, the preparation of the financial statements for the investee companies under the equity method was evaluated based on the auditors' reports of the investee companies. For the years ended December 31, 2019 and 2018, the share of profit of associations accounted for using equity method amounted to \$46,896 thousand and \$63,636 thousand, respectively.

(iii) Guarantee

The Group did not provide any investment accounted for using equity method as collaterals.

(i) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2019 and 2018, were as follows:

| | Land | Buildings | Machinery | Plant equipment | Transportation Equipment | Office equipment | Leasehold Improvements | Total |
|---|-------------------|------------------|------------------|----------------------------|-------------------------------------|-----------------------------|-----------------------------------|------------------|
| Cost or deemed cost: | | | | | | | | |
| Balance at January 1, 2019 | \$ 398,537 | 373,842 | 104,131 | 156,485 | 14,680 | 71,384 | 2,076 | 1,121,135 |
| Additions | - | 1,585 | 1,380 | 350 | - | 3,657 | - | 6,972 |
| Disposal | - | - | (25,559) | - | (2,373) | (6,300) | - | (34,232) |
| Reclassification | - | - | - | - | - | 119 | - | 119 |
| Effect of movements in exchange rates | - | (11,502) | (950) | - | (145) | (621) | - | (13,218) |
| Balance at December 31, 2019 | \$ 398,537 | 363,925 | 79,002 | 156,835 | 12,162 | 68,239 | 2,076 | 1,080,776 |
| 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 movements 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 |
| Accumulated depreciation and impairment loss: | | | | | | | | |
| Balance at January 1, 2019 | \$ 1,160 | 106,507 | 95,735 | 39,286 | 9,610 | 60,429 | 1,775 | 314,502 |
| Depreciation | - | 13,790 | 2,011 | 4,185 | 1,372 | 3,675 | 198 | 25,231 |
| Disposal | - | - | (23,846) | - | (2,372) | (6,261) | - | (32,479) |
| Effect of movements in exchange rates | - | (2,321) | (913) | - | (982) | (394) | - | (4,610) |
| Balance at December 31, 2019 | \$ 1,160 | 117,976 | 72,987 | 43,471 | 7,628 | 57,449 | 1,973 | 302,644 |
| 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 movements 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 |
| Carrying amounts: | | | | | | | | |
| Balance at December 31, 2019 | \$ 397,377 | 245,949 | 6,015 | 113,364 | 4,534 | 10,790 | 103 | 778,132 |
| Balance at January 1, 2018 | \$ 397,377 | 189,440 | 14,531 | 121,336 | 3,241 | 9,583 | 608 | 736,116 |
| Balance at December 31, 2018 | \$ 397,377 | 267,335 | 8,396 | 117,199 | 5,070 | 10,955 | 301 | 806,633 |

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

As of December 31, 2019 and 2018, the property, plant and equipment of the Group had not been pledged as collaterals.

(j) Right-of-use assets

The Group leases many assets including land, buildings and office equipment. Information about leases for which the Group as a lessee was presented below:

| | <u>Land</u> | <u>Buildings</u> | <u>Office equipment</u> | <u>Total</u> |
|--|------------------|------------------|-----------------------------|----------------|
| Cost: | | | | |
| Balance at January 1, 2019 | \$ - | - | - | - |
| Effects of retrospective application | <u>33,287</u> | <u>26,537</u> | <u>1,296</u> | <u>61,120</u> |
| Balance at January 1, 2019 after adjustments | 33,287 | 26,537 | 1,296 | 61,120 |
| Additions | - | 15,541 | - | 15,541 |
| Effect of movements in exchange rates | <u>(1,228)</u> | <u>(507)</u> | <u>(11)</u> | <u>(1,746)</u> |
| Balance at December 31, 2019 | <u>\$ 32,059</u> | <u>41,571</u> | <u>1,285</u> | <u>74,915</u> |
| Accumulated depreciation: | | | | |
| Balance at January 1, 2019 | \$ - | - | - | - |
| Depreciation | 826 | 14,332 | 559 | 15,717 |
| Effect of movements in exchange rates | <u>(31)</u> | <u>(209)</u> | <u>(5)</u> | <u>(245)</u> |
| Balance at December 31, 2019 | <u>\$ 795</u> | <u>14,123</u> | <u>554</u> | <u>15,472</u> |
| Carrying amount: | | | | |
| Balance at December 31, 2019 | <u>\$ 31,264</u> | <u>27,448</u> | <u>731</u> | <u>59,443</u> |

(k) Intangible assets

The cost and amortization of the intangible assets of the Group for the years ended December 31, 2019 and 2018, were as follows::

| | <u>Computer software</u> |
|--|------------------------------|
| Costs: | |
| Balance at January 1, 2019 | \$ 8,504 |
| Additions | <u>1,823</u> |
| Balance at December 31, 2019 | <u>\$ 10,327</u> |
| Balance at December 31, 2018 (Balance at January 1, 2019) | <u>\$ 8,504</u> |
| Accumulated amortization: | |
| Balance at January 1, 2019 | \$ 7,163 |
| Amortization | <u>459</u> |
| Balance at December 31, 2019 | <u>\$ 7,622</u> |
| Balance at January 1, 2018 | \$ 6,695 |
| Amortization | <u>468</u> |
| Balance at December 31, 2018 | <u>\$ 7,163</u> |
| Carrying value: | |
| Balance at December 31, 2019 | <u>\$ 2,705</u> |

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

| | |
|------------------------------|-----------------|
| Balance at January 1, 2018 | \$ <u>1,809</u> |
| Balance at December 31, 2018 | \$ <u>1,341</u> |

For the years ended December 31, 2019 and 2018, the amortization expense amounted to \$459 thousand and \$468 thousand, respectively. These expenses were included in operating costs and operating expenses in the consolidated statements of comprehensive income.

(l) Other current assets and non-current assets

(i) The other current assets of the Group were as follows:

| | December 31, 2019 | December 31, 2018 |
|--------------------------------------|------------------------------|------------------------------|
| Other financial assets | \$ 4,453,340 | 1,392,071 |
| Construction guarantee deposits paid | 16,273 | 8,779 |
| Dividends receivable | - | 307,684 |
| Temporary payment | 33,913 | 39,028 |
| Others | <u>216,738</u> | <u>310,850</u> |
| Total | <u>\$ 4,720,264</u> | <u>2,058,412</u> |

Other financial assets were time deposits with a maturity of three to twelve months and restricted time deposits. As of December 31, 2019 and 2018, the time deposits with a maturity of three to twelve months amounted to \$4,453,340 thousand and \$1,390,371 thousand, respectively. And the restricted time deposits amounted to \$0 thousand and \$1,700 thousand, respectively.

(ii) The other non-current assets of the Group were as follows:

| | December 31, 2019 | December 31, 2018 |
|---|------------------------------|------------------------------|
| Other financial assets | \$ 13,118 | 29,076 |
| Performance and guaranty | 21,827 | 124,142 |
| Prepayments of equipment for construction project | 1,471 | 481 |
| Long-term prepaid expenses | - | 33,287 |
| Others | <u>1,932</u> | <u>4,398</u> |
| Total | <u>\$ 38,348</u> | <u>191,384</u> |

Other financial assets were mainly time deposits with a maturity of more than 12 months.

(m) Short-term borrowings

The short-term borrowings were summarized as follows:

| | December 31, 2019 | December 31, 2018 |
|--------------------------------|------------------------------|------------------------------|
| Range of interest rates (%) | <u>-</u> | <u>-</u> |
| Unused short-term credit lines | <u>\$ 2,669,748</u> | <u>4,061,884</u> |

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

(n) Provisions

| | <u>Warranty</u> |
|---------------------------------|------------------|
| Balance at January 1, 2019 | \$ 13,354 |
| Provisions made during the year | 11,388 |
| Provisions used during the year | <u>(7,999)</u> |
| Balance at December 31, 2019 | <u>\$ 16,743</u> |
| Balance at January 1, 2018 | \$ 3,205 |
| Provisions made during the year | 12,173 |
| Provisions used during the year | <u>(2,024)</u> |
| Balance at December 31, 2018 | <u>\$ 13,354</u> |

The Group determined provisions for warranty based on 0.1% of the value of the construction contracts completed within one year. The provisions for warranty were deducted as incurred, otherwise, it was recognized as an expense for current period if there was a deficiency.

(o) Other current liabilities

| | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|---------------------------|------------------------------|------------------------------|
| Receipts under custody | \$ 1,558 | 127 |
| Other payables | 61,745 | 79,806 |
| Accrued expenses | 693,858 | 604,601 |
| Other current liabilities | 6,143 | 7,599 |
| Dividends payable | <u>278,280</u> | <u>148,295</u> |
| | <u>\$ 1,041,584</u> | <u>840,428</u> |

(p) Lease liabilities

The Group's lease liabilities were as follow:

| | <u>December 31, 2019</u> |
|-------------|------------------------------|
| Current | <u>\$ 18,390</u> |
| Non-current | <u>\$ 10,141</u> |

For the maturity analysis, please refer to note 6(y).

The amounts recognized in profit or loss were as follows:

| | <u>2019</u> |
|--|------------------|
| Interest on lease liabilities | <u>\$ 842</u> |
| Expenses relating to short-term leases | <u>\$ 24,226</u> |

The amounts recognized in the statement of cash flows for the Group was as follows:

| | <u>2019</u> |
|-------------------------------|------------------|
| Total cash outflow for leases | <u>\$ 39,598</u> |

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

(i) Real estate leases

As of December 31, 2019, the Group leases land and buildings for its office space and plant. The leases of office space and plant typically run for a period of 1 to 3 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract-term.

Some leases provide for additional rent payments that are based on changes in local price indices. Some also require the Group to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

Some leases of office buildings contain extension or cancellation options. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. In which lease is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Group leases equipment, with lease terms of 1 to 3 years. In some cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Group also leases buildings and equipments with contract terms of half a year to 1 year. These leases are short-term items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(q) Operating lease

Leases as lessee

Non-cancellable operating lease rentals payable was as follows:

| | December 31, 2018 |
|-----------------------|------------------------------|
| Less than 1 year | \$ 7,898 |
| Between 1 and 5 years | <u>31,433</u> |
| | <u>\$ 39,331</u> |

The Group 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 after that date.

For the year ended December 31, 2018, an amount of \$11,350 thousand was recognized as an expense in profit or loss in respect of operating leases.

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

(r) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

| | December 31, 2019 | December 31, 2018 |
|--|------------------------------|------------------------------|
| Present value of the defined benefit obligations | \$ (393,352) | (431,883) |
| Fair value of plan assets | <u>104,400</u> | <u>97,468</u> |
| Net defined benefit liabilities | <u><u>\$ (288,952)</u></u> | <u><u>(334,415)</u></u> |

The Group's employee benefit liabilities were as follows:

| | December 31, 2019 | December 31, 2018 |
|---|------------------------------|------------------------------|
| Short-term compensated absence liabilities (Accrued expenses) | <u><u>\$ 23,248</u></u> | <u><u>19,789</u></u> |

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months 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 Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$104,400 thousand 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.

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

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Group for the years ended December 31, 2019 and 2018 were as follows:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|----------------|
| Defined benefit obligations at January 1 | \$ 431,883 | 414,292 |
| Current service costs and interest cost | 6,506 | 8,116 |
| Remeasurements of the net defined benefit liabilities | | |
| – Actuarial loss (gain) arising from changes in financial assumptions | (8,969) | (3,821) |
| – Actuarial loss (gain) arising from experience adjustments | (35,249) | 28,413 |
| Benefits paid | (819) | (15,117) |
| Defined benefit obligations at December 31 | <u>\$ 393,352</u> | <u>431,883</u> |

3) Movements in defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Group for the years ended December 31, 2019 and 2018 were as follows:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|---------------|
| Fair value of plan assets at January 1 | \$ 97,468 | 105,022 |
| Interest income | 959 | 1,423 |
| Remeasurements of the net defined benefit liabilities | | |
| – Return on plan assets excluding interest income | 3,737 | 2,761 |
| Contributions | 3,055 | 3,379 |
| Benefits paid | (819) | (15,117) |
| Fair value of plan assets at December 31 | <u>\$ 104,400</u> | <u>97,468</u> |

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group for the years ended December 31, 2019 and 2018 were as follows:

| | <u>2019</u> | <u>2018</u> |
|---|-----------------|--------------|
| Current service costs | \$ 2,331 | 2,504 |
| Net interest of net liabilities for defined benefit obligations | 3,216 | 4,189 |
| | <u>\$ 5,547</u> | <u>6,693</u> |

(Continued)

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

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|-----------------|--------------|
| Operating costs | \$ 4,569 | 5,510 |
| Selling expenses | 175 | 204 |
| Administration expenses | 670 | 787 |
| Research and development expenses | <u>133</u> | <u>192</u> |
| | <u>\$ 5,547</u> | <u>6,693</u> |

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

The Group's remeasurement of the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|-------------------|----------------|
| Accumulated amount at January 1 | \$ 152,224 | 130,394 |
| Recognized during the period | <u>(47,955)</u> | <u>21,830</u> |
| Accumulated amount at December 31 | <u>\$ 104,269</u> | <u>152,224</u> |

- 6) Actuarial assumptions

The principal actuarial assumptions for the Group at the reporting date were as follows:

| | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|------------------------------|------------------------------|------------------------------|
| Discount rate | 1.10 % | 0.97 % |
| Future salary increases rate | 1.50 % | 2.00 % |

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$3,117 thousand.

The weighted average lifetime of the defined benefit plans is 8.92 years.

- 7) Sensitivity analysis

As of December 31, 2019 and 2018, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligations shall be as follows:

| | The impact of defined benefit obligations | |
|-------------------------------------|--|-----------------|
| | <u>Increase</u> | <u>Decrease</u> |
| December 31, 2019 | | |
| Discount rate (0.50%) | \$ (16,723) | 17,853 |
| Future salary increase rate (0.25%) | 8,531 | (8,301) |
| December 31, 2018 | | |
| Discount rate (0.50%) | (20,068) | 21,528 |
| Future salary increase rate (0.25%) | 10,304 | (10,002) |

(Continued)

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

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions 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 pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2019 and 2018.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to \$29,489 thousand and \$27,665 thousand for the years ended December 31, 2019 and 2018, respectively.

(s) Income taxes

(i) Income tax expenses

The components of income tax of the Group in the years 2019 and 2018 were as follows:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|----------------|
| Current tax expense | | |
| Current period | \$ 948,030 | 704,285 |
| Adjustment for prior periods | <u>(24,788)</u> | <u>4,788</u> |
| | <u>923,242</u> | <u>709,073</u> |
| Deferred tax (benefit) expense | | |
| Origination and reversal of temporary differences | (87,734) | 49,207 |
| Adjustment in tax rate | <u>-</u> | <u>4,573</u> |
| | <u>(87,734)</u> | <u>53,780</u> |
| Income tax expense from continuing operations | <u>\$ 835,508</u> | <u>762,853</u> |

The amount of income tax expense (benefit) recognized directly in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|---------------|
| Items that will not be reclassified subsequently to profit or loss: | | |
| Remeasurement of defined benefit plans | \$ <u>(9,591)</u> | <u>9,567</u> |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation | <u>9,921</u> | <u>6,397</u> |
| | <u>\$ 330</u> | <u>15,964</u> |

(Continued)

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

Reconciliation of the Group's income tax expense and net income before tax for 2019 and 2018 was as follows:

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|------------------|
| Net income before tax | \$ <u>3,729,389</u> | <u>3,037,022</u> |
| Income tax using the Company's domestic tax rate | \$ 745,878 | 607,404 |
| Effect of tax rates in foreign jurisdiction | 108,928 | 158,169 |
| Tax- exempt income | (1,147) | (13,337) |
| Permanent differences | 3,038 | 1,256 |
| Adjustment in tax rate | - | 4,573 |
| 5% income surtax on undistributed earnings | 3,599 | - |
| Income tax adjustments for prior periods | <u>(24,788)</u> | <u>4,788</u> |
| Total | \$ <u>835,508</u> | <u>762,853</u> |

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

| | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|---|------------------------------|------------------------------|
| The court adjudged to pay the payment and related interest expenses | \$ 32,037 | 29,620 |
| Adjustment in tax rate | - | (4,428) |
| | \$ <u>32,037</u> | <u>25,192</u> |

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 were as follows:

Deferred tax liabilities:

| | <u>Foreign investment income</u> | <u>cumulative translation adjustment</u> | <u>Total</u> |
|--|--|--|----------------|
| Balance at January 1, 2019 | \$ 125,353 | (6,370) | 118,983 |
| Recognized in profit or loss | (22,746) | - | (22,746) |
| Recognized in other comprehensive income | - | 6,370 | 6,370 |
| Balance at December 31, 2019 | \$ <u>102,607</u> | <u>-</u> | <u>102,607</u> |

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

| | Foreign investment income | 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 |

Deferred Tax Assets:

| | Defined benefit plans | Unrealized warranty | Loss allowance exceeded the limit | Allowance for inventory valuation | Foreign investment loss | Others | Total |
|---|----------------------------------|--------------------------------|--|--|--|---------------|----------------|
| Balance at January 1, 2019 | \$ 39,037 | 5,145 | 4,412 | 9,854 | - | 26,248 | 84,696 |
| Recognized in profit or loss | - | 678 | 8,367 | (957) | 36,609 | 20,291 | 64,988 |
| Recognized in other comprehensive income | (9,591) | - | - | - | - | 16,291 | 6,700 |
| Balance at December 31, 2019 | \$ 29,446 | 5,823 | 12,779 | 8,897 | 36,609 | 62,830 | 156,384 |
| 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 |

(iii) Assessment of tax

The Company's tax returns for the years through 2016 were assessed by the tax authorities.

(t) Capital and other equity

(i) Common Stock

As of December 31, 2019 and 2018, the Company's authorized capital both amounted to \$3,000,000 thousand with par value of \$10 per share.

On October 3, 2018, the FSC approved the Company's capital reduction by returning cash to shareholders, the decrease of capital totaled \$476,467 thousand. The Company's issued capital both amounted to \$1,905,867 thousand at December 31, 2019 and 2018.

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

(ii) Capital surplus

The balances of capital surplus were as follows:

| | December 31, 2019 | December 31, 2018 |
|---------------------------------------|------------------------------|------------------------------|
| Capital surplus - premium from merger | \$ 6,938 | 6,938 |
| Share premium | 49,987 | 49,987 |
| Convertible bond premium | 215,672 | 215,672 |
| Treasury share transactions | 77,158 | 77,158 |
| Others | <u>23,806</u> | <u>24,401</u> |
| | <u>\$ 373,561</u> | <u>374,156</u> |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, until it is equal to issued common stock. In addition, a special reserve in accordance with applicable laws and regulations shall be set aside. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

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

When a company incurs no loss, it may, pursuant to a resolution by the shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

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

2) Special 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 thousand, which were previously recognized in shareholders' equity were reclassified to retained earnings. In accordance with Ruling No.1010012865 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 thousand as of December 31, 2019.

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) Earnings distribution

Earnings distribution for 2018 and 2017 was approved by the meeting of shareholders, for the years ended December 31, 2019 and 2018, the cash dividends to shareholders were \$10 and \$5 per share, respectively, and the distributions of capital surplus as cash dividends were \$0 and \$1 per share, respectively. Related information would be available at the Market Observation Post System website.

(iv) Other equity, net of tax

| | Exchange differences on translation of foreign operations | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Total |
|--|---|---|----------------|
| Balance at January 1, 2019 | \$ (63,488) | 628,749 | 565,261 |
| Exchange differences on foreign operations | (48,115) | - | (48,115) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | 414,818 | 414,818 |
| Balance at December 31, 2019 | <u>\$ (111,603)</u> | <u>1,043,567</u> | <u>931,964</u> |

(Continued)

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

| | Exchange differences on translation of foreign operations | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Available-for-sale financial assets | Total |
|--|--|--|--|----------------|
| Balance at 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 |
| Exchange differences on 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 at December 31, 2018 | <u>\$ (63,488)</u> | <u>628,749</u> | <u>-</u> | <u>565,261</u> |

(u) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the years ended December 31, 2019 and 2018 were as follows:

(i) Basic earnings per share

| | 2019 | 2018 |
|--|---------------------|------------------|
| Net income attributable to ordinary shareholders of the Company | <u>\$ 2,815,298</u> | <u>2,147,566</u> |
| Weighted average number of ordinary shares | <u>190,587</u> | <u>228,051</u> |
| Basic earnings per share (in NT dollars) | <u>\$ 14.77</u> | <u>9.42</u> |

ii) Diluted earnings per share

| | 2019 | 2018 |
|--|---------------------|------------------|
| Net income attributable to ordinary shareholders of the Company (diluted) | <u>\$ 2,815,298</u> | <u>2,147,566</u> |
| Weighted average number of ordinary shares (basic) | 190,587 | 228,051 |
| Effect of potentially dilutive ordinary shares: | | |
| Effect of employee bonuses | 2,612 | 3,544 |
| Weighted average number of ordinary shares (diluted) | <u>193,199</u> | <u>231,595</u> |
| Diluted earnings per share (in NT dollars) | <u>\$ 14.57</u> | <u>9.27</u> |

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

| | 2019 | 2018 |
|-----------------------------|----------------------|-------------------|
| Primary geographic markets: | | |
| Taiwan | \$ 19,272,860 | 9,573,717 |
| China | 4,429,233 | 6,976,527 |
| Singapore | 218,540 | 1,577,690 |
| | <u>\$ 23,920,633</u> | <u>18,127,934</u> |

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

| | <u>2019</u> | <u>2018</u> |
|--------------------------------|-----------------------------|--------------------------|
| Major products/services lines: | | |
| Integrated engineering service | \$ 23,516,033 | 17,898,319 |
| Service and Design | 312,116 | 136,609 |
| Sales | <u>92,484</u> | <u>93,006</u> |
| | <u>\$ 23,920,633</u> | <u>18,127,934</u> |
| Type of contract: | | |
| Fixed price contract | \$ 23,828,149 | 18,034,928 |
| Material-based contract | <u>92,484</u> | <u>93,006</u> |
| | <u>\$ 23,920,633</u> | <u>18,127,934</u> |

(ii) Contract balances

| | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|---|------------------------------|------------------------------|
| Accounts receivable | \$ 5,056,402 | 4,057,027 |
| Less: allowance for impairment | <u>270,370</u> | <u>234,778</u> |
| Total | <u>\$ 4,786,032</u> | <u>3,822,249</u> |
| Contract assets-Construction in Progress | <u>\$ 1,680,082</u> | <u>2,176,124</u> |
| Contract liabilities-Construction in Progress | <u>\$ 6,515,385</u> | <u>6,943,358</u> |

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

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liabilities balance at the beginning of the period were \$23 thousand and \$13,618 thousand, respectively.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. Other significant changes during the period were as follows:

| | <u>2019</u> | | <u>2018</u> | |
|---------------------------------|----------------------------|---------------------------------|----------------------------|---------------------------------|
| | <u>Contract assets</u> | <u>Contract liabilities</u> | <u>Contract assets</u> | <u>Contract liabilities</u> |
| Stage of completion measurement | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>181,726</u> |
| Contract modification | <u>\$ (24,206)</u> | <u>460,075</u> | <u>1,296,833</u> | <u>3,693,600</u> |

(w) Employee compensation and directors' and supervisors' remuneration

In accordance with the articles of incorporation the Company should contribute 6% to 10% of the profit as employee compensation and less than 2% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

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UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
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For the years ended December 31, 2019 and 2018, the Company estimated its employee remuneration amounting to \$390,000 thousand and \$300,000 thousand, and directors' and supervisors' remuneration amounting to \$33,000 thousand and \$27,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors, and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2019 and 2018. Related information would be available at the Market Observation Post System website. The amounts, as stated in 2018 consolidated financial statements, are identical to those of the actual distributions in 2019 shareholders' meeting.

(x) Non-operating income and expenses

(i) Other income

The Group's other income for the years ended December 31, 2019 and 2018 were as follows:

| | <u>2019</u> | <u>2018</u> |
|----------------------------|-------------------|----------------|
| Rental income | \$ 29,925 | 12,498 |
| Dividend income | 93,980 | 356,400 |
| Other income – other | | |
| Income from sale of scraps | 12,559 | 10,358 |
| Others | 50,984 | 10,126 |
| Total | <u>\$ 187,448</u> | <u>389,382</u> |

ii) Other gains and losses

The Group's other gains and losses for the years ended December 31, 2019 and 2018 were as follows:

| | <u>2019</u> | <u>2018</u> |
|---|--------------------|---------------|
| Gains (losses) on disposal of property, plant and equipment | \$ 2,390 | (3,655) |
| Gain on disposal of investment property | - | 7,085 |
| Foreign exchange (losses) gains | (108,563) | 142,694 |
| Gains (losses) on financial assets at fair value through profit or loss | 52,933 | (15,206) |
| Other gains and losses | (6,377) | (58,660) |
| Total | <u>\$ (59,617)</u> | <u>72,258</u> |

iii) Finance costs

The Group's finance costs for the years ended December 31, 2019 and 2018 were as follows:

| | <u>2019</u> | <u>2018</u> |
|---------------------|-----------------|--------------|
| Other finance costs | <u>\$ 7,168</u> | <u>6,368</u> |

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

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2019 and 2018, the amounts of the maximum exposure to credit risk were \$15,799,171 thousand and \$13,638,490 thousand, 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 monitors and reviews the recoverable amount of the accounts receivable to ensure the uncollectible amount are recognized appropriately as impairment loss. Therefore, the expected credit losses are in the expectation of the Group.

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, 2019 and 2018, notes and accounts receivable concentrated on few counter-parties were as follows:

| <u>Name of client</u> | <u>December 31, 2019</u> | | |
|--|--------------------------|--|--------------|
| | <u>Carrying amount</u> | <u>the maximum exposure to credit risk</u> | <u>%</u> |
| Taiwan Semiconductor Manufacturing Co., Ltd. | \$ 1,019,088 | 1,019,088 | 20.78 |
| Micron Memory Taiwan Co., Ltd. | 2,038,590 | 2,038,590 | 41.58 |
| Micron Technology Taiwan Co., Ltd. | 259,165 | 259,165 | 5.29 |
| Total | <u>\$ 3,316,843</u> | <u>3,316,843</u> | <u>67.65</u> |
| <u>Name of client</u> | <u>December 31, 2018</u> | | |
| | <u>Carrying amount</u> | <u>the maximum exposure to credit risk</u> | <u>%</u> |
| 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 | <u>\$ 3,095,142</u> | <u>3,095,142</u> | <u>70.27</u> |

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

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities:

| | Carrying amount | Contractual cash flows | Within 6 months | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|--------------------------------------|---------------------|---------------------------|--------------------|----------------|----------------|------------------|----------------------|
| December 31, 2019 | | | | | | | |
| Non-derivative financial liabilities | | | | | | | |
| Notes payable | \$ 14,439 | 14,439 | 14,439 | - | - | - | - |
| Accounts payable | 5,620,197 | 5,620,197 | 3,690,894 | 150,710 | 451,305 | 1,195,386 | 131,902 |
| Accrued expenses | 53,594 | 53,594 | 39,446 | 715 | 10,232 | 3,036 | 165 |
| Lease liabilities | 28,531 | 29,259 | 9,677 | 9,259 | 10,323 | - | - |
| Guarantee deposits received | 7,571 | 7,571 | - | 1,217 | 3,409 | 1,571 | 1,374 |
| | <u>\$ 5,724,332</u> | <u>5,725,060</u> | <u>3,754,456</u> | <u>161,901</u> | <u>475,269</u> | <u>1,199,993</u> | <u>133,441</u> |
| 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 |
| Accrued expenses | 68,258 | 68,258 | 57,614 | 6,798 | 2,852 | 823 | 171 |
| Guarantee deposits received | 8,802 | 8,802 | 4,045 | - | 533 | 4,224 | - |
| | <u>\$ 4,543,203</u> | <u>4,543,203</u> | <u>2,975,971</u> | <u>282,885</u> | <u>406,460</u> | <u>736,921</u> | <u>140,966</u> |

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk were as follows:

| | December 31, 2019 | | | December 31, 2018 | | |
|--|---------------------|-------------------------------|-----------|---------------------|-------------------------------|-----------|
| | Foreign currency | Exchange rate (dollars) | TWD | Foreign currency | Exchange rate (dollars) | TWD |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary assets</u> | | | | | | |
| USD | \$ 82,127 | 29.98 | 2,462,167 | 108,625 | 30.72 | 3,336,960 |
| CNY | 290,420 | 4.31 | 1,250,258 | 166,476 | 4.47 | 744,148 |
| SGD | 65 | 22.28 | 1,448 | 153 | 22.49 | 3,441 |
| <u>Non-monetary assets</u> | | | | | | |
| Financial assets measured at fair value through other comprehensive income | 476,604 | 4.31 | 2,051,779 | 366,211 | 4.47 | 1,636,961 |
| <u>Finance liabilities</u> | | | | | | |
| <u>Monetary assets</u> | | | | | | |
| USD | 14,922 | 29.98 | 447,362 | 8,369 | 30.72 | 257,096 |
| EUR | 486 | 33.59 | 16,325 | 98 | 35.16 | 3,446 |
| JPY | 416 | 0.28 | 115 | 416 | 0.28 | 117 |
| CNY | 3,365 | 4.31 | 14,486 | - | 4.47 | - |
| SGD | 339 | 22.28 | 7,553 | 662 | 22.49 | 14,888 |

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UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
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2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable and other payables that are denominated in foreign currency. A (weakening) strengthening of 1% of the NTD against the USD, EUR, CNY, SGD and JPY, the Group's net income before tax would have increased (decreased) by \$25,824 thousand and \$30,472 thousand, and other comprehensive income would have increased (decreased) by \$16,414 thousand and \$13,096 thousand, for the years ended December 31, 2019 and 2018, respectively. The analysis was performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(108,563) thousand and \$142,694 thousand, respectively.

(iv) Interest rate analysis

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

If the interest rate had increased/decreased by 0.25%, the Group's net income would have increased/decreased by \$21,685 thousand and \$8,765 thousand for the years ended December 31, 2019 and 2018, respectively, with all other variable factors remaining constant.

(v) Fair value of financial instruments

1) Fair value hierarchy

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.

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

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 represent 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 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, 2019 | | | | |
|---|---------------------|---------------|----------------|------------------|------------------|
| | Carrying amount | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss | | | | | |
| Designated at fair value through profit or loss | \$ 220,526 | 34,346 | 179,833 | 6,347 | 220,526 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Unquoted equity instrument measured at fair value | 2,051,779 | - | - | 2,051,779 | 2,051,779 |
| Total | \$ 2,272,305 | 34,346 | 179,833 | 2,058,126 | 2,272,305 |

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

| | December 31, 2018 | | | | |
|---|---------------------|---------------|----------------|------------------|------------------|
| | Carrying amount | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss | | | | | |
| Designated 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 |

2) Transfer between Level 1 and Level 2

There were no transfers from Level 1 to Level 2 for the years ended December 31, 2019 and 2018.

3) Reconciliation of Level 3 fair values

| | Fair value through profit or loss | Fair value through other comprehensive income | Total |
|-------------------------------|--|--|------------------|
| | Designated at fair value through profit or loss | Unquoted equity instruments | |
| Balance at January 1, 2019 | \$ 7,879 | 1,636,961 | 1,644,840 |
| Total gains and losses | | | |
| In profit or loss | (1,532) | - | (1,532) |
| In other comprehensive income | - | 414,818 | 414,818 |
| Balance at December 31, 2019 | \$ 6,347 | 2,051,779 | 2,058,126 |
| Balance at January 1, 2018 | \$ 9,595 | 2,591,462 | 2,601,057 |
| Total gains and losses | | | |
| In profit or loss | (1,716) | - | (1,716) |
| In other comprehensive income | - | (954,501) | (954,501) |
| Balance at December 31, 2018 | \$ 7,879 | 1,636,961 | 1,644,840 |

Total gains and losses were recognized in "other gains and losses" and "unrealized gains and losses from financial assets at fair value through other comprehensive income".

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

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

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – equity investments" and "financial assets measured at fair value through other comprehensive income - equity investments".

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:

| <u>Item</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationship between significant unobservable inputs and fair value measurement</u> |
|---|----------------------------|--|--|
| Financial assets at fair value through profit or loss – equity investments without an active market | Comparable Company | <ul style="list-style-type: none"> · Price Book Ratio (December 31, 2018 was 1.22 ,and December 31, 2019 was 1.53) · Discount for lack of marketability (Both of December 31, 2018 and 2019 were 22.20%) | <ul style="list-style-type: none"> · The higher the ratio, the higher the fair value · The higher the discount, the lower the fair value |
| Financial assets at fair value through profit or loss – equity investments without an active market | Net asset value method | <ul style="list-style-type: none"> · Discount for lack of marketability (Both of December 31, 2018 and 2019 were 17.5%) · Discount for control (Both of December 31, 2018 and 2019 were 22.48%) | <ul style="list-style-type: none"> · The higher the discount, the lower the fair value · The higher the controlling discount, the lower the fair value |

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

| <u>Item</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationship between significant unobservable inputs and fair value measurement</u> |
|---|----------------------------|--|--|
| Financial assets at fair value through other comprehensive income—equity investments without an active market | Comparable Company | <ul style="list-style-type: none"> · Price Book Ratio (December 31, 2018 was 0.97 and December 31, 2019 was 1.00) · Discount for lack of marketability (December 31, 2018 was 23.90% and December 31, 2019 was 23.07%) | <ul style="list-style-type: none"> · The higher the ratio, the higher the fair value · The higher the discount, the lower the fair value |

5) Fair value measurement in Level 3— sensitivity analysis of reasonably possible alternative assumptions

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:

| | <u>Input</u> | <u>Assumptions</u> | <u>Fair Value through Profit and Loss</u> | | <u>Fair value through other comprehensive income</u> | |
|---|------------------------------------|--------------------|---|---------------------|--|---------------------|
| | | | <u>Favourable</u> | <u>Unfavourable</u> | <u>Favourable</u> | <u>Unfavourable</u> |
| December 31, 2019 | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | |
| Equity investments without an active market | Discount for lack of marketability | 10% | 102 | (102) | - | - |
| Equity investments without an active market | Discount for control | 10% | 82 | (82) | - | - |
| Equity investments without an active market | Price Book Ratio | 10% | 352 | (352) | - | - |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Equity investments without an active market | Discount for lack of marketability | 10% | - | - | 62,173 | (62,173) |
| Equity investments without an active market | Price Book Ratio | 10% | - | - | 207,323 | (207,323) |
| Financial assets at fair value through profit or loss | | | | | | |
| Equity investments without an active market | Discount for lack of marketability | 10% | 144 | (144) | - | - |
| Equity investments without an active market | Discount for control | 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 | Discount for lack of marketability | 10% | - | - | 215,107 | (215,107) |
| Equity investments without an active market | Price Book Ratio | 10% | - | - | 163,696 | (163,696) |

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UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
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6) Financial instruments not measured at fair value

a) Fair value information

The Group's financial instruments not measured at fair value include cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposits paid, notes and accounts payable, other payables, guarantee deposits received and part of other financial assets, whose carrying amount is reasonably close to the fair value, disclosure of fair value information is not required.

b) Valuation techniques

The Group's valuation methods and assumptions used for 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, notes and accounts receivable, other receivables, notes and accounts payable and other payables were measured at book value at the reporting date.

(z) Financial risk management

(i) Overview

The Group has exposures to the following risks arising from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks.

(ii) Structure of risk management

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

(iii) Credit risk

1) Notes and accounts receivable

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet 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, deposits in banks and in financial institutions. Furthermore, credit risk may derive from customers, including unreceived receivables and committed transaction.

2) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2019 and 2018, no other guarantees were outstanding.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

As of December 31, 2019 and 2018, the Group's unused credit line were amounted to \$2,669,748 thousand and \$4,061,884 thousand, 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 optimizing the return.

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.

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

3) Other market price risk

The Group is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Group does not actively trade in these investments as the management of the Group minimizes the risk by holding different investment portfolios.

(aa) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

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, 2019 | December 31, 2018 |
|---------------------------------|------------------------------|------------------------------|
| Total liabilities | \$ 14,347,523 | 13,323,838 |
| Less: cash and cash equivalents | <u>6,391,222</u> | <u>7,029,298</u> |
| Net debt | <u>\$ 7,956,301</u> | <u>6,294,540</u> |
| Total equity | <u>\$ 8,737,813</u> | <u>7,486,765</u> |
| Debt-to-capital ratio | <u>91.06 %</u> | <u>84.08 %</u> |

(ab) Cash flows information on acquisition of property, plant and equipment

The supplementary information on acquisition of property, plant and equipment of the Group were as follows:

| | 2019 | 2018 |
|---|------------------------|---------------------|
| Increase in property, plant and equipment | \$ <u>6,972</u> | <u>9,564</u> |
| Cash payments | <u>\$ 6,972</u> | <u>9,564</u> |

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

| <u>Name of related party</u> | <u>Relationship with the Group</u> |
|--------------------------------|--|
| Wholetch System Hitech Limited | Investee accounted for using equity method |
| Ablerex Electronics Co., Ltd. | Investee accounted for using equity method |

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

| <u>Name of related party</u> | <u>Relationship with the Group</u> |
|--|--|
| JG Environmental Technology Co., Ltd | Investee accounted for using equity method |
| ECO Energy Corporation | Investee accounted for using equity method |
| UniMEMS Manufacturing Co., Ltd. | Related party |
| AIRREX Co., Ltd. | Related party |
| FU-KUO ENGINEERING CO., Ltd. | Related party |
| Huayuan Engineering Co., Ltd. | Related party |
| Dentsu Engineering Co., Ltd. | Related party |
| Yun Hao Motor Technician Office | Related party |
| Sheng Yang Integration Co., Ltd. | Related party |
| All directors, supervisors, general managers and deputy general managers | Key management personnel |
| Wholetech System Hitech(s) Pte, Ltd. | An associate |

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales by the Group to related parties were as follows:

| | <u>2019</u> | <u>2018</u> |
|-----------------------|--------------|-------------|
| Other related parties | \$ <u>44</u> | <u>29</u> |

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

(ii) Construction cost

The amounts of purchases by the Group from related parties were as follows:

| | <u>2019</u> | <u>2018</u> |
|-----------------------|-------------------|----------------|
| Associates | \$ 116,539 | 20,157 |
| Other related parties | <u>130,286</u> | <u>173,087</u> |
| | <u>\$ 246,825</u> | <u>193,244</u> |

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

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UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
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(iii) Payables to Related Parties

The payables to related parties were as follows:

| <u>Account</u> | <u>Relationship</u> | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|------------------|-----------------------|------------------------------|------------------------------|
| Accounts payable | Associates | \$ 31,595 | 19,224 |
| | Other related parties | 68,159 | 65,607 |
| Notes payable | Other related parties | - | 38,960 |
| Other payables | Other related parties | <u>160,183</u> | <u>153,885</u> |
| | | <u><u>\$ 259,937</u></u> | <u><u>277,676</u></u> |

Other payables mentioned above included package fee disbursements, salaries and interests, etc. Please refer note 12 (c) for further information.

(iv) Leases

| <u>Name of related party</u> | <u>Object</u> | <u>Lease term</u> | <u>Rental income</u> | |
|----------------------------------|--|---------------------------|----------------------|--------------|
| | | | <u>2019</u> | <u>2018</u> |
| Associates | 1F., No.1、3, Ln. 7, Baogao Rd., Xindian Dist., New Taipei City 231, Taiwan (R.O.C.) | 2017.06.01~ 2020.05.31 | \$ 4,392 | 4,290 |
| | Parking Space | 2017.06.01~ 2020.05.31 | 72 | 72 |
| Other related parties | No.18, Aly. 2, Ln. 261, Xinghua Rd., Shanhua Dist., Tainan City 741, Taiwan (R.O.C.) | 2017.08.01~ 2020.04.30 | 194 | 194 |
| | | | <u>\$ 4,658</u> | <u>4,556</u> |

(v) Finance costs

| | <u>2019</u> | <u>2018</u> |
|--|-----------------|--------------|
| Other related party – Dentsu Engineering | <u>\$ 6,298</u> | <u>6,298</u> |

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

(vi) Property transactions

The disposals of property, plant and equipment to related parties were summarized as follows:

| <u>Relationship</u> | <u>2019</u> | | <u>2018</u> | |
|---------------------|-----------------------|----------------------------------|-----------------------|----------------------------------|
| | <u>Disposal price</u> | <u>Gain (loss) from disposal</u> | <u>Disposal price</u> | <u>Gain (loss) from disposal</u> |
| Associate | \$ <u>2,420</u> | <u>2,411</u> | <u>-</u> | <u>-</u> |

Due to the capital increase of affiliated companies, the Group has a payment of 461 thousand shares amounting to \$10,382 thousand in 2018.

(vii) Other

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

(c) Key management personnel compensation

| | <u>2019</u> | <u>2018</u> |
|------------------------------|-------------------|----------------|
| Short-term employee benefits | \$ 233,164 | 182,148 |
| Post-employment benefits | 2,183 | 2,183 |
| | <u>\$ 235,347</u> | <u>184,331</u> |

(8) Pledged assets

The carrying values of pledged assets were as follows:

| <u>Pledged assets</u> | <u>Object</u> | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|--|------------------------------|--------------------------|--------------------------|
| Restricted assets (other current assets) | Engineering performance bond | \$ - | 1,700 |
| Restricted assets (other non-current assets) | Engineering performance bond | 1,013 | 619 |
| | | <u>\$ 1,013</u> | <u>2,319</u> |

(9) Significant commitments and contingencies

(a) As of December 31, 2019 and 2018, except for the disclosures of Note 7, the Group's commitments and contingencies were as follows:

(i) As of December 31, 2019 and 2018, guaranteed notes received from construction contractors for performance guarantees or maintenance guarantees amounted to \$10,511,547 thousand and \$8,909,379 thousand, respectively.

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UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
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- (ii) As of December 31, 2019 and 2018, guaranteed notes issued to construction contractors for performance guarantees or maintenance guarantees amounted to \$159,283 thousand and \$168,062 thousand, respectively.
- (iii) As of December 31, 2019 and 2018, guaranteed notes issued for bank loans and letters of credits both amounted to \$400,000 thousand.
- (iv) As of December 31, 2019 and 2018, guaranteed letters offered by banks for contract performance guarantees amounted to \$106,673 thousand and \$221,326 thousand, respectively.
- (v) As of December 31, 2019 and 2018, the total contract price of contracted construction projects amounted to \$117,164,497 thousand and \$77,501,240 thousand, respectively, and the contract payments received by the Group amounted to \$59,192,856 thousand and \$53,853,934 thousand, respectively.
- (vi) As of December 31, 2019 and 2018, the total subcontract price of subcontracted construction projects amounted to \$12,772,666 thousand and \$12,746,988 thousand, respectively, and the contract payment paid by the Group amounted to \$10,855,789 thousand and \$9,144,708 thousand, respectively.
- (vii) As of December 31, 2019 and 2018, the outstanding letters of credits issued by the Group for purchasing equipment amounted to \$100,011 thousand and \$212,332 thousand, respectively.
- (viii) As of December 31, 2019 and 2018, guaranteed notes received from lessees for rental of buildings both mounted to \$1,073 thousand.
- (b) Significant liabilities :

Among the construction contracts entered by the Group, 272 of them have not been completed. As of December 31, 2019, 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 |
|--|---------------------------|---|-------------------------|--|------|
| InfoVision Optoelectronics (Kunshan) Co., Ltd | 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、2 |
| TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED | 2011/11/28~ 2012/07/01 | TSMC F12 P6 C/R PACKAGE STAGE1 | One year | Delay penalty : one thousandth of total contract price per day | 1、2 |
| 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、2 |

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| Proprietor | Date of project | Description | Warranty service period | Restrictions | Note |
|---|---------------------------|---|-------------------------|--|------|
| TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED | 2012/05/25~ 2013/10/31 | F12 P6 CCD EXPANSIONEDC2 F12 P4 SITE | One year | Delay penalty : one thousandth of total contract price per day | 1、2 |
| 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、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、2 |
| ADVANCED SEMICONDUCTOR ENGINEERING, INC.ASE | 2015/02/11~ 2015/12/31 | New construction of K22 plane construction factory in ASE byKaohsiung Plant | One year | Delay penalty : one thousandth of total contract price per day | 1、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 | 1、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 | 1、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 | 1、2 |
| TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED | 2016/10/01~ 2017/12/31 | TSMC F15 P6 CR SCAD TEM addition engineering | One year | Delay penalty : one thousandth of total contract price per day | 1、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 | 1、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 | 1 |
| 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 MicronTCP 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 |

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| Proprietor | Date of project | Description | Warranty service period | Restrictions | Note |
|--|---------------------------|---|-------------------------|--|------|
| 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 | 1 |
| 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 MEPA PACKAGE | 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 MEPB PACKAGE | 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 FIRE PACKAGE | One year | Delay penalty : one thousandth of total contract price per day | 1 |
| 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 | 1 |
| 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. | 2018/07/04~ 2018/12/31 | Build up for MTB warehouse | One year | Delay penalty : one thousandth of total contract price per day | 1 |
| MICRON MEMORY TAIWAN CO., Ltd. | 2018/07/17~ 2019/07/31 | A2 E100 expansion project | One year | Delay penalty : one thousandth of total contract price per day | 1 |
| TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED | 2018/07/27~ 2018/12/31 | TSMCF18P1 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 TURNKEY | One year | Delay penalty : one thousandth of total contract price per day | 1 |
| AU Optronics Corporation | 2018/12/04~ 2019/05/31 | L3DIJP Project | One year | Delay penalty : one thousandth of total contract price per day | 1 |
| TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED | 2018/12/15~ 2019/12/31 | TSMC F18 P2 MEPA PACKAGE | One year | Delay penalty : one thousandth of total contract price per day | 1 |

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| Proprietor | Date of project | Description | Warranty service period | Restrictions | Note |
|--|-----------------------|---|-------------------------|--|------|
| TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED | 2018/12/15~2019/12/31 | TSMC F18 P2 MEPB PACKAGE | One year | Delay penalty : one thousandth of total contract price per day | 1 |
| 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 | 1 |
| 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 | 1 |
| 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 | 1 |
| Advanced. Wireless Semiconductor Company | 2019/02/11~2020/12/31 | New construction of Hongjie Phase II plane construction factory (A,B,C,D,E,F Building) -Mechanical and electrical contracting engineering | One year | Delay penalty : one thousandth of total contract price per day | |
| MICRON MEMORY TAIWAN CO., Ltd. | 2019/03/04~2021/12/31 | New construction of MICRON factory project design | One year | Delay penalty : one thousandth of total contract price per day | |
| TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED | 2019/7/4~2020/12/31 | TSMC F15P7 C/R Project B | One year | Delay penalty : one thousandth of total contract price per day | |
| TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED | 2019/7/18~2020/12/31 | TSMC F15 P7 MEP PACKAGE B | One year | Delay penalty : one thousandth of total contract price per day | |
| TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED | 2019/10/21~2020/12/31 | TSMC F18 P3 MEP A PACKAGE | One year | Delay penalty : one thousandth of total contract price per day | |
| TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED | 2019/10/21~2020/12/31 | TSMC F18 P3 MEP B PACKAGE | One year | Delay penalty : one thousandth of total contract price per day | |
| TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED | 2019/10/21~2020/12/31 | TSMC F18 P3 FIRE PACKAGE | One year | Delay penalty : one thousandth of total contract price per day | |
| TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED | 2019/11/13~2020/12/31 | TSMC F18 P3 C/R | One year | Delay penalty : one thousandth of total contract price per day | |

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

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, was as follows:

| By function By nature | 2019 | | | 2018 | | |
|----------------------------|-----------------|--------------------|-----------|-----------------|--------------------|-----------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | 652,457 | 629,790 | 1,282,247 | 630,439 | 525,611 | 1,156,050 |
| Labor and health insurance | 27,100 | 31,309 | 58,409 | 24,826 | 28,132 | 52,958 |
| Pension | 16,256 | 18,780 | 35,036 | 35,137 | 20,639 | 55,776 |
| Remuneration of directors | - | 38,676 | 38,676 | - | 30,180 | 30,180 |
| Others | 47,681 | 16,030 | 63,711 | 24,331 | 8,346 | 32,677 |
| Depreciation | 12,309 | 28,639 | 40,948 | 3,085 | 24,323 | 27,408 |
| Amortization | 1,044 | 2,758 | 3,802 | 1,234 | 2,474 | 3,708 |

- (b) Certain directors of the Company were sentenced of violating the Securities and Exchange Act by the Taiwan High Court (the “High Court”). With respect to the main content of the judgment, corresponding measures and the impact of the litigation on the operations, please refer to the following information:

- (i) Main Content of the Judgment

On June 5, 2013, the Taipei District Prosecutors Office (the “Prosecutors Office”) filed a public prosecution against Chairman Chen and former Chairman Wang of the Company, and others, on the accusation of embezzlement, and claimed that between 2001 and 2011, the defendants have transferred more than NT\$1.3 billion, from the funds of Company, to other companies that are effectively controlled by the defendants as follows: Dentsu Engineering Co. Ltd (“Dentsu”), Fuguo Engineering Co. Ltd., and Huayuan Engineering Co. Ltd. After the defendants presented numerous evidence to clarify the relevant facts during the trial, the Taipei District Court sentenced on August 31, 2015 (No. 102 Jin-Shang-Chung-Su-Tzu 17) with the following main content: the court adopts the defendants' explanations and evidence regarding the NT\$1.3 billion, as mentioned in the indictment, that the funds, except for part of them are payment for construction fee and the wages of the construction workers, the rest of the funds were used for repaying several incidental payments (collectively referred to as the “Package Fees”), previously paid by Dentsu and other companies. There is also no evidence provided that the defendants had committed an offence involving embezzlement or breach of trust; therefore, the court considers that the defendants were not guilty of each of the abovementioned criminal charge. However, the court still held the defendants guilty for

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UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
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financial statement fraud due to failure to disclose in the financial statements of Dentsu and other companies and the Package Fees thereof. The defendants all appealed against the conviction while the public prosecutor also filed an appeal against the acquittal part of the verdict; and due to the death of Mr. Wang, the former Chairman of the Company, the High Court (No. 104 Jin-Shang-Chung-Su-Tzu 40) declared a dismissal judgment for Mr. Wang on July 25, 2017 with respect to the charges of non-arm's length transactions, breach of trust, and embezzlement. The High Court stated that there was no evidence to prove that the defendants, other than Mr. Wang, were guilty and the public prosecutor accepted the acquittal judgment without further appeal. As for the High Court's decision of guilty on the financial statement fraud, the sentences on two of the defendants were finalized because they were given probations and decided not to appeal; while Chairman Chen appealed to the Supreme Court, wherein the Supreme Court (No. 106 Tai-Shang-Tzu 3336), on July 25, 2018, reversed and remanded the case to the High Court whose further judgment (No. 107 Jin-Shang-Chung-Geng-Yi-Tzu 8) on December 10, 2019 sentenced Mr. Chen guilty for misrepresented financial statements for certain years and guilty for violations of the Business Entity Accounting Act, as well as a five-year probation; Chairman Chen filed an appeal while the SFIPC center also requested the prosecutor to appeal, moving the case for further proceedings in the Supreme Court.

(ii) Corresponding Measures

Since the establishment of the Company by the formal Chairman Wang, the performance and earnings have always surpassed those of the same industry. Apart from having no deficit, almost all distributable surplus has always been distributed to shareholders; additionally, Chairman Wang almost has never sold his shares in the Company since the Company was listed on the OTC market, which proves Chairman Wang's loyalty and confidence in the Company; Chairman Chen has assisted with matters of the Company for decades and has worked hard for the Company. Owing to the contributions of two of them, the Company has thrived and has been able to consistently make stable profits. Therefore, we feel grateful that the investigation by the first and second instance courts resulting in the opinions of the court that the assertions of embezzlement and non-arm's length transactions as indicted by the prosecutor are not true. It is regrettable that the court still considers that the financial reports of certain fiscal years are misrepresented. As the defendant has filed an appeal to the Supreme Court, the Company will await the final judgment.

(iii) Impact on the Operations

Since the occurrence of this case, the staff of the Company altogether have continued to stay on their posts and serve customers. The Company has also received support from proprietors and third-party firms. The Company's revenue continues to grow, while the progress, collection and payment operations of projects remain normal. Current business and finances of the Company are quite robust, as the Company's operations have not been affected by any of the judicial events.

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

- (iv) On December 5, 2013, based on the contents of the indictment, the SFIPC argued that it was inappropriate for the former three directors to hold such positions in the Company and appealed for court decision to dismiss the directors' positions.

As mentioned above, under the leadership of the Chairman Wang, the operations and performances of the Company were extremely good. Apart from the record of the indictment, the SFIPC did not propose any specific evidence of the three directors' unsuitability for directorship. On February 6, 2014, the shareholders' meeting was held, and after discussion and resolutions, the majority of shareholders supported the decision for the three directors to continue to run the Company. In 2015, the shareholders' general meeting re-elected directors, and the three directors also won the majority of the shareholders' support for re-election. Under the Taipei District Court's ruling in June 18, 2015, the SFIPC lost the lawsuit. The SFIPC filed an appeal, but due to the death of Chairman Wang, the SFIPC withdrew part of the appeal and changed its petition to be dismissing two directors' positions from June 16, 2015 to June 15, 2018. The court of Second Instance decided in early February 2016 to dismiss the complaint of the SFIPC about changes of claims. The SFIPC appealed to the Court of Third Instance on March 28, 2016. The Supreme Court (No. 106 Tai-Shang-Tzu 2658) revoked the original Second Instance judgment on September 28, 2018, and remanded the case to the High Court. The financial and business operations of the Company have also not been affected by this lawsuit.

- (v) According to the content of the indictment on January 27, 2014, the SFIPC filed a group lawsuit on behalf of the investor on the grounds that the Company's financial reports from the third quarter of 2008 to 2011 were misrepresented, requesting the Company, directors and former supervisors to jointly compensate the investors for the damage amounting to more than NT\$243 million.

As stated above, the Company's operations and financial position have always been sound, and its share price has remained at a considerable level. It has been a stable and profitable Company for a long time. Relevant parties have also indicated that the Company has handled the affairs of the Company's interests and has not caused the Company's financial reports to be misrepresented. The verdict of the criminal trial court also holds that even though the Company's financial reports and financial business documents between years 2008 and 2011 were indeed misrepresented and have not reached materiality criteria, they have only violating the Business Accounting Laws regulations. Given that Chairmen Chen and the prosecutor have both appealed, the verdict of the court of the third instance is still in progress. Before the criminal case and the final judgment of this civil action are determined, whether the Company has misrepresented financial reports in the past years stated, the investors have been harmed, or the damage is related to false financial reporting, etc., it would take a period of time before the verdict is announced. This lawsuit has also not affected the normal operation of the Company's current financial business.

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

- (vi) On June 28, 2016, the SFIPC, with regards to the content of the indictment and according to the provisions of the Investor Protection Law, claimed that the Company was infringed and misappropriated by NT\$ 1.3 billion in damages as alleged in the indictment, and filed an incidental civil action in the criminal proceedings in the criminal court of the Second Instance court, requesting the defendants to compensate the Company for the amount of damages previously disclosed. On July 25, 2017, the Criminal Court ruled that the parties did not commit any embezzlement and breach of trust against the Company. On the same day, the court decided to refer the incident to the civil court of the same court for further trial. The civil court, in citing that the case of irregular transactions and special breach of trust and embezzlement were sentenced not guilty, declaring that the SFIPC's claims were not legal, and therefore, were overruled on March 22, 2018.
- (c) The Company received the civil judgment from the Taiwan Taipei District Court on September 2, 2014 that the Company should pay the package fees of \$104,559 thousand and the former Chairman Wang's salary from January 2001 to April 2012, as previously paid by Dentsu, amounting to \$21,405 thousand.

In the third quarter of 2014, in accordance with the judgment stated above, the Company assessed and took into accounts the package fees and salary paid by Dentsu, which have yet to be reimbursed by the Company (respectively logged as construction costs and management costs). The Company also estimated that the relevant interest payable as of December 31, 2019 amounted to \$34,219 thousand (please refer to note 7).

As of the reporting date, the Company has yet to reimburse the abovementioned package fees, salary and related interests.

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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 year ended December 31, 2019:

(i) Loans to other parties:

Unit: in thousands of New Taiwan Dollar

| No. | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period (Note 1) | Ending balance (Note 1) | Actual usage amount during the period | Range of interest rates | Purposes of fund financing for the borrower (Note 3) | Transaction amount for business between two parties | Reasons for short-term financing | Loss allowance | Collateral | | Individual funding loan limit (Note 2) | Maximum limit of fund financing (Note 2) |
|-----|----------------|---|-------------------|---------------|--|-------------------------|---------------------------------------|-------------------------|--|---|----------------------------------|----------------|------------|-------|--|--|
| | | | | | | | | | | | | | Item | Value | | |
| 0 | The Company | Su Yuan Trading (Shanghai) Co., Ltd. | Other receivables | Yes | 137,948 | 136,899 | 134,919 | 1.95% | 2 | - | Operating capital | - | - | - | 1,713,493 | 3,426,986 |
| 0 | " | UNITED INTEGRATED SERVICES CO. LTD. (SINGAPORE) | " | Yes | 126,400 | - | - | 3% | 2 | - | " | - | - | - | 1,713,493 (Note 1) | 3,426,986 (Note 1) |
| 0 | " | UNITED INTEGRATED SERVICES CO., Ltd. (JIANGXI) | " | Yes | 177,216 | - | - | 3% | 2 | - | " | - | - | - | 1,713,493 | 3,426,986 |

Note 1: The highest balance and the ending balance during the current period are the amount, not the actual usage amount.

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 were eliminated in the preparation of consolidated financial statements.

(ii) Guarantees and endorsements for other parties: None**(iii) Securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures):**

Unit: in thousands of New Taiwan Dollar/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 | - | Current financial assets at fair value through profit or loss | 63 | 5,292 | - % | 5,292 | - | |
| " | stock – Taichung Commercial Bank Co., Ltd. | - | " | 100 | 1,204 | - % | 1,204 | - | |
| " | stock – Acer | - | " | 1,400 | 24,990 | 0.05 % | 24,990 | 0.05 | |
| " | stock – Chunghwa Telecom Co., Ltd | - | " | 26 | 2,860 | - % | 2,860 | - | |
| " | stock – Powerchip Technology Corporation | - | " | 10,566 | 157,187 | 0.34 % | 157,187 | 0.34 | |
| " | stock – Powerchip Semiconductor Manufacturing Corporation | - | " | 1,153 | 22,646 | 0.04 % | 22,646 | 0.04 | |
| | | | | | 214,179 | | | | |
| " | stock – Taiwan Electronic Data Processing Corp. | - | Non-current financial assets at fair value through profit or loss | 374 | 3,522 | 9.65 % | 3,522 | 9.65 | |
| " | stock – Pu-Xun Venture Capital | - | " | 722 | 2,825 | 1.67 % | 2,825 | 1.67 | |
| " | stock – Aetas Technology Inc. | - | " | 91 | - | 0.30 % | - | 0.30 | |
| " | stock – Zowie Technology Corporation | - | " | 15 | - | 0.07 % | - | 0.23 | |
| " | stock – Glandtex Corporation | - | " | 1 | - | 0.01 % | - | 0.05 | |
| " | stock – Promos Technologies Inc. | - | " | 2 | - | - % | - | - | |
| | | | | | 6,347 | | | | |
| " | stock – Jiangxi Construction | - | Non-current financial assets at fair value through other comprehensive income | Note 1 | 2,051,779 | 19.80 % | 2,051,779 | 19.80 | |

Note 1: Registered with the amount of capital contribution.

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UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES
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- (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:

Unit: in thousands of New Taiwan Dollar

| Name of company | Related party | Nature of Relationship | Transaction details | | | | Transactions with terms different from others | | Notes / accounts receivable (payable) | | Note |
|-----------------|---------------|------------------------|---------------------|---------|---------------------------------------|---------------|---|---------------|---------------------------------------|---|------|
| | | | Purchase / Sale | Amount | Percentage of total purchases / sales | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes / accounts receivable (payable) | |
| The Company | UIS (Jiangxi) | Subsidiary | Sale | 128,039 | 0.66 % | 90 day | - | - | - | - % | - |

Note: The transactions were eliminated in the preparation of consolidated financial statements.

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

Unit: in thousands of New Taiwan Dollar

| Name of company | Related party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period | Loss allowances |
|-----------------|---------------------------------|------------------------|----------------|---------------|---------|--------------|---------------------------------------|-----------------|
| | | | | | Amount | Action taken | | |
| The Company | Su Yuan (Shanghai) Trading Ltd. | Subsidiary | 168,216 | - | - | | 1,469 | - |

Note: The transactions were eliminated in the preparation of consolidated financial statements.

- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions:

Unit: in thousands of New Taiwan Dollar

| No. | Name of company | Name of counter-party | Nature of relationship | Intercompany transactions | | | |
|-----|--|--|------------------------|---|---------|---|--|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 0 | United Integrated Services Co., Ltd. | United Integrated Services Co., Ltd. (Singapore) | 1 | Accounts Receivable-Related Parties | 42,506 | There is no different from general transaction. | 0.18 % |
| 1 | United Integrated Services Co., Ltd. (Singapore) | United Integrated Services Co., Ltd. | 2 | Accounts Payable-Related Parties | 42,506 | " | 0.18 % |
| 0 | United Integrated Services Co., Ltd. | Beijing Hanhe Tang Medical Devices Co., Ltd. | 1 | Accounts Receivable - Related Parties | 3,643 | " | 0.02 % |
| 2 | Beijing Hanhe Tang Medical Devices Co., Ltd. | United Integrated Services Co., Ltd. | 2 | Accounts Payable-Related Parties | 3,643 | " | 0.02 % |
| 0 | United Integrated Services Co., Ltd. | Su Yuan Trading (Shanghai) Co., Ltd. | 1 | Long-Term Accounts Receivable-Related Parties | 168,216 | " | 0.73 % |
| 3 | Su Yuan Trading (Shanghai) Co., Ltd. | United Integrated Services Co., Ltd. | 2 | Long-Term Accounts payable-Related Parties | 168,216 | " | 0.73 % |
| 0 | United Integrated Services Co., Ltd. | United Integrated Services Co., Ltd. (JIANGXI) | 1 | Long-Term Accounts Receivable-Related Parties | 35,660 | " | 0.15 % |
| 4 | United Integrated Services Co., Ltd. (JIANGXI) | United Integrated Services Co., Ltd. | 2 | Long-Term Accounts payable-Related Parties | 35,660 | " | 0.15 % |
| 5 | United Information Systems (BVI) Co., Ltd. | United Integrated Services Co., Ltd. | 2 | Accounts Receivable-Related Parties | 26,592 | " | 0.12 % |
| 0 | United Integrated Services Co., Ltd. | United Information Systems (BVI) Co., Ltd. | 1 | Accounts Payable-Related Parties | 26,592 | " | 0.12 % |

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

| No. | Name of company | Name of counter-party | Nature of relationship | Intercompany transactions | | | |
|-----|--|--|------------------------|-------------------------------------|---------|---------------|--|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 3 | Su Yuan Trading (Shanghai) Co., Ltd. | United Integrated Services Co., Ltd. | 2 | Accounts Receivable-Related Parties | 640 | " | - % |
| 0 | United Integrated Services Co., Ltd. | Su Yuan Trading (Shanghai) Co., Ltd. | 1 | Accounts Payable-Related Parties | 640 | " | - % |
| 0 | United Integrated Services Co., Ltd. | United Integrated Services Co., Ltd. (JIANGXI) | 1 | Dividends Receivable | 358,091 | " | 1.55 % |
| 4 | United Integrated Services Co., Ltd. (JIANGXI) | United Integrated Services Co., Ltd. | 2 | Dividends Payable | 358,091 | " | 1.55 % |
| 0 | United Integrated Services Co., Ltd. | United Integrated Services Co., Ltd. (JIANGXI) | 1 | Construction Revenue | 128,039 | " | 0.54 % |
| 4 | United Integrated Services Co., Ltd. (JIANGXI) | United Integrated Services Co., Ltd. | 2 | Construction Cost | 128,039 | " | 0.54 % |
| 0 | United Integrated Services Co., Ltd. | United Integrated Services Co., Ltd. (Singapore) | 1 | Construction Revenue | 29,599 | " | 0.12 % |
| 1 | United Integrated Services Co., Ltd. (Singapore) | United Integrated Services Co., Ltd. | 2 | Construction Cost | 29,599 | " | 0.12 % |
| 0 | United Integrated Services Co., Ltd. | Beijing Hanhe Tang Medical Devices Co., Ltd. | 1 | Sales Revenue | 3,311 | " | 0.01 % |
| 2 | Beijing Hanhe Tang Medical Devices Co., Ltd. | United Integrated Services Co., Ltd. | 2 | Cost of Good Sold | 3,311 | " | 0.01 % |
| 0 | United Integrated Services Co., Ltd. | United Integrated Services Co., Ltd. (JIANGXI) | 1 | Interest Income | 3,840 | " | 0.02 % |
| 4 | United Integrated Services Co., Ltd. (JIANGXI) | United Integrated Services Co., Ltd. | 2 | Interest Expense | 3,840 | " | 0.02 % |
| 0 | United Integrated Services Co., Ltd. | Su Yuan Trading (Shanghai) Co., Ltd. | 1 | Interest Income | 302 | " | - % |
| 3 | Su Yuan Trading (Shanghai) Co., Ltd. | United Integrated Services Co., Ltd. | 2 | Interest Expense | 302 | " | - % |
| 6 | Suzhou Hantai System Integration Co., Ltd. | United Integrated Services Co., Ltd. (JIANGXI) | 3 | Rental Income | 4,482 | " | 0.02 % |
| 4 | United Integrated Services Co., Ltd. (JIANGXI) | Suzhou Hantai System Integration Co., Ltd. | 3 | Administrative Expenses | 4,482 | " | 0.02 % |
| 6 | Suzhou Hantai System Integration Co., Ltd. | Su Yuan Trading (Shanghai) Co., Ltd. | 3 | Rental Income | 496 | " | - % |
| 3 | Su Yuan Trading (Shanghai) Co., Ltd. | Suzhou Hantai System Integration Co., Ltd. | 3 | Administrative Expenses | 496 | " | - % |
| 3 | Su Yuan Trading (Shanghai) Co., Ltd. | United Integrated Services Co., Ltd. (JIANGXI) | 3 | Construction Revenue | 136,752 | " | 0.57 % |
| 4 | United Integrated Services Co., Ltd. (JIANGXI) | Su Yuan Trading (Shanghai) Co., Ltd. | 3 | Construction Cost | 136,752 | " | 0.57 % |
| 3 | Su Yuan Trading (Shanghai) Co., Ltd. | United Integrated Services Co., Ltd. | 2 | Sales Revenue | 579 | " | - % |
| 0 | United Integrated Services Co., Ltd. | Su Yuan Trading (Shanghai) Co., Ltd. | 1 | Construction Cost | 579 | " | - % |

Note 1: The numbering is as follows:

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

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UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Note 3: The transactions were eliminated in the preparation of consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Ending balance | | | Highest Percentage of ownership | Net income (losses) of investee | Share of profits / losses of investee (Note 1) | Note |
|---|---|-----------|--|----------------------------|-------------------|--------------------|-------------------------|----------------|---------------------------------|---------------------------------|--|--------|
| | | | | December 31, 2019 | December 31, 2018 | Shares (thousands) | Percentage of ownership | Carrying value | | | | |
| The Company | ABLEREX ELECTRONICS CO., LTD. | Taiwan | Sale and purchase of UPS | 189,852 | 189,852 | 14,987 | 33.30 % | 490,936 | 33.30 % | 39,567 | 13,178 | |
| " | WHOLETECH SYSTEM HITECH LIMITED | Taiwan | Gas pipeline engineering | 61,367 | 61,367 | 9,946 | 13.61 % | 193,385 | 13.61 % | 190,646 | 25,958 | |
| " | UNITED INFORMATION SYSTEMS (BVI) CO., Ltd. | BVI | Investment activities | 567,643 | 567,643 | 17,698 | 100.00 % | 691,732 | 100.00 % | 48,391 | 48,391 | Note 2 |
| " | UNITED INTEGRATED SERVICES CO., Ltd.(Singapore) | Singapore | Clean room system construction | 34,040 | 34,040 | - | 100.00 % | 8,045 | 100.00 % | (183,043) | (183,043) | Note 2 |
| " | UNIMEMS MANUFACTURING CO., Ltd. | Taiwan | Machinery and Equipment Manufacturing | 19,000 | 19,000 | 2,095 | 19.49 % | - | 19.49 % | - | - | |
| " | JG N'VIRONMENTAL TECHNOLOGY CO., Ltd. | Taiwan | Machinery and Equipment Manufacturing | 47,874 | 47,874 | 3,488 | 17.01 % | 54,127 | 17.01 % | 45,168 | 7,684 | |
| " | Eco Energy Corporation | Taiwan | Integration and Solutions of Battery Energy Storage Systems, Purchase and Sale of Related Materials and Equipment | 99,449 | - | 6,630 | 16.57 % | 99,525 | 16.57 % | 950 | 76 | |
| WHOLETECH SYSTEM HITECH LIMITED | WHOLETECH SYSTEM HITECH(BVI) LIMITED | BVI | Investment activities | 170,884 | 170,884 | 5,400 | 100.00 % | 219,076 | 100.00 % | 28,686 | 28,686 | |
| WHOLETECH SYSTEM HITECH(BVI) LIMITED | WHOLETECH SYSTEM HITECH(S) PTE. Ltd. | Shanghai | Electromechanical, Circuit, and Pipeline Engineering Businesses | 169,127 | 169,127 | - | 100.00 % | 219,056 | 100.00 % | 28,686 | 28,686 | |
| WHOLETECH SYSTEM HITECH(S) PTE. Ltd. | WHOLETECH SYSTEM HITECH INC. | Mauritius | Investment activities | 110,559 | 110,559 | 3,500 | 100.00 % | 180,623 | 100.00 % | 25,045 | 25,045 | |
| WHOLETECH SYSTEM HITECH INC. | WHOLETECH GROUP INTERNATIONAL TRADING LIMITED | Malaysia | Construction of water, gas pipelines and sewage systems, gas production, distribution of fuel gas main systems, etc. | 110,559 | 110,559 | 3,500 | 100.00 % | 180,623 | 100.00 % | 25,045 | 25,045 | |
| WHOLETECH GROUP INTERNATIONAL TRADING LIMITED | WHOLETECH GROUP (Shanghai) TRADING LIMITED | Shanghai | Import and Export Trading Business of Electronics, Machineries, Chemical Equipment, Pipe Fitting Hardware, etc. | 110,559 | 110,559 | - | 100.00 % | 180,623 | 100.00 % | 25,045 | 25,045 | |
| 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 % | 42,273 | 100.00 % | (7,416) | (7,416) | |
| 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 % | 473 | 100.00 % | 5,564 | 5,564 | |
| ABLEREX ELECTRONICS CO.,LTD. | Ablerex-Samoa | Samoa | Holding company | 217,445 | 217,445 | 6,635 | 100.00 % | 469,926 | 100.00 % | (3,819) | (3,490) | |
| " | Joint Rewards Trading Corporation | B.V.I. | Provide management services | 104 | 104 | 3 | 100.00 % | 30 | 100.00 % | (46) | (46) | |
| " | Ablerex-USA | USA | Sales of uninterruptible power equipment and systems, solar equipment and related systems, etc. | 8,303 | 8,303 | 250 | 100.00 % | 43,566 | 100.00 % | (6,074) | (6,076) | |
| " | Ablerex International Corporation Limited | Hong Kong | Sales of uninterruptible power equipment and systems, solar equipment and related systems, etc. | 43 | 43 | 10 | 100.00 % | 30,116 | 100.00 % | 507 | 507 | |
| " | Ablerex-SG | Singapore | Sales of uninterruptible power equipment and systems, solar equipment and related systems, etc. | 48,008 | 48,008 | 2,141 | 100.00 % | 88,776 | 100.00 % | 5,819 | 5,735 | |
| " | Ablerex-UK | UK | Holding company | 4,674 | 4,674 | 100 | 100.00 % | 5,148 | 100.00 % | 503 | (288) | |
| " | Ablerex-JP | Japan | Sales of uninterruptible power equipment and systems, solar equipment and related systems, etc. | 9,253 | 9,253 | 3 | 100.00 % | 2,922 | 100.00 % | (1,683) | (1,911) | |
| Ablerex-Samoa | Ablerex-Overseas | Hong Kong | Holding company | 217,445 | 217,445 | 6,635 | 100.00 % | 473,835 | 100.00 % | (3,778) | - | |
| 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 % | 5,148 | 100.00 % | 503 | - | |
| Ablerex-SG | Ablerex-TH | Thailand | Sales of uninterruptible power equipment and systems, solar equipment and related systems, etc. | 256 | 256 | 280 | 70.00 % | 3,542 | 70.00 % | 3,327 | - | |
| Ablerex-USA | Ablerex-LATAM | USA | Sales of uninterruptible power equipment and systems, solar equipment and related systems, etc. | 15,358 | 15,358 | 4 | 86.00 % | 2,306 | 86.00 % | (10,946) | - | |
| JG ENVIRONMENTAL TECHNOLOGY CO., Ltd. | ASIA INTELLIGENCEINVESTMENTS LIMITED | BVI | Investment activities | 30,282 | 30,282 | - | 100.00 % | 41,144 | 100.00 % | 15,124 | 15,124 | |

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UNITED INTEGRATED SERVICES CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Ending balance | | | Highest Percentage of ownership | Net income (losses) of investee | Share of profits /losses of investee (Note 1) | Note |
|---------------------------------------|---|----------|--|----------------------------|-------------------|--------------------|-------------------------|----------------|---------------------------------|---------------------------------|---|------|
| | | | | December 31, 2019 | December 31, 2018 | Shares (thousands) | Percentage of ownership | Carrying value | | | | |
| ASIA INTELLIGENCEINVESTMENTSLIMITED | JG ENVIRONMENTAL TECHNOLOGY CO., Ltd. | Shanghai | Sales of pollution control equipment and manufacturing | 30,282 | 30,282 | - | 100.00 % | 41,144 | 100.00 % | 15,124 | 15,124 | |
| JG ENVIRONMENTAL TECHNOLOGY CO., Ltd. | Taiwan Sustainable environmental energy co., LTD. | Taiwan | Sales of pollution control equipment | 1,000 | - | 100 | 14.00 % | 1,000 | 14.00 % | - | - | |

Note 1: The profits/losses of the investee for current period were recognized by the investment company.

Note 2: The transactions were eliminated in the preparation of 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:

| Name of investee | Main business and products | Total amount of capital surplus | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of January 1, 2019 | Investment flows | | Accumulated outflow of investment from Taiwan as of December 31, 2019 | Net income (losses) of the investee | Percentage of ownership | Highest percentage of ownership | Investment income (losses) | Book value as of December 31, 2019 | Accumulated remittance of earnings in current period |
|--|--|---------------------------------|-------------------------------|---|---|--------|---|-------------------------------------|-------------------------|---------------------------------|----------------------------|------------------------------------|--|
| | | | | | Outflow | Inflow | | | | | | | |
| | | | | | Unit: in thousands of New Taiwan Dollar | | | | | | | | |
| Su Yuan Trading (Shanghai) Co., Ltd. | Semiconductor, clean room and electromechanical | NTS 34,495 USD 1,000 | (2) | NTS 34,495 USD 1,000 | - | - | NTS 34,495 USD 1,000 | 36,773 | 100.00 % | 100.00% | NTS 36,773 | NTS 283,108 | - |
| UNITED INTEGRATED SERVICES CO., Ltd.(JIANGXI) | Electromechanical business and pipeline engineering business | NTS 453,360 RMB 100,000 | (1) | NTS 338,573 RMB 75,000 | - | - | NTS 338,573 RMB 75,000 | 314,333 | 75.00 % | 75.00% | NTS 235,750 | NTS 511,041 | NTS 744,518 RMB 146,236 |
| Suzhou Hanai System Integration Co., Ltd. | Construction hardware , materials production and sales | NTS 381,660 USD 12,000 | (2) | NTS 381,660 USD 12,000 | - | - | NTS 381,660 USD 12,000 | 7,725 | 100.00 % | 100.00% | NTS 7,725 | NTS 303,980 | - |
| Jiangxi Construction Engineering Group Co., Ltd. | Various types of building construction | NTS 5,113,150 RMB 1,043,500 | (1) | NTS 1,008,212 RMB 206,600 | - | - | NTS 1,008,212 RMB 206,600 | - | 19.80 % | 19.80% | NTS - | NTS 2,051,779 | NTS 1,518,180 RMB 324,806 |
| Beijing Hanhe Tang Medical Devices Co., Ltd. | Distribution agency for medical equipment, import and export of goods, after-sales service | NTS 30,187 USD 1,000 | (2) | NTS 30,187 USD 1,000 | - | - | NTS 30,187 USD 1,000 | 3,886 | 100.00 % | 100.00% | NTS 3,886 | NTS 9,322 | - |

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.

Note 2: Except for Jiangxi Construction Engineering Group Co., Ltd., the transactions were eliminated in the preparation of consolidated financial statements.

(ii) Limitation on investment in Mainland China:

| Name of company | Accumulated investment in Mainland China as of December 31, 2019 | 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) | 5,140,479 |

(iii) Significant transactions with investees in Mainland China:

The significant inter— company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

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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 about reportable segments and their measurement and reconciliations:

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 amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to 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.

The Group's operating segment information and reconciliation were as follows:

| | 2019 | | | | Total |
|---------------------------------------|--|-----------------------------------|----------------|--------------------------------|-------------------|
| | Engineering and Integration department | Maintenance and Design department | Other | Reconciliation and elimination | |
| Revenue: | | | | | |
| Revenue from external customers | \$ 23,516,033 | 312,116 | 92,484 | - | 23,920,633 |
| Intersegment revenues | 294,390 | - | 3,311 | (297,701) | - |
| Interest income | 158,674 | - | - | (4,142) | 154,532 |
| Total revenue | <u>\$ 23,969,097</u> | <u>312,116</u> | <u>95,795</u> | <u>(301,843)</u> | <u>24,075,165</u> |
| Interest expenses | <u>\$ 11,310</u> | <u>-</u> | <u>-</u> | <u>(4,142)</u> | <u>7,168</u> |
| Depreciation and amortization | <u>\$ 42,714</u> | <u>1,409</u> | <u>627</u> | <u>-</u> | <u>44,750</u> |
| Reportable segment profit or loss | <u>\$ 3,461,419</u> | <u>107,092</u> | <u>261,976</u> | <u>(101,098)</u> | <u>3,729,389</u> |
| Reportable segment assets (note) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Reportable segment liabilities (note) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

(Continued)

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

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

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) Product and service information

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

| <u>Products and services</u> | <u>2019</u> | <u>2018</u> |
|------------------------------|----------------------|-------------------|
| Construction revenue | \$ 23,516,033 | 17,898,319 |
| Service and design revenue | 312,116 | 136,609 |
| Others | 92,484 | 93,006 |
| Total | <u>\$ 23,920,633</u> | <u>18,127,934</u> |

(d) Geographic 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.

| <u>Geographical information</u> | <u>2019</u> | <u>2018</u> |
|---------------------------------|----------------------|---------------------|
| Revenue: | | |
| Taiwan | \$ 19,272,860 | 9,573,717 |
| China | 4,429,233 | 6,976,527 |
| Singapore | 218,540 | 1,577,690 |
| Total | <u>\$ 23,920,633</u> | <u>18,127,934</u> |
| | <u>December 31,</u> | <u>December 31,</u> |
| | <u>2019</u> | <u>2018</u> |
| Non-current assets: | | |
| Taiwan | \$ 576,862 | 564,109 |
| China | 264,877 | 277,819 |
| Singapore | 1,944 | - |
| Total | <u>\$ 843,683</u> | <u>841,928</u> |

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

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

(e) Major customers

For the years ended December 31, 2019 and 2018, the sales to customers exceeded 10% of the total revenue were as follows:

| <u>Name of customer</u> | <u>2019</u> | | <u>2018</u> | |
|-------------------------|----------------------|--------------|------------------|--------------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| A customer | \$ 10,564,447 | 44.16 | 5,337,062 | 29.44 |
| B customer | 6,558,263 | 27.42 | - | - |
| Total | <u>\$ 17,122,710</u> | <u>71.58</u> | <u>5,337,062</u> | <u>29.44</u> |